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The Notorious Impact: Due to Insufficient Competition Laws in the GCC Countries

VAIBHAV KUMAR SHAH[1]

ABSTRACT

In the days of the Prophet, Ahlaf and Fudul were well known by a group of well-off merchants intended to protect the business monopoly and sustain virtues, protect the poor and needy. The principles of competition law are already in existence in Islam and most importantly it is also constitutive of the prohibition of monopolies. In a tradition reported in al-Muslim, where Prophet declared: "Nobody hoards except the wrongdoer". As narrated by Ibnu Majah, in his famous book of Hadith, where the Prophet claimed, "He also keeps back grain from sale for forty days only to sell it at higher prices, sale it that such a man is not aware of the existence of God or that God has cut himself off from him". Sharia also promotes competition and price-fixing, monopolies were banned as early as the time of Prophet Muhammad. The absence of strong competition laws in the GCC countries indicates the personal benefit of the monarchies, due to which the economy of GCC countries is heavily dependent on the oil sector which impacts not only the GCC countries but also the globe. If IMF is to be believed the Gulf will see a turbulent phase about 2034 the global peak in oil demand will be reached, sooner than the expectations of these nations, emphasizing on the urgency of economic diversification. This paper aims at analyzing competition laws in the GCC and studying all such internal and external impacts and suggesting a way forward.

Keywords: *Competition Law, Gulf Cooperation Council (GCC), Monarchy, Economic Diversification.*

I. INTRODUCTION

"The emergence and evolution of competition law in modern history was a gradual process. The competition laws were adopted initially in developed countries and later in developing countries. However, the evils associated with the trade were not easy to deal with. Adam Smith in his acclaimed book, The Wealth of Nations,[2] cautioned the society about the threats of unfair trade practices like monopoly and abuse of dominant position."[3] In this era of liberalization, globalization & technological advancement, there is a race to boost trade and commerce it has

[1] Author is a Student at School of Law, Sharda University, India.

[2] Adam Smith, The Wealth of Nations, William Strahan, Thomas Cadell, London 37 (1776).

[3] Furqan Ahmad, "Competition Law: Islamic Perspectives" 59 JILI (2017) 397.

been realized in many instances that in a void of efficient competition laws the adverse effects such as abuse of dominance, and cartels will rotten up the economic development of the countries. The lack of structured competition laws also results in the accumulation of wealth, causing national inequality and overexploitation of natural resources.

To begin with, the GCC has always been ruled by the royal families, who after the discovery of oil have found their way away from the influence of elite businesses men and have passed a law according to the Islamic beliefs and have protected their oil business from any foreign or even national intervention. The competition laws we see in the United Arab Emirates, Kingdom of Bahrain, Kingdom of Saudi Arabia, Sultanate of Oman, State of Qatar & State of Kuwait (Gulf Cooperation Council), are more or less similar to the GCC Charter (Art. 4) provides for the unified economic policies and other policies for the GCC countries. Now, the competition law which opens up free trade channels in the market preventing any monopolistic practices, dominant position, the concentration of wealth will directly affect the position of the royal families in the oil fields, so the competition law of any GCC country is not empowered to penalize the government monopolies or actions, further, the competition laws are giving tremendous power on the monarchies to pass a resolution for allowing any such activity controlled by the competition laws. This bypass of the competition law by the rulers has resulted in some serious impacts.

Oil which is in demand worldwide gives a tremendous revenue and well revenue is the most important thing for development and good living standards. This thought of the Arab rulers has closed the eyes of the rulers to the need to diversify their economy. This lack or neglect of competition law has given birth to impacts twofold, *Firstly*, this one-directional efforts of the rulers for oil, have placed every GCC country not only in a situation where the GDP and government savings go up and down with the price, relying about 60% on the revenue from oil but also in a situation where FDI is less and GCC lags in the ease of business, again making the royal family more supreme and powerful. *Secondly*, the international market suffers from arbitrary oil prices from the GCC and lives in a threat of any future oil crisis like 1973, and 1979 due to the political ambitions of the GCC.

The middle east countries drawing the bulk of their economy from the oil & gas export have organizations/unions such as GCC (Gulf Corporation Council) & OPEC (Organization of the Petroleum Exporting Countries). GCC was formed in 1981 by the United Arab Emirates, Kingdom of Bahrain, Kingdom of Saudi Arabia, Sultanate of Oman, State of Qatar & State of Kuwait. Laws in the GCC counties are based on the Sharia Law & having their charter the Art.

4[4] of which mentions their similar objectives in the economy, financial affairs, commerce & the unification of these member states, have all together insufficient and relatively new competition laws. Whereas OPEC was established at a conference held in Baghdad on September 10–14, 1960, and was formally constituted in January 1961 by five countries: the Islamic Republic of Iran, Iraq, Kuwait, Saudi Arabia and Venezuela. The countries which joined later are Qatar (1961), Indonesia (1962), Libya (1962), the United Arab Emirates (1967), Algeria (1969), Nigeria (1971), Ecuador (1973), Gabon (1975), Angola (2007), Equatorial Guinea (2017) and Congo (2018). OPEC has been accused of being the biggest and most influential cartel in the oil and natural gas market. This paper aims at analyzing the competition laws of the major GCC countries like the Kingdom of Saudi Arabia & United Arab Emirates, and to put forward the regional and the global impact of the poor competition law framework in the GCC countries, highlighting the reasons which led to such competition laws in the region and how the sudden need of a new set of competition law have arisen in the GCC countries, to sustain the coming turbulence of global peak of oil demand predicted by the IMF.

II. KINGDOM OF SAUDI ARABIA

The Kingdom of Saudi Arabia the most important member of GCC have a huge 266 billion barrels of oil & 8588 billion cubic feet of gas reserves, which makes it one of the largest exporters of oil and gas. Saudi Arabia had a competition law as early as 2004 by Royal Decree No. M/25 of the 4th Jumada Awal 1425 Hejra, corresponding to the 22nd June 2004 Gregorian. The current Competition Regulation was passed by Royal Decree No M/75 of 29 Jumada Thani 1440 Hejra (corresponding to 6 March 2019), and came into force on 24 September 2019, replacing the Competition Regulation of 2004.

Competition Law (promulgated by Royal Decree No. M/75 of 29/06/1440H (March 6, 2019)).

The new law has in total 28 Arts. with Art. 1[5] defining the general terms such as Dominant Position *"A situation in which an entity - or a group of entities - controls a certain percentage*

[4] ARTICLE FOUR – Objectives - The basic objectives of the Cooperation Council are:
To effect coordination, integration and inter-connection between the Member States in all fields to achieve unity between them.
To deepen and strengthen relations, links and areas of cooperation now prevailing between their peoples in various fields.
To formulate similar regulations in various fields including the following:
Economic and financial affairs, Commerce, customs and communications, Education and culture
To stimulate scientific and technological progress in the fields of industry, mining, agriculture, water and animal resources; to establish scientific research; to establish joint ventures and encourage cooperation by the private sector for the good of their peoples.

[5] Article 1 - Competition Law (promulgated by Royal Decree No. M/75 of 29/06/1440H (March 6, 2019)).

of the market where it operates or has influence or both. The Regulations shall determine such percentage by criteria approved by the Board", Economic Concentration *"Any act that results in the total or partial transfer of ownership of assets, rights, equity, shares, or obligations of an entity to another, or the joining of two or more administrations in a joint administration, by the rules and standards set by the Regulations"* just like other legislations.

The Aim and objective of the Saudi Arabian law are to promote fair competition and prevent any anti-competitive practices that can affect any consumer interest, to promote economic development and fair market condition.[6] Art. 3 lists the extent and jurisdiction of this act which extends to all the activities within the State, practices outside the state having an impact on the state, but the state-owned activities and public establishments are excluded from this act also the companies authorized by the government to goods and services in a particular field are excluded from the act. GAC shall have exclusive jurisdiction in the matters arising as a result of this act.

Art. 4 fixes the prices of goods and services by the market with an exception of the prices of goods and services determined by a Council of Ministers through a resolution. Any anti-competitive agreements or contracts between the undertakings are prohibited[7]. Art. 5 gives the list of such anti-competitive agreements they are fixing the selling price or cost price or terms of sale, fixing the size or quality or quantity or weight of the product, restricting the free flow of goods into the market by unlawful acts, denial of any particular goods in the market, strategizing and dividing the market on basis of geography or customer type etc.

Restriction on the entity/entities having a dominant position in the market from exploiting their position by selling at a lower price, determining the price or condition for resale, limiting the product in the market, restriction to deal with another entity without any reason is applied by the Art. 6 of the legislation.

Art. 7 of the act mandates for the entities participating in the economic concentration transaction to inform the GAC at least 90 days before completing its transaction. Art. 8 provides for the exemption of certain entities from the application Arts. 5, 6 and 7 if recommended by the special technical committee formed for this purpose, provided that such exemption must result in improved market performance and efficiency.

Art. 9 of this legislation mentions that specific procedures for reporting the economic concentration will be specified in the regulations along with the documents, content and

[6] Article 2 - Competition Law (promulgated by Royal Decree No. M/75 of 29/06/1440H (March 6, 2019)).
[7] Article 5 - Competition Law (promulgated by Royal Decree No. M/75 of 29/06/1440H (March 6, 2019)).

information required for such reporting. This article[8] also empowers GAC to access the documents, contents and all other such documentation concerned with this economic concentration. Art. 10 provides for the action in form of notices which may be taken by the GAC after a report of economic concentration. The board may approve, conditionally approve or refuse such economic concentration.

Art. 11 prohibits the entities from economic concentration except when the GAC has approved such concentration in writing if 90 days have elapsed from the date of notice without receiving any notification of approval or refusal for the same.

Art. 12 concerns the members of the GAC who are prohibited from engaging in any business activities except if they are selected on their own merits. The members of the board are also prohibited from engaging in any profession contrary to the work of GAC or its objectives. GAC must also maintain disclosure and transparency rules. The second clause of Art. 12 provides that the gifts, donations, grants, and aids will not be given to the members of the GAC except if given by the government agencies.

The general code and conduct of the members of the GAC are enlisted in Art. 13 of the legislation which says: that the members will maintain the confidentiality of information, records, data, files and documents collected from the entities while collecting evidence or investigations and this information will not be passed to another party without prior approval of the GAC, the Chairman, Governor or another board member will not undertake a deliberation if they have interest in that particular matter.

The procedural aspect related to the application of this law is mentioned in Art. 14 which says that the board will pass its resolution for any complaints received for anti-competitive practices for the procedure of inquiry, search, collection of evidence, and investigation. When there is any urgency the Chairman of the Governor may pass the order for any of such above-mentioned procedures but that must be presented and passed through the resolution by the board in its first meeting.

Art. 15 empowers the officers to carry out an investigation, search, gather evidence and record violations of law by entering into the premises of the entity, their branches, offices during the normal working hours, such action is the right of the officer and they are deemed to act in the judicial capacity. They can also take copies of their books, and documents and may collect any proof of any anti-competitive practice.

[8] Article 9 - Competition Law (promulgated by Royal Decree No. M/75 of 29/06/1440H (March 6, 2019)).

Art. 16 prohibits any such entity under investigation from withholding any information, destroying any information or creating any obstruction to the officers empowered under this act. GAC may seek the assistance of other authorities such as the security authorities to carry out its function and duties. Also, GAC may ask for periodic reports from the entities operating in the market.[9]

The Chairman is empowered to nominate a committee of experts having 5 members for a renewable period of 3 years through a resolution, having at least 3 legal experts among them. This committee will be authorized to adjudicate violations of law except for the violation of Arts. 12(1) & 24, and impose penalties provided in the law. The committee's decision will be taken through the majority and in case of any vacancy of the member another member will be appointed. The resolutions of this committee may be challenged before the competent court within the limitation period of 30 days.[10]

Art. 19 of the act provides for the penalty in various cases: in case of violation of Arts. 5, 6, 7, 11 the fine of 10% of total annual sales, when the total annual sales cannot be determined then the maximum of 10 million riyals, also the committee have the discretionary power to impose a fine of 3 times the gains made by the violator through such violation. In case of violation of Art. 16 the fine of 5% of total annual sales and when the total annual sales cannot be determined then the maximum of 5 million riyals. In case of repeated offence, the committee can impose the fine double. The resolutions of the violation will be published in the local newspaper at the expense of the violator.

Art. 20 provides for a fine of 2 million riyals on violation of Arts. 12(1), 19 and 24 of the act. Art. 21 of the act provides for additional penalties such as requiring the violator to correct his status and remove the violation, requiring a violator to dispose of his certain assets, shares or pay a daily fine.

Art. 22 provides the clarification that certain conditions such as the severity of the offence, effects of violation, conditions and circumstances of the violation and if the violator has more than one entity then only the entity responsible for the violation will be accountable. The members of GAC on disclosing any secret related to work for moral or material benefit will be fined a maximum of 1 million riyals.[11]

Anyone who is harmed by practices contrary to the law can go before a competent court for

[9] Article 17 - Competition Law (promulgated by Royal Decree No. M/75 of 29/06/1440H (March 6, 2019)).
[10] Article 18 - Competition Law (promulgated by Royal Decree No. M/75 of 29/06/1440H (March 6, 2019)).
[11] Article 24 - Competition Law (promulgated by Royal Decree No. M/75 of 29/06/1440H (March 6, 2019)).

compensation.[12] Art. 27 provides that the regulations will be issued within 180 days from the publication of this law.

Thus, competition law in Saudi Arabia is revolving around economic concentration that too, can be allowed by the board in certain circumstances making the law very simple and very similar to the other GCC countries. The unification of law regarding competition is a clear indication that markets of the GCC countries are controlled by the government there its will and the government there has a lot in its hand. Also, the penalty just being limited to a fine is not a big deal for the corporates and other big players.

The key difference between the competition law 2004 & competition law 2019.

Being, introduced by Royal Decree on 6 March 2019, came into effect on 25 September 2019 bringing the companies generating turnover in the Kingdom irrespective of their registered office within the purview of the law of the Arabian Government.

The Saudi law introduced a new pre-merger notification to the GAC with a lower threshold amount and a time of clearance of up to 90 days. Also, the amount for the fines is significantly increased in the new law. The new law focuses on improving the Arabian market and protecting consumer interest. (Art. 2)

The 2019 law also narrows down the scope of exemption of entities as earlier the public entities were completely exempted from the application of the competition law, but with the new law, the public entities are exempted only for the services and goods specially specified by the government through the resolution.

A new offence is created under Art. 16 for obstructing officers empowered under this act. The penalties have been revised under the new law and the GAC is now empowered to temporarily close the enterprise for violation. (Art. 21)

So, we see certain regulations being changed and amended by the new law, it can be said that the changes are in a positive direction but these changes took 15 years and are still lagging behind the need of the present time.

The implementing regulations Issued by Resolution No. (337) dated 25/1/1441H of the Board of Directors of the General Authority for Competition, of the Competition Law, promulgated under Royal Decree No. (M/75) dated 29/06/1440H aim at improving the efficiency of the markets and create a competitive business environment within a framework of justice and

[12] Article 25 - Competition Law (promulgated by Royal Decree No. M/75 of 29/06/1440H (March 6, 2019)).

transparency protecting and encouraging fair competition. (Art. 2)[13] These implementing regulations are passed to aid and support the law and ensure smooth implementation of the law. With a total of 90 Arts. these implementing regulations mainly provide for the procedural aspect which is needed for the practical application of the law. Thus, the Kingdom of Saudi Arabia have a law and a separate regulation for the competition law and most of the functions and duties are vested in the GAC, which is a necessary evil for this country.

III. UNITED ARAB EMIRATES

UAE is one of the intrinsic members of the GCC with 98.0 billion barrels of oil reserve and 6,091 billion cubic feet of gas reserve. UAE have a relatively new competition law passed as UAE Federal Law No. (4) of 2012 - Organizing Competition, implemented on 23rd February 2013 with 33 Arts. in 9 chapters.

Chapter 1 has only one Art. which defines some of the essential terms such as Competition which is defined as *"Practicing economic activities according to market mechanisms without any influence or restriction against such mechanisms in a manner that may harm trade or development",* Economic Concentration defined as *"Any act resulting into full or partial transfer (merger or acquisition) of title or usufruct rights in properties, rights, stocks, shares, or obligations of an enterprise to another that enables an enterprise or a group of enterprises to control, directly or indirectly, another enterprise or a group of enterprises.[14]"* Thus, Art. 1 clearly defines competition and other important terms in simple words.

Art. 2, enlists the objectives of the act which is aimed at combating monopolistic practices and promoting healthy competition in the market. Further, this Art. provides for an encouraging environment for business providing competitiveness, consumer interests, and the realization of sustainable development in the State. Clause 2 of the same Art. goes on to say about economic freedom and economic equality by prohibiting anti-competitive environment, controlling economic concentration & sanctioning any misuse of dominant position.

Chapter 3 contains Arts. 3 & 4 deal with enforcement and the jurisdiction of this act. Any economic activity carried out in the state and carried out outside the state having an impact on the competition within the state will have to abide by the provisions of this law.[15] Art. 4 is adding an exception to the application to this law excluding the activities and business mentioned in the annexure to this law, which will be discussed later. Clause 2 excludes any

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[13] Article 2 - Issued by Resolution No. (337) dated 25/1/1441H of the Board of Directors of the General Authority for Competition.
[14] Article 1 - Federal Law No. (4) of 2012 Organizing Competition (UAE).
[15] Article 3 - Federal Law No. (4) of 2012 Organizing Competition (UAE).

action initiated by the federal government or any emirate government from the purview of this act. Any enterprise having been authorized or under the supervision of the federal government or any emirate government is also excluded from this act. Thus, this points to the limitations and narrow scope of this law as the government has kept itself out of the purview of this act. The control of the government over the oil industries is well known, keeping one of the most important sectors of the economy out of the law altogether.

Chapter 4 specifically defines the anti-competitive practices such as Restrictive Agreements[16], Abuse of dominant position[17]. Article 7 again says that based on the recommendation by the Committee the Ministry may exempt certain practices from the application of Arts. 5 & 6.

Art. 9 defines Economic concentration & Art. 11 again gives the discretionary power to the minister to approve the economic concentration in conditions if it does not adversely affect the competition in the state or meet the terms and conditions set by the minister for this purpose, giving almost every power to the minister.

Chapter 6 constitutes Competition Committee to be chaired by the minister with 11 members minimum[18], responsible for suggesting general policy for protecting competition in the state & suggesting the working mechanism for the committee, examining the application for reconsideration on the decision passed by the minister[19]. Chapter 7 with Arts. 14 & 15 empower the ministry, lists the functions of the ministry and direct the ministry to adhere to confidentiality, respectively.

Penalties for violation of the provisions of this act are mentioned in chapter 8, provision for a maximum fine of AED 5,000,000 for certain violations and during the conviction the court shall order the closure of the enterprise for a minimum of 3 months and a maximum of 6 months[20]. Chapter 9 states some of the general and final provisions of this act.

Thus, on examining and carefully reading the competition law of UAE, there are several points to be noted: *Firstly,* most of the power lies on the minister and the competition committee, rather than the legislation making it more prone to arbitrariness by the minster or the committee, *Secondly,* this legislation has kept the enterprises owned by the government, the enterprises supervised by the federal government, enterprises allowed by the government out from the purview of this act, most important oil and gas industries also came out of the purview of the

[16] Article 5 - Federal Law No. (4) of 2012 Organizing Competition (UAE).
[17] Article 6 - Federal Law No. (4) of 2012 Organizing Competition (UAE).
[18] Article 12 - Federal Law No. (4) of 2012 Organizing Competition (UAE).
[19] Article 13 - Federal Law No. (4) of 2012 Organizing Competition (UAE).
[20] Article 22 - Federal Law No. (4) of 2012 Organizing Competition (UAE).

act through this, failing this act to its core, *Thirdly,* the minister on his wish can exempt the industries from Restrictive Agreements, Abuse of dominant position and allow Economic Concentration which again makes this law weak, *Fourthly,* the penalties provided by this act is insufficient as it is only money and not a criminal act, which will not discourage the industries from indulging into the anti-competitive practices. The competition law of UAE has a lot of pigeon holes which is not healthy for a competitive environment both the federal and the emirate governments are free and this itself is a violation of rule of law which provides for equality. The competition law of UAE is all bark no bite.

IV. IMPACT OF POOR COMPETITION LAW STRUCTURE ON THE GCC COUNTRIES & THE GLOBE

As pointed out by Raza Rizvi of Simmons & Simmons business in GCC countries is risky as *"this is understandable - there is no significant known history of enforcement; despite the existence of specific laws, the executive infrastructure to police competition law is underdeveloped . . ."*[21] The competition law expert Maher Dabbah states that *"a country's decision to adopt competition law is . . . political in nature and sits at the heart of an agenda drawn up by politicians to embrace the free market economy model, liberalize local markets and support the drive for economic development."*[22] The other GCC countries follow the footsteps of the Kingdom of Saudi Arabia & United Arab Emirates in their competition laws. The law which is written in the books is very much different from what is applied on the ground. For the application of the competition law pure intentions are needed which lacks in all the GCC countries, the control of the executive is very vast giving them enormous powers to exempt any activity and allow any kind of economic concentration. Though it's in the laws of various GCC countries that it must be for the benefit of the public but who will ensure that these powers are not misused giving perks to the industrialists.

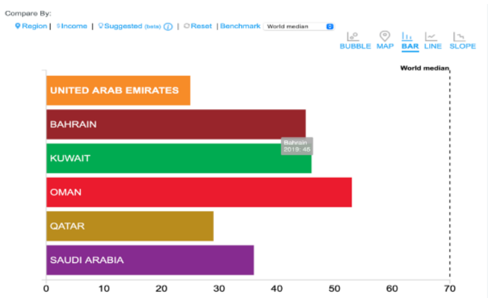

Fig. 1 – Global Competitiveness Index.

[21] Simmons & Simmons, on Elexica.com, August 6, 2016 at http://www.elexica.com/en/legal-top- ics/antitrust-and-merger-control/25-update-on-competition-law-enforcement-in-saudi-arabia.

[22] Dabbah, M. (2007). Competition Law and Policy in the Middle East, Cambridge Univ. Press, p. 20-21.

Given above in Fig. 1 is the Global Competitiveness Index of the GCC countries given by The World Bank showing the markets of the GCC countries are still lagging behind the other developed countries like the U.S.A. with a Global Index of 2, the United Kingdom with an Index of 9.

Bertelsmann Transformation Index (BTI) whose Economic Transformation Index is also based on the Organization of the Market & Competition rates the various GCC countries as:

Name of the Country	**Economic Transformation Index**
United Arab Emirates	7.93 (advanced)
Kingdom of Bahrain	5.93 (limited)
Kingdom of Saudi Arabia	6.29 (limited)
Sultanate of Oman	5.64 (limited)
State of Qatar	7.82 (advanced)
State of Kuwait	6.93 (limited)

Table 1 – Economic Transformation Index.

This BTI index along with the Global Competitiveness Index clearly shows that there is a need for change in the competition law and the policies in the GCC countries.

The analysis of the laws of the GCC clearly shows that the laws have been made keeping in the European model in terms of forbidden practices and the U.S. model of combining fines with imprisonment but the ideal friendly competition condition is still far away from reality.

Contribution and impact of the oil industry on the GDP of GCC countries.

If we see the trends of the contribution of oil to the GDP of the GCC countries from 2013 we see that the reliance on the oil sector has come down from 45.6% of GDP from oil industries in 2013 (average of all the GCC countries) to 23.2% of GDP in 2016 and again a rise of 3.4% in the contribution in GDP in the year 2017.

	2013		2014		2015		2016		2017	
	Oil	Non-oil	oil	Non-oil	Oil	Non-Oil	oil	Non-oil	Oil	Non-oil
UAE	36.9	63.1	34.1	65.9	21.8	78.2	19.3	80.7	22.3	77.7
Bahrain	25.4	74.6	23.3	76.7	13.3	86.7	11.1	88.9	12.4	87.6
KSA	43.7	56.3	39.5	60.5	24.0	76.0	21.6	78.4	25.0	75.0
Oman	49.1	50.9	46.4	53.6	33.1	66.9	26.4	73.6	29.0	71.0
Qatar	55.7	44.3	52.5	47.5	37.5	62.5	29.7	70.3	32.3	67.7
Kuwait	63.5	36.5	60.8	39.2	42.9	57.1	38.5	61.5	42.0	58.0
GCC	45.6	54.4	41.9	58.1	26.8	73.2	23.2	76.8	26.4	73.6

Source: GCC-STAT

Fig. 4 – GCC Countries Oil and non-Oil share in GDP 2013-2017.

Now if we see the data of FAB (First Abu Dhabi Bank)[23] we see that the reliance of the government of GCC countries for revenue from the oil industries is much higher.

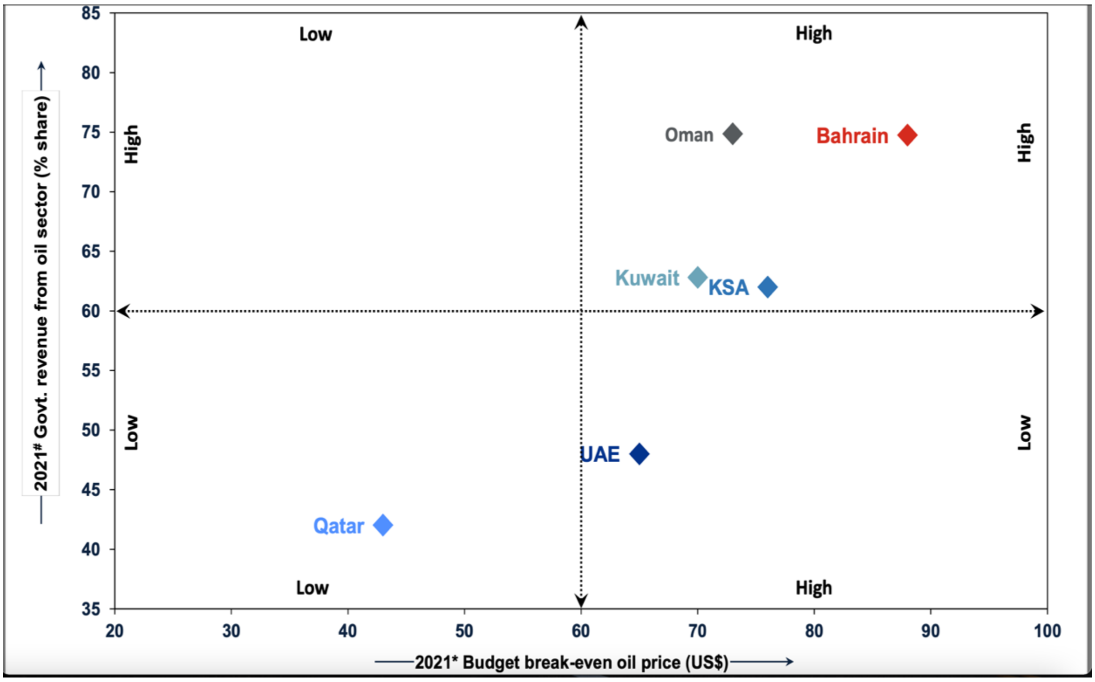

Fig. 5 – Govt. Dependency on Oil Revenues (% of govt. revenue from oil vs oil B/E price).

This 2021 data suggests that except for Qatar the percentage share of revenue of the government from the oil sector is more than 60% in Saudi Arabia, Kuwait, Oman & Bahrain in UAE this revenue is somewhere between 45 – 50%.

It is thus, not wrong to say that even after a slight drop in the reliance on oil industries, these GCC countries draw about 30% of their GDP from these oil industries and government gets about 60% of its revenue from the oil industries. So, the contribution of oil industries is supreme in these Arab countries the impact of which can be seen very clearly.

The impact seen in these Arab countries is twofold, *First, (1997 – 2007)* – In this era of rising the oil prices these countries gained much revenue resulting in rapid wealth accumulation and increased expenditure. As a result, these countries gained both infrastructure capital and financial investment. *Second, (2008 – 2014)* – In this period due to global financial prices and the decline in the price of oil in 2014 the government saving rates and wealth accumulation slowed down around that time, the expenditure being the same.

[23] https://argaamplus.s3.amazonaws.com/32af57a0-4936-4783-8b51-c541af981d18.pdf.

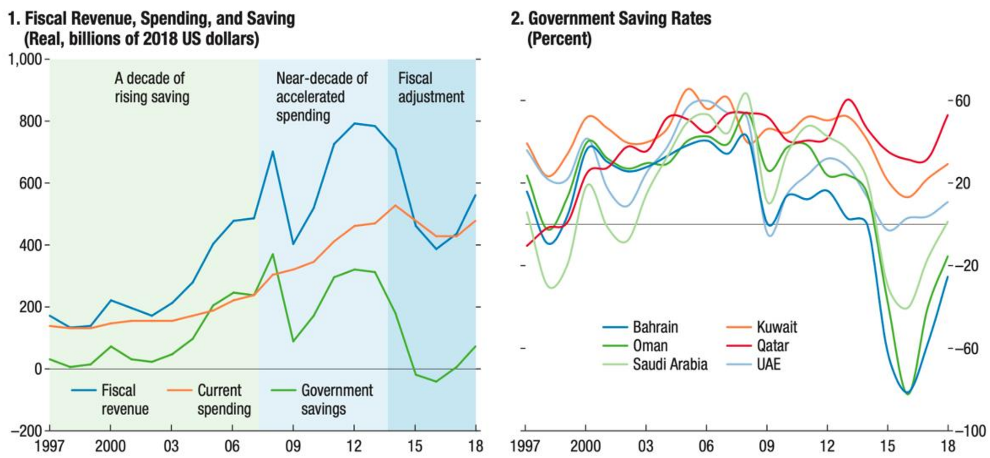

Fig. 6 – Government Savings 1997 – 2017[24].

Thus, it is clear how the global oil price impacts the revenue and the government savings in the GCC by seeing table 2 and figure 6. Now, we will see how the GDP of various countries have an impact on the price of oil in the global market.

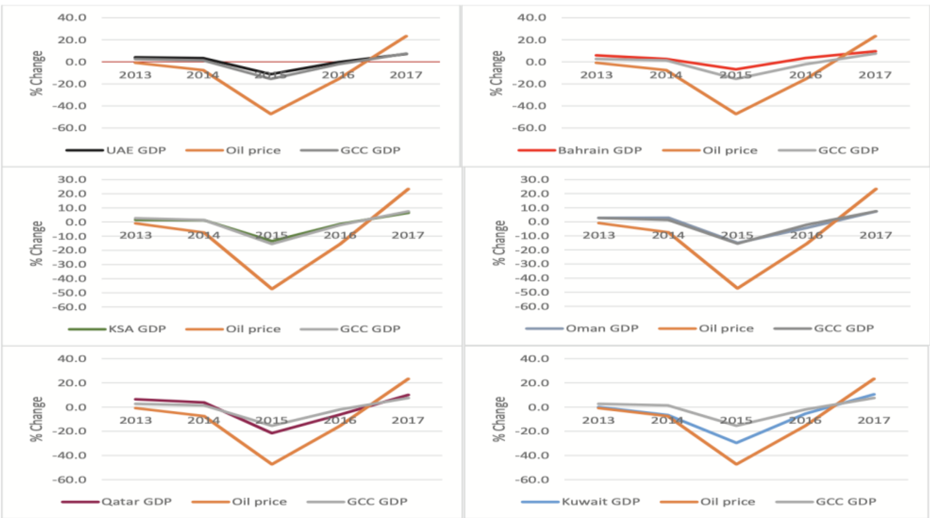

Fig. 7 - Oil price fluctuation and GDP change in GCC countries in 2013 – 2017, market prices.

A similar trend in oil price, government savings and the GDP shows the reliance and the impact of the GCC on the oil and gas sector. None of the GCC countries can walk away from the oil industry for now.

The United States of America is the most oil-producing country in the world shares only 8% of its oil and gas industry in its GDP, and about 5.6% of employment from the oil and gas industry, according to API (American Petroleum Institute). During 2014 – 2015 the U.S.

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[24] International Monetary Fund (the Middle East and Central Asia Department Research Department) The Future of Oil and Fiscal Sustainability in the GCC Region – No: 20/01.

economy gained from the oil price drop by about 2.2% (after June 2014), according to New York Times.[25] The biggest contributor to the U.S. economy is healthcare services and technology.

Share of oil and gas in GDP of some other important countries: 15 per cent of Russia's GDP, 14 per cent of Norway's GDP, 13.3 per cent of Kazakhstan's GDP, and less than 10 per cent in Canada.

Various other sectors in the GCC countries such as refining, chemical, food & metal are also designed to take advantage of the cheap oil and gas, and the tourism industry in these countries is also relatively oil intensive. The pandemic slowing down the economic activities pushed the oil markets to a lower level, promoting the need for sustainable diversification. The IMF has already suggested that at the current rate GCC will deplete its foreign reserves by 2034, with the pandemic shortening this timeline. Several GCC economies are likely to face fiscal deficit due to the same, also the volatility of the oil price will affect the diversification.

Although the GCC countries have started brainstorming about the diversification process Saudi Arabia is planning to supply the futuristic city of Neom through a $5bn plant working on sun and wind energy. Saudi Arabia and Qatar are working towards the funding of green projects. UAE on the other hand is working towards its first green hydrogen plant.

Even after such serious attempts, the GCC countries with the centrally planned economy will find it challenging to shift their focus from the oil industries towards the growth of other public and private sectors, to work towards the employment of more people in the government sector. The vision and target of these mammoths in the oil industry must be in a progressive direction to achieve this desired change.

‘‘Another important factor in the diversification of a country's economy is FDI (Foreign Direct Investment), which shows the competitiveness of a country. FDI is also lagging in the GCC with only OMAN and UAE receiving FDI more than the global average of 2.5 %. Only 1.1 % of the GDP in GCC is through the FDIs this is almost half of the global average and three times less than the FDI of high-income economies.[26] The non-supportive business environment and difficulty to survive in the market of Arab politics is the major reason for the less FDI

[25] https://voxeu.org/article/missing-stimulus-2014-16-us-oil-price-decline.

[26] World Bank Development Indicators DataBank, “Foreign direct investment, net inflows (% of GDP),” *accessed November 12, 2020*, https://databank.worldbank.org/source/world-development-indicators.

inflow.[27][28]

Impact on the Global Market due to insufficiency of laws in the middle east.

Oil is a resource which is not only important to the Gulf but also the world as a whole. Oil prices leave a huge impact on any country's economy, from the petrol to the food we eat, from medicine to the entertainment, everything at some point depends on the source of energy which is mostly the crude in its different forms. The price of oil is directly proportional to the inflation,[29] as we can see in Fig. 12. So, the price of oil has a much large role in everyone's daily life, which is at the will and whim of the rulers of the middle east, in the lack of proper laws. Even, a slight increase in the global oil price can result in a more severe and prolonged impact on inflation. The cost of production increases directly having an impact on the country's GDP.

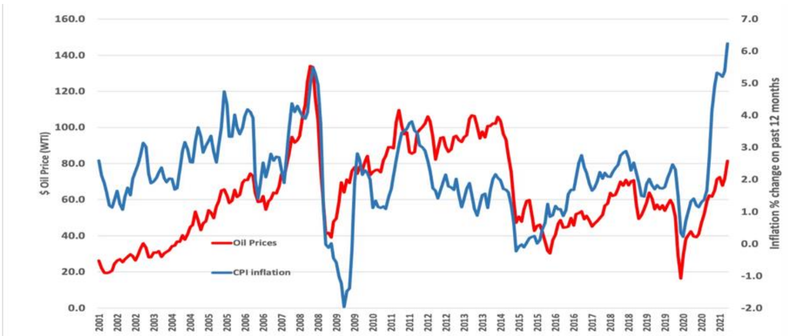

Fig. 12 – Price of oil concerning inflation.

The reliance of the globe on oil for their economic development can be laid to the point that with the oil consumption going up the GDP goes up and *vice-versa*. In Fig 13 the relationship between oil consumption and the GDP is shown, now with the increased prices, the consumption will slow down with a negative effect on the GDP.

[27] Mehran Kamrava, et al., "Ruling families and business elites in the Gulf Monarchies: ever closer?," Chatham House, Research Paper, November 2016, 7, https://www.chathamhouse.org/sites/default/files/publications/research/2016-11-03-ruling-families-business-gulf-kamrava-nonneman-nosova-valeri.pdf.

[28] Economic Diversification in the Gulf: Time to redouble efforts – *available at:* https://www.brookings.edu/research/economic-diversification-in-the-gulf-time-to-redouble-efforts.

[29] The relationship between oil prices and inflation – is *available at:* https://www.economicshelp.org/blog/167245/economics/the-relationship-between-oil-prices-and-inflation/.

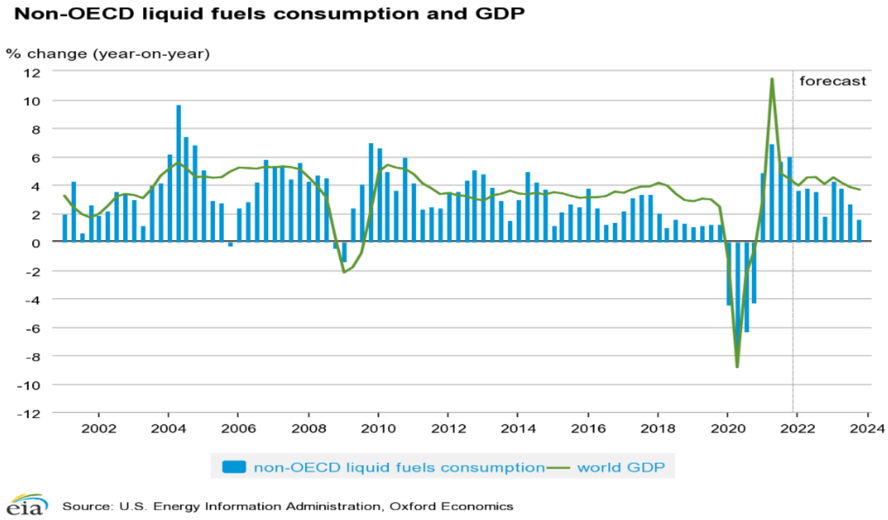

Fig. 13 – Oil Consumption and the GDP.

This can be a conflict of interest when the increased oil price can boost the GDP of the middle east resulting in inflation in the consumer countries. To the competition laws of Saudi Arabia (the largest contributor to OPEC), the entities are exempted from the application of the competition law on the resolution of the ministers, and the control of royal families over the oil fields is enough to suggest the role played by Saudi. The competition laws of other countries are similar, with strict monopolization of the oil business with strings in the hand of the monarchies.

Not only do the OPEC countries produce oil then why they are in such a position to dominate the globe, the answer to this question lies in three reasons, *Firstly,* the absence of alternative sources equivalent to its dominant position, *Secondly,* the lack of alternative of crude oil in the energy sector, *Thirdly,* the low cost of production in the OPEC countries. Also, the non-OPEC countries have their high consumption which is met by their produce, sometimes even these countries have to import apart from their production, even if they export the export capacity is much low these countries. The market share of non-OPEC countries is too less to impact the global oil prices. However, in 2015 the decline in the price was seen as the OPEC countries increased their supply as they posed threat from the non-OPEC countries. Thus, it is in the hands of the OPEC to control the prices simply through an increase or decrease in supply.

As the price of the oil is impacted daily, it lays an impact on the World Politics also, petrol and other oil products are directly consumed by the common people for their vehicles, the leadership promising them cheap oil has more chance of getting elected. The leaders for the import of cheap oils need to have a strong relationship with the Gulf, emphasizing the role of Gulf royals in international politics. The absence of any private players and competition law in the Gulf makes the trade of oil political rather than just trade.

In the two recent events of the pandemic COVID-19 and the invasion of Ukraine by Russia, we have seen the clear role of OPEC in the price of oil. Due to COVID-19, the closure of the economic activities led to a decline in the demand for the oil, oil price wars between the Russia and OPEC resulted in the oversupply of oil in the market, followed by the lower prices of oil and the agreement between the OPEC and Russia to cut production. By the end of the summer of 2020, the prices of oil rebounded as a result of the slow start of the economies again. Russia is the third-largest producer of oil behind the U.S.A. and Saudi Arabia, accounting for 14% of the total world oil production. As, Russia invaded Ukraine the fear of a ban on the Russian oil and the fear of shortage of the crude resulted in the hike of prices of oil, as the production has not been increased by the Gulf. Most of the transactions of oil in the foreign market take place in the U.S. Dollars, from the foreign reserves, and with the high prices, the money from the foreign reserve of the importing countries goes into the account of the exporting countries, leaving the importing countries in a deficit of foreign reserves. Apart from the price controlling powers of the Gulf in the absence of strict competition law the monopoly of the Gulf countries can cause other catastrophes.

V. CONCLUSIONS

If we are to believe the projections of IMF, this glorious story of the middle east is reaching its climax in the next two decades, as a result of which the middle east will face a dent in their primary source of income, we will talk about the possible reason for this climax later, the middle east will suddenly feel the need for other major sources of income. This is rightly the last impact and the most important reason why the middle east needs new visions and paths. Economic markets are not built in a day, and it will be more difficult for the middle east with every passing year to set up a new mechanism. The source of income being constricted will not support economic diversification, so what must be done, needs to be done now, the government will have to make a change in both its domestic and international policies. The jobs and employment in the public sector will play a pivotal role as people employed in the oil companies will lose their jobs. The government should attract foreign investors by making trade policies and laws simple and enforcing strict competition laws. Research and development are yet another sector where the GCC countries can attract brilliant minds who in turn can work upon various models for these countries. Tourism though is a sector which has rapidly grown over the years in the middle east and attracts tourists from all over the world, so the GCC countries can work upon the concept of medical tourism which can attract a good number of people from Asian countries. For, all this vision the government needs to invest not only money but also time and focus, for which they need to come out from the dreamland of oil. The government should think of privatizing some of their oil industries and should allocate the time and money towards the renewable source of energy which is the main reason why the global oil demand is projected to fall. This way the government can still get the revenue from the oil in the form and tax and direct revenue for the shares held by the government, without the need to invest its focus on the oil industry. This is though not possible with the present competition laws.

Coming now to the global shift from oil to renewable sources of energy, oil prices, global CO_2 emissions, the greenhouse effect together have been in the mind of people and with the COVID-19 pandemic, the people are really in the mood and motivated to move to the permanent solution which is cheap and comes with no side effects on health. COVID-19 has a serious impact on people with weak lungs due to air pollution or another chronic disease. So, this shift will occur faster than the projected rate, though this is positive for the world, for the GCC it places them in two problems, *First,* they will lose their major source of income from oil, *Second*, with cheap prices and easy availability of oil in the gulf the industries there are dependent on oil and the countries lack in the infrastructure for the renewable sources of energy. This is the reason why the gulf nations need to free themselves from the weight of oil and make progressive competition laws and policies to support the diversification process.

National awareness regarding the competition law is very important in these countries, the people must be promoted and motivated to come forward with ideas and the government must listen to the citizens carefully to plan and design the roadmap for the future.

Competition laws are the healthy habits which the market should follow and the governments of GCC need to come together unified to look far away from their interests to the interest of their country and people, otherwise, they will not be able to cross this coming turbulence.

We as humans need to change our habits and look forward to a healthy environment and whenever we use oil in our daily lives we must think, is there any other way through which the use of oil can be prevented or minimized? Am I contributing back to nature? Will this not affect me or my family? We all don't need to be scientists or politicians we as humans can at least plant trees and pledge to keep the environment clean and motivate others for the same.

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