



# EU-GCC Dialogue on Economic Diversification

A Project funded by the European Union

**World Economic Forum Competitiveness Report Special Edition 2020**  
**How Countries are Performing on the Road to Recovery**



---

A project implemented by  
GFA Consulting Group GmbH  
Centre for European Policy studies  
DMI Associates



# Content

- World Economic Forum Global Competitiveness Report Special Edition 2020 introduction
- Methodology of the Global Competitiveness Report
- Areas of action and timelines
- Enabling environment - Trends and recommendations for revival and transformation
- Human Capital - Trends and recommendations for revival and transformation
- Markets - Trends and recommendations for revival and transformation
- Innovation ecosystem - Trends and recommendations for revival and transformation
- Executive Opinion Survey findings
- GCC countries digital environment performance
- Key areas where EU can support the GCC increase transformation readiness

# The Global Competitiveness Report Special Edition 2020

## How Countries are Performing on the Road to Recovery

- Since 1979 the Global Competitiveness Report series has aimed to broaden the views of policymakers, business and the public on looking beyond growth alone to enhance economic productivity and broader resilience.
- “The combined health and economic shocks of 2020 have impacted the livelihoods of millions of households, disrupted business activities, and exposed the fault lines in today’s social protection and healthcare systems. The crisis has also further accelerated the effects of the Fourth Industrial Revolution on trade, skills, digitization, competition and employment, and highlighted the disconnect between our economic systems and societal resilience.”
- This special edition is dedicated to elaborating on the priorities for recovery, revival, and considering the building blocks of a transformation towards new economic systems that combine “productivity”, “people” and “planet” targets.

Source: WEF The Global Competitiveness Report Special Edition 2020

## Methodology of the WEF Global Competitiveness Report Special Edition 2020

- The special edition does not provide country rankings, due to missing data from various international organizations as well as the need for new thinking regarding the economic recovery after the COVID-19 shock. Instead, this edition takes into account the unique context and priorities emerging from the pandemic as well as the priorities that had already become clear before the crisis, such as the need for combining productivity with better outcomes for people and the planet. As such, it lays **the foundations for a new direction to support policy-makers and other leaders to define how to "build back better"**.
- The report presents a first attempt to **assess countries' readiness** to achieve future transformation across four thematic areas that are the **key building blocks of an economy: Enabling Environment, Human Capital, Markets, and Innovation Ecosystem**. The assessment is conducted for 37 economies for which data could be collected and does not include the GCC countries. The readiness was measured for each of the 11 priorities for long term economic transformation in the four above-mentioned areas.
- In addition, the report draws upon the Executive Opinion Survey, a key tool to provide the opinion of business leaders on their economies. Through this lens, the **report examines the disruptions caused by the crisis and identifies common elements of countries' resilience**.

Source: WEF The Global Competitiveness Report Special Edition 2020

## Areas of action and timelines

The WEF Competitiveness Report Special Edition 2020 provides recommendations against three timelines:

- a) **priorities that emerge from the historical analysis** before the health crisis;
- b) **priorities needed to restart the economy**, beyond immediate responses to the COVID-19 crisis, while embedding people and planet into economic policies (revival over the next 1-2 years); and
- c) **priorities and policies needed to reboot economic systems in the longer run** to achieve sustainable and inclusive prosperity in the future (transformation over the next 3-5 years).

**Recommendations and timeframes are grouped into four broad areas of action:**

1. reviving and transforming the **enabling environment**,
2. reviving and transforming **human capital**,
3. reviving and transforming **markets**, and
4. reviving and transforming the **innovation ecosystem**.

**Enabling environment**

**Trends and recommendations for revival and transformation**

Trends and Crisis Impact	Revival	Transformation
From the financial crisis to the pandemic crisis	Priorities for the next 1-2 years	Priorities for the next 3-5 years
There has been a consistent erosion of institutions across regions, including weaker checks and balances and less transparency.	Improve the long-term thinking capacity within governments and mechanisms to deliver public services and support policy interventions digitally.	Ensure public institutions embed strong governance principles and a long-term vision and build trust by serving their citizens
ICT access and use have been improving globally but remain far from universal, and the COVID-19 crisis has made catching up more difficult for developing economies while deepening advanced economies' digitalization.	Upgrade utilities and other infrastructure.  Prioritize closing the digital divide within and across countries for both firms and households	Upgrade infrastructure to accelerate the energy transition and broaden access to electricity and ICT.
Emergency and stimulus measures have pushed already high public debt to unprecedented levels, against a backdrop of shifting tax bases.	Prepare support measures for highly-indebted, low-income countries and plan for future public debt deleveraging.	Shift to more progressive taxation, rethinking how corporations, wealth and labour are taxed, nationally and in an international cooperative framework.

**Human capital**

**Trends and recommendations for revival and transformation**

Trends and Crisis Impact	Revival	Transformation
From the financial crisis to the pandemic crisis	Priorities for the next 1-2 years	Priorities for the next 3-5 years
<p>Talent shortages have become more pronounced, underpinned by outdated education systems.</p> <p>There is a particular shortfall in digital skills and other skills of the new economy as technology disrupts labour markets.</p>	<p>Scale up reskilling and upskilling in emerging skills, combined with active labour market policies.</p>	<p>Update education curricula and expand investment in the skills needed for jobs and “markets of tomorrow”.</p>
<p>There are misaligned incentives and rewards for workers.</p>	<p>Manage a gradual transition from furlough schemes to new labour market opportunities.</p>	<p>Rethink labour laws and social protection for the new economy and the new needs of the workforce.</p>
<p>Health services, infrastructure and talent have lagged behind two dominant demographic trends: increasing population in the developing world and ageing populations in the developed world.</p>	<p>Expand health system capacity to manage the dual burden of current pandemic and future healthcare needs.</p>	<p>Expand eldercare, childcare and healthcare infrastructure, access and innovation for the benefit of people and the economy.</p>

**Markets**

**Trends and recommendations for revival and transformation**

Trends and Crisis Impact	Revival	Transformation
From the financial crisis to the pandemic crisis	Priorities for the next 1-2 years	Priorities for the next 3-5 years
Financial systems after the 2007–2008 crisis have become sounder but continue to have some sources of fragility, including increased corporate debt risks and liquidity mismatches, and are not sufficiently inclusive.	<p>Ensure stable financial markets, a sound financial system and expand access and inclusion.</p> <p>Create financial incentives for companies to engage in sustainable and inclusive practices and investments.</p>	Increase incentives to direct financial resources towards long-term investments, strengthen stability and expand inclusion.
<p>Market concentration has been on an increasing trend in advanced economies, with large productivity and profitability gaps between the top companies and all others in each sector.</p> <p>Trade openness and the international movement of people have been on a declining trend since the financial crisis.</p>	Lay the foundations for better balancing the international movement of goods and people with local prosperity and strategic local resilience in supply chains.	<p>Rethink competition and anti-trust frameworks needed in the Fourth Industrial Revolution, ensuring market access, both locally and internationally.</p> <p>Facilitate the creation of “markets of tomorrow”, especially in areas that require public-private collaboration.</p>



**Innovation ecosystem**

**Trends and recommendations for revival and transformation**

Trends and Crisis Impact	Revival	Transformation
From the financial crisis to the pandemic crisis	Priorities for the next 1-2 years	Priorities for the next 3-5 years
<p>Entrepreneurial culture has strengthened in the past decade but has not resulted fully in the creation of new firms.</p> <p>There is a lack of sustained creation of breakthrough technologies and, where there has been innovation, it has not been widely successful at delivering solutions to increasing energy consumption, managing emissions and meeting the demand for inclusive social services.</p>	<p>Expand public investments in R&amp;D, and incentivize venture capital, R&amp;D in private sector and the diffusion of existing technologies that support the creation of new firms and employment in "markets of tomorrow".</p>	<p>Incentivize and expand patient investments in research, innovation and invention that can create new "markets of tomorrow".</p> <p>Incentivize firms to embrace diversity, equity and inclusion to enhance creativity.</p>

## United Arab Emirates, Qatar, and Saudi Arabia are among the top 10 countries in several aspects related to the enabling environment - digital economy, thus better equipped for the recovery phase

ICT adoption	
Korea, Rep.	93.7
United Arab Emirates	92.3
Hong Kong SAR	90.2
Sweden	89.7
Japan	88.3
Singapore	88.1
Iceland	87.8
Norway	84.7
Qatar	83.9
Lithuania	83.8

Digital skills	
Finland	84.3
Sweden	79.5
Estonia	77.9
Iceland	77.6
Netherlands	77.3
Singapore	77.3
Israel	76.5
Denmark	74.7
Saudi Arabia	74.1
Korea, Rep.	73.0

Digital legal framework	
United States	78.0
Luxembourg	77.4
Singapore	76.5
United Arab Emirates	72.5
Malaysia	70.0
Estonia	69.3
Sweden	67.9
Finland	67.7
Germany	67.3
Netherlands	65.5

Source: World Economic Forum, Executive Opinion Survey 2019-2020 and International Telecommunication Union (ITU), WTDS 2020 database

All scores are expressed on a 0-100 scale.

**ICT adoption** is the average of the following indicators obtained from ITU: "Internet users% of adult population"; "mobile-cellular telephone subscriptions per 100 pop"; the ratio of "Fibre internet subscriptions per 100 p." to "Fixed broadband Internet subscriptions per 100 pop."; the ratio of "Mobile-broadband subscriptions per 100" to "mobile-cellular telephone subscriptions per 100 pop".

**Digital skills** refers to the response to the survey question "In your country, to what extent does the active population possess sufficient digital skills (e.g., computer skills, basic coding, digital reading)? 1=Not at all; 7=To a great extent.

**Digital legal framework** refers to the response to the survey question "In your country, how fast is the legal framework of your country adapting to digital business models (e.g. e-commerce, sharing economy, fintech, etc.)?" [1 = not fast at all; 7 = very fast].

# Executive Opinion Survey findings

Based on the assessment of business leaders – through the executive opinion survey – the following dimensions emerged as particularly important for countries to be resilient to this specific health crisis and its immediate aftermath.

- 1. Economic digitalization and digital skills.** Countries that could leverage flexible work arrangements and those where digital skills are most widespread could partially adjust by increasing the digitalization of their economic activity. Despite important disparities between sectors that could be digitalized, and those that cannot, economies that could rely on technology and the provision of digital services online were relatively less affected.
- 2. Safety nets and financial soundness.** Since multiple segments of the economy had to cope with full lockdowns or reduced business activity, countries that already had in place strong safety nets to support those who could not work through the pandemic, were better placed to salvage livelihoods. Economies with strong financial systems (Taiwan [China], Finland, the United States, the **United Arab Emirates** and Singapore) could more easily find resources to provide credit to SMEs, which, in addition to public interventions, contributed to keeping companies afloat in the current context.
- 3. Governance and planning.** Countries that could better plan and coordinate health measures with fiscal and social policies have been relatively more successful in mitigating the effects of the crisis. Policy stability can be used as a proxy for government capacity to plan and coordinate. On this aspect, countries that perform relatively well include Singapore, Switzerland, Luxembourg, Austria and the **United Arab Emirates**.
- 4. Health system and research capacity.** A health system is not only defined by the capacity of its healthcare sector but also by the accessibility of these services by a large fraction of the population, by the protocols in place to manage public health issues and by the capacity to develop and deploy a vaccine. Countries with greater biotechnology capacity and established national and international collaborations between universities and companies (Switzerland, the United States, Finland, Israel, the Netherlands) have been able to develop solution to the current crisis, and are better placed to cope with future pandemics.

## Key areas where EU can support the GCC increase transformation readiness

- The WEF Global Competitiveness Report 2020 provides an economic transformation readiness assessment for 37 countries. The assessment measures each country's performance in the 11 priority areas for Enabling Environment, Human Capital, Markets, and Innovation Ecosystem (priorities on slides 6 -9).
- For the GCC countries data were not available for the 11 priorities of economic transformation.
- The report provides data on digital aspects of the business environment. The United Arab Emirates and Qatar are among the top 10 countries in ICT adoption rankings, Saudi Arabia 9<sup>th</sup> in digital skills and United Arab Emirates 4<sup>th</sup> in digital legal framework.
- One of the 11 priorities to achieve transformation readiness is to “upgrade infrastructure to accelerate the energy transition and broaden access to electricity and ICT”.
- Therefore, opportunities for EU to assist Bahrain, Oman, and Kuwait exist in the areas of ICT adoption, digital skills, and digital legal framework.
- In addition, EU could provide expertise and collaborate with Saudi Arabia to increase ICT adoption and improve digital legal framework.

# The Global Competitiveness Report

SPECIAL EDITION 2020

## How Countries are Performing on the Road to Recovery

Klaus Schwab  
Saadia Zahidi  
World Economic Forum



Report available at:

<https://www.weforum.org/reports/the-global-competitiveness-report-2020>



## **EU-GCC Dialogue on Economic Diversification**

**A Project funded by the European Union**

Authors:

**Douglas Aitkenhead**

Team Leader

[daitkenhead@eugcc.eu](mailto:daitkenhead@eugcc.eu)

**Daniela Stratulativ**

Key Expert – Trade and Foreign Direct Investment

[dstratulativ@eugcc.eu](mailto:dstratulativ@eugcc.eu)

This publication was produced with the financial support of the European Union. Its contents are the sole responsibility of the authors and do not necessarily reflect the views of the European Union.