

Trade & the New Economic Geography of the Middle East

World trade has followed an average annual growth rate of 10.1% that increased global exports to USD 13.9 trillion in 2007 from USD 0.06 trillion in 1949. In the past eight years, exports grew on average 2.7 percentage points faster than real gross domestic product. The pattern of international shifted with the increased participation of newly emerging market economies dominating the growth of world trade, and Chinese exports dominate developed countries imports (especially the US).

In this DIFC Economic Note 4 "[Trade & the New Economic Geography of the Middle East](#)", we trace the changing global trade patterns according to the data from the World Trade Organization and the implications for the region, especially the GCC. The data, (available till 2007) reflects the inflated commodity prices that increased rapidly at the start of 2007. The faster rise in commodity prices in 2008 (including the phenomenal rise of oil prices to cross \$145 a barrel) has however not been reflected in the available data. But given the aftermath of the financial turmoil and historical evidence of the fall in commodity prices during downturns, the decline in trade volume and value is likely in both 2008 and 2009 in line with growth projections for the world economy).

Detailed analysis of GCC trade data reveals a shift in trading partners with EU and Asia emerging as the major partners with the US share declining. While fossil fuels remain the most important exports from the GCC, there is evidence of trade diversification towards non-oil products. While intra-GCC trade has picked up, there exists potential for sustained intra-regional trade growth, which pales in comparison to regions like Europe (71.2%) or Asia (57.4%). In this context,

the GCC should aim to reduce trade barriers (both tariff and non-tariff barriers) impeding regional trade and expedite negotiations with its more important trading partners to facilitate trade. Additionally, the GCC Single Market initiated in 2008 and the expected launch in 2010 of the Gulf Monetary Union and common currency will help GCC to strengthen regional trade and leave a mark on the global trade map.