- PROGRAM -

Rose Rayhaan by Rotana - Hotel
Dubai, United Arab Emirates

1st & 2nd of May 2019

TASK 2019

3rd AFU International Conference

Towards Advanced Scientific Knowledge In Business Sciences
Dear Distinguished Participants and Guests,

It is a great pleasure to welcome you to the 3rd AFU International Conference: Towards Advanced Scientific Knowledge (TASK2019) in Business Sciences, held from 1st - 2nd May 2019 in Dubai, UAE.

TASK2019 is a multidisciplinary conference that covers interrelated topics which are under the umbrella of Business Sciences. TASK2019 aims to provide a platform for researchers across the world to discuss and share ideas and findings about business challenges and new emerging phenomena from a broad perspective including Business, Technology, New Media and Law. The conference emphasizes this perspective (intersection between Business and other fields of knowledge) which also offers the opportunity for research collaboration on interrelated topics between scholars from different backgrounds and fields, and helps in providing innovative solutions for better business environment and society’s welfare.

For TASK2019, 102 submissions were received from 27 countries including 5 continents. All submissions were peer-reviewed and only 57 papers have been accepted for presentation at the conference.

I would like to thank the participants for submitting their contributions which included interesting topics. I also would like to thank the program chairs, international program committee members, reviewers, and AFU members for their efforts and contributions towards TASK2019.

Finally, I hope all the participants benefit from the conference keynote speeches and sessions, and networking opportunities. I wish you a fruitful and wonderful time at the conference and in Dubai.

Conference Chair
Dr. Mohanad Halaweh
THE GCC ECONOMY AND THE OIL PRICES SHOCKS DILEMMA: A REVIEW

Mahmood Al Hamran
Postgraduate Candidate (PhD)
Azman Hashim International Business School
Universiti Teknologi Malaysia
81030 Johor Bahru, Johor, Malaysia
Email: mahmoudalhemran@yahoo.com

Nanthakumar Loganathan & Asan Ali Golam Hassan
Azman Hashim International Business School
Universiti Teknologi Malaysia
81030 Johor Bahru, Johor, Malaysia
Email: nanthakumar@utm.my, asanali@utm.my

Abstract: The oil exporting countries are mostly dependent on only one commodity and there economy are closely tied with the oil prices. There are a plenty of literature that shed a light on the nexus of the economic growth and the oil prices. However, the literature is sparse over the academic and internet sources. This study provide a consolidated place to analyze the effects of the oil prices and production on the Gulf Corporation Council (GCC) economies. The literature showed that there is a noticeable impact of the oil and shale production on the GCC economies, specifically on the Kingdom of Saudi Arabia (KSA). It is also highlighted in a number of studies that the GCC has failed in the separation of economic development and energy demand over the last decade. As a result, the GCC economy is one of the tiniest proficient globally. The consumption of energy is higher than growth in the economy in the entire GCC region. The GCC countries has serious attention to the sustainable energy starting from 2008 and began to focus on the move to sustainable energy. GCC countries have implemented several policies, projects and enterprises in all sectors. If these projects are implemented, they will increase investments and their impact on the environment will become clearer. However, there is not sufficient literature that support the implementation of all these policy in real.

Keywords: GCC Economy, Oil Price, Oil Production, Gulf Cooperation Council, Energy consumption.
1 Introduction

The GCC was established on May 25, 1981 in Abu Dhabi by comprising United Arab Emirates (UAE), Bahrain, Kingdom of Saudi Arabia (KSA), Oman, Qatar and Kuwait. The GCC countries have collective area is 2,673,108 km² with a total of 53.1 million population in 2017. Global Gross Domestic Product (GDP) of GCC countries grew by 29% in 2010 and reached US $ 1.4 trillion in 2011 (Sribas Chahdra bhattacharya et al., 2013)

The Arabian countries are considered the center for the energy sources. They hold 49.6% of proven oil reserves and 29.1 percent gas of entire world. That make it the most important in the global energy market. In 2011, these countries have the 46 percent of global reserve oil which is 713 billion barrels) (Commons, 2012). That makes the Arab countries, comprising over 22 countries, the largest oil producers in the world (I. E. A. IEA, 2012). Arab world oil wealth has formed a whole trajectory of development. This situation guarantees the integration of the Arab world into an international economic system. The Arab world is the main source of the global oil and oil will remain the main source of energy in the future for quite a long. Nevertheless, there are alternative discoveries of the energy sources such as shale oil, oil sand, and deep water than change the energy dynamic in the future. The rest of paper is organized as follow. The next section discusses the economic strengths of the GCC while section 3 elaborate the oil dependence. Section 4 highlights the impact of the oil prices and section 5 discusses the impact of oil prices in the domestic policies. The impact of oil price fluctuation in discussed in section 6 and the critical analysis were presented in section 7. The article were concluded in section 8.
2 GCC Economy

The impact of the economic growth and the oil prices in the GCC countries are highly dependent (Gazdar, Hassan, Safa, & Grassa, 2018; Hassan, Sanchez, & Yu, 2011a, 2011b; Yu, Hassan, & Sanchez, 2012; Zirek, Celebi, & Hassan, 2016). The oil is the single main source of income in these countries and that’s the reason that during the high oil price, they showed a reasonable surplus, especially in 2012 and 2013. The high oil prices boosted the economy and that increased the demand for industry and lead to the increased demand of energy in the GCC. As a major macroeconomic force, the oil market has been shown to have a significant influence on other macroeconomic activities (Alhassan, 2018).

The Arabian countries such as GCC countries are the main contributors in the global oil business. Their main source of income in oil for the entire Arab region which is the cradle of the socio-economic development in these counties. Although, the hydrocarbons is also a main contributor to the household energy sources that cover almost 50% of the region requirements.

The GCC has observed a tremendous increase in the consumption of energy sources which is 74 percent more than 2000 and will be double in 2020. This incredible growth in the demand of the energy sources increase the global concerns on the carbon emission and environmental issues. If only KSA is considered for the consumption of energy sources, the increase was 69 percent in 2009 from 1999 where the use of oil was approximately 582 thousands barrel per day in 2001 which witnessed a 340 percent increase from 2006 (W. E. O. IEA, 2010).

Keeping in view the increase demand of the energy sources, the other countries such as Qatar, UAE, and Oman started using the natural gas. However, in comparison, the gas prices are reasonably high than oil. Thus, the environmental pollution and increase demand for the energy sources while the occurring subsidies on the oil and gas negatively affected the GCC economy (Dii, 2013). In resource-rich countries, governments finance public expenditure through natural resources exports. Over the past decade, GCC countries enjoyed large external and fiscal surpluses, as well as rapid economic expansion, on the back of booming oil prices (El Mahmah & Kandil, 2018).

3 GCC and Oil Industry

The GCC counties have become international players due to the rise in the global oil prices from 22$ to 147$ USD per barrel between 2002 and 2008. The geographic location, rich in oil and gas reserves, GCC countries possess an influential position in the world economy (C. M. Davidson, 2010; Simiak A, 2011). These countries generated collectively up to 912 billion of dollars during this high price. The KSA alone generated $307b as compare to the previously $42b back in 1999. The state revenues increased to $87b from $13b for the same period of time. Similarly, the Qatar achieved $23b dollar increased. Additionally, the heavy investment of Qatar in the liquid natural gas made them the third largest in the world and observer a 13% growth rate. Furthermore, their exports will reach 77 million barrels per year by 2020 (Anderson, 1987).

This great wealth, coupled with good investment, gives the nations, individually and collectively, a huge economic and political power. The impact of CCG’s attitude and policy in
global relations has become very significant. It is important to point out that some of the leaders of the GCC countries have changed the orientation of the new generation and firmly became decision makers. Oil has an impact on the development of the GCC area, but it is also an economic risk. They are heavily relied on oil for their country's energy needs. In addition, there are many challenges: strong domestic demand for oil and energy has caused drains in oil wells. Such issues to the environment damage is resulting in a huge loss in the investing assets and also effecting the sustainable economic growth. Thus this study is mainly focusing on the role of oil in the economic growth of the GCC region in long run. With the passage of time the GCC has increase the production of oil between the 1970 and 2004. The increase was from 25 percent to 42 percent of the total global production in response to the international requirements (Young & Burton, 2012). Resultantly, these countries were highly dependent on the revenue from the energy sources and somehow ignore the diversified economic growth strategy. Moreover, there socio-economic and political stability are also linked with this commodity. Figure 1 shows the global oil and production reserves by region by the end of 2011. Table 1 highlight the region wise global oil production in percentage (Journal, 2013).

![Figure 1: The region wise global oil production in percentage (EnerData, 2018)](image)

Oil and export production has introduced many practical environmental issues, sustainable development, future growth and prosperity. These challenges have emerged and require rational treatment to safeguard the benefits derived from oil. However, it has been distributed unequally in the GCC region. In the coming decades, the expected outcome is to enhance the potential of both national and interregional approaches.
4 The impact of oil prices on GCC Countries

The Arab spring of 2011 brought a significant variation to the global oil prices. Given that the price of oil plummeted around US $45 and are constantly changing, reliance on oil as a source of income becomes untrustworthy. During this period, lighter crude oil production declined significantly from 1.3 million b/d to only 60,000 which is equivalent to about 5% of the total European oil supply. Given that these Arab countries are main running the oil revenue, the change in the oil prices negatively affected there economy.

Unlike the Arab countries in the North Africa, the rich GCC countries such as Saudi Arabia, UAE, and Qatar are less affected by the riots due to the larger capital reserves and enable them for a reasonable subsidies. In 2012, due to rise in the Gas prices, the UAE National council decided to increase the subsidies. The gap between countries in the region (from imaging and energy exporters) has greatly stimulated exporters as it relies on subsidies. The states in the GCC region (Kuwait, United Arab Emirates, Qatar, KSA and Iran) are considered the top five countries offering subsidies (Fund, 2011).

The rise of the Arab Spring has caused turmoil in the energy market and, in the meantime, no significant risk or supply risk has occurred. Fluctuating oil prices provide significant financial risks that affect the five-year plan of these countries. This is the main reason why countries that use fuel to cover their energy costs.

5 Domestic policies and oil production in GCC

Energy demand will continuously increase at a steady pace in the future, though without suitable mechanism for energy sources improvement and consumption. The oil and gas trade law in the region will determine the extent to which oil and gas in the country can be accessed in relation to domestic energy demand. The Natural gas with having a large number of reservoirs, makes it an essential element to meet the energy needs of the region and reduce dependence on oil. Yet, the defective and routine law associated with the gas production prevents the development
of this industry in the region. In spite of the increased use of natural gas as energy source in the region, it is not suitable for option for a number of countries. The laws in force in the region need to be studied, in particular to determine gas prices and industrial liberalization, to provide the private sector the growth opportunity. While there are some signs of legal development, it is necessary that the government, at the socio-economic level, accelerated the adoption of the law.

The Arab countries need to draft a stable policy and sustainable strategy for stabilizing the energy systems through the improvements in efficient economic reforms for long run sustainability. To date, it remains unclear whether the GCC countries see natural gas as oil alternative for future to reduce emissions of carbon dioxide. However, as long as this vision does not exist, string efforts are required to make laws on priority basis to consider the gas as an alternative source of energy (Nabli, Keller, Nassif, & Silva-Jauregui, 2006).

In countries like Kuwait, the relationship between natural resource owners (state) and state oil organizations that extract resources is inefficient and yields low investment rates. So far, the goal of changing the GCC economy to reduce the dependency on the oil market in the region. However, the current volume of the oil in almost all GCC countries make the strategies for reducing the oil dependency questionable (WMO, 2010)

6 GCC economy and oil price fluctuation

The population growth and increase consumptions of the energy sources in the GCC region will change the export and import ratio. For example the increase consumption in the KSA will reduce its export of the commodity in the next ten years (WMO, 2010). On the other side, for Oman and Bahrain the situation is different with the low oil production. Thus, the export of these commodities are the most important factor in the political scenario of the GCC countries.

![Figure 2: The energy consumption in GCC countries (World Data Bank)](image-url)
Most oils produced in GCC countries are exported. However, domestic consumption of oil has increased. Between 2000 and 2009, oil consumption increased by 6.5 percent annually while domestic production in 2009 was 13 percent and 25.5 percent for KSA and Qatar respectively. The KSA is considered one of the larger consumers of energy sources globally despite its economy and population is smaller than other comparable countries (Alyousef & Stevens, 2011).

Due to the increase demand of the energy sources, both domestically and globally, enhanced the reserves. In 2012 the KSA production crossed its highest in the past three decades. The main reason was the domestic demand during the summer where the air conditioning requirement are at its peaks. The huge domestic demand compel the government to import the fuel oil (C. Davidson, 2013). The need of electricity for power generation also minimized the export of the energy sources that cut the state revenue. The requirement for electricity were 12 percent of the country production and it is projected to 21 percent by 2030 (Bassam Fattouh & Stern, 2011).

GCC countries are vulnerable to oil shortages in the near future. The reason is the domestic and global demand and there oil prices. When the production stabilizes, the prices see a decline while domestic demand witnesses a spike. The solution to such situation is either increase in international prices to reduce the export until the domestic requirements are achievable. Or, increase the domestic prices for energy consumption. Then the balance should be taken between the export and domestic needs (Sturm, Strasky, Adolf, & Peschel, 2008).

Although there are many common institutional features, the GCC countries are somewhat less acting as unified blocks. These failures include economic factors and geopolitical structures that have made regional integration difficult. For example, in 2004, besides other partners, Bahrain signed a free trade agreement with the United States. The treaty has strengthened the presence of US troops in the Gulf due to war and instability in the region. The valuable resources in the GCC region, coupled with the increasingly significant economic weakness and importance of this part of the world, have made it possible to develop significant political and commercial relationships with many countries, especially with the United States. The GCC countries have signed many international agreements and joined many international conferences and consultations (Krugman, 1980).

New problems have added to stable economic development, increased energy requirements, fossil fuel shortages and direct impacts of fossil fuels on climate change due to the impact of carbon emissions in the atmosphere. There are two effective ways to reduce dependence on fossil fuels: reducing energy consumption by implementing energy conservation programs, energy conservation and energy efficiency in industrial and domestic environments (Banos et al., 2011). Second, by developing renewable energy because it is an efficient alternative energy with reduction of carbon emissions.

Critical analysis of the literature

The analysis of the literature reveals that the fossil fuels will remain the dominant commodity in the global market as an alternate source of energy. The will change the direction of the global policy associated with the energy and environment in the future. Furthermore, in these...
plans, the advantageous aspect should also be considered while planning for renewable and sustainable energy projects that are highly additive to the sustainable economic growth.

The effects and consumption of the energy sources can be influenced by a number of political and economic factors. During the Arab spring, the strong economies remained less affected in comparison to the North African Arab countries which comparatively suffered from the low oil prices. However, the dependency on oil only, effected more or less every oil exporting country. To address the social welfare and wellbeing in the Arab countries brought additional burden on these countries. Such dependence makes the states more vulnerable to price shocks.

There is evidence of public interest and the demand for renewable energy technology. Sustainable changes have been studied alongside technological changes, and less attention has been paid to other issues related to sustainable development, such as population growth and democracy. For GCC countries, for example, more information is needed for democracy, citizen participation and special development.

8 Conclusion

Considering the GCC as the world top producers and exporters, they are also the largest consumers in the word that effecting there economy. Such a growth in consumption will lead to a sharp decline in export of these materials that will bring negative impact to the state’s economy. The oil prices shocks were observe twice by the GCC countries and the rise in the price results losses in the form of subsidies while decrease in the price forced many project to shut down. Thus, the oil exporting countries are more in need to focus on the alternate sources of the energy to keep the balance. The alternate sources are the renewable energy and moving the electricity generation to fossil fuel. The literature is full of the evidences in this matter that many systems utilizes the renewable energy. While these projects are still less than ambitious, the economic potential of these countries with appropriate planning and the presence of multiple partnerships with leading companies in this field, the GCC can achieve these ambitions over the next two decades.

9 References


Dii. (2013). Desert power: getting started—a manual for renewable electricity in MENA.


