Gulf states 'facing period of budget rationalisation'

by Soman Baby GDN - 23/2/95

MANAMA

THE Gulf states, whose budget deficit this year may reach $13.29 billion, are passing through a period of rationalisation, a leading Bahraini official has told a New Zealand seminar.

Member of the Shura Council executive committee and second vice-president of the Bahrain Chamber of Commerce and Industry Abdulnabi Al Sho'ala said the dwindling oil revenue and the falling government reserves were causing concern to the Gulf states.

●Mr Al Sho'ala ... economic realities

The economic realities of the Gulf states were explained by Mr Al Sho'ala at the "Gulf Markets - Focus Seminars", organised by the New Zealand Trade Development Board (TRADENZ) at Auckland, Wellington and Christchurch in New Zealand last week.

As the keynote speaker, he presented a paper titled "Doing business with the Gulf".

Mr Al Sho'ala said the Gulf states were passing through a period of rationalisation and adjustment in their economic policies.

He spelt out the measures being taken by the governments to reduce budget deficits, improve efficiency and control expenses besides the policies and regulations being amended to encourage private and foreign investments.

While dealing with the positive aspects of the Gulf economy, he said with 45 per cent of the world's proven oil reserves, the GCC oil production was likely to grow from the present output level of 13.5 million barrels per day (bpd) to 15m bpd by the turn of the century and 23m bpd by 2010 AD.

The Gulf states also have around 21pc of the world's gas reserves, he said.

Referring to a study carried out by the Washington-based Heritage Foundation, Mr Al Sho'ala said Bahrain was ranked as third among 101 countries of the world in terms of "economic freedom" after Hong Kong and Singapore, and ahead of the US.

The ranking is based on trade, taxation, monetary and banking policies, capital flows, foreign investments, property rights, wage and price controls.

Quoting the World Bank report on GNP in terms of Purchasing Power Parity (PPP), he said the UAE and Qatar ranked fourth and fifth respectively after Luxembourg, the US and Switzerland.

Mr Al Sho'ala said the per capita income in the Gulf region was one of the highest in the world with UAE registering $18,000.

"The GDP of the Gulf states is expected to be $194.3bn in 1995 and the annual aggregate public and private consumption of consumer goods and services is likely to be above $100bn."

Mr Al Sho'ala emphasised that the Gulf states have to adopt pragmatic policies, strategies and measures including the introduction of integrated scheme of unified tariffs, monetary and fiscal reforms in order to enhance economic development and extension of trade.

He stressed the need for privatisation as it will take capital and running costs of key infrastructual projects out of the government budget.

It will also allow realistic charges for services without taxation besides ensuring efficiency and financial discipline among privatised enterprises.

"Privatisation will also allow governments to re-coup original capital investment for reinvestment in new projects.

"Privatisation programmes are under various stages of implementation and will strengthen and expand economic activities in the Gulf states," said Mr Al Sho'ala.