

SECTION V

IMPACT OF LOW OIL PRICES ON GCC COUNTRIES & MEASURES TO COPE THE SITUATION

Impact of Dwindling Oil prices on Real Estate and other Sectors in GCC countries

The year 2016 witnessed a dip in property values in Dubai, Abu Dhabi and Sharjah. There was a major drop in Qatar's leasing activity, with smaller office space in demand. According to *Construction Week Online, Saudi real estate transactions decline in Q1 of 2016*. On the other hand, increased supply of hotel rooms and lower demand from business visitors decreased the growth in average room rates in the UAE. The outlook of tourism infrastructure remains positive with the delivery of Dubai Parks, Expo 2020 and investments in tourism infrastructure. According to the "*Middle East hotel benchmark survey report 2012-16*, the hospitality segment is experiencing a short-term decline. In 2015, rooms yield remained stable for Doha and Jeddah, while Dubai and Abu Dhabi witnessed a slight decline of 6.3% and 5.0%, respectively. But the retail segment is forecasted to benefit from upcoming mega events. Supply of retail space in Qatar is projected to double by 2019.

Measures Adopted by GCC Countries to deal the Situation

GCC Countries adopted the following measures to cater the situation.

1) Saudi Arabia:

Saudi Arabia has adopted following steps to revive its economy after lowering the oil prices.

I. Issuance of Royal Decrees:

Saudi government issued several royal decrees to deal with the situation. Different economic packages were announced to provide relief to the masses. Furthermore, various orders were issued to cut the extra expenditures in government offices to maintain the fiscal balance.

II. Announcement of Vision 2030.

The Saudi Government started a major project, known as Vision 2030, aimed at overhauling the economy, reducing the dependence on oil and creating a more productive

native workforce. Moreover, Saudi Arabia introduced the KSA's Musanid Platform for admitting domestic workers from other countries especially Bangladesh.

III. **Establishment of Sovereign Fund:**

Saudi Arabia will make efforts to transform the Saudi Public Investment Fund to sovereign fund assets valued to \$2.5 trillion, making it the largest globally sovereign funds in the world. Deputy Crown Prince explained that the fund will control more than 10% of the investment capacity in the globe, and the estimated size of the property by more than 3% of global assets. He added that Saudi Arabia will be the backbone of investment through the fund, which will be a key driver of the globe and not just on the region.

IV. **Public Offering of Aramco:**

Saudi Arabia will offer less than 5% of the giant national oil company Aramco public offering on the stock exchange and will allocate the proceeds of IPO to finance the Saudi sovereign wealth fund, and Aramco is part of the main keys of the economics of the vision so, the company is a part of several benefits notably transparency, if Aramco raised in the market means you must announce their lists and become under the control of all the Saudi banks and all the analysts and thinkers Saudis, and the entire international banks. Aramco is expected to assess the overall by more than \$2 trillion.

V. **Green Card System:**

Deputy Crown Prince announced that Saudi Arabia will apply green card system within five years in order to improve the investment climate, and that the system will enable the Arabs and Muslims from consuming live in Saudi Arabia, and that the Kingdom will open tourism to all nationalities in line with the values and beliefs of the country. That the comprehensive reforms planned, including the green card system will be applied even if oil prices rose above \$70 a barrel again.

VI. **Target of 30 million pilgrims:**

Saudi Arabia is planning to increase the number of pilgrims every year from 8 million to 80 million by 2030 and that the work of the development of infrastructure as an airport Jeddah, Taif and the new airport will support the plan, in addition to the development of infrastructure in Mecca and investment areas surrounding the Haram al-Makki.

VII. Women Participation:

The plan aims to increase the participation of women in the labor market from 22% to 30%, and reduce the unemployment rate among Saudis from 11.6% to 7%. Saudi Arabia is seeking to increase the contribution of the private sector in the gross domestic product from 3.8% currently to 5.7%.

VIII. Taxation Measures:

Saudi Arabia is focusing on new tax rules and regulations and imposed 2.5% white land tax on undeveloped urban land. Similarly, it has made various categories of foreign manpower and introduced different slab rates for taxes. The high foreign manpower category will be imposed more tax than others. Furthermore, Saudi Arabian General Investment Authority (SAGIA) allows 100% foreign ownership in retail and wholesale business. Saudi Arabia has imposed tax on sending the remittances to other countries. Similarly, cost of visa has also increased to generate revenue.

2) United Arab Emirate (UAE)

UAE also introduced different steps and some major steps are as follows:

I. Announcement of Vision 2021 and World Expo 2020:

UAE is prioritizing on high infrastructure spending as part of the World Expo 2020 and UAE Vision 2021 and reduce oil sector contribution to GDP to 20% by 2025. Now after the fall of oil prices, Gulf countries are taking various steps to reduce their dependence on oil based earnings.

II. Focus on Skill Development of Workers:

UAE is focusing on skill development of workers and following four institutions have been accredited by UAE Government under the Pilot Project on Skills Up gradation Accreditation of Vocational Training Centre in Pakistan:

1. Institute of Technical & Professional Education, Rawalpindi,
2. College of Technology, Rasul Mandi Bahauddin,
3. Construction Technology Training Institute, Rawalpindi,

4. Applied Technologies Institute, NLC, Mandra with the collaboration of Group of Arfat Tirocinium (UAE).

3) **Qatar**

Qatar is working to introduce new laws, events and minimizing the government spending. It showed commitments to infrastructure projects through FIFA World Cup 2022 Qatar, National Vision 2030 and Qatar National Tourism Strategy 2030.

4) **Bahrain**

Bahrain is also making new laws and cutting down on the government spending. The Bahrain Economic Development Board (EDB) is committed to invest over US\$20b on industrial and infrastructure projects in the coming years.

5) **Kuwait**

Kuwait is focusing on Public Private Partnership model initiatives. It has introduced the development plan 2015–20 focuses on economic reforms and infrastructure projects.

6) **Oman**

Oman introduced a five year (2016-20) development plan aims to reduce contribution of oil in GDP to 26% and introduced new electronic system to protect people from unscrupulous brokers.