
Four Gulf States set to sign monetary pact

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Reuters reported that foreign ministers from four out of six Gulf Cooperation Council states plan to sign a pact creating a monetary union with Saudi Arabia at its centre.

As per report the ceremony comes as a confidence building measure after the shock decision by the UAE, the second largest Arab economy to leave the plan in protest after a May 5 decision to base the joint central bank in the Saudi capital Riyadh.

In doing so, the UAE broke ranks with Saudi Arabia, Kuwait, Qatar and Bahrain and stirred doubts whether the project would proceed or if so whether the new currency bloc would be of much benefit to the energy-exporting region.

Mr John Sfakianakis chief economist at HSBC's Saudi affiliate said that "For the sceptics the signing is not that important. It should be seen however as another step forward and proof to those that say the union cannot move ahead."

Foreign ministers of the remaining four states are due to sign an accord in the Saudi capital Riyadh to set up a monetary council that will form the base of any new central bank and prepare for monetary union.

The UAE withdrawal is not the first setback. Oman opted out in 2006 and earlier this year the six-nation GCC abandoned an initial 2010 deadline for issuing common notes and coins.

The UAE's foreign minister told Reuters last month the Gulf state would consider rejoining the Gulf monetary union if the terms change and its neighbours agree to allow a joint central bank to be based in the country.

But Saudi Finance Minister Ibrahim Al Assaf told Reuters earlier this month the location of a Gulf central bank would not be open for renegotiation.

Some analysts have questioned whether the withdrawal of the UAE, the Arab world's largest economy after Saudi Arabia, could derail the long-troubled project.

In 2001, the GCC had agreed to forge a monetary union similar to that of the European Union.

(Sourced from Reuters)

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