



EU-GCC Dialogue on Economic Diversification

A project funded by the European Union



THE LATEST NEWS FROM THE EU-GCC DIALOGUE ON ECONOMIC DIVERSIFICATION PROJECT

This month features an interview with **Mr. Marc Fiedrich, Acting Director and Head of Service for Foreign Policy Instruments, Commission of the European Union.**

In May, the Commission published a Joint Communication on a **“Strategic partnership with the Gulf”**. The interview along with the featured Q&A highlights how this partnership will facilitate and strengthen future EU cooperation with the GCC.

This month in the Knowledge Hub, we introduce the new project study on **'Localisation requirements in the GCC and proposed solutions for EU businesses.'**

We also welcome you to interact with **our poll feature** on issues related to GCC economic diversification.

In selecting and preparing the content of upcoming editions of the newsletter, we would welcome your feedback on the topics and sectors that interest you most. Please feel free to send your suggestions to our editor Rania Nseir at rnsair@eugcc.eu.

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IN DIALOGUE WITH MR. MARC FIEDRICH, ACTING DIRECTOR AND HEAD OF SERVICE FOR FOREIGN POLICY INSTRUMENTS, COMMISSION OF THE EUROPEAN UNION



Q What is the service for Foreign Policy Instruments and what role does it play on behalf of the European Union?

A The mission of the Service for Foreign Policy Instruments is to put EU foreign policy into action, fast and flexibly, in a policy-driven and integrated approach, with global, geographical, and thematic scope, as part of a comprehensive geopolitical vision. Thereby we support achieving the objectives of the Common Foreign and Security Policy of the Treaty on the European Union, in particular as regards peace and conflict prevention, democracy and the rule of law, human dignity, and leveraging the EU's influence in the world notably economic.

We work under the authority of the High Representative of the Union for Foreign Affairs and Security Policy, Josep Borrell, and act as the first responders to foreign policy needs and opportunities.

Q What are the Foreign Policy objectives of the European Union?

A The President of the Commission determined 6 political priorities for the current 5-year mandate. These are derived from the Council's strategic agenda and from discussions with the political groups of the European Parliament. These include a European Green Deal, A Europe fit for the digital age. An economy that works for people and A stronger Europe in the world.

The EU's joint foreign and security policy, designed to resolve conflicts and foster international understanding, is based on diplomacy and respect for international rules. Trade, humanitarian aid, and development cooperation also play an important role in the EU's international position. EU foreign and security policy seeks to preserve peace, strengthen international security, promote international cooperation and develop and consolidate democracy, the rule of law, and respect for human rights & fundamental freedoms.

Indeed common grounds are emerging from the post COVID era and new opportunities are being provided for future EU-GCC economic cooperation. One of the most obvious areas of synergies and complementary approaches is the acceleration of our trade ties. In February this year, the European Commission published a Communication defining a new strategy for the EU's trade policy for the next decade.

This strategy is a consolidated EU response to the new challenges in the global economy including the "weaponisation" of trade policy for geopolitical purposes, deepening paralysis of the World Trade Organisation, and rapidly spreading unfair trade practices. All this is on top of a global recession that we all have to deal with because of the pandemic.

In this new trade strategy, the EU sets out three fundamental principles to build a new consensus regarding trade policy both at the European level and globally.

- We are reconfirming our commitment to an open, fair, and ruled-based trading system which is an economic and political necessity.

This is why reforming the WTO will be the first priority of the EU's trade policy over the next years.

- Our strategy puts sustainability at the heart of trade policy. We can safely claim that this is the greenest trade strategy ever.
- Finally, we are also prepared to be assertive and to ensure that agreed rules comply with international trade.

We stand ready to implement this strategy together with our Gulf partners.

Q

What is the relationship between the European Union and the GCC in terms of trade and economic development?

A

The Gulf region, like Europe, has always been a place of exchange – of goods, ideas, and cultures. The European Union is naturally looking to the Gulf countries with renewed interest, as they are key members of the global economy and the multilateral trading system.

The foundation of the European Union's relationship with the GCC is the important trading and investment partnership between both economic areas. The EU is the 2nd biggest trading partner of the GCC, representing 12.3% of the GCC's total trade in goods with the world in 2020. 17.8% of the GCC's imports came from the EU in 2020. The EU ranked as the GCC's number one import partner. Of course, trade is a two-way flow. In 2020, the EU was the 4th biggest export partner of the GCC as 6.9% of the GCC's exports went to the EU. In 2020, total EU foreign direct investment outward stock in the GCC region amounted to € 177.1 billion.

But we also share challenges that are common to both the EU and the Gulf Cooperation Council member countries. On the EU side, we have a rapidly ageing population and limited natural resources. In the Gulf region's growing economies, there is a rapidly growing young population and a wealth of natural resources. More than a third of the population in the Gulf countries is less than twenty years old, which requires the creation of millions of jobs to keep pace with this growth. And while its share has declined significantly in recent years, still the larger part of the region's exports are oil and gas, which are finite resources with highly volatile prices.

These factors represent for our regions certainly a challenge but also an opportunity to diversify and make better use of natural resources and generate more jobs with a new push towards a sustainable economic model. Our well-established EU-GCC cooperation provides the right framework to advance together in this direction.

The EU can contribute with its proven know-how, regulations and standards, and cutting-edge technologies and management solutions to help Gulf countries in their efforts to diversify their economies. And thanks to the economic diversification that GCC countries are pursuing, the Gulf region is becoming more and more attractive to EU investors.

The EU is also ready to continue supporting economic integration in the Gulf region. This is a complex and challenging process, but vital for creating economies of scale and generating the opportunities needed for trade and investment in the global economy. And in the area of economic integration, the EU also has unique and unparalleled experiences which we are ready to share. To discuss economic ties we do not need to start from scratch. We have well-established structures that allow us to enhance cooperation between our regions at several levels.

A structured Dialogue on Trade and Investment between the EU and the GCC was launched in May 2017 and has since been organised on a yearly basis. This provides a very useful platform to discuss trade and investment-related issues.

It also provides an excellent forum to discuss steps supporting operators from both blocks in accessing each other's market as well to support each other in the regional and multilateral trade policy context.

Q

The Commission recently published a Joint Communication on a "Partnership with the Gulf". How will this document facilitate and strengthen future EU cooperation with the GCC?

A

Indeed, the EU has just adopted a Joint Communication on a 'Strategic Partnership with the Gulf'.

A strengthened partnership is beneficial both for the EU and for the Gulf partners, with the EU being the world's largest single market, a leader in research and innovation, an important security actor in the Gulf region, and the leading actor in global challenges such as climate change and digitalisation.

The EU Global Gateway provides a dynamic framework for cooperation with GCC partners to foster sustainable investments in the broader Middle East region as well as in Africa. GCC countries are dynamic economies and an important gateway between Europe, Asia, and Africa. They are reliable Liquefied Natural Gas providers that have some of the best solar and wind resources in the world, whose development can be key in implementing our respective strategies to meet climate commitments as well as economic goals. As a strong defender of multilateralism and social transformation including human rights and gender equality, the EU will continue to foster political dialogue on such matters with the Gulf countries.

Increased cooperation and exchanges between the EU and GCC countries will ultimately be beneficial also for the people of both regions. Closer inter-cultural cooperation, mobility for youth and students, higher education cooperation, and exchanges will improve mutual understanding and trust. And these are just some of the many examples one could give.



The European Union is currently funding a number of Technical Assistance projects in the GCC. What role do they play in supporting EU-GCC cooperation in different policy areas?



The Gulf region represents a big market and the EU is supporting and encouraging its economic diversification. There are currently three EU-funded projects targeted exclusively on our cooperation with the Gulf Cooperation Council (GCC) both regionally and at an individual country level. These projects will help to support the implementation of the Joint Communication.

As I explained, the **EU-funded Dialogue on Economic Diversification Project** is supporting GCC diversification strategies. The Project is designed to identify synergies and complementarities in economic policy priorities between Europe and the Gulf and to enhance the conditions to step up trade and investment relations. It funds opportunities for a strengthened EU-GCC sustainable trade, investment, and business cooperation through the organisation of business fora, roundtables for policy discussions, technical workshops on regulatory frameworks, and topics such as standards and Intellectual Property Rights and protection, and the development of policy recommendations.

By supporting political dialogue through concrete activities as well as cooperation and outreach between the two sides, **the Enhanced EU-GCC Political Dialogue, cooperation, and outreach Project** contributes to a stronger relationship and helps strengthen the alliance between the EU and the GCC countries and the region, based on mutual interests. The project seeks to deepen political dialogue through workshops, conferences, capacity building, awareness-raising activities, study tours, technical assistance, advisory services, and networking. The project also supports the implementation of the Cooperation Arrangements between the European External Action Service and the Ministries of Foreign Affairs of the six GCC countries.

Finally, our third ongoing project, **the EU- GCC Clean Energy Technology Network** aims to catalyse partnerships between clean energy stakeholders, both in the GCC and the EU. The Network is a source of information on clean energy topics, an inclusive platform for stakeholders to meet and debate, and the bridge towards cooperation on clean energy, including policy and technology aspects, among various players across the EU and GCC countries. The Network is structured around collaboration in five working areas, with Climate Change as a cross-cutting topic:

1. Renewable Energy Sources
2. Energy Efficiency & Demand Side Management
3. Clean Natural Gas & related Technologies
4. Electricity Interconnections & Market Integration
5. Carbon Capture & Storage

This project is coming to an end soon but will be followed by a new project we are preparing, dedicated to our cooperation and dialogue with the GCC on climate change.

GCC: EU REVEALS STRATEGIC PARTNERSHIP WITH THE GULF

On 18 May 2022, the High Representative and the European Commission adopted a Joint Communication on a '**Strategic Partnership with the Gulf**' with the aim to broaden and deepen the European Union (EU)'s cooperation with the Gulf Cooperation Council (GCC) and its member states.

Within this context, the High Representative/Vice-President said in a statement that there's a need to work more closely together on stability in the Gulf and the Middle East, global security threats; energy security, climate change, and the green transition, digitalisation, trade, and investment. "We also need to strengthen contacts between students, researchers, businesses and citizens."



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A strengthened partnership is beneficial both for the EU and for the Gulf partners, with the EU being the world's largest single market, a leader in research and innovation, and an important security factor in the Gulf region and the leading actor on global challenges such as climate change and digitalisation. The EU Global Gateway provides a dynamic framework for cooperation with GCC partners to foster sustainable investments in the broader Middle East region as well as in Africa. GCC countries are dynamic economies and an important gateway between Europe, Asia and Africa. They are reliable Liquefied Natural Gas providers and have some of the best solar and wind resources in the world, whose development can be key in implementing mutual strategies to meet climate commitments as well as economic goals. As a strong defender of multilateralism and social transformation including human rights and gender equality, the EU will continue to foster political dialogue on such matters with the Gulf countries.

Increased cooperation and exchanges between the EU and GCC countries will ultimately be beneficial also for the people of both regions. Closer inter-cultural cooperation, mobility for youth and students, higher education cooperation and exchanges will improve mutual understanding and trust. And these examples are not exhaustive.

The Joint Communication addresses a series of key policy areas, presenting concrete proposals for strengthened EU-GCC cooperation on energy, green transition and climate change, trade and economic diversification, regional stability and global security, humanitarian and development challenges, and closer people-to-people contacts.

Joining forces to address climate change and harness the opportunities provided by the green transition is paramount and mutually beneficial. The Gulf region is particularly impacted by climate change and the EU, a pioneer in initiatives for a climate transition, can be a partner in developing the know-how and expertise to address this challenge.

A multilateral and rules-based international order requires cooperation to enhance mutual security and the stability of the wider European neighbourhood and the Gulf.

Protracted conflict situations also require a more strategic and enhanced engagement to address the unprecedented humanitarian and development needs in the wider Middle East and the Horn of Africa. Gulf countries are a significant donor of bilateral financial aid and can play an important role in the promotion of the respect of International Humanitarian Law and humanitarian principles.

In view of enhancing closer people-to-people contacts, youth and student mobility, inter-cultural and higher education cooperation, achieving visa free travel for the GCC countries is a shared interest and objective for the EU and the GCC countries.

QUESTIONS AND ANSWERS ON THE JOINT COMMUNICATION ON A STRATEGIC PARTNERSHIP WITH THE GULF

Why do we need a strategic partnership with the Gulf?

We are living at a time of insecurity and significant global challenges. The rules-based international order is put into question, the world faces the consequences of the COVID-19 pandemic, the global economy will need to recover and we have an imperative to act on the green and digital transition.

The EU is a global actor that is taking the lead in addressing those challenges, from climate change to a human-centric approach to digitalisation that respects fundamental values. The Gulf is a dynamic neighbouring region and an important gateway between Europe, Asia and Africa. Its security, stability and prosperity bear direct consequences for the EU. For these reasons, both the European Union and the countries in the Gulf stand to gain from a stronger and more strategic partnership building on an already long-standing relationship dating back to the 1989 Cooperation Agreement.

What does the EU stand to gain from this partnership?

A more strategic partnership between the EU and the Gulf Cooperation Council (GCC) countries will enhance the prosperity and security of both partners and make a real difference in addressing global challenges, such as climate change, the green and digital transitions, post-Covid recovery and many others.

For example, the Gulf region has a key role to play in the fields of green transition and energy security. As the world's largest producer of fossil fuels, the Gulf today plays a fundamental part in stabilising oil markets. However, in the medium-long term, the Gulf can also become an important producer and exporter of renewable energy, including hydrogen. The GCC countries have some of the best solar and wind resources in the world and are reliable Liquefied Natural Gas providers. As such, a stronger partnership with the Gulf is crucial for the implementation of the European strategy to REPowerEU and the International Energy Strategy.

Together, the EU and the GCC represent 20% of the world economy and cover more than half of world foreign direct investments. In 2020, the EU was the GCC's first import and fourth-largest export partner. An increased trade and investment relationship will be beneficial to both parties, also in view of the Gulf countries' objectives of diversifying their economies away from dependency on oil and gas revenues. Tourism is another field that could contribute in economic prosperity of both partners.

Cooperation on digitalisation, including on the digital up-skilling of citizens in the Gulf and the deployment of digital networks and infrastructures through the Global Gateway strategy, could open up possibilities for further cooperation on the data economy and a human centric approach to artificial intelligence. Space cooperation on GPS and Galileo are also important fields of potential cooperation.

Finally, the wider Gulf region is volatile. Instability there has direct effects on the EU's security and economic interests and reverberates in the EU's neighbourhood. The Gulf states are becoming increasingly active in their own region and in the broader Middle East and beyond. Lasting stability in the EU's broader neighbourhood will require close cooperation with them. The Gulf and the EU can work together on security-related issues, both as regards region-led confidence-building initiatives, and to address crises and challenges emerging in neighbouring regions such as the wider Middle East, Afghanistan and the Horn of Africa. Cooperation on maritime safety and security and humanitarian and development cooperation issues are important in that context.

How will the partnership contribute to fight climate change?

A more strategic partnership will help the green transition of both regions.

In the short-term, the EU will need the help of Gulf countries in stabilising oil and energy markets and import low-carbon sources of energy for its own smooth green transition. In the medium-longer term, the EU can help Gulf countries move away from dependency on fossil fuel and in their ambition to become producers and exporters of renewable energy, meeting their net-zero goals.



Given that an integrated gas and hydrogen infrastructure, hydrogen storage facilities, and port infrastructure is necessary for both the EU and the Gulf countries, the EU will work on a Mediterranean Green Hydrogen Partnership and will involve Gulf countries.

Moreover, green transition and climate adaptation and mitigation require large-scale investments globally. The investment capabilities of the EU and Gulf Countries combined, together with the EU's expertise and know-how, could unlock the necessary capital, expertise and experience to push forward the green transition in other areas of the world and foster sustainable investments in the broader Middle East as well as in Africa.

How will the partnership enhance regional security?

Preserving peace, security, and stability in the wider Gulf region is a key priority for the EU. Instability in this region has direct consequences on the global economy, maritime safety, and transport, plans to address climate change and it reverberates to other regions of the world.

A more peaceful and stable Gulf region will also be a more integrated and inter-connected region. For these reasons, the EU and the GCC partners will work beyond the already ongoing cooperation to foster dialogue and confidence-building measures, deepen engagement in counter-terrorism, and address hybrid threats with a view to progressively building a regional security architecture.

The growing regional presence of EU Operation ATALANTA creates space for more engagement on maritime security, on the basis of international law.

The EU will keep supporting the ongoing efforts by GCC countries to reinforce respect for rule of law and good governance, foster healthier and more open information environments, inclusive dialogues with civil society, transparency, and accountability. The normative and pioneering role the EU plays to implement legislation that protects people from unlawful and unnecessary surveillance and data collection can also improve the security and well-being of Gulf citizens.

Finally, the EU could share good practices in disaster prevention and preparedness.

What will this partnership bring to the people?

Gulf countries are undergoing a deep societal and economic transformation that opens up opportunities for further cooperation and exchanges. In recent years, Gulf countries have undertaken ambitious social reforms, marking a turning point in these societies that were unthinkable until recently. While human rights challenges do remain, the frank and open relationships established between the EU and the Gulf countries gave way to the promotion of human rights dialogues with a number of countries, some for the first time.

In this sense, the EU will share its experience in promoting inclusive dialogue with civil society and will support efforts by GCC countries to live up to international commitments on human rights.

Mobility and exchanges between people in Europe and in the Gulf region will increase chances for cooperation and mutual understanding, especially with the promotion of opportunities for the increasingly globalised and engaged youth in the Gulf.

How will this partnership promote human rights?

Gulf countries engaged in ambitious domestic development policies, often accompanied by social reforms that marked a turning point in these societies. While human rights challenges do remain, there has been significant progress for example with the dismantling of the kefala system for migrant workers.

The social reforms and the frank and open relationship established between the EU and the Gulf countries takes the form of several human rights dialogues, in which both parties take stock of progress made and address a number of cases and issues of concern. Notably, for example, the European Union and the Kingdom of Saudi Arabia held their first ever Human Rights Dialogue in Brussels in September 2021. It offered an opportunity to have detailed discussions on a wide range of topics.



The EU is strongly encouraging efforts to live up to international commitments on human rights, including ratifying relevant UN human rights treaties, as well as ratify and implement International Labour Organization conventions and recommendations.

The EU also stands by the principle that human rights apply online and offline and encourages Gulf countries to adopt and implement international legal standards pertaining to digital rights, on which the EU is a global leader.

The EU also intends to strengthen its engagement to promote gender equality and women's empowerment in close cooperation with the governments, civil society, private sector and other key stakeholders in the Gulf region, building on progresses made in this field.

How can the Gulf countries be partners in the implementation of the Global Gateway?

The green transition and climate adaptation and mitigation will require large-scale investments globally. The Global Gateway provides a useful framework for a joint venture with the Gulf to foster sustainable investments in the broader Middle East region as well as in Africa. It could be instrumental in bringing together the investment capabilities of the EU and Gulf countries and their financial institutions and effectively engage the private sector to unlock the necessary capital, expertise and experience.

It is therefore important to identify opportunities for cooperation on Global Gateway initiatives and promote Gulf partners' collaboration with EU institutions, Member States, financial institutions and the private sector, reflecting the Team Europe approach.



Why is development and humanitarian aid cooperation important?

We live in a challenging world in which humanitarian and development needs are on the rise. Gulf donors are already major providers of primarily bilateral aid for humanitarian and development cooperation.

They are substantial and reliable donors who are taking more and more a global responsibility to address crises around the world. Cooperation on humanitarian aid and development cooperation is necessary to make sure that aid is delivered in a coordinated approach for partner countries, and preferably through multilateral agencies.

Why stronger institutions are needed?

The GCC is a model for regional cooperation and there is increased momentum and a strong mutual interest to give EU-GCC relations a more strategic orientation.

Structured cooperation with the GCC and its members is governed by the Cooperation Agreement concluded in 1989 and with agreements signed with the six GCC member countries. This framework of bilateral and regional cooperation and dialogue encompasses various formats for political and sectoral consultations and cooperation, as well as for exchanges on regional developments at different levels.



A stronger institutional cooperation can lead to more partnerships on topics of mutual interests. For example, sectoral ministerial meetings between the EU and GCC will help pursue the implementation of joint activities on health, trade and investment, migration and mobility, education and research, energy and climate change, digitalisation and disaster preparedness.

GCC HAS THE POTENTIAL TO BECOME A GLOBAL POWERHOUSE

The Gulf Cooperation Council (GCC) has grown into a robust inter-governmental union between the six Gulf nations - the UAE, Saudi Arabia, Qatar, Kuwait, Bahrain, and Oman. These countries are influencing global affairs and have hosted major events like Expo 2020 Dubai. The UAE is also set to host COP28 in Abu Dhabi next year, while the Fifa World Cup this year will be held in Qatar.



Saudi Arabia, Oman, and Bahrain, meanwhile, have each strategized new visions for growth with an eye on a future that is less dependent on oil. These countries are also actively finding solutions among themselves despite the challenges they face in the Middle East. Recently, the UAE, Saudi Arabia, and Qatar resolved their political differences for stability in the region. This agreement has paved way for a Gulf railway transit system that connects all six nations.

The Gulf nations now seek to operate on a global scale as a united bloc, and the future looks promising for the region. Just as the European Union (EU) is one of the main political and economic unions of the western world, the GCC has the potential to become an economic and strategic powerhouse in the Middle East and globally. The leaders of these nations realise economic openness could generate tremendous benefits for their citizens in the long term.

The UAE was selected to host the international Expo 2020 in Dubai, the first such trade fair hosted in the Middle East. This was an international collaboration of 192 countries. With an emphasis on innovation, growth, opportunity, mobility, and sustainability, the event brought together innovators from around the world to exchange ideas to solve real-world challenges.

The UAE is now set to host the COP28 UN Climate Change Conference in 2023. Almost 200 nations will assemble to address the economic fallout of climate change and explore solutions to the problem. This year, Qatar will host the FIFA World Cup 2022, where 32 nations will compete for honours at the event. The country sees this as an opportunity to bridge the gap between the Middle East and the Western world through sport.

Saudi Vision 2030 has also revolutionized the development model in the Kingdom, and the social benefits are already evident. The Kingdom is the subject of all conversations in the Middle East. Moreover, top global companies like Pepsico, PWC and others have begun setting up their regional headquarters in Riyadh. Similarly, Oman Vision 2040, and Bahrain Vision 2030 could propel these countries onto the world stage.

Dubai's and Bahrain's handling of the pandemic have also come in for praise, and the world is looking to the GCC for a new model of development. By choosing the GCC nations to host these global events, other countries have shown their rising trust and confidence in these nations' abilities to coordinate, plan, and organize international galas. This is, therefore, the time for greater Gulf unity. Just as the 27 nations of Europe formed the EU in 1993, the six nations of the GCC could be headed in the same direction.

With Saudi Arabia and the UAE lifting their blockades against Qatar this is the dawn of a new era of cooperation. Kuwait and Oman also played a huge role in the success of this peace treaty by pushing for change in the status quo. By doing this, these three nations shifted from their individual interests to collectively supporting the GCC's greater interests under one political agenda.

One of the most exciting developments for the region is the proposal for a Gulf railway to connect all six nations. With an expected length of over 2,000 kilometers, this railway will unite the GCC with opportunities for open trade and travel.

Saudi Crown Prince Mohammed bin Salman has said that he believes the Middle East will become the new Europe. Mergers and consolidation of businesses is not a distant reality under the new vision for a unified future. State-owned energy companies like Saudi Aramco, Abu Dhabi's ADNOC, Kuwait's KPC, QatarEnergy, Bahrain's BAPCO, and Oman's OQ could, therefore, work together in an open economic landscape. Another important facet of this relationship could be the development an educational system unique to the GCC. A Gulf Ivy League university could go a long way in higher education. Such a union could enhance citizens' rights vastly and improve the media landscape in the Gulf. An integrated and unified media and news platform to connect all GCC nations on a social level is in the realm of possibility.

A SPEECH BY AMBASSADOR AL-BUDAIWI ON THE STEADY GROWTH OF EU-GCC TRADE AND INVESTMENT

Trade and investment have steadily grown between the 27-member European Union and the six-member Gulf Cooperation Council (GCC) since the 1988 Cooperation Agreement between the two sides, according to Kuwait's ambassador to Belgium, the EU, and NATO, Jasem Al-Budaiwi.

Despite the dual challenges of Brexit and the coronavirus pandemic the recovery is now blazing ahead" and set to only increase to even greater levels", he said at an event organized by the Arab-Belgium Luxembourg Chamber of Commerce (ABLCC).

Al-Budaiwi was the guest speaker at a lunch conference hosted by the ABLCC on the topic "Belgium " and EU Investment Opportunities in Kuwait and the GCC. He noted that from a trade and investment point of view, the six GCC countries, Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE, represent an important region to the EU and together are the Union's 10th largest trading partner.



The EU is the GCC's second-biggest trading partner, he noted and stressed, "There is so much potential, so much room for further growth and investment." "The GCC States have clearly demonstrated their courage and trust by continuing to invest in European companies and projects," said the Kuwaiti ambassador, but lamented that "European companies hesitate when deciding to invest in Kuwait and other GCC countries for a number of reasons, many of which are unjustified."

"It is time to ramp up the confidence-building and ensure that the future growth of investment and trade between the GCC and the EU is not one-sided," he said. Al-Budaiwi urged for new collaborative projects between the two regional blocks to tackle global challenges such as digitization, green energy, Artificial Intelligence, food security, healthcare, and education.

Many of the GCC countries, Kuwait included, have grand plans for the future through a number of groundbreaking initiatives that offer big opportunities for European companies. He also announced that the economic partnership between Kuwait and Belgium would witness a major boost in the near future as a proposal, submitted by the Belgian side and currently being studied by the Kuwaiti authorities, is in the works.

Al-Budaiwi drew attention to two recent important developments that will lead to further strengthening of EU-GCC ties. Last week, the EU released a document entitled "Joint Communication on a Strategic Partnership with the Gulf" which covers trade, investment, security, political energy, tourism, and many other topics. The European Commission recently proposed to lift the Schengen visa requirement for nationals of Kuwait and Qatar. Hopefully, this announcement will be closely followed by the remaining GCC countries obtaining a similar proposal. This is a game-changer," he added.

On his part, Qaisar Hijazin, ABLCC secretary-general, in his introductory remarks said the cooperation between the Chamber and Arab embassies in Brussels played an important role in boosting contacts between the business communities from both sides. Indeed our chamber acts as a bridge between the business communities to develop economic and trade ties and cooperation between both sides," he said. He estimated that Arab-EU trade exchanges were worth 290 billion euros (USD 309 billion) annually.

THE MIDDLE EAST NEEDS EUROPEAN UNION-STYLE INTEGRATION TO BOOST GROWTH

The Middle East and North Africa need a freer flow of people, goods, and \$2.5 trillion in spending if the region is to produce its fair share of global GDP, a report has said.

Better-performing universities and a stronger private sector are needed, a Majid Al Futtaim and McKinsey study found, in a region where growth is largely led by government spending.

While 8.5 percent of the world's population lives in the Middle East, North Africa, and Pakistan (Menap) region, it accounts for 3.4 per cent of global GDP.

"Research shows an incremental \$2.5 trillion would need to be generated for the region to produce its fair share of GDP," said the report, *The Time is Now: A Perspective on Economic Integration in Menap*.

Likewise, 8 percent of the world's university students come from the region but it is home to just 1.5 percent of the top 500 learning institutes.

Speaking to *The National*, Alain Bejjani, chief executive of Majid Al Futtaim, said governments need to consider harmonising their laws and regulations and dropping — not raising — barriers to the flow of trade and people.



"The reality is each one of us in the Middle East only produces half of what the global average is," he said at the report's publication in Davos, Switzerland, where the World Economic Forum was held. "And the question is why, why aren't we as productive, why don't we have economies that are as efficient (as other regions).

"The answer is simple, it's because we are fragmented because we don't have harmonisation of legislation because we do not regulate but build barriers because we don't have free flow of people, capital, data."

European Union-style integration

Mr. Bejjani, whose company employs more than 41,000 people in the Middle East, said strong growth in the Gulf often eclipsed what is a sluggish and underproductive region. With the exception of a handful of trade and VAT agreements in the Gulf, the Menap region has few cross-border deals. The McKinsey report said, "trade costs, including costs related to transportation, time delays, border controls, etc, represent 20 percent to 40 percent of the final delivered price" for non-oil goods, negatively affecting businesses and the consumer.

Migration of workers between markets is all facilitated by a complex set of differing visa rules in each country, which typically come with fees. Mr. Bejjani said the European Union, North American nations, and even China and its ASEAN neighbours were instances in which governments had come together to allow greater movement of goods and people. "We see countries that don't see eye-to-eye politically but understand the importance of economic growth (forging deals)," he said.

"These countries can't grow on their own and they saw why it's important to come together and allow greater integration for economic growth. I think we should emulate them.

"This is an imperative, we don't shed enough light on what we are missing in our region."

Freer movement of people

The MAF and McKinsey report uses the European Union as the "most advanced example" of an integrated market in which people can buy and sell goods, and work in any country they wish.

THE MIDDLE EAST NEEDS EUROPEAN UNION-STYLE INTEGRATION TO BOOST GROWTH- (CONTINUED)

"This frictionless trade is a key enabler of economic growth," and the economic benefits amount to about 8.5 percent of the EU's total GDP, it said. By allowing people to move across borders and work in different markets, they are able to take advantage of more job vacancies and better opportunities.

The governments of the Mena region, with one of the world's youngest populations, should consider a similar arrangement, Mr. Bejjani said. "Our region is going to produce, in the next 15 years, 120 million newcomers to the workforce that need jobs." "If we don't have an answer for them, what are they going to do? This becomes a ticking time bomb."

Growth and integration cannot all come from decision-makers in government, it was up to major private sector companies to play their part, he said. "As private sector companies, if we do not have markets how are we doing to grow. The only way to grow is to grow the pie, we cannot continue to compete by dividing and slicing the pie.

"What we should do as private sector companies is come together and constructively put forward a road map, how to grow the pie, grow our markets and naturally compete."

'Bringing down barriers, welcoming the world'

Mr. Bejjani used Dubai, where his company has headquarters, and the wider UAE as an example of where barriers were being torn down.

"We are blessed to have some of the economies, like the UAE economy, they are soaring and doing very well," he said.

"The oil prices, a fundamental for the region, have gotten much better so we can invest the surplus and drive economic growth, fuelling the private sector."

A range of flexible visas and long-term residency has attracted large numbers of new arrivals amid a population boom.

Mr Bejjani said: **"It's bringing down barriers, it's welcoming the world."**



LOCALISATION REQUIREMENTS IN THE GCC AND PROPOSED SOLUTIONS FOR EU BUSINESSES

The EU-GCC Dialogue on Economic Diversification project is conducting a study on the localisation policies and procedures in the GCC countries.

The goals of the study are to:

- Identify the challenges EU businesses have in complying with localisation requirements
- Identify methods used by third-party nations in the GCC to address localisation obligations
- Propose solutions for EU businesses on how to maximise the value of localisation
- Propose a list of local partners in the GCC who could assist EU businesses in meeting localisation requirements

Why are GCC countries implementing In Country Value (ICV) / Local Content?

ICV / Local content policies are one of the means by which policymakers in countries gain additional benefits to the economy beyond the direct contribution of selling the extraction of exhaustive resources like oil and gas. The objective of implementing such policies is also to build a workforce that is trained to international standards and to build effective and resilient domestic supply chains.

To address the localisation of the workforce in the GCC countries and to generate local economic value for businesses owned by nationals, all GCC countries have introduced specific localisation programmes.

Historically this started with the Defence Offset Programmes where GCC countries required overseas suppliers of defence equipment and services to 'offset' the costs of the procurement through generating value (note; not costs) in the purchasing country.

In parallel, GCC countries introduced labour localisation programmes such as Omanisation and Saudization particularly in those GCC countries with relatively large national populations, to direct the recruitment, training, and employment of nationals in private businesses who had relied on expatriate labour.

This was closely followed by ICV programmes where external companies bidding for and securing government contracts are obliged to identify and propose programmes which generate value as calculated by an assessment and multiplier model in the GCC purchasing country.

Most of the vision documents, such as the Saudi Vision 2030 and Oman Vision 2040, aim to skill and employ more nationals and limit the number of expatriates.

How will the study assist EU businesses in relation to localisation?

The study will analyse and report on localisation policies and procedures in the GCC countries. The report that will be produced will answer the following questions:

1. How can EU businesses maximise the value of localisation whilst minimising costs to them (costs which are paid for by the client or customer), thus using localisation as a source of competitive advantage in winning procurement contracts?
2. How do the companies of competing countries active in the GCC address ICV and localisation obligations?
3. Are there any local partners, e.g., consulting firms, in the GCC who could assist in meeting localisation requirements?

Next steps:

The EU-GCC Dialogue on Economic Diversification project

1. Will organize an online webinar to brief DG Trade, other relevant DG's, EU trade councils, & GCC member states' business councils on the findings of the study and advise on further activities to strengthen the EU - GCC economic relations by supporting EU businesses to meet the localisation requirements
2. Will feature the study findings in a future newsletter
3. Will publish the study on the project page, available on the websites of the EU Delegations in GCC.

TAKE OUR POLL



1 → What is your assessment of the impact of GCC localisation requirements on EU businesses?

A Major negative impact

B Minor negative impact

C No impact

D Minor positive impact

E Major positive impact

Submit



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YOUR FEEDBACK COUNTS

As always, we welcome your feedback on the topics and sectors that interest you most and you would like to see covered in future editions of the newsletter. Please contact Rania Nseir, Event Management & Communications Expert at rnseir@eugcc.eu for any suggestions and to subscribe or unsubscribe to any of our publications.

ABOUT US

The EU-GCC Dialogue on Economic Diversification 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.

The purpose of this project is to promote climate-friendly trade, investment and economic affairs-related policy analysis, dialogue, and cooperation between stakeholders from the EU and GCC at both regional and country levels in the context of the GCC economic diversification process.



EU-GCC Dialogue on Economic Diversification

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