



# Time to activate the customs union

**Sultan Sooud Al Qassemi** on what the Gulf countries should do now that the common currency project has come to a grinding halt with the UAE pulling out.

Last month, the UAE pulled out of the Gulf Cooperation Council common currency project, not too long after the Saudi Arabian capital Riyadh was chosen as the headquarters of the union's proposed central bank. Many pundits had argued that the UAE would have been an ideal location because of its large economic size and openness. Saudi Arabia's backers stated that Riyadh was chosen mainly because of the economic clout of the kingdom as the region's largest economy and cited the fact that King Abdullah, the Saudi monarch, was the only Arab representative in the G20 meetings in London earlier this year. The UAE's expressed reservations may be due to the fact that it does not host any GCC body even though it is the second largest economy in the Arab world after Saudi Arabia.

There is no doubt that without the UAE in the currency, the project will never take off. Each of Saudi Arabia's three remaining partners has issues that merit consideration. Kuwait's economic policy track record in the past few years shows that the one thing you can count on is that you can't count on anything. For instance, they have pulled out of the basket of currencies and aligned themselves with other GCC states only to return to an independent policy two years later. Bahrain, while it enjoys impressive governance and economic policies, is simply too small to make a difference to the Saudi Arabian economy, in addition to irking Saudi Arabia after it signed with the US a bilateral free trade agreement. Finally, Qatar also had a seesawing political relation with Saudi Arabia in the past affecting the peninsular state's economic goals. Qatar's negotiations with

Kuwait to extend a gas pipeline, earlier in the decade, faltered as Saudi Arabia accused Qatar-based Al Jazeera channel, of deliberately targeting the kingdom by repeatedly hosting unfriendly guests on the satellite TV channel. As Al Jazeera's policies haven't changed and Qatar's political relations with Iran and Syria continue to strengthen to the chagrin of Saudi Arabia, it is unlikely that Qatar will accept outsourcing its monetary policy to a country with which it has yet to decide whether it wants to be friendly or not.

So now that the GCC single currency is dead and buried, it is time for the region to strengthen the entities that they have



launched in the first place. The frozen customs union needs to be activated and the related laws and regulations have to be finally passed and implemented on the ground by all six-member states. Once that is done free trade agreements will no longer be negotiated separately because the economic integration of the Gulf States will finally be tangible. Additionally, past press reports throughout the GCC highlighted incidents where a specific Gulf state has not allowed free access of imported goods from one member

state to another as the Gulf common market laws stipulate. This can partially be attributed to psychological reasons of some people who have yet to see tangible elements of a Gulf union as many still view the common economic agreements as not being worth the paper they're written on and rather more a public relations exercise between the rulers of the Gulf. Human beings generally rely on proof to ascertain their beliefs and until the rulers of the Gulf states literally show them the money they will continue to have doubts if this economic union is and can be a reality. Another issue that merits attention is that of the joint tourist visa that could be implemented relatively fast. The GCC can follow the European Schengen visa policy, in which only some EU states are signatories. For instance the UAE, Oman, Qatar and Bahrain can introduce it together, while the other two Gulf states can then join in.

Finally, and in order not to lose hope, Gulf nationals can remind themselves that they have previously used a single currency, which is still in existence today. The Indian rupee was the accepted legal tender from Basra to Muscat and throughout the sheikhdoms of the Gulf.

Ultimately, someone must point out to the elephant in the room, the GCC states already have a single currency to which they are all linked and is uniformly traded throughout the region, which means that a common monetary policy already exists. This currency is called the US dollar. It has worked for three decades; it will work for another three.

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