

# **Unified Industrial Development Strategy** for the Arab States of the Gulf Cooperation Council (Revised Version)

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Secretariat-General

Cooperation Council for the Arab States of the Gulf

## **Introduction**

In their first meeting (1981), the Ministers of Industry of the GCC states (Members of the Industrial Cooperation Committee) attached primary importance to the formulation of an industrial strategy for the GCC states. To this effect, a study was conducted and was discussed in several meetings and workshops of ministerial and technical committees, until the unified industrial development strategy of the GCC states was adopted by the Supreme Council, in its 6<sup>th</sup> meeting held at Muscat in 1985. Major economic, developmental and social changes have since taken place at the regional and international levels. This made it necessary to re-examine the components of this strategy with a view of evaluating and identifying the extent to which the objectives have been reached and then developing a new strategy that accounts for these changes and meets the industrial development needs of the GCC states.

Accordingly, during their 15<sup>th</sup> meeting, held in Riyadh on 24<sup>th</sup> Jumada II 1417 (5<sup>th</sup> November 1996), the Ministers of Industry of the GCC states stressed the importance of assessing the industrial strategy the GCC states. They instructed the Secretariat General and the Gulf Organization for Industrial Consulting to conduct an assessment of the unified industrial development strategy of the GCC states which was adopted by the Supreme Council in its sixth session.

During the 17<sup>th</sup> session of the Supreme Council, held in Doha on December 1996, their Majesties and Highnesses, the leaders of the GCC states, re-emphasized the importance of accelerating industrial development in the GCC states since it represents one of the strategic options of the countries of the region. They instructed the General Secretariat to re-examine the unified development strategy of the GCC states.

Accordingly, the State of Kuwait hosted, on September 13, 1998, an extended panel discussion which was attended by the Deputy Ministers of

Industry of the Member Countries, representatives of the public and private sectors and a number of experts and specialists. The purpose was to assess the unified industrial development strategy of the GCC states. Constructive recommendations were thereafter proposed.

The Secretariat General expresses its appreciation to the Gulf Organization for Industrial Consulting for devoting its expertise and attention to the study of the strategy adopted in 1985 and for its cooperation with the Secretariat in preparing the new strategy, which took into account the industrial development achievements made in the member states over the last decade, while monitoring and analysing regional and international changes. The new strategy is the outcome of the rich experience and dedicated efforts of government officials and industrialists. It has gone through numerous phases of study, research, application and revision and is a component element in the continuing process of the Gulf industrial development.

The Secretariat General is confident that the adoption of the new revised industrial strategy by the Supreme Council at its 9<sup>th</sup> session held in Abu Dhabi, UAE, on 18-20 Sha'aban 1419 (7-9 December 1998), will impart a new impetus to the drive towards a future which is compatible with the various regional and international developments and which will lead to the attainment of the objectives laid down by the leaders of the GCC states, in accordance with Article 12 of the Unified Economic Agreement and the functions of the Industrial Cooperation Committee.

The Secretariat hopes that this strategy will best serve to enhance the industrial cooperation among the GCC states which aims at fostering an integrated and advanced industrial development and increasing the contribution of the industrial sector to national income over the coming two decades.

## Unified Industrial Development Strategy for the GCC States

### **I. Main objectives of the unified strategy:**

- To speed up an integrated industrial development process in the GCC states, that is compatible with the potential and circumstances of each country.
- To increase the manufacturing sector growth rates in the GCC states, subject to the conditions and constraints prevailing in each country, with the aim of doubling the total value added of the manufacturing sector every ten years.

- ❑ To raise the share of nationals in the manufacturing sector labour force to a minimum of 75% by 2020, assigning a priority to the technical and professional occupations.
- ❑ To work toward increasing the share of national components in all industrial products.
- ❑ To set up a base for industry - related research and applied sciences.
- ❑ To promote the integration of the industrial sector with the petroleum and gas sectors as well as with other sectors of the economy.
- ❑ To develop the exploitation of the region's natural resources and to increase the efficiency of their utilization in industry.
- ❑ To promote the establishment of industries in the less developed areas.

## **II. Priorities of the unified strategy:**

Accounting for the environmental protection requirements through the adoption of a clean production policy and of water resources conservation measures, insures the success of and provides incentives to those industries that meet the following criteria:

1. Industries that exploit and develop GCC states' natural resources.
2. Industries in the GCC states with high productivity and value added levels and with the strength to compete and grow in the national (local) and international markets.
3. Industries which promote integration, inter-link with the existing production chains and increase the chances of success of the Gulf industries.

4. Small and medium size industries that are affiliated to larger size industries and which are paving the way for the transformation of the GCC community into an industrialized society both technically and psychologically.
5. Industries which contribute to the Gulf industrial integration through joint investments in industrial projects that conform with the above criteria.

### **III. Policies for implementing the unified strategy:**

The implementation of this strategy depends on a basic principle, namely:

The governments of the GCC states will encourage and promote the private sector initiatives to establish viable industrial projects, particularly in the chemical, hydrocarbon, basic mineral and related engineering branches. In this connection, the GCC states need to:

- Provide appropriate incentives to the industrial projects that are commensurate with the strategy priorities, including the projects with foreign investment.
- Re-structure or develop the production system so as to increase the competitive strength of the industrial projects and enable them to integrate into the international trade process.
- Promote the establishment of more industrial investment companies and have their ownership increasingly in the hands of GCC nationals.
- Promote the establishment of industrial projects that are jointly owned by companies and nationals of the GCC states, as an important means of contributing to the economic unity of these states.
- Encourage the private sector to participate in providing the infrastructure called for by the industrial projects that meet the requirements of the strategy priorities.

- Identify the various means through which industrial technology can be transferred to the GCC states, including the transfer for utilization by the GCC industry of the latest research-based technology about to be marketed.

*The policies for the implementation of the unified strategy include, in particular, the provision of incentives and basic requirements, together with a climate that is favourable to industry, as noted below:*

**(a) Incentives:**

The incentives that the GCC state governments or their public agencies can provide to the GCC industrial projects include the following:

1. Provide the industrial investor with technical advice and assistance in preparing technical feasibility, economic, and marketing studies, and provide technical information on the suppliers of machinery, equipment and raw materials.
2. Exempt the equipment and raw materials required by the plants from import customs duties.
3. For specific periods of time, exempt from taxes the profits and earnings of industrial projects.
4. Provide soft loans to the small and medium size projects.
5. Provide grants, aids and technical assistance to encourage the establishment of research and development centres in Gulf industrial projects.
6. Promote industrial exports through various means, including the creation of independent specialized agencies that provide export financing and guarantees and assist in establishment of specialized centres which promote exports to foreign markets at the national and Gulf regional levels.
7. Provide technical and financial assistance for training and skill-development of the national workers employed in the industrial enterprises.

8. Sponsor and honour creative talents and industrial pioneers who play an essential role in guiding the industrial development process in the GCC states.

**(b) Basic Facilities**

The facilities that the GCC states governments seek to expand their provision for the industrial projects include:

1. The construction of specialized industrial towns and zones and the development of an appropriate infrastructure in less-developed areas, to attract more industrial projects.
2. Encouragement of the private sector to participate in the construction and expansion of industrial towns.
3. A continuing improvement and development of supporting sector services, e.g. highway, communication and seaports networks; and banking, insurance and trade services.

**(c) An environment favourable for industry**

Accelerating the implementation of the Unified Economic Agreement and giving priority to the unification of customs tariffs, as an important step towards the formation of a common market, would provide an environment favourable to industrial growth, and would also lead the GCC governments to focus attention on the following:

1. Adopt, on a gradual and selective basis, a new protection system, that is more efficient and meets the time-limits provided for in the World Trade Organization Agreement.
2. Enact an anti-dumping and countervailing tariff legislation that conforms to the WTO agreement, and provide, for a subsequent development of an administrative structure to monitor the application of this legislation.
3. Give due importance to the principle of privatizing the public sector basic industries and formulate specific rules for the selection and privatization of industries.
4. Insure a high performance level on the part of the government agencies that interact with the industrial sector, and increase their

effectiveness and ability to meet the requirements of industrial development.

5. Conduct and publish studies on industrial investment opportunities and promote the industrial projects that are likely to be successful.
6. Promote industrial awareness in GCC countries, and induce qualified nationals to work in industrial enterprises, particularly in leading technical and administrative positions.
7. Establish and adopt appropriate fiscal and monetary policies which insure an adequate and sustained demand for national industrial products.
8. Develop Foreign Capital Investment Regulations (Laws) which create an investment climate that attracts and encourages foreign investors to participate in joint industrial ventures that entail the transfer of modern technology and joint marketing efforts at the international level.

#### **IV. Requirements of the unified strategy**

For strategy implementation purposes, the GCC states are in the process of establishing a clear and codified mechanism which provides for programs of action and multilateral or unilateral procedures for attaining the strategy objectives and its underlying components. These include details of the industrial development plans scheduled within a specified timetable, and identification of priorities for the basic projects that are capable of motivating industrial development, a determination of the institutions that are to be in charge of the implementation of these procedures and provisions of the required fiscal resources, taking into account the following main aspects:

##### **1. Government participation in setting-up industrial projects**

In furtherance of efforts by the private sector in the industrial development process, the GCC countries are to establish – collectively or individually – industrial projects, particularly as joint ventures with the private sector, in the following areas:

- Basic or heavy industrial projects that are capital-intensive or entail high-risks.
- Industrial projects which are important for the security of the GCC countries.

- Advanced-technology projects, such as communications and informatics.
- Industrial projects that are important in fostering and strengthening integration among the GCC countries.
- Selection of industrial projects to be established in less-developed areas.

In all cases, the GCC countries should encourage the private sector to participate in these projects. As a general rule, the governments of the GCC countries endeavour to relinquish the ownership of these projects to the private sector, when their success is proved. The governments also attach a great importance to the participation of foreign investors in projects that entail advanced technologies or exclusive ownership.

## **2. Administrative and organizational measures**

These measures relate to the efforts exerted by the governments of the GCC countries to organize industrial activity in general, as well as to the efforts intended to guide the educational, training and technical policies toward achieving the industrial development objectives and accelerating and fostering industrial activity in the GCC countries. The measures cover the following major areas:

### **(a) General Organizational efforts:**

- Unification of the time schedules of the economic development plans and formulation of the phased plans for the implementation of the strategy in the GCC countries, on a continuous basis.
- Unification and development of industrial licensing procedures in the GCC countries and instructing the licensing authorities to direct industrial activity in conformity with adopted plans.
- Accelerating the unification approved specifications and standards for the GCC industrial products, and insuring the application of the unified specifications and standards to the imported industrial products.
- Encouragement of industrial establishments to adopt total quality management system (TQM) that raises their competitive strength to international levels.
- Increasing the coordination among the GCC countries so as to achieve a common negotiating position with regard to marketing



the Gulf industrial products in international markets and purchasing the needed inputs from these markets.

- Endeavour to unify, coordinate and direct the industrial development financing policies to insure efficient use of resources.
- Coordination between the specialized financing institutions in financing industrial projects in the GCC countries.
- Equal treatment of GCC nationals with regard to securing financial resources provided for the industrial projects in any of the GCC countries.
- Encouragement of the establishment of joint-stock and investment companies in industrial branches and expansion of the ownership base of these companies.
- Enhancement and expansion of the role that Gulf organizations and institutions play with regard to data provision, identification of industrial investment opportunities, promotion of industrial projects in the GCC countries, and assisting Gulf plants in overcoming the difficulties that they encounter.
- Inclusion of clauses aimed at promoting GCC industrial exports in foreign aid contracts and agreements, and in trade agreements with industrial and developing countries.
- Coordination between the GCC countries with regard to management and marketing contracts with foreign companies, loan agreements with foreign and international financial institutions and suppliers' facilities agreements.
- Adoption of the principle of "offset" in concluding contracts for major industrial projects with foreign companies and contractors.
- Coordination between the joint industrial projects in the GCC and their counterparts to be concluded between the other Arab countries, in order to avoid harmful competition in the markets, and to benefit from common efforts in management and technology field.
- Direction of GCC foreign investments to Arab, Islamic and friendly countries to invest in promising areas that are conducive to the success of industries in the GCC whether by insuring markets for their industrial products, purchasing important raw materials or securing appropriate technology.

**(b) Education, training, technology and labour policies:**

The governments of the GCC states seek to link the education and training system to the needs of the national economy focussing on graduating qualified technical and professional manpower and attaching special importance to the following main aspects:

- Harmonization of the educational and training plans and policies with the requirements of the industrial plans of the GCC countries and establishment of research and development centres in the GCC countries with linkages among themselves, with the universities and the industrial projects in the GCC countries and directing them towards applied research in industry.
- Increasing the allocations for research and development in the general budgets and encouraging industrial companies to do likewise in their budgets.
- Coordination of the research and development activities of the GCC countries and identification of the research priorities that best promote industrial development.
- Encouraging the establishment of national bureaus for engineering consultancy and studies, in order to benefit from their services in industry.