March 2021 N°22

NEWSLETTER

The latest news from EU-GCC project

In this issue

Correct and verified information to date

Editorial

This edition of the newsletter is dedicated to EU and GCC reforms and initiatives that will contribute *to faster economic recovery and economic diversification. The European Commission launched the Trade Policy Strategy that sets the course for an open, sustainable, and assertive EU trade policy, reinforcing the EU's position as a global champion of open, rules-based trade that is fair and sustainable. The strategy includes a series of actions that focus on delivering stronger global trading rules and contributing to the EU's economic recovery. The new strategy will strengthen the capacity of trade to support the digital and climate transitions. In the GCC region, the governments are implementing reforms aligned with the country's strategic Visions considering the priorities for economic revival, with the aim of increasing the quality of living and achieving robust and sustainable economic growth through economic diversification.*

Daniela Stratulativ - EU GCC Dialogue on Economic Diversification Project 31st of March 2021

March 2021 N°22

Winter 2021 Economic Forecast: A challenging winter, but light at the end of the tunnel

Europe remains in the grip of the coronavirus pandemic. The resurgence in the number of cases, together with the appearance of new, more contagious strains of the coronavirus, have forced many Member States to reintroduce or tighten containment measures. At the same time, the start of vaccination programmes throughout the EU provides grounds for cautious optimism.

Economic growth poised to recover as containment measures ease

The Winter 2021 Economic Forecast projects that the euro area economy will grow by 3.8% in both 2021 and 2022. The forecast projects that the EU economy will grow by 3.7% in 2021 and 3.9% in 2022.

The euro area and EU economies are expected to reach their pre-crisis levels of output earlier than anticipated in the Autumn 2020 Economic Forecast, largely because of the stronger than expected growth momentum projected in the second half of 2021 and in 2022.

After strong growth in the third quarter of 2020, economic activity contracted again in the fourth quarter as a second wave of the pandemic triggered renewed containment measures. With those measures still in place, the EU and euro area economies are expected to contract in the first quarter of 2021. Economic growth is set to resume in the spring and gather momentum in the summer as vaccination programmes progress and containment measures gradually ease.

Inflation outlook to remain subdued

The forecast projects that inflation in the euro area is set to increase from 0.3% in 2020 to 1.4% in 2021, before moderating slightly to 1.3% in 2022. The inflation forecast for the euro area and the EU has increased slightly for 2021 compared to the autumn but is, overall, expected to remain subdued. The delayed recovery is set to continue dampening aggregate demand pressures on prices.

High uncertainty and significant risks remain

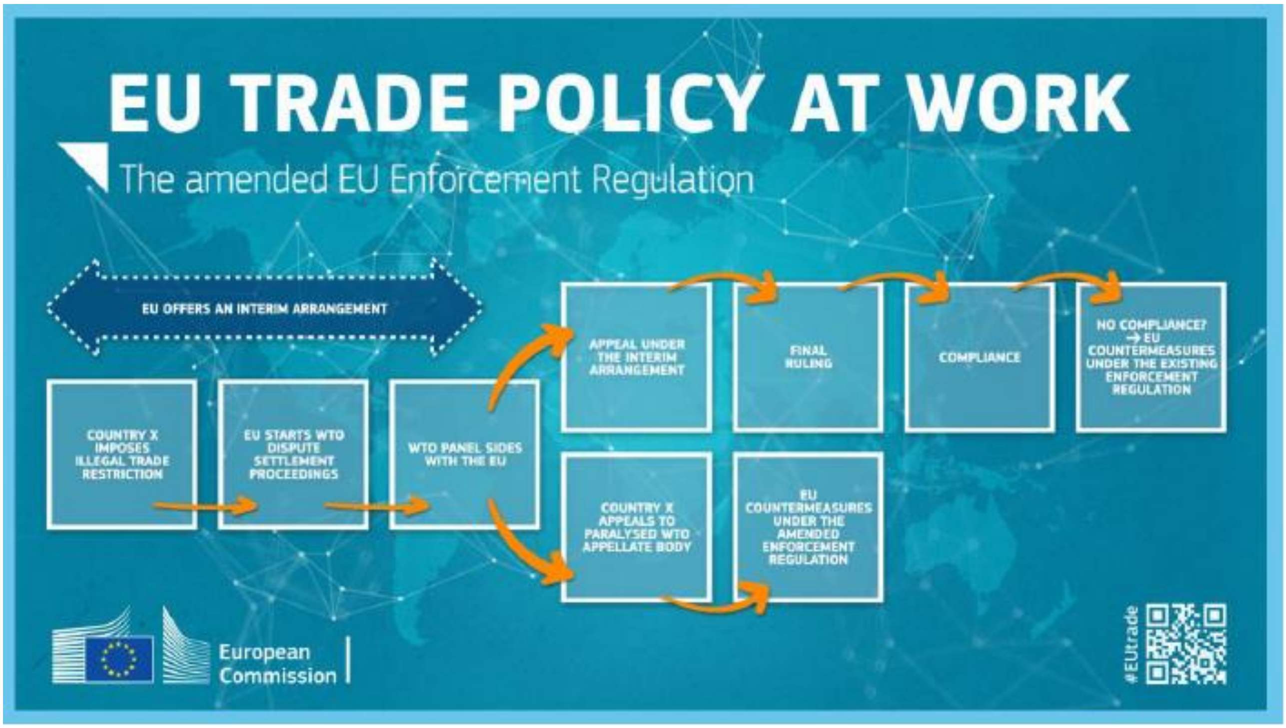
Risks surrounding the forecast are more balanced since the autumn, though they remain high. They are mainly related to the evolution of the pandemic and the success of vaccination campaigns.

Positive risks are linked to the possibility that the vaccination process leads to a faster-than-expected easing of containment measures and therefore an earlier and stronger recovery. In terms of negative risks, the pandemic could prove more persistent or severe in the near-term than assumed in this forecast, or there could be delays in the roll-out of vaccination programmes. This could delay the easing of containment measures, which would in turn affect the timing and strength of the expected recovery. There is also a risk that the crisis could leave deeper scars in the EU's economic and social fabric, notably through widespread bankruptcies and job losses. This would also hurt the financial sector, increase long-term unemployment and worsen inequalities.

For More Information: Winter 2021 Economic Forcast Autumn 2020 Economic Forecast
https://ec.europa.eu/commission/presscorner/detail/en/ip_21_504

Strong EU trade enforcement rules enter into force

Robust new trade enforcement rules have entered into force that will further strengthen the EU's toolbox in defending its interests. With the update of the EU's Trade Enforcement Regulation, the EU is able to act in a broader range of circumstances.



The new rules upgrade the EU's enforcement by introducing the following changes:

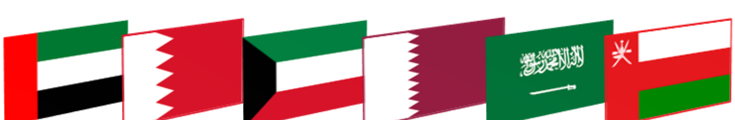
- •empowering the EU to act to protect its trade interests in the World Trade Organization (WTO) and under bilateral agreements when a trade dispute is blocked despite the EU's good faith effort to follow dispute settlement procedures (the regulation previously only allowed action after the completion of dispute settlement procedures); and
- •expanding the scope of the regulation and of possible trade policy countermeasures to services and certain trade-related aspects of intellectual property rights (IPR) (the regulation previously only permitted countermeasures in goods).

Executive Vice-President and Commissioner for Trade, Valdis **Dombrovskis**, said: *"The European Union must be able to defend itself against unfair trading practices. These new rules will help protect us from those trying to take advantage of our openness. We continue to work towards our first preference, which is a reformed and well-functioning multilateral rulebook with an effective Dispute Settlement System at its core. But we cannot afford to stand defenseless in the meantime. These measures allow us to respond resolutely and assertively."*

In line with the Political Guidelines of Commission President Ursula **von der Leyen**, the Commission is further reinforcing the Union's tools to focus on compliance and enforcement of the EU's trade agreements.

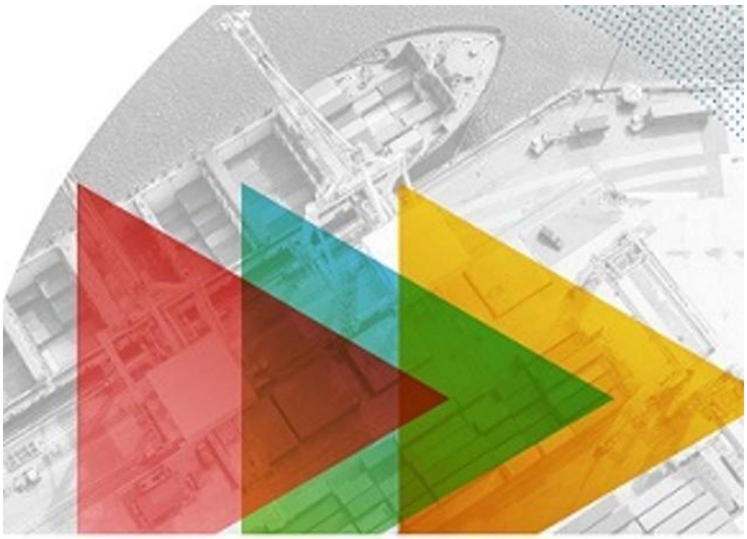
Ensuring the respect of the commitments agreed with other trade partners is a key priority of this Commission. The EU is therefore increasing the focus on enforcing its partners' commitments in multilateral, regional and bilateral trade agreements. In so doing the Union will rely on a suite of instruments.

For more information: the amended regulation



Commission sets course for an open, sustainable and assertive EU trade policy

The European Commission has set out its trade strategy for the coming years. Reflecting the concept of open strategic autonomy, it builds on the EU's openness to contribute to the economic recovery through support for the green and digital transformations, as well as a renewed focus on strengthening multilateralism and reforming global trade rules to ensure that they are fair and sustainable. Where necessary, the EU will take a more assertive stance in defending its interests and values, including through new tools.



Addressing one of the biggest challenges of our time and responding to the expectations of its citizens, the Commission is putting sustainability at the heart of its new trade strategy, supporting the fundamental transformation of its economy to a climate-neutral one. The strategy includes a series of headline actions that focus on delivering stronger global trading rules and contributing to the EU's economic recovery.

Speaking about the new strategy, Executive Vice-President and Commissioner for Trade, Valdis **Dombrovskis**, said: *"The challenges we face require a new strategy for EU trade policy. We need open, rules-based trade to help restore growth and job creation post-COVID-19. Equally, trade policy must fully support the green and digital transformations of our economy and lead global efforts to reform the WTO. It should also give us the tools to defend ourselves when we face unfair trade practices. We are pursuing a course that is open, strategic and assertive, emphasising the EU's ability to make its own choices and shape the world around it through leadership and engagement, reflecting our strategic interests and values."*

Responding to current challenges, the strategy prioritises a major reform of the World Trade Organization, including global commitments on trade and climate, new rules for digital trade, reinforced rules to tackle competitive distortions, and restoring its system for binding dispute settlement.

The new strategy will strengthen the capacity of trade to support the digital and climate transitions. First, by contributing to achieving the European Green Deal objectives. Second, by removing unjustified trade barriers in the digital economy to reap the benefits of digital technologies in trade. By reinforcing its alliances, such as the transatlantic partnership, together with a stronger focus on neighbouring countries and Africa, the EU will be better able to shape global change.

In tandem, the EU will adopt a tougher, more assertive approach towards the implementation and enforcement of its trade agreements, fighting unfair trade and addressing sustainability concerns. The EU is stepping up its efforts to ensure that its agreements deliver the negotiated benefits for its workers, farmers and citizens.

This strategy is based on a wide and inclusive public consultation, including more than 400 submissions by a wide range of stakeholders, public events in almost every Member State, and close engagement with the European Parliament, EU governments, businesses, civil society and the public.

Source: https://ec.europa.eu/commission/presscorner/detail/en/ip_21_644

GCC Standardization Organization celebrates consumer protection day

•The celebration aims to highlight the importance of consumer safety, strengthen the role of authorities in raising awareness, promote a culture of standardization among consumers, and develop legislation

The Gulf Cooperation Council (GCC) Standardization Organization (GSO) is joining national consumer protection bodies and authorities to celebrate “Gulf Consumer Protection Day.”
Celebrated on March 1 every year, GSO Secretary-General Saud bin Nasser Al-Khusaibi stressed the vital role that standardization bodies and their activities play in ensuring consumer safety, which improves the quality of living and welfare of society.

The Gulf Cooperation Council (GCC) Standardization Organization (GSO) is joining national consumer protection bodies and authorities to celebrate “Gulf Consumer Protection Day.”
Celebrated on March 1 every year, GSO Secretary-General Saud bin Nasser Al-Khusaibi stressed the vital role that standardization bodies and their activities play in ensuring consumer safety, which improves the quality of living and welfare of society.

A total of 23,500 GCC standards and technical regulations cover commodities and products.

The celebration aims to highlight the importance of consumer safety, strengthen the role of authorities in raising awareness, promote a culture of standardization among consumers, and develop legislation, regulations and technical procedures that protect people from fraud and commercial misinformation. This ensures that consumers have access to quality products and full information to make the right decisions about the goods and services available on the market.

The GSO, Al-Khusaibi said, contributes to educating consumers about the damage that results from using materials and products that do not conform to standard specifications.

Al-Khusaibi said that the GSO attached great importance to consumer protection in the GCC countries. This was reflected in the preparation and development of GCC standard specifications and technical regulations for commodities, products and systems, and relevant legislation in cooperation with the national standardization bodies in the member states.

The goal is to serve the needs of the trade and industry sectors in GCC countries, in addition to serving consumers by ensuring quality and safety requirements.

Celebrating Gulf Consumer Protection Day is at the recommendation of the Consumer Protection Committee of the GCC General Secretariat. The occasion was approved by the GCC Trade Cooperation Committee in its 32nd meeting in 2005 and celebrated for the first time on March 1, 2006, under the slogan “Consumer protection is everyone’s responsibility.”

Source:
https://www.arabnews.com/node/1817391/saudi-arabia

Migrant exodus weighs on GCC growth: S&P

The GCC's longer-term economic trajectory will depend on the strength of governments' balance sheets as well as their willingness and ability to implement reforms that support a dynamic private sector.

An accelerating shift in the GCC labour market due to an exodus of expatriates amid Covid-induced challenges could weigh on the region's growth and complicate economic diversification over the long run.

The ratings agency estimated that the GCC population might have declined by just over 4.0 per cent on average in 2020, mainly due to migrant outflows. The sharpest decline was noticed in Dubai, followed by Oman, Qatar, Abu Dhabi, and Kuwait.

Zahabia Gupta, S&P Global Ratings lead credit analyst for the report, said while some expats will return as the economic cycle recovers, the proportion of foreigners in the region will continue to decline through 2023 relative to the national population, because of subdued non-oil sector growth and workforce nationalisation policies.

"If these changes are not met with economic and social reforms that foster human capital, they could have repercussions for the regional economy in the long term and pose additional challenges to diversifying away from the GCC's heavy reliance on the hydrocarbon sector."

S&P analysts argued that the GCC's high dependence on expat labour, especially in the private sector where it makes up almost 90 per cent of the workforce, has stymied its development of human capital in the national population.

“The majority of the local workforce is employed by the public sector, which weighs on governments' fiscal positions, especially in times of lower oil prices. GCC governments are increasingly implementing policies to boost nationals' participation in the private sector, mainly through measures that restrict the hiring of expats. We believe these nationalization policies could hamper economic growth and diversification if they impede productivity, efficiency, or competitiveness,” said the ratings agency.

The GCC's longer-term economic trajectory will depend on the strength of governments' balance sheets as well as their willingness and ability to implement reforms that support a dynamic private sector. "Specifically, we see reforms that improve GCC national populations' education and skills, the participation of women in the workforce, labor market flexibility, and competition as paramount to unlocking sustainable growth in the region," said Gupta. — *issacjohn@khaleejtimes.com*

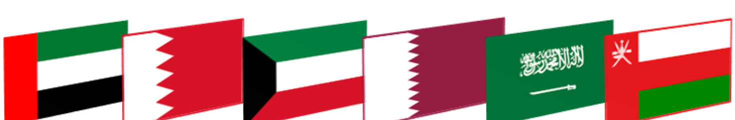
Source: https://www.khaleejtimes.com/business/migrant-exodus-weighs-on-gcc-growth-sp

Oman’s fiscal balance plan will help drive consolidation: IMF

•Key reforms: Key revenue generating measures enshrined in the Plan include the introduction of Value Added Tax (VAT) in 2021, plans for a personal income tax on high-income earners, and expansion of the excise tax base

The International Monetary Fund (IMF) has hailed reform measures outlined by the Omani government to help bolster revenues, on the one hand, and curb public expenditure, on the other — initiatives that are key reinforcing fiscal sustainability and alleviating financial pressures.
In a statement marking the conclusion of a virtual mission to the Sultanate last month, the global body welcomed the Medium Term Fiscal Balance Plan unveiled by the government last year.
Key revenue generating measures enshrined in the Plan include the introduction of Value Added Tax (VAT) in 2021, plans for a personal income tax on high-income earners, and expansion of the excise tax base.
Measures to curb expenditure include efforts to contain the wage bill via civil service reforms, targeting energy subsidies to the most vulnerable, streamlining capital expenditure, and broad-based improvements in expenditure efficiency.
“These policies would also help mitigate structural weaknesses in public finances, notably heavy reliance on hydrocarbon revenue and rigidities in expenditure,” the Washington DC-headquartered institution stated.
It noted the need for active outreach to build broad support to the proposed measures in order to ensure the successful implementation of the plan.
Oman’s 2021 Budget, the Fund noted, also contributes to “significant fiscal consolidation”.
It said: “The budget envisages reducing the deficit (excluding oil condensate revenue and oil and gas related expenditure hived off to Energy Development Oman — EDO) by about 6 percentage points of GDP to 7.5 per cent.
The launching of the VAT in April 2021, expansion of the excise tax base, and improvements in tax administration are expected to strengthen non-hydrocarbon revenue.”
On the expenditure side, civil service reform (including obligatory retirement scheme for long serving employees and lower salaries for new hires) and a 5 per cent cut of other expenditure are envisaged, it noted, adding that gross financing need is projected at 14.5 per cent of GDP, with the bulk of the financing expected to come from external sources.

Source: https://www.omanobserver.om/omans-fiscal-balance-plan-will-help-drive-consolidation-imf/



UAE set to add 10,000 new millionaires every year till 2025

Most of the new millionaires will stem from the transport, IT services, and consumer services sectors.

The UAE is set to add 10,000 new millionaires on average every year in five years, increasing by nearly 22 per cent between 2020 to 2025, according to a new report released on Tuesday.

Knight Frank's latest Wealth Report 2021 said the number of millionaires with a wealth of $1 million-plus will increase from 155,929 in 2020 to 205,664 in 2025 while high net worth individuals (HNWIs) with assets of more than $30 million will increase from 1,305 in 2020 to 1,592 in 2025. In total, this will amount to 50,000 new millionaires between 2020 to 2025.

Taimur Khan, Head of Research at Knight Frank Middle East, said the increase in the population of new millionaires is likely to be a mixture of the two factors.

"The pandemic has impacted the fortunes of many in the Middle East, and Middle Eastern HNWIs and UHNWIs were not spared, with the total number of each decreasing by 11.3% and 10.1 % in 2020, respectively. However, this decline was not uniform across all countries, In Saudi Arabia over this period, the number of UHNWIs increased by 9.6 per cent, the 10th fastest growth rate globally. In fact, its UHNW population has grown by 227 per cent over the last five years, the fastest growth rate globally over this period," said Khan.

"As the region continues its various economic diversification programmes, we expect that there will continue to be significant growth in the number of HNWI, UHNWI, and billionaires residing in the region," he added.

Globally, the number of ultra-high-net-worth individuals, those with $30 million or more, is predicted to grow by 27 per cent in the next five years to 2025, taking the population to 663,483 from 521,653 last year. While the population of millionaires owning $1 million-plus wealth will jump 41 % between 2020 to 2025, rising from 48,505,781 last year to 68,185,442 in 2025.

"Firstly, as economic growth returns, we expect an increase in the number of homegrown millionaires. Secondly, we see that the net migration will stand at almost 740,000, and here we expect that a certain portion of this number will consist of HNWIs and UHNWIs… As we continue to see the economy diversify and open-up, we are likely to see greater levels of entrepreneurship ensure which is in turn likely to underpin growth in wealth," he said.

Looking at economic growth forecasts in the five years to 2025, Khan expects that most of the new millionaires will stem from the transport, IT services, and consumer services sectors.

However, the population of millionaires in the UAE fell by nearly 38,000 last year from 195,304 in 2019 to 157,234 in 2020 due to the impact of Covid-19.

Asia is likely to see the largest rise with a growth o 39 per cent, led by Indonesia (67 %,) and India (63 %,). Europe will retain its crown as the second- largest wealth hub with expected growth of 23 per cent, bringing the total number of UHNWIs to 185,860.

In the Middle East, Knight Frank expects the number of UHNWIs to increase by 24.6 %, in the five years to 2020, with the region expected to remain the fourth largest wealth hub in the world The population of millionaires with $10 million-plus assets will increase from 1.117 million in 2020 to 1.445 million in 2025. Similarly, UNHWIs owning $30 million plus wealth jump from 29.880 to 37,241 during the period, an increase of 25 %

Source: https://www.khaleejtimes.com/business/uae-set-to-add-10000-new-millionaires-every-year-till-2025

54% rise in companies setting up in Saudi Arabia in 2020, despite pandemic

•The desire by firms to work in the Kingdom had accelerated in line with the country's efforts to attract foreign investment
•Last year, AstroLabs assisted 44 companies wishing to do business in Saudi Arabia

Scores of international companies were lining up to enter the Saudi market despite the ongoing global economic fallout from the coronavirus disease (COVID-19) pandemic, according to a government-accredited incubator.

The desire by firms to work in the Kingdom had accelerated in line with the country's efforts to attract foreign investment as part of its Vision 2030 reform plan, said AstroLabs founder Muhammed Mekki.

"The interesting thing to note is that despite the pandemic and the uncertain global economic conditions, there's been an accelerating interest in companies expanding into the Kingdom from around the world," he told Arab News.

Last year, as many economies took a hit from the global health crisis, AstroLabs – the first international incubator accredited in the Kingdom – assisted 44 companies wishing to do business in Saudi Arabia, a 54 percent increase on 2019.

AstroLabs, which has offices in Dubai, Abu Dhabi, Riyadh, and Jeddah has helped more than 100 companies set up in the Kingdom since 2018, the year it was given a foreign investment license by the Saudi government

And Mekki expected another 110 firms to establish business operations in the country this year, “surpassing the total number we supported in the previous three years combined.”

He added: “We currently have hundreds of companies in our pipeline from all over the world.”

He attributed the trend to pent-up demand, but said the uptick was mainly due to a new regulatory regime that allowed for more flexibility and independence for businesses, such as the removal of ownership limits for foreign strategic investors.

“Although it’s not typically a time for companies to be expanding, opening new offices, and exploring new geographies, the Saudi case is unique because of this confluence of pent-up demand and the latest changes that have happened that have put a real spotlight on the Saudi market.”

The UN Conference on Trade and Development recently published a report tracking the positive performance of foreign direct investments (FDIs) in Saudi Arabia, which it also chalked up to the regulatory changes.

According to the study’s findings, FDI flows increased by 7 percent between 2018 and 2019, reaching $4.6 billion, and preliminary data showed inflows to Saudi Arabia in the first half of last year rose by 12 percent to $2.6 billion.

The Kingdom also moved up 30 places from the year before in the World Bank’s 2020 Doing Business Report. It ranked 62nd and was the most improved out of all 190 economies.

On Monday, Saudi Arabia said it would stop contracting with international companies that did not have regional headquarters in Riyadh.

Mekki said: “Many of the international companies we are setting up in Saudi Arabia are establishing a local office to bid on the various government projects currently being tendered.”

He noted that AstroLabs’ clients were already aware that government tenders were being limited to Saudi-based companies.

“The future policy announcement requiring regional headquarters to be based in the Kingdom is an extension on the same trajectory,” he added.

Managed cloud kitchen platform Kitopi recently expanded into Saudi Arabia. Its chief executive officer and co-founder, Mohammed Ballout, said: “Our move into KSA after Dubai was an obvious one given that Saudi Arabia is the Middle East’s largest economy.

“Even with the uncertainty of the pandemic today, the Vision 2030 strategy has cleverly allowed the Kingdom to mobilize very quickly, moving away from oil-dependency,” he added.

Ballout said the ease of regulations for foreign businesses “was key to attracting startups like ours,” and he noted the Kingdom’s support for technology-driven firms and entrepreneurs.

Source: https://www.arabnews.com/node/1811676/business-economy

Saudi women-owned companies jump 60 percent

•World Bank regional director: Kingdom has adopted legislative reforms and lifted restrictions on women's work

Saudi Arabia was the top reformer and improver among 190 economies in the World Bank's Women, Business and the Law 2021 report, achieving a score of 80 out of 100, ahead of last year's 70.6 rankings. The report places the Kingdom first among leading countries in the Middle East and North Africa region (MENA).

Saudi Arabia will achieve further progress in women employment, World Bank's Regional Director for GCC, Issam Abu Sulaiman, told Al Arabiya on Wednesday.

"The Kingdom is continuing its bold women-related legislative reforms despite the challenges posed by the COVID-19 pandemic, which will be reflected positively in achieving the Vision 2030 goals," he said.

Abu Sulaiman said that the Kingdom has adopted a package of legislative reforms that has significantly transformed the lives of women, most notably lifting restrictions on their work in industrial sectors and in night jobs, such as nursing.

These steps contributed to Saudi Arabia's progress from the 70th to the 80th place in the global index in the space of a year. The Kingdom also increased the number of women-owned companies by 60 percent in the past two years.

Abu Sulaiman said that he hoped Gulf countries will follow the Kingdom's efforts in this regard, adding that women's participation in the labor market in Saudi Arabia increased from 22 percent to nearly 30 percent.

According to the World Bank report, this achievement confirms the strength and continuing momentum of legislative reforms in women's regulations, as the Kingdom has achieved gender equality in all areas of employment to cater to the needs of the labor market.

Saudi Arabia has achieved a full score of 100 in five key indicators out of eight measured by the report: Women's mobility, pension, entrepreneurship, work environment and salary, while maintaining its score in the other three indicators: Marriage, childcare, assets and property.

The Kingdom's new global standing places it among developed economies with historical depth in implementing reforms and regulations related to women.

Source: https://www.arabnews.com/node/1811676/business-economy

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

UAE

https://www.khaleejtimes.com/

https://gulfnews.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/

The content does not represent the views of the European Commission

EU-GCC Dialogue on Economic Diversification

A project funded by the European Union

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.

lbenhmida@eugcc.eu

eugccdialogue@gmail.com