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Future Trends Series - GR:REEN Project

Title of the report

The GCC in 2020, Outlook for the Gulf and the Global Economy

Area

Economy

Reporter

Economist Intelligence Unit

Type of the Reporter

Private Organisation

Periodically updated?

No

First issued year

2009

Latest update

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Official website

<http://www.economist.com/>

Language available

English

Short summary

The report examines the future economic development of the Gulf Co-operation Council (GCC) to 2020.

In the last decade, the GCC including Kuwait, Oman, Qatar, Saudi Arabia, Bahrain and the United Arab Emirates, has rapidly grown economically and demographically and went therefore through rapid social changes.

Since 1998, the GCC's GDP rose/decreased? by 5.2 % on annual average. At the same time, the population has risen from just over 28 million in 1998 to 39 million in 2008. The GCC has seen in the last decade its tourism industry and financial services sectors booming. It has also become the investment destination for major infrastructure projects. The GCC investors are themselves investing in the region as well as in Asia and Africa.

However, since the economic crisis hit key trading partners such as the US, and the recent fall in the oil price, the GCC's economies are gradually getting affected. Yet over the next decade it is expected that the region will experience strong economic growth occasioned by the GCC's demography and energy advantages as well as by major investments still currently expanding.

Key trends

- By 2020, the GCC will grow in importance as an economic and trading hub as it still provides one quarter of the world's oil and will export more oil to industrialised countries.
- Emerging markets will become important trading partners of the GCC and primary destination of investments. Gulf assets are likely to be diversified through Asia and Africa.
- Closer political and economic integration between GCC countries is likely to expand. A single currency, a single central bank and a greater harmonisation of legal and regulatory environments are all expected to take place in the GCC. However, economic integration will depend on good political relations, but will take importance over political integration.
- The GCC's focus on manufacturing and production of hydrocarbons will rise by 2020. GCC nations will aim to turn more of their oil into refined products or petrochemicals, and to use their oil and gas resources for industries that will add more value and provide more jobs.
- Water scarcity and high costs of local agriculture will increase the food imports in the GCC region imports. It is projected that food imports will more than double from US\$24bn in 2008 to US\$49bn by 2020. Food security will be strengthened by land purchasing in regions such as Africa, Central Asia and Southeast Asia.
- By 2020, the US is likely to remain the key foreign ally particularly in terms of security. It is however still not clear what security role emerging powers will play in the region.
- The dependency of the GCC on foreign labour will remain by 2020 despite efforts to encourage the employment of nationals. The GCC's labour market is expected to change at a very low level as there is a high dependency on low-cost expatriate labour. GCC education systems and promotion of labour participation is at an early stage of development. Therefore, the region still encourages employers to recruit expatriate workers, the GCC's large-scale imports of labour and exports of remittances will remain one key factor of exchange with the rest of the world.

Suggestions

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Methodology

Modelling and research from primary sources

Reference to other trends reports? If yes, which reports?

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