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EU-GCC Dialogue on Economic Diversification II



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Message from the Team Leader



Team Leader
Dr. Rade Glomazić

Dear readers,

thank you for joining us for this edition of the newsletter.

This issue comes at an important moment for EU–GCC cooperation. Across the region, countries are advancing ambitious agendas for economic diversification, digital transformation, innovation, trade and investment. At the same time, recent regional and global developments remind us of the importance of resilience, trusted partnerships and practical dialogue.

In this edition, we look beyond individual events to the wider direction of our work. We reflect on emerging priorities for EU businesses in the GCC, the growing role of artificial intelligence and the digital economy, the importance of trade and investment links, and the opportunities for stronger cooperation in sectors such as energy, food and beverages, defence technology, innovation, and future-ready industries.

What connects these themes is a clear message: cooperation between the European Union and the GCC is not only about responding to today's challenges. It is also about building the foundations for long-term growth, stronger private-sector engagement, and more diversified and competitive economies.

I hope this edition provides useful insight, encourages new conversations, and supports continued engagement among our partners, institutions, and business communities. Above all, I hope it shows that progress is strongest when dialogue leads to action.

Warm regards,

Rade Glomazić

Main outputs and country focus

European Union Business Forum (EUBF) in the UAE

An EUBF plenary meeting was held on April 8, a couple of weeks after the start of the war in the Middle East, to exchange information and insights on the current situation in the UAE and in the region, and to discuss the EUBF next steps.

EUDEL provided a brief analysis of the impact of the Iranian war on the various sectors of the UAE economy, and the participants shared their view on the impacts and the short-, medium- and long-term outlook for their activities.

EUBF upcoming events

Based on the results of discussions with business representatives from each country, we have launched two task forces: one in the energy sector and one in the food and beverages sector. They should start work in May.

The topic of a third task force will be decided in light of the priorities emerging for EU business in the current critical context.

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Major policy dialogue event

AI at the Core: How the GCC Is Accelerating Its Next Growth Chapter

In 2026, artificial intelligence and the digital economy have firmly moved from vision to execution across the GCC, becoming a central pillar of economic strategy. What was once framed as future ambition is now actively shaping policy, investment, and day-to-day operations across sectors.

Regional leadership has been clear about this direction. As Jasem Mohamed Albudaiwi, Secretary-General of the Gulf Cooperation Council, stated, GCC countries are implementing “ambitious national strategies in artificial intelligence and the digital economy,” with AI expected to contribute between $150 billion and $260 billion annually by 2030 to the region’s economy.

Saudi Arabia is at the forefront of this momentum, having declared 2026 the “Year of Artificial Intelligence” under the leadership of Crown Prince Mohammed bin Salman. The move reflects a broader shift toward scaling real-world applications of AI across government and industry. Supporting this, Dr. Abdullah Alswaha, Saudi Minister of Communications and Information Technology, highlighted that “AI is not just a sector, it is an economic multiplier that will redefine productivity across all industries.”

The scale of investment reinforces this commitment. Saudi Arabia alone has mobilized over $9 billion in AI-related initiatives, alongside rapid expansion of digital infrastructure including cloud computing, data centers, and national platforms. Across the GCC, similar efforts are underway, embedding AI into logistics, energy, finance, and public services, turning it into a core driver of efficiency and growth.

Senior experts in the Kingdom see this as a defining moment. Dr. Muhammad Khurram Khan, advisor on cybersecurity and digital transformation, described the current phase as “a strategic milestone, moving from planning to large-scale implementation.” This transition reflects a broader regional confidence: the foundations have been built, and the focus is now on delivery and impact.

What sets the GCC apart in 2026 is the speed and cohesion of its approach. AI is being integrated not in isolation, but as part of a wider economic transformation, aligned with national visions, backed by capital, and supported by strong institutional frameworks.

Bahrian and France Trade Nears $760 Million

Bahrain is reinforcing its position as a gateway for regional trade and investment, as highlighted during high-level talks held on April 22, 2026, between the Bahrain Chamber and French Ambassador to Bahrain Éric Giraud-Telme. During the meeting, Nabeel Khalid Kanoo, Chairman of the Bahrain Chamber, emphasized that the Kingdom has become “a key gateway for trade and investment flows to and from regional markets,” pointing to strong economic resilience despite regional pressures. On the French side, Ambassador Éric Giraud-Telme welcomed the momentum, expressing optimism about “further strengthening ties” and highlighting “vast opportunities” for deeper economic integration. The dialogue builds on rapidly expanding bilateral trade, which reached $757.9 million in 2025—a 76.7% increase year-on-year and signals a shared commitment to expanding partnerships in high-value sectors and long-term investment cooperation.

The discussions also underscored Bahrain’s strategic advantage as a flexible and business-friendly entry point into the wider GCC market. Both sides highlighted the importance of increasing private-sector collaboration and facilitating smoother investment flows. Looking ahead, the engagement reflects a broader trend of deepening GCC–Europe economic ties, with Bahrain positioning itself as a platform for future cross-border growth.

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GCC trade in goods with EU or any other part of reporting

EU as Trusted Partner in the GCC Future-Ready Economic Diversification



Author: Daniela Stratulativ, Senior Expert Political Economy - International Trade and Investment.

Recent global economic uncertainty and geopolitical developments in the GCC underscore the importance of reassessing the pace and priorities of economic diversification in the member countries.

The region has made substantial progress in advancing reform agendas that yield tangible results, leading to more diversified output and external trade. Notwithstanding this progress, the pace of diversification across GCC countries remains uneven. UAE, Saudi Arabia and Bahrain are relatively close to the emerging markets average, while Kuwait, Qatar and Oman rank globally among the bottom 20 countries in economic diversification. UAE's regional leading position is strongly supported by the strategy of trade liberalization via Comprehensive Economic Partnership Agreements (CEPAs), resulting in a doubling of non-hydrocarbon exports between 2017 and 2024, as well as an increase in commercial services trade.

Accelerating and prioritizing reforms in the region would support the transition to a more diversified growth model and enhance economic resilience. These reforms could include the ongoing modernization of public service delivery to improve the business climate and the scaling-up of investments in innovation and digital technologies. Other measures that could accelerate the pace of diversification consist of investing in human capital and infrastructure connectivity, both digital and physical, as well as strengthening the regulatory environment to enhance the attractiveness of the GCC's non-hydrocarbon sectors to foreign direct investment.

Diversification opportunities are particularly significant in advanced manufacturing, logistics, construction, finance, real estate and ICT. These sectors are consistently identified in international assessments, such as those conducted by the World Bank, as key engines of non-hydrocarbon growth in the GCC.

The European Union is well positioned to support the GCC countries in advancing their economic transformation and support national strategies such as the UAE's Industrial Strategy - Operation 300 bn, which aims to raise the industrial sector's contribution to the GDP from AED 133 billion to AED 300 billion by 2031. Enhanced EU–GCC cooperation can support the strengthening of regulatory and institutional frameworks, leveraging the experience of the EU Member States in promoting private sector-led growth.

Deeper trade and investment integration can further foster export diversification and integration into global value chains by increasing market access, reducing non-tariff barriers and aligning regulatory standards with international practices. This would support the expansion of non-hydrocarbon exports, such as manufactured goods, commercial services and high value-added intermediate products, while facilitating stronger integration of GCC firms into global value chains.

Collaboration in innovation, including research and development programs, can accelerate knowledge transfer and support emerging sectors, while leveraging both the European Union expertise and GCC financial capacity to scale industries such as digital services, fintech, advanced manufacturing and logistics. EU–GCC partnerships in skills development are essential to support the transition toward higher value-added, knowledge-based industries.

Innovation and industrial development good practices in the European Union and the GCC illustrate different implementation models for linking research, innovation and economic growth. In the EU, programmes such as Horizon Europe embed the progression from research funding to applied innovation and scale-up within a single programme architecture, as opposed to a set of parallel but less tightly sequenced instruments. The programme supports breakthrough and disruptive innovations with high scale-up potential that are often too risky for private investors, with a strong emphasis on SMEs, which account for around 70% of the budget. The approach is innovation-centric, risk-taking and agile, with proactive management and close follow-up to ensure progression from idea to market impact.

Another example of EU good practices that could support GCC economic diversification objectives is the EU Digital Decade policy programme that coordinates multi-country projects. The programme supports pooling resources from EU, from the EU Member States and also private sources. Its vision consists in “developing a comprehensive and sustainable ecosystem of interoperable digital infrastructures where high performance, edge, cloud, quantum computing, artificial intelligence, data management and network connectivity work in convergence, to promote their uptake by businesses in the Union and to create opportunities for growth and jobs.”

In view of the structural and strategic considerations outlined above, sustaining diversification efforts will require not only continued domestic reform but also stronger international partnerships. A deeper EU-GCC relationship would strengthen economic resilience and support the transition toward more diversified, innovation-driven and future-ready economies across the GCC.

Implemented and Planned Activities

The project continues to deliver activities designed to foster economic integration and diversification. In April 2026 the project has been focusing on the organisation of several events in the region including Digital Cybersecurity and Infrastructure Resilience Dialogue event organised with Digital Cooperation Organization – DCO (May 2026) and the EU Defence Technology Forum in Abu Dhabi (7 May 2026).

In terms of policy analysis and institutional support, the project has delivered policy papers on topics related to UAE Comprehensive Economic Partnership Agreements (CEPA), GCC investment climate and market access.

Significant technical assistance continues to be extended to EU Chambers of Commerce and the Enterprise Europe Network (EEN) in Bahrain, Saudi Arabia, Kuwait, and the UAE. This support includes strategic business planning, legal advisory, and the development of concept notes for new institutional initiatives, such as the establishment of the EU Business Forum in the UAE.

For the period ahead, the project is preparing for a series of planned activities including the EU-Oman Aviation Dialogue (May 2026) and Cybersecurity and Artificial Intelligence Workshop (KSA, May 2026) as well as the upcoming EU-GCC Business Forum towards the end of the year. These initiatives are designed to facilitate the exchange of best practices and align regulatory standards with international benchmarks as well as enhance bilateral business opportunities for both EU and GCC actors.

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Planned activities and events

EU-Oman Aviation Dialogue

TBD

Oman

KSA Digital Cybersecurity and Infrastructure Resilience Dialogue (Breakfast Meeting)

7th June 2026

KSA

10th Business Forum

2026

Official launch Event of the Chamber of Commerce

June 2026

Bahrain

Customs Dialogue

TBD

Qatar

EU-Oman Study visit

TBD

Oman

Cybersecurity and Artificial Intelligence Workshop

May 2026

KSA

Fintech & Digital Banking & Innovation (MISA)

Q3 2026

KSA

Panel Participation in Milipol (Defense) Event

TBD

Qatar

Public Procurement Dialogue

TBD

Qatar

Food Safety Dialogue

TBD 2026

Qatar

Participation in Quantum and New-Tech Summit

27-29th September 2026

Dubai

Launch of EEN

September 2026

Kuwait

Food Security & Sanitary Dialogue

TBD 2026

Kuwait

EU Defence Technology Forum

7th May 2026

UAE

EUBF - Launch of Taskforces Food and beverage

8th May 2026

Abu Dhabi

EUBF - Launch of Taskforces Energy

May 2026

Abu Dhabi

Contacts

ABOUT US

The EU-GCC Dialogue on Economic Diversification II is a project funded by the European Commission Service for Foreign Policy Instruments under the Partnership Instrument. The project contributes to stronger EU-GCC relations by supporting the GCC countries in the ongoing process of economic diversification away from hydrocarbon-dependent sectors, including by funding regular EU-GCC Business Fora.



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If you found this newsletter valuable, we encourage you to share it within your network to strengthen dialogue and cooperation between the EU and the GCC. By fostering economic diversification, digital transformation, regulatory covergence, and private sector engagement, we can advance sustainable growth, trade, and investment opportunities across both regions.

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