The Cooperation Council for

the Arab States of the Gulf (GCC)

Secretariat General

The Economic Agreement

Between the GCC States

Adopted by the GCC Supreme Council

(22nd Session; 31 December 2001)

in the City of Muscat, Sultanate of Oman

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Introduction

This publication the contains the text of the Economic Agreement Between the Gulf Cooperation Council States (the "Economic Agreement") signed by their Majesties and Highnesses GCC leaders, on December 31, 2001 (Shawwal 16, 1422 AH) during the 22nd Session of the Supreme Council in Muscat, Sultanate of Oman.

The new Economic Agreement contains a comprehe-nsive revision of the original Economic Agreement that was signed in November 1981 (Muharram 1402 AH), which laid down the ground for the economic relationship among Member States and established the GCC Free Trade Area. The 1981 agreement emerged from the economic circumstances prevailing at the time it was drawn up, just a few months after the establishment of the GCC. Similarly, the new agreement is a reflection of the current circumstances of the GCC Member States. The new Economic Agreement furthers the objectives achieved by the 1981 agreement, enhancing and strengthening economic ties among Member Sates, and harmonizing their economic, financial and monetary policies, their commercial and industrial laws, as well as their customs regulations.

During the first two decades of the GCC existence, Member Sates succeeded in developing their economic ties to bring them closer to full economic integration and economic unity. The Supreme Council, during its annual meetings, adopted several vital resolutions in the economic field that pushed joint economic action great steps ahead. The most important resolutions have been those relating to the GCC customs union, the common market, development integration, and the economic and monetary union.

To provide the legal environment required to cope with these developments, the Supreme Council, in its 20th Session (Riyadh, November 1999), ordered a revision of the 1981 economic agreement to bring it into line with the new developments in GCC joint economic action and to complete the requirements of economic integration among the Member Sates, taking into account the new global economic environment.

To carry out the Supreme Council's instructions, the Secretariat General was instructed to prepare a draft revised economic agreement and submit it to Member States to propose any addition, deletion or amendment to the provisions of the agreement, after which it was required to submit the revised draft to GCC competent committees. After the preliminary draft was prepared and submitted to Member States for consideration, a technical team was formed from Member States and the Secretariat General to examine the draft agreement in light of Member States' comments. The team held intensive meetings in February and March 2001 where the proposals and comments of Member States were discussed and the draft agreement was amended accordingly. A Committee of the GCC Deputy Ministers of Finance and Economy was convened in two meetings in April and September 2001 to study the new revised draft. The Financial and Economic Committee (FEC) in its 55th meeting (May 2001), and 56th meeting (October 2001) reviewed the draft agreement as amended by the deputy ministers' committee. In its extraordinary meeting held in December 2001, the FEC adopted the final draft agreement, which the Ministerial Council (in its 81st Session, December 2001) then submitted to the Supreme Council for approval. Their Majesties and Highnesses GCC leaders signed the Economic

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Agreement between the GCC States on 31 December 2001 during the 22nd Session (the Muscat Summit). The agreement is now in the process of being ratified by the Member States and will come into force thereafter.

The preparation of the new Economic Agreement was an excellent example of joint work, as a large number of experts from various GCC governmental agencies and the Secretariat General contributed over two years to the preparation and revision of the draft treaty. The technical team assigned to this task and the other committees made great efforts in updating the original agreement, to come up with a text that reflects the achievements of GCC joint economic action in the past two decades and future aspirations of GCC citizens.

The new agreement contains new provisions or substantially revised ones that reflect Supreme Council resolutions and directives, as well as new developments in GCC joint work, such as provisions relating to the Customs Union (Chapter I), Common Market (Chapter II), Economic and Monetary Union (Chapter III), Development Integration (Chapter IV), Human Resources Development (Chapter V), Cooperation in the Fields of Scientific and Technical Research (Chapter VI), Transportation, Communications and Infrastructure (Chapter VII).

The new agreement represents a new style of GCC joint work as it does not only call for cooperation and coordination among Member States, but goes beyond that to expressly provide for the economic integration among Member States through the adoption of specific programs and workable mechanisms. The GCC working committees and the Secretariat General will follow up the implementation of the agreement according to specific timetables. Chapter VIII contains mechanisms for implementation and follow-up, as well as settlement of disputes that might arise during implementation of the treaty.

January 2002

The Secretariat General – Economic Affairs Division

Note on the Translation:

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The Arabic text of the Economic Agreement is official and binding. The English translation is provided only as a guide. This English translation was prepared by the Economic Integration Department of the GCC Secretariat General-Economic Affairs.

The Economic Agreement

Between the Gulf Cooperation Council States

(The Economic Agreement)

The GCC Member States,

Pursuant to the GCC Charter which calls for closer ties and stronger links among Member States; and

In the light of reviewing the economic achievements attained since the inception of the Council, including accomplishments attained by the Economic Agreement signed in 1981 in developing, which include enhancing and strengthening economic ties among Member States, and harmonizing their economic, financial and monetary policies, their commercial and industrial legislation and customs laws applicable therein, including the agreement on the customs union; and

Seeking to achieve advanced stages of economic integration that would lead to a Common Market and an Economic and Monetary Union among Member States according to a specific timetable, while enhancing market mechanisms and fostering the role of the private sector; and

Desiring to enhance the economy of the GCC Member States in the light of recent global economic developments, which require further integration among the Member States to strengthen their negotiating position and competitive capacity in international markets; and

Responding to the aspirations and expectations of GCC citizens towards achieving Gulf citizenship, including equality of treatment in the exercise of their rights to movement, residence, work, investment, education, health and social services,

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Have hereby agreed as follows:

Chapter I

Trade

Article One: The Customs Union

Trade between the GCC member States will be conducted within the framework of a customs union that will be implemented no later than the first of January 2003. It shall include, at a minimum, the following:

i. A common external customs tariff (CET).
ii. Common customs regulations and procedures.
iii. Single entry point where customs duties are collected.
iv. Elimination of all tariff and non-tariff barriers, while taking into consideration laws of agricultural and veterinarian quarantine, as well as rules regarding prohibited and restricted goods.
v. Goods produced in any Member State shall be accorded the same treatment as national products.

Article Two: International Economic Relations

To secure better terms and more favorable conditions in their international economic relationships, Member States shall draw their policies and conduct economic relations in a collective fashion in dealing with other countries, blocs and regional groupings, as well as other regional and international organizations.

Member States shall take the necessary measures to achieve this objective, including the following:

i. Negotiate collectively in a manner that serves the negotiating position of the Member States.
ii. Collectively conclude economic agreements with trading partners.
iii. Unify import and export rules and procedures.
iv. Unify commercial exchange policies with the outside world.

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Chapter II

GCC Common Market

Article Three

GCC natural and legal citizens shall be accorded, in any Member State, the same treatment accorded to its own citizens, without differentiation or discrimination, in all economic activities, especially the following:

1. Movement and residence
2. Work in private and government jobs
3. Pension and social security.
4. Engagement in all professions and crafts
5. Engagement in all economic, investment and service activities
6. Real estate ownership
7. Capital movement
8. Tax treatment
9. Stock ownership and formation of corporations
10. Education, health and social services

Member States shall agree to complete implementation rules sufficient to carry this out and bring into being the Gulf Common Market.

Chapter III

Economic and Monetary Union

Article Four: Monetary and Economic Union Requirements

For the purpose of achieving a monetary and economic union between Member States, including currency unification, Member States shall undertake, according to a specified timetable, to achieve the requirements of this union. These include the achievement of a high level of harmonization between Member States in all economic policies, especially fiscal and monetary policies, banking legislation, setting criteria to approximate rates of economic performance related to fiscal and monetary stability, such as rates of budgetary deficit, indebtedness, and price levels.

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Article Five: Investment Climate

For the purpose of enhancing local, external, and intra-GCC investment levels, and provide an investment climate characterized by transparency and stability, Member States agree to take the following steps:

1. Unify all their investment-related laws and regula-tions.

2. Accord national treatment to all investments owned by GCC natural and legal citizens.
3. Integrate financial markets in Member States, and unify all related legislation and policies.
4. Adopt unified standards and specifications for all products, according to the Charter of the GCC Standardization and Metrology Organization.

Article Six: Regional and International Aid

Member States shall coordinate their external policies related to international and regional development aid.

Chapter IV

Development Integration

Article Seven: Comprehensive Development

Member States shall adopt the policies necessary to achieve an integrated development process in all fields in all GCC states and deepen coordination between all activities contained in their national development plans. These policies shall include the implementation of the Long-term Comprehensive Development Strategy of the GCC Member States.

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Article Eight: Industrial Development

i. Member States shall adopt the policies necessary to enhance the participation of the industrial sector in the economy, coordination of industrial activity on a GCC-wide integrated basis, including the implementation of the Unified Strategy of Industrial Development for the GCC Member States.
ii. Member States shall unify their industrial legislation and regulations, including rules related to industry promotion, anti-dumping, and precautionary safeguards.

Article Nine: Oil, Gas, and Natural Resources

For the purpose of achieving integration between Member States in the fields of petroleum and minerals industries, and other natural resources, and enhancing competitive position of Member States,

1. Member States shall adopt integrated policies in all phases of oil, gas, and minerals industries to achieve optimal exploitation of natural resources, while taking into account environmental considerations and the interests of future generations.
2. Member States shall adopt unified policies for oil and gas, and take common positions in this regard towards non-member states and at international and specialized organizations.
3. Member States and oil and gas companies working within them shall cooperate in supporting and developing research in the fields of oil, gas, and natural resources, and enhance cooperation with universities in these fields.

Article Ten: Agricultural Development

Member States shall adopt the policies necessary to achieve agricultural integration between them, and long-tem optimal utilization of available resources, especially water, including the implementation of the Common Agricultural Policy of the GCC Member States and related GCC legislation.

Article Eleven: Environmental Protection

Member States shall adopt the policies and mechanisms necessary to protect the environment according to all relevant legislation and resolutions adopted within the GCC framework, as representing the minimum level for national rules and legislation.

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Article Twelve: Joint Projects

For the purpose of enhancing ties between Member States in the productive sectors, utilizing economies of scale, achieving economic integration, and improving the distribution of integration benefits among them, Member States shall undertake the measures necessary to support, finance, and form joint projects, both private and public, including the following:

1. Adopt integrated economic policies between the Member States for infrastructure projects and basic services such as transport; communications;

electricity; information technology; health, education, and tourism projects; and oil and gas industry.
2. Establish joint projects based on comparative advantages of Member States.
3. Provide additional incentives for the private sector to form joint projects that interlink the economic interests of GCC citizens.
4. Eliminate all procedural obstacles encountering joint projects and according them, at a minimum, the same treatment given to similar national projects.

Chapter Five

Development of Human Resources

Article Thirteen: Population Strategy

Member States shall implement the "General Framework of Population Strategy of the GCC States", adopt the policies necessary for the development of human resources and their optimal utilization, provision of health care and social services, enhancement of the role of women in development, and the achievement of balance in the demographic structure and labor force to ensure social harmony in Member States, emphasize their Arab and Islamic identity, and maintain their stability and solidarity.

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Article Fourteen: Compulsory Basic Education and Eradication of Illiteracy

1. Member States shall adopt the programs required for the total eradication of illiteracy in all GCC states according to a specific timetable, and enact necessary legislation to this effect.
2. Member States shall adopt a timetable for the implementation of compulsory basic education and enact necessary legislation to this effect.

Article fifteen: Education

1. Member States shall cooperate to develop programs and curricula of public, higher, and technical education, to ensure high levels of scientific content and compatibility with the development needs of Member States.
2. Member States shall undertake to achieve integration between GCC universities in all fields.
3. Member States shall adopt appropriate policies and mechanisms to ensure compatibility between the outputs of higher education and scientific and technical research on the one hand, and the needs of the labor market and economic development, on the other.

Article Sixteen: Manpower Nationalization

1. Member States shall undertake the policies necessary to develop and unify their labor rules and legislation, eliminate all obstacles restricting intra-GCC movement of national labor force. GCC citizens working in a member State other than their countries of citizenship shall be included within the percentages set for manpower nationalization.
2. Member States shall adopt unified criteria for job description and classification for all professions and trades in all sectors, and undertake to develop and exchange all information related to their labor markets, including unemployment rates, job opportunities and training programs.

Article Seventeen: Increasing Labor Participation Rates and Training of Nationals

i. Member States shall adopt effective policies to increase participation rates of nationals in the labor market, especially in high-skill jobs, and adopt effective programs to raise the skill levels of national labor force, develop on-the-job training programs, participate in financing such programs, and provide incentives for job seekers in the private sector. Aid granted to the private sector shall be linked with the adoption of programs intended for the employment and training of national manpower.
ii. Member States shall adopt the policies necessary for rationalizing the employment of foreign workers.

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Chapter VI

Scientific and Technical Research

Article Eighteen: Scientific and Technical Research

Member States shall adopt, as basic priorities for development, policies to support joint scientific and technical research, and develop their own joint scientific, technical, and information technology databases, including the adoption of the following policies:

1. Increase the funds allocated to scientific and technical research.
2. Encourage and provide the necessary incentives to the private sector to contribute to the funding of specialized scientific and technical research,
3. Ensure that international companies operating in the GCC States sponsor specialized programs for scientific and technical research in the Member States.
4. Establish a native scientific, technical, and information technology base that fully utilizes the expertise of international and regional organizations.
5. Integrate scientific research institutions in the GCC States in order to develop and activate the scientific, technical, and information technology base referred to in this article and work jointly to set up common research centers.

Article Nineteen: Utilization of the Scientific, Technical, and Information Technology Base

For the purposes of developing and fully utilizing their scientific, technical, and information technology base, Member States shall take the following measures, as a minimum:

1. Develop mechanisms for achieving optimal utilization of scientific and technical research in both public and private sectors, and continued coordination between the executive bodies on the one hand and the outputs of the scientific, technical, and information technology base, on the other.

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2. Make the outputs of the scientific, technical, and information technology base available to specialists, researchers, businessmen, and investors through simplified procedures.

3. Support and develop technical information networks, systems and centers in member states, and adopt programs to facilitate information dissemination and exchange among the institutions of scientific and technical research in the GCC States.

Article Twenty: Intellectual Property

Member States shall develop programs encouraging talented individuals and supporting innovation and invention; cooperate in the field of intellectual property and develop regulations and procedures ensuring protection of intellectual property rights; and coordinate their relevant policies towards other countries, regional blocs and international and regional organizations.

Chapter VII

Transportation, Communication, and Infrastructure

Article Twenty-one: Means of Transportation

Member States shall accord all means of passenger and cargo transportation belonging to any Member State, while transiting or entering their territories, the same treatment accorded to their national means of transportation, including the level of duties, taxes and facilities.

Article Twenty-two: Marine Transportation Services

Member States shall accord marine means of transportation belonging to any Member State and cargoes thereof the same preferential treatment they grant to their national counterparts in the use of their facilities, whether during docking or while calling at their ports, including fees and taxes, as well as services of pilotage, docking, freight, loading, unloading, maintenance, repair and storage.

Article Twenty-three: Infrastructure Integration

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1. Member States shall adopt integrational policies for the establishment of the infrastructure projects such as seaports, airports, desalination plants, electric power stations, and roads. These policies should aim to facilitate trade exchange between member states, realize common economic development, and interlink their economic activities.

2. Member States shall take the necessary measures to ensure integration of their aviation and air transport policies.

3. Member States shall develop and integrate the various means of land and marine transportation in order to facilitate the movement of citizens and goods and achieve economies of scale.

Article Twenty-four: Communications

Member States shall take all the necessary measures to ensure the integration of their communication policies, including telecommunication, post and data network services, which would lead to improving their service levels and economic efficiency and to strengthening the ties between GCC citizens as well as private and public institutions.

Article Twenty-five: Electronic Commerce

Member States shall take all necessary actions to facilitate banking and trade exchange through electronic means of communication, and unify their electronic commerce legislation.

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Chapter VIII

Mechanisms for Implementation and Follow-up

Article Twenty-six: Implementation of the Agreement

1. Committees working under the framework of the GCC shall implement this Agreement, each within its competence.

2. The Secretariat General shall follow up implementation of the Agreement.

3. Member States shall provide the Secretariat General with periodic reports regarding implementation of the provisions of this Agreement and the applicable resolutions taken to implement those provisions. In the light of these reports, the Secretary General shall submit a comprehensive periodic report to the Supreme Council. The Secretariat General shall set a mechanism for the preparation of these reports, their contents, and the completion dates thereof.

Article Twenty-seven: Settlement of Disputes

1. The Secretariat General shall hear and seek to amicably settle any claims brought by any GCC citizen or official entity, regarding non-implementation of the provisions of this Agreement or enabled resolutions taken to implement those provisions.

2. If the Secretariat General could not settle a claim amicably, it shall be referred, with the consent of the two parties, to the GCC Commercial Arbitration Center to hear the dispute according to its Charter. Should the two parties not agree to refer the dispute to arbitration, or should the dispute be beyond the competence of the Center, it shall be referred to the judicial body set forth in Paragraph 3 of this Article.

3. A specialized judicial commission shall be formed, when deemed necessary, to adjudicate disputes arising from the implementation of this Agreement or resolutions for its implementation. The Financial and Economic Committee shall propose the charter of this commission.

4. Until the charter of the commission referred to in paragraph (3) above comes into force, all disputes which the two parties do not agree to settle through arbitaration and which could not be amicably settled by the Secretariat General, shall be referred to the competent GCC committees for settlement.

Chapter IX

Final Provisions

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Article Twenty-eight: Ratification and publication

Member States shall take all measures necessary to ratify this Agreement and the relevant resolutions for its implementation, publish them in the official notification media, and implement them according to their provisions.

Article Twenty-nine: Coming into force

This Agreement shall come into force after being ratified by all Member States. The Secretariat General shall notify member States of the date of its coming into force.

Article Thirty: Exclusion

A Member State may be granted a temporary exclusion from implementing certain provisions of this Agreement as may be necessary due to temporary local situations prevailing in that State or specific circumstances encountered. Such exclusion shall be for only a limited period and shall be authorized only by a resolution from the Supreme Council.

Article Thirty-one: External bilateral agreements

No Member State may grant to a non-Member State any preferential treatment exceeding that granted herein to Member States, nor conclude any agreement that violates provisions of this agreement.

Article Thirty-two: Precedence of the provisions of the Agreement

1. 1. The provisions of this Agreement shall have prevail if found in disagreement with local laws and regulations of the Member States.
2. 2. This Agreement shall supersede the GCC Economic Agreement signed in 1981 AD (1402 AH), and the provisions contained herein shall supersede equivalent provisions set forth in bilateral agreements (between member states).
3. 3. Until the GCC Customs Union is established, the provisions of Article 3 of the GCC Economic Agreement signed in 1981 AD (1402 AH) shall continue to be applied. The percentage of the added value provided for in said Article may be amended by a decision of the Financial and Economic Committee.

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Article Thirty-three: Amendment and Interpretation

1. This Agreement may not be amended without approval of the Supreme Council.

2. The Financial and Economic Committee shall be authorized to interpret this Agreement.

Signed in the city of Muscat (Sultanate of Oman) on Monday, 16 Shawwal 1422 AH, corresponding to 31 December 2001 AD.

His Highness Shaikh Zayed ibn Sultan Al Nahayyan

President, United Arab Emirates

Signing for His Highness:

His Highness **Shaikh Maktoum ibn Rashed Al Maktoum**

Vice President, United Arab Emirates

Prime Minister, Governor of Dubai

His Highness Majesty Shaikh Hamad ibn Issa Al Khalifah

Emir of the State of Bahrain

Custodian of the Two Holy Mosques, King Fahd ibn Abdel-Aziz Al Saud

King of Saudi Arabia

Signing for His Majesty:

His Royal Highness, **Prince Abdallah ibn Abdelaziz Al Saud**

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Crown Prince, Deputy Prime Minister, and Commander of the National Guard,
Kingdom of Saudi Arabia

His Majesty Sultan Qaboos ibn Saeed

Sultan of Oman

His Highness Shaikh Hamad ibn Khalifah Al Thani

Emir of the State of Qatar

His Highness Shaikh Jaber Al Ahmad Al Jaber Al Sabah

Emir of the State of Kuwait

Signing for His Highness:

His Excellency **Shaikh Sabah Al Ahmad Al Jaber Al Sabah**

Deputy Premier and Minister of Foreign Affairs

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