II. ECONOMY AND FOREIGN TRADE

General

The economies of all the Gulf States are based to a greater or lesser degree on oil and gas. In Kuwait, Qatar and the Emirates, this is almost exclusively the source of official government revenues and foreign exhange. Not surprisingly, these three countries have among the highest per capita incomes in the world. Bahrain's smaller reserves are depleting and it is turning to other economic activities. Oman appears to have a number of other natural options.

Although fundamentally sound, all Gulf State economies have suffered declining oil revenues since 1981 when the Organization of Petroleum Exporting Countries (OPEC) cut the price of its oil. Development expenditures have been slowed in all cases except Oman. Qatar and the United Arab Emirates have been hardest hit, Bahrain less so, while Kuwait has enjoyed some protection thanks to substantial earnings on overseas investment. Oman has continued to bring on new production of oil and copper and so has continued to increase development spending, most recently with some help from international loans.

Development and the Role of the Gulf Co-operation Council (GCC)

Each Gulf State has taken a slightly different path to development. All realize that dependence on crude oil places them in a vulnerable position. The challenge then is to provide for sustainable economies based either on production of higher value petroleum products or on non-petroleum related industries.

Prior to 1981, there was little co-ordination in the development of various facilities and industries. Since 1981, however, some headway has been achieved in co-ordinating economic and industrialization policies under the auspices of the GCC. The GCC, whose membership includes the five Gulf States plus Saudi