Summary for non-specialists
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# The changing pattern in international trade and capital flows of the Gulf Cooperation Council countries in comparison with other oil-exporting countries

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In view of the developments in the global economy during the last decade, what was the pattern of the international trade and capital flows of the oil-exporting economies to the rest of the world? To what extent have these flows grown in size? And what about the composition of the capital flows?

These questions are at the centre of this Paper.

The answers are given for the group of Gulf Cooperation Council (GCC) countries – that is Saudi Arabia, the United Arab Emirates, Bahrain, Kuwait, Oman and Qatar. This group of six countries is compared with the group of other oil-exporting countries that are members of the Organisation of Petroleum Exporting Countries (OPEC), containing Algeria, Angola, Ecuador, Iran, Iraq, Libya, Nigeria and Venezuela. The GCC countries and these other OPEC countries account for roughly one third of the current account surpluses in the world economy. The two groups are comparable in terms of the size of their natural resources.

The current account of the GCC countries more than tripled from 53 billion euro in 2000 to 177 billion euro in 2008. In 10 years time it recorded almost 1 trillion euro. Although the other OPEC countries collected a comparable amount of foreign funds from oil-importing countries by the sale of their oil, the spending policy of these countries was very different. The GCC countries invested their funds more and more abroad, up to the global crisis. The other OPEC countries kept the collected funds mainly within the borders of their national economies.

This study analyses the developments of the current account and the capital flows, as part of the balance of payments, for the two groups of oil-exporters over the past decade. It underlines the remarkably high degree of trade and financial integration of the GCC countries in the world economy, until the start of the global crisis.

The abundant foreign investments by the GCC countries have positively contributed to the economic performance of the global economy. Vice versa, the returns of the open international investment policies have evidently contributed positively to the welfare of the GCC economies themselves. The openness of the GCC countries in terms of trade and finance has relentlessly grown over the years, until the start of the global crisis.

Since 2000 and up until the start of the global crisis in 2008, the abundant revenues of the GCC obtained by the exports' of oil compensating the imports of goods, the services balance as well as the outflow of remittances. Consequently, the current account surpluses were strong during that period. The capital account recorded less outflows than inflows of foreign direct investments but more outflows than inflows of portfolio investment. Over the years, the *net* outflows of capital were growing in line with the *net* inflows of the current account, almost like a perfect mirror image. Moreover, these net flows got larger and larger during this decade.

The global financial and economic crisis significantly altered the situation, in that oil revenues for the oil-exporting economies dropped and their capital flows to other countries consequently also diminished. The GCC countries repatriated large sums of money in order to stimulate their domestic economies.

This study compares the trends in foreign direct investments, cross-border loans and deposits and cross-border portfolio investments, remittances, exports and imports over the last decade among the two country groups of oil-exporters. In particular, the analyses show that the GCC economies took far less new foreign bank loans during the crisis, while GCC bank deposits abroad were withdrawn by the GCC at the same time.

Next to the economic analyses of the trade and capital flows during the last decade of the oil-exporters, this study draws the attention to the importance of statistics on capital flows.

Studying the six GCC countries and trying to provide a comprehensive overview of all flows of the balance of payments of each of the countries is still cumbersome due to the almost full lack of some statistics (portfolio investments) and non-timeliness. As to trade statistics, this study shows a methodology to construct a reliable leading indicator. In order to estimate the exports of goods of the GCC countries to the rest of the world, for instance, the imports of goods by the EU and the US from the GCC countries can be used as the latter is reliable and up-to-date. The same holds for imports, as shown in the econometric analyses in this study. As to capital flows, such as portfolio investments, more statistical information and research is needed for making in time good judgements of the international capital developments.