



March 2015

Jeddah Roundtable: GCC Economic Diversification and EU-GCC trade

1. Roundtable Background – The rationale

GCC countries have adopted ambitious strategies that aim at refocusing their growth models towards creating more diversified economies with less reliance on hydrocarbons. The aim is to boost the development of non-oil activities through a “knowledge economy” empowered by private sector, and in which nationals have the skills to enter high value-added private sector jobs.

Today, most export and fiscal revenues come from revenues from gas and oil production, and these affect the economy through government spending and government projects. A key challenge facing GCC economies, is to find ways to diversify the economy and develop non-oil tradable sectors, which in turn should support creating sustainable private sector employment.

The services sector, which is considered a key contributing sector in creating a knowledge-based economy, is below potential in the GCC countries. On the other hand, the European Union is the world’s largest exporter of services. Through liberalization of service sectors and exposure to EU market, GCC countries could enhance their services sector, promote greater efficiency, and spur innovation through technology transfers.

2. Roundtable Focus – The agenda

The roundtable will focus on the areas where there is potential for EU-GCC collaboration in advancing GCC economic diversification efforts. The roundtable will also look at policy challenges associated with some

It will begin with an overview of GCC economies strategies and an analysis of challenges and opportunities of economic diversification in the GCC by Professor Martin Hvidt. Later, a representative from the Ministry of Petroleum and Mineral Resources will explore opportunities for EU-GCC cooperation on economic diversification. The roundtable look at the example of Jeddah’s environmental master plan and infrastructure projects and examine the importance of infrastructure development in fueling expansions in vital sectors of non-oil economy like tourism, transport, manufacturing, finance, services and trade.

Roundtable Results – Expected Recommendations

The roundtable will seek to select issues to be further developed by a joint Policy Advocacy task force in the following areas:

Recommendations from the Economic Diversification roundtable held at Jeddah Chamber of Commerce

1. *Knowledge transfer from EU companies to GCC SMEs:*

- In many cases, international consultants are project oriented and do not prioritize transferring knowledge to Saudi companies:

A key issue facing GCC companies such as Jeddah Development and Urban Regeneration and Company that seek knowhow from EU businesses is that it is difficult to ensure that knowledge and technology is transferred to local company. It is therefore necessary to prioritize knowledge transfer, incentivize foreign companies to engage in capacity building of local companies and workers in contracts and partnerships agreements, and thereby secure the needed transfer of knowledge –

2. *Increasing private sector employment:*

- **Aligning curricula with private sector needs:** The education reform initiatives must be driven by the needs of employers, with all levels of the education system involved in meeting these needs early in the life cycle of a student.
- **Developing the national workforce through experience and training:** Government and private sector should invest and sign up to job training, work placements and internships. Support or create apprenticeships, creating fast-track schemes for participating students
- **Providing awareness and information about careers:** the education sector should invest in understanding the future business landscape of the 21st century and provide guidance to career choice of young people.
- **Encouraging a culture of employment, innovation and entrepreneurship:** The government and private sector should get the message out to young people that employment in the private sector is rewarding and invest in promoting the merits of entrepreneurship and establishing a business
- There is mismatch between the level of skills required and that available in the market place. The key reasons being that high skilled staff preferred to stay outside of the labour market until a public sector job or job in a state owned enterprise becomes available and/or if employed left quickly to join their family companies to take on a managerial role.
- There appears to be a need to reform the labor market to ensure that skills graduating from university match the private sector needs and especially to ensure that there is a fair competition between national and expatriate labour.

3. *Public Private Dialogue:*

There is a need to upgrade Governments ability to enter into a dialogue with the private sector if above recommendations are to be implemented. True Public Private Dialogue can only be achieved by having two equal partners ready to listen.

4. *SMEs:*



EU-GCC Trade and Business Cooperation Facility



The recent changes implemented to ensure that foreign investments were sufficiently capitalized has become a deterrent for especially SMEs to enter KSA. In order to attract more SMEs to the region a need exist to revisit the rules and regulations governing SMEs investing in the country

EU-GCC Trade and Business Cooperation Facility Jeddah Roundtable: Food Safety

1. Roundtable Background – The rationale

The roundtable will focus on the opportunities and barriers that exist for increasing the volume of exports from the EU to the GCC and vice versa to the EU of food products. Approximately five percent of total EU food exports go to the GCC region and the value of these exports has than doubled in the period 2009-2013. A similar trend is not detectable with respect to the GCC's export to the EU. The level of export has more or less stalled within the same period.

A key factor determining the ease with which food and drinks can be imported is the Sanitary and Phytosanitary (SPS) standards and regulations. Whereas in the EU, there is an agreement on a common set of SPS standards and regulations, the GCC countries are still in the process of arriving at this stage. The GCC Standardization Organization is working diligently at introducing common standards and regulations. It does appear, however, that it is proving difficult to set common standards within the area of SPS to the detriment of intra and extra Gulf exports.

2. Roundtable Focus – The agenda

The roundtable will focus on the need standardization in the food industry across the GCC and what can be done to support export from the GCC of processed food, drink and primary produce including fish. It will specifically explore some of findings of a survey of GCC and EU food companies that was conducted in February 2015.

3. Policy issues and recommendations

Some main barriers for EU companies exporting to GCC are:

- Tight regulation in some GCC markets – such as:
 - o Granting importers and other business partners right to represent certain trademarks (trademark approval) when designing labels, merchandising, importing in general, manufacturing and other
 - o Approval of list of certificates: shipping documents, health certificate, certificate of origin, radiation certificate, ozone testing, etc.
 - o Clearing of products in especially Saudi Arabia where Saudi Food and Drug Authority (SFDA) has now imposed new procedures hindering smooth import of certain products – a list of EU products are currently stalled at port and cannot be cleared
 - o Lack of common ingredient list / labelling in GCC countries (complexity in production / labelling)
 - o Lack of decisive power to increase prices towards retail (must be approved by authorities)
- Bureaucracy in GCC markets hindering smooth operation and imports (complexity in regulation)



Fixed pricing:

The primary discussion was centered around the issue of fixed pricing. At present the KSA Ministry of Trade does not differ between ordinary goods, goods needing protection, and goods where there is a need to keep prices low. It appears instead that a number of products are priced at a level that does not allow importers to sell these with a profit.

Labelling rules:

A more specific issue concerned the possibility to import smaller amounts of products to the KSA. At present it is not allowed to import these products without ensuring that product information is printed directly on the packing; a solution where a sticker is applied is not allowed. However, it limits the importers the possibility to test products and the Gulf is still not a large market.