



Change Is In The Air

The six nations of the Gulf Cooperation Council (GCC)—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE—have a common need to adjust to a changing global oil market as a result of the surge in US oil production. They will need to be less profligate in their spending and more careful about how they invest oil revenues. They will also need to continue to look toward Asia in hopes of finding sustained demand for energy and petrochemicals in emerging markets.

The recent decision by Saudi Arabia to shift its weekend to Friday and Saturday—from Thursday and Friday—is symbolic of the broad changes taking place throughout the Arab Gulf. It will bring Saudi Arabia into line with the other members of the GCC and will help strengthen economic relations within the group. The realignment could portend a move by Saudi Arabia to open its financial markets wider to foreign investors. The sparkling new King Abdullah Financial District in the Saudi capital, Riyadh, is looking for tenants. The UAE capital, Abu Dhabi, has also built a new financial center and will be competing for a role in the global marketplace.

GCC countries will still be big spenders on infrastructure projects this year, despite longer-term worries about oil prices. Metro and light-rail projects are planned or underway in Riyadh, Doha, Kuwait and Abu Dhabi. Power and water projects are on the agenda in Oman. Qatar is preparing to host the FIFA World Cup in 2022. Highways and hotels are being built throughout the GCC.

Foreign direct investment is also an important economic driver in the region. Countries such as Saudi Arabia and the UAE are attracting significant amounts of investment from abroad owing to their pro-business environments. The GCC remains a region of political and economic stability in a sea of unrest.

There are many question marks on the long-term horizon, however. Efforts to diversify economies have been less successful than many had hoped. Oil is still the key economic ingredient for most GCC countries, and they face growing threats of falling prices and new competition. Rising consumption of cheap oil within the region is another issue that needs to be addressed. Change is indeed afoot.

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