



# NEWSLETTER

The latest news from EU-GCC project

World

**SME**  
Day



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## Editorial

Small and Medium Enterprises (SME's) are generally thought to be the backbone of any healthy economy; they drive growth, provide employment opportunities, introduce new technologies and open new markets. Indeed 99% of all businesses in the EU and over 90% of businesses in the GCC are SME's.

As the world looks beyond Covid-19 and identifies programmes of economy recovery there is a new focus on sectors such as Digital where SME's are strongly represented. In this issue of the project's newsletter we highlight some of the challenges that SME's face in terms of barriers to growth and some of the policy measures that can be undertaken to support SME growth and development.

*EU GCC Dialogue on Economic Diversification Project  
27<sup>th</sup> of June 2020*



# The future of SMEs after Covid-19

By Rafael Lemaitre and Maria Garrido

SMEs are key players in the global landscape, especially in emerging economies. On a global scale, SMEs represent 90 per cent of resource requirements.

Entire sectors, such as hospitality, food and beverage, entertainment, tourism and travel, will have to be at least reshaped if not totally reinvented. These sectors constitute an important base of the economy of the GCC countries.

## Covid-19 scenarios range from a deep-steep to an optimistic recovery

Scenarios for the world economy post-Covid-19, range from a deep-steep (L-Shape economic growth) to an optimistic recovery (V-Shape). Within the range, there are all types of possibilities as key variables are widely unknown, including virus containment, ripple and systemic effects of economic shutdowns.



We believe that regardless of the shape of the scenario, we will be experiencing a “new normal” where not only economic but also social behaviors will drastically change.

### Trend 1: Culture of entrepreneurship / Venture culture

- There will be new fields of play for SMEs and startups in health, wellbeing, agritech, in-home entertainment, cybersecurity, virtual reality, food, online delivery.
- The entrepreneurship landscape of the region could take a significant step back
- Many SMEs will disappear, especially those in the most affected economic sectors that do not have solid digital capabilities
- Only the few SMEs or startups working with deep technology will be significantly better off

### Trend 2: Education needs upgrading – New skills development

- Covid-19 will fast forward the mass adoption of distance learning adoption
- It will accelerate automation and create demand for new knowledge and skills
- It will put even more pressure on advanced degrees and STEM education
- SMEs owners/founders will have to upskill and reskill themselves
- GCC Governments will accelerate the development of micro degrees and micro training, as well as push for developing technology skills and advanced degrees.



### Major trend 3: Technology Uptake and 4th Industrial Revolution (4IR)

Pre-Covid-19 situation:

- 4IR industrial sector expected to be 20 per cent of GDP in 2030
- UAE and KSA (which together account for 70 per cent of technology spending in the region) are encouraging tech-driven business around internet of things (IoT), robotics, health, biotech, etc. High level of investment creates barriers for SMEs to enter these sectors

Wild Guess #3: How the future of 4IR for SMEs could look like

- 4IR technologies will take a big boost as work becomes more remote, less reliant on physical interactions
- As companies will look to de-risk global supply chains, decentralisation and the use of alternative manufacturing like 3D-printing will grow
- GCC governments will place even more focus on boosting 4IR agendas and policies
- Less funding will be available and financial pressure will increase the barriers for SMEs

### Major trend 4: Financing availability for SMEs

- Disposable income will be seriously impacted, reducing drastically new funding mechanisms.
- Investors will look to safer assets like gold and low risk investments
- GCC citizens and residents will prioritise cash availability and low-risk investments over riskier investments for example P2P for SMEs
- Financial stress on SMEs could increase the number of defaults on their P2P loans, eroding confidence in this mechanism



- Government-backed funding mechanisms for SMEs will allocate larger sums of capital, although many existing SMEs funded pre-Covid will most likely default on their loans, causing larger stress in the system
- The indifference of banks towards SMEs will only be intensified, creating more stringent lending criteria and banking requirements

### Major trend 5: Regulatory evolution impacting SMEs

- New restrictions could be imposed on mobility of people given health concerns
- Governments to relax further long-term visas aiming to attract and retain residents
- New taxes could be introduced to fund healthcare expenditure
- Starting a business could be easier as governments will relax restrictions and reduce costs for SMEs
- While GCC-owned SMEs will keep having preferential treatment and incentives, governments could start relaxing further restrictions for non-GCC founders
- There will be more pressure coming from countries outside the GCC, who manage to offer better incentives and leaner regulation

In light of uncertainty, it is important to stabilise and explore. SMEs that are able to successfully focus on both will be able to navigate the crisis, others will face the risk of disappearing.

Source: <https://www.wamda.com/2020/05/future-smes-covid-19>



# SME internationalisation beyond the EU

Global markets are an important source of growth for small and medium-sized enterprises (SMEs). However, only 600,000 SMEs employing roughly 6 million people export goods outside the EU.

Increasing the internationalisation of SMEs and helping them access third markets is crucial for Europe's competitiveness, economic growth and innovation.

An estimated 90% of global growth will originate outside the EU in the coming years. Developing and emerging markets are expected to account for 60% of world GDP by 2030 given increased market integration, SMEs can play an important role in global value chains.

## Commission actions

The 2008 Small Business Act and its 'access to markets' principle is a strong foundation of the European SME internationalisation policy. The Competitiveness for Small and Medium Enterprises (COSME) Programme and SME support actions funded under the Horizon 2020 programme were instrumental in helping SMEs develop their presence in international markets.

## Support for SME Internationalisation beyond the EU

To help European small and medium-sized enterprises (SMEs) export and invest beyond the EU, the European Commission tools that allow users to:

1. make efficient use of networking instruments (search/find potential partners and opportunities)
2. develop collaboration trans-nationally (within Europe) and internationally (beyond Europe)
3. support the emergence of new value chains through cross-sectorial cooperation
4. access the latest quality information on cluster development
5. improve their performance and increase their – as well as their members' - competitiveness.

- **Enterprise Europe Network** - <https://een.ec.europa.eu/>

The 'Enterprise Europe Network' is a European Union initiative aimed at providing business and innovation support to SMEs in Europe and important international growth markets. It is the world's largest support network for SMEs with international ambitions, currently consisting of 600 partner organizations located in 54 countries. The partners of the Enterprise Europe Network are chambers of commerce, regional development organizations, SME organizations, research institutes, universities, technology centres and innovation centres.

- **Market Access Database (MADB)** <https://madb.europa.eu/madb/indexPubli.htm>

MADB gives information to companies exporting from the EU about import conditions in third country markets

- **Cluster internationalisation** - <https://www.clustercollaboration.eu/>

Under the COSME framework programme, it focuses on reinforcing international cluster cooperation. The European Cluster Collaboration Platform is a service facility aiming to provide cluster organisations with modern tools.

- **Guidebook on SME Internationalisation** - <https://op.europa.eu/en/publication-detail/-/publication/dd69f968-fea2-4034-90d5-7a648574618f>

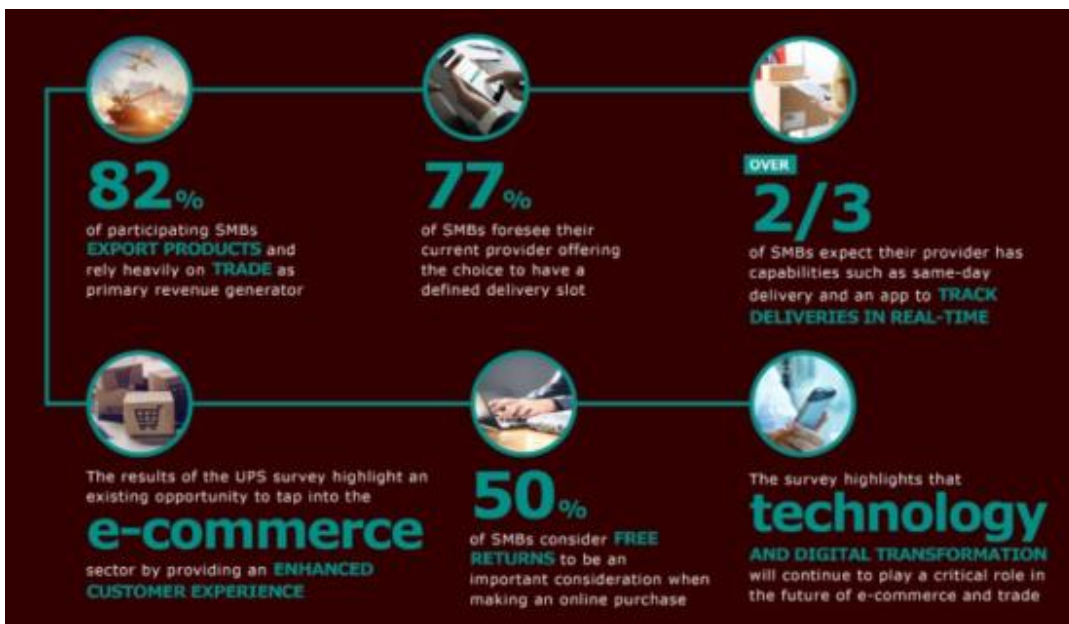
A guide for policy makers, stakeholders and managing authorities, especially at regional level, who want to help small and medium-sized enterprises seize international market opportunities — both in the EU and worldwide.



## SMEs in GCC

### 82% of SMEs in the GCC rely on cross-border trade as a primary revenue generator

UPS has released the findings of a survey which captures current shipping behaviors and trends among small and medium businesses in the UAE and across the GCC. The results highlight that 82% of participating SMBs export either regularly or intermittently, which reveals that most of them are heavily dependent on trade as the primary channel for revenue generation. “With a rising number of small businesses entering the e-commerce space, there is a continuing need to work with logistics providers who are able to keep pace with the technological requirements and demands of a fast-changing online world,” said Hussein Wehbe, managing director for UPS in the Middle East.



“The survey also shows that companies expect their logistics partners to support them in areas such as providing with a variety of service options, customs brokerage and transit time visibility. Small businesses understand that the capabilities of their logistics

partners are as important as their own to become or remain competitive in the global marketplace.”

The report also reveals that the majority of SMBs expect their provider to have capabilities such as same-day delivery (69%), a time-definite delivery option (77%) and a digital application to track deliveries in real-time (62%). “This survey highlights that technology and digital transformation will continue to play a critical role in the future of e-commerce and trade. Small businesses must use data and technology to continue to understand their customers’ needs, expand their services and select the right partners to meet the requirements of the demanding online shopper.”

The e-commerce market in MENA has the potential to grow 3.5 times by 2022, reaching a total market size of \$28.5 billion. That said, surprisingly, 64% of SMBs currently do not offer online sales. “50% of the SMBs surveyed believe that their customers prefer the option of free returns, giving them the freedom to choose whether they like the product or not.

“UPS commissioned UAE-based SME10X to conduct the survey within the local SMB sector to understand sentiments and outlook towards e-commerce. SME10X covered a large sample of more than 5,000 SMBs in the GCC across key sectors including manufacturing, services and trading, and analysed the results based on the participation of 1,153 respondents.

Source: <https://www.cbnme.com/logistics-news/82-of-smes-in-the-gcc-rely-in-cross-border-trade-as-primary-revenue-generator-ups-survey/>



## European Commission launches a public consultation on a new Digital Education Action Plan



*Digital transformation is one of the European Commission's priorities as set out in its flagship strategy [A Europe fit for the digital age](#). High quality and inclusive education and training are a key part of reaching this ambition and ensuring that all Europeans are prepared to live and work in the digital age. In order to deliver on this vision, the European Commission will put forward in September 2020 a new Digital Education Action Plan. The new Action Plan will be a key instrument in the COVID-19 recovery process, taking into consideration the lessons learnt from the crisis and reflecting the long-term vision for European digital education.*

On June 18<sup>th</sup>, the Commission launched an EU-wide open public consultation to ensure that its forthcoming new Digital Education Action Plan will reflect the EU's education and training experience during the Coronavirus crisis. The pandemic saw the widespread closure of schools and universities with a switch to distance and online learning and the use of digital technologies on a massive and unprecedented scale.

The public consultation seeks to gather the views of all citizens, institutions, and organisations from the public and private sectors, willing to share their views and experience of the unprecedented crisis and their vision for digital education in Europe. The consultation will be available in all EU official languages as of 9 July and will run until 4 September. A series of online outreach events during the summer, to gather additional views on digital education and the COVID-19 crisis experience, will complement the process.

For more information: [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_20\\_1066](https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1066)



For more information, the editorial team suggests the links below:

### European Union

<https://www.consilium.europa.eu/en/press/press-releases/?Page=1>

<https://ec.europa.eu/trade/trade-policy-and-you/publications/news-archive/>

### Gulf Wide

<http://www.gdnonline.com/>

<http://gulfbusiness.com/>

<https://www.arabianbusiness.com/gcc>

### Bahrain

<http://www.newsofbahrain.com/>

<http://www.bna.bh/en/index.aspx>

### KSA

<http://www.arabnews.com/>

<http://saudigazette.com.sa/>

<https://www.spa.gov.sa/?lang=en>

### Kuwait

<http://www.arabtimesonline.com/news/>

<http://news.kuwaittimes.net/website/>

<https://www.kuna.net.kw/Default.aspx?language=en>

### Oman

<https://timesofoman.com/>

<http://www.omanobserver.om/>

<https://www.muscatdaily.com/>

[https://www.omannews.gov.om/ona\\_eng/#/home](https://www.omannews.gov.om/ona_eng/#/home)

### UAE

<https://www.khaleejtimes.com/>

<https://gulfnnews.com/>

<https://www.thenational.ae/>

<http://wam.ae/en>

### Qatar

<https://www.qatarday.com/news-category/local>

<https://www.qatarliving.com/news>

<https://www.gulf-times.com/>

<https://www.thepeninsulaqatar.com/>



## EU-GCC Dialogue on Economic Diversification

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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.

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