



**EU - Gulf Cooperation Council (GCC) Dialogue on
Economic Diversification**

**EU – GCC Dialogue on Economic
Diversification Gulf Cooperation
Council (GCC) countries**

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**NKE Study on Regulatory Barriers to Bilateral
EU-GCC Trade in Services & Recommendations**

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EU-GCC Dialogue on Economic Diversification
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**NKE Study on Regulatory Barriers to Bilateral EU-GCC Trade in Services and
Recommendations for Actions that can be undertaken to enhance Trade**
September and October 2019

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Disclaimer

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ABSTRACT

This report focusses on the Services related trade and investment between the European Union (EU) and the six countries of the Gulf Cooperation Council (GCC), namely Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates (UAE).

On the subject of EU-GCC trade and investment, there is an opportunity to significantly increase trade in services between the EU and GCC. This will undoubtedly contribute to the diversification of the GCC economies that are still too much dependent on the oil economy, despite some efforts to increase the share of other economic sectors. To achieve an increased level of trade and investment in services on the part of GCC countries, much is needed to be done in becoming more involved with the WTO, in addition to possibly resuming FTA talks with the European Union (EU).

To have a normal and increased trade relationship with the EU, GCC countries must be able to show commitment and unity to achieve an open and liberal trading relationship. FDI from the EU into GCC countries presents a large opportunity for European investors to participate in GCC country's economic transformation. This report though shows the limits to the extent of which EU investors can participate in GCC's country's economy due to ownership restrictions, barriers to certain sectors, and restrictions to land ownership. There are different restrictions and nuances to each of the six GCC countries and each country offers its own incentives to offset these barriers including little to no corporate taxes.

Another finding of looking into FDI in the GCC was issues with the available workforce in GCC countries. Kuwait and Saudi Arabia in particular have large public sectors and a workforce that is reluctant to venture into the private sector. An additional concern for investing in GCC countries is there legal framework as it pertains to property rights and protecting investment. Legal reforms are the main course of action that can be taken by GCC countries to grow FDI. On the subject of regional tension in the Middle East, there are many different sources of regional tensions and threats that each present risk of their own. Individual GCC countries can do little on their own to resolve these larger regional issues meaning that investors will have to consider this factor as something they cannot explicitly control or predict.

Taking all of this in consideration, plus the analysis of the relatively limited existing commitments that the GCC countries have taken in the World Trade Organisation, the report makes some recommendations to the European Union on how to strengthen the trade and investment relationships.



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LIST OF ACRONYMS

BIA	Bilateral Investment Agreement
BIT	Bilateral Investment Treaty
BOP	Balance of Payment
CPC	Central Product Classification (of services sectors)
EFTA	European Free Trade Association
EU	European Union
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GPA	Government Procurement Agreement
GTI	Global Trade Index
OECD	Organisation for Economic Co-operation and Development
TiVA	Trade in Value Added
WTO	World Trade Organisation



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EXECUTIVE SUMMARY

This report analyses trade and FDI figures relating to the EU and GCC with a specific emphasis on the services sector. Each of the six GCC countries are also analysed on their own, presenting differences in the business climate and attitude towards trade amongst the six countries.

The European Union could undertake many different actions to improve the conditions of European Services companies in exporting or doing business in the GCC Countries.

The last section of the report details the following recommendations:

- To encourage all GCC Countries to accede WTO Government Procurement Agreement (GPA)
- To encourage all GCC countries to be more active in the negotiations of the WTO Domestic Regulation Disciplines, and to take part of the Joint Initiative
- To encourage all GCC countries to join the E-Commerce plurilateral negotiations launched in Geneva in March 2019
- To resume the stalled Regional FTA negotiations between the EU and the GCC countries
- To launch a feasibility study or an informal scoping exercise, for initiating a regional investment agreement with the GCC and the European Union
- If an FTA or a BIA is not possible with the GCC countries as a group, the EU should envisage to launch individual FTA with those countries that would be interested to reach ambitious trade and investment agreement with the EU
- To encourage GCC countries to undertake unilateral actions to make their countries more attractive to FDI, notably to improve their legal system and transparency in a way that allows for more FDI



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INTRODUCTION

The Gulf Cooperation Council (Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates) is an intergovernmental organization of Arabian Gulf monarchies that was formed in 1981 for economic and political cooperation.

The GCC countries have formed their own customs union and are working towards the goal of completing an internal market, but much, if not all, remain to be done for the services sectors. The creation of a customs union began in 2003 and was completed and fully operational on 1 January 2015. A common market was launched on 1 January 2008 with plans to realise a fully integrated single market. It eased the movement of goods and services. However, implementation lagged behind after the 2009 financial crisis. In January 2015, the common market was also further integrated, allowing full equality among GCC citizens to work in the government and private sectors, social insurance and retirement coverage, real estate ownership, capital movement, access to education, health and other social services in all member states. However, some barriers remained in the free movement of goods and services. The coordination of taxation systems, accounting standards and civil legislation is currently in progress. The interoperability of professional qualifications, insurance certificates and identity documents are also underway.

Members of the Gulf Cooperation Council (GCC) are trying to change with the times. Declining oil revenues have put some of these energy-dependent countries on the brink of economic crisis. Saudi Arabia's revenue fell by more than half over the past three years, from \$302 billion in 2013 to just \$147 billion in 2016, and its foreign reserves have tumbled by roughly \$200 billion since mid-2014. At the same time, all of the bloc's member states are dealing with mounting demographic pressures and generational shifts in leadership.

In this context, it is interesting to look at how the European Union could play a bigger role in the diversification of the economies of the GCC countries, and with a particular focus on trade and investment in the services sectors.

The first Section of this paper outlines the state of play of trade and investment of the GCC region with the rest of the world and with the European Union (**Section I**).

It then analyses the regulatory barriers that are impeding the attractiveness of the GCC countries, notably by looking at the ranking of the countries in various indexes and examines the barriers that the EU services businesses face in doing business or in trading services. One of the ways to explain the challenges in the EU-GCC trade and investment in services, is to analyse whether the GCC countries have used their trade policy to provide some legal certainty to exporters and investors through international obligations. Thus, this **Section II** looks also at what are the commitments that the GCC countries have taken or not in the General Agreement of Trade in Services (GATS) of the World Trade Organisation (WTO) or in other Free Trade Agreements that the GCC as a region or individual countries might have signed with other trading partners.

Following this analysis, **Section III** of the report sets out a list of recommendations to the European Union to enhance EU-GCC trade and investment in services.



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1. EU-GCC STATE OF PLAY IN TRADE AND INVESTMENT

1.1 Trade in Services in the region and with the EU

Current EU-GCC trade and investment relations

The framework for economic and political cooperation between the EU and the GCC countries is provided by the 1988 [EU-GCC cooperation agreement](#) that seeks to improve trade relations and stability in a strategic part of Europe's Neighbourhood. The agreement created a Joint Council and a Joint Co-operation Committee which meet annually.

The EU and Gulf Cooperation Council launched negotiations for a Free Trade Agreement (FTA) in 1990. The FTA was foreseen to provide for a progressive and reciprocal liberalisation of trade in goods and services. The negotiations have faced several challenges and were effectively halted in 2008, when the GCC countries suspended all ongoing negotiations in which they were involved. One of the reasons involved was a divergence on export duties.

While periodic informal contacts have taken place since then to test whether a basis might be found to resume and conclude negotiations, these have not been successful so far, but mutual interest still exists. The two sides meet on an annual basis to discuss trade, amongst other topics, within the EU-GCC Joint Co-operation Committee held in Riyadh or Brussels.

In May 2017, the EU and GCC launched a dedicated Dialogue on Trade and Investment issues, also with the participation of their respective private sectors. This Dialogue provides a dedicated platform to tackle trade and investment related issues and enhance cooperation on matters of mutual interest such as market access irritants, regulatory requirements and ways to encourage greater two-way trade and investment flows. This report can be seen as a tool at the disposal of that platform, but also aims at providing further recommendations to the European Commission.

It must also be emphasized that trade between the two regions is already significant, as the EU was the first trading partner for the GCC in 2018 accounting for 14,6% of its total trade (goods and services), followed by China (12.2%), Japan (8.5%) and India (8.4%).

Importance of Services in the GCC Economies

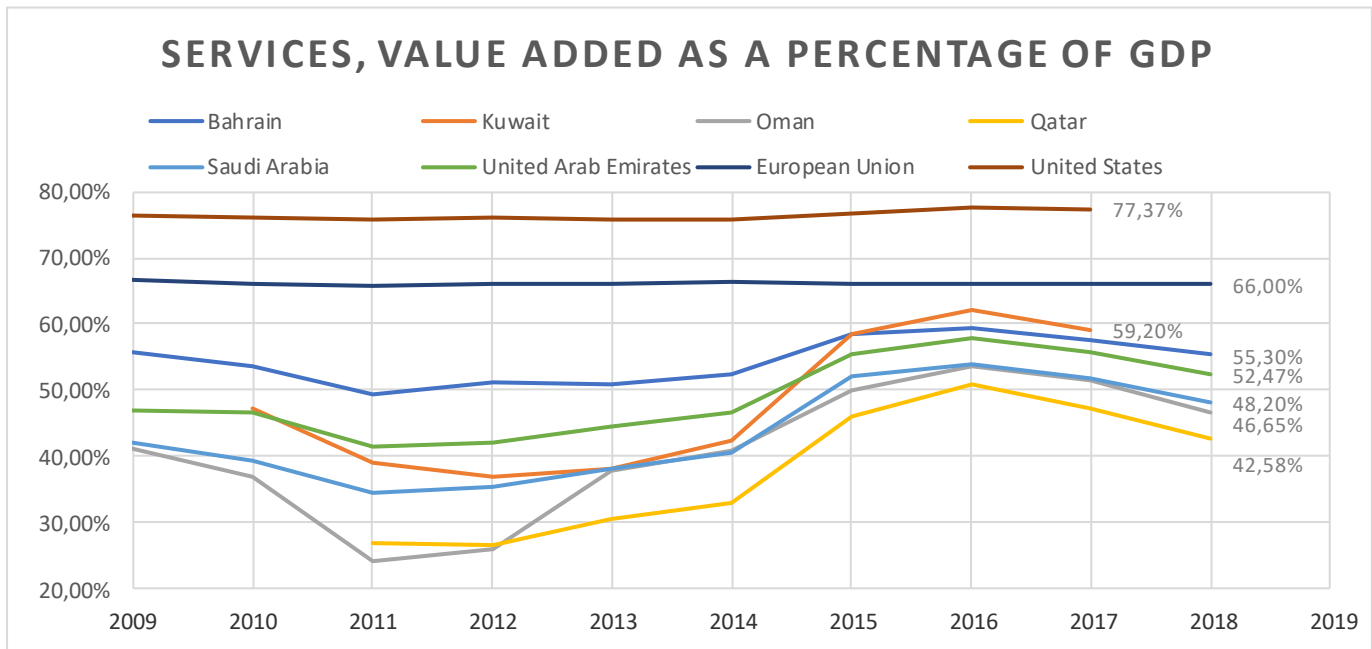
The graph below shows the contribution of services to the overall GDP. The graph shows the gradual climb in the services sector in GCC countries followed by a drop in the sector in recent years. It is important to recognize that this metric also includes government and the public administration which is a very large in GCC countries. For this reason, services in the private sector could actually be a bit smaller contributor to GCC countries overall GDP growth. There is still much to be done in these countries to achieve the stable and high contributing services sector of the European Union.



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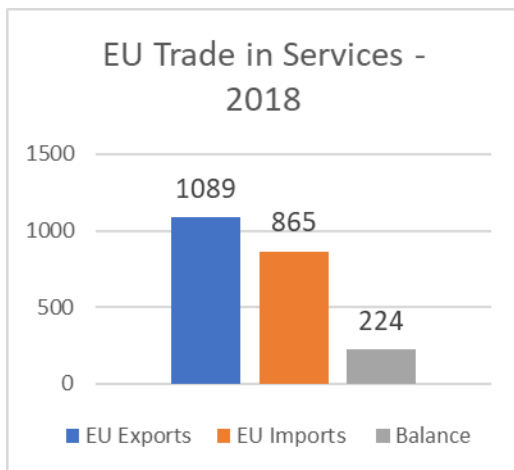




Source : <http://www.oecd.org/industry/ind/40230902.htm>

Current state of GCC-EU Trade in services

According to the WTO, the EU is the biggest global exporter (1089 Bio \$ in 2018) and importer (865 Bio \$) of trade in services. The European Union exports of services represented 25.1% of world exports of services in 2018. GCC Countries are big importers of services (201 Bio \$ in 2017), but a less performing exporter (125 Bio \$). GCC countries hope to change this as they attempt to diversify their economies beyond energy. Services account for 22,4% of total trade EU-GCC Trade.



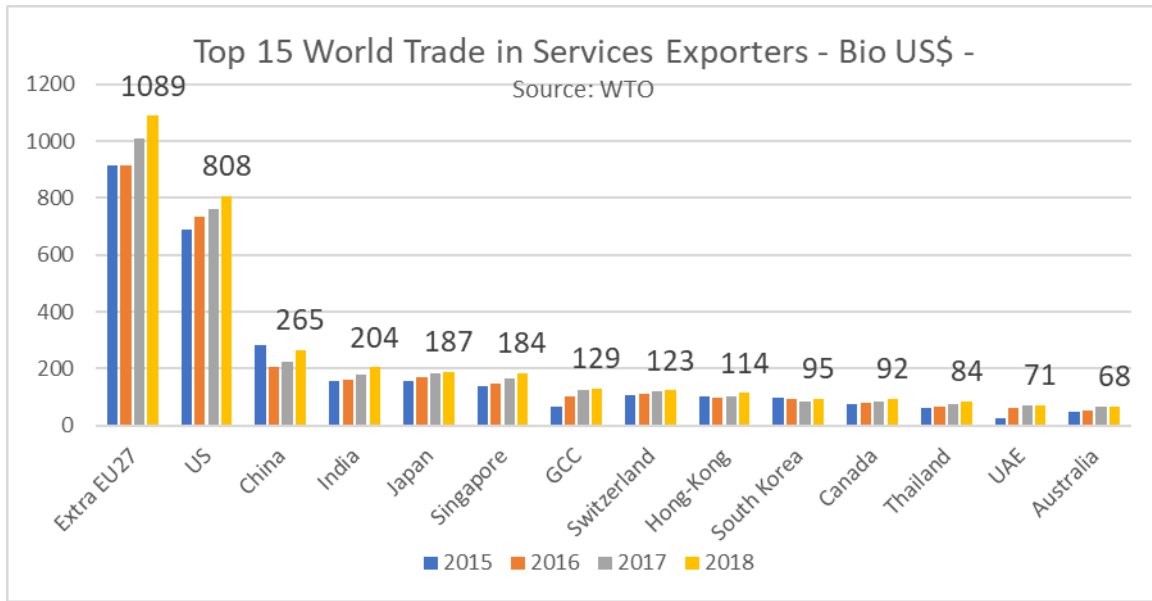
GCC is also an important global player in trade in services. They exported 129 Billion US\$ of services in 2017, representing the 7th world exporter (UAE exported 71 Bio\$, ranking 13th worldwide). GCC countries represent already an important market of EU exporters of services with a total of exports of 41 Bio \$.



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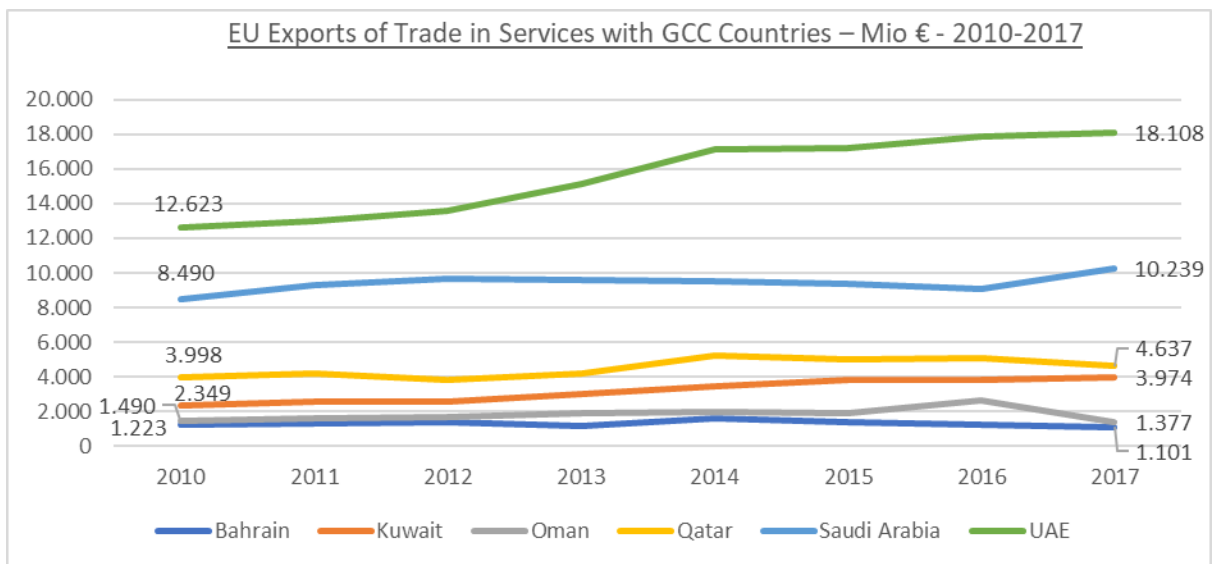
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The GCC is also an important importer of services, with a total of 201 Bio\$ in 2017, with UAE importing 71 Bio\$, followed by Saudi Arabia with 55 Bio\$. GCC is the EU's fourth largest export market for trade in services in 2017, with more than 41 Bio\$. But it is striking to see that only 13% of GCC countries imports of services are coming from the EU (25 Bio\$). This report will attempt to analyse why.

EU bilateral trade in services with GCC countries amounted to €60 billion in 2017 (EU Exports: 39.4 Bio€ - EU Imports: 20.6 Bio€). EU exported over 18 Bio € of services to UAE, 10.2 Bio € to Saudi Arabia and less than 5 Bio € in the four other GCC countries. One can notice however that the trend with all the GCC countries is rather flat in the last eight years, with the exception of UAE where exports grew by 43%, but with even a decline with Oman and Bahrain.



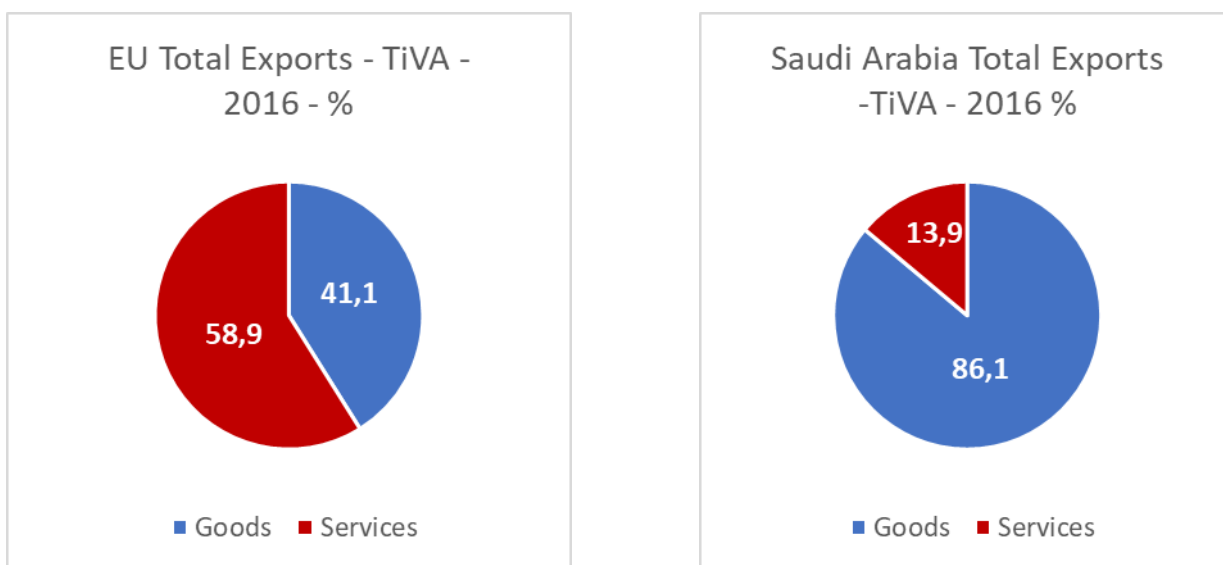
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GCC, Trade in goods and services and the value added

To better understand the level of development of trade in the GCC, another element that is interesting to look at is the composition of trade not only in terms of balance of payments, but also in terms of value added. Unfortunately, figures from the Trade in Value Added (TiVA) database of the OECD are only available for Saudi Arabia among the GCC countries. To compare with the EU, in 2017, the EU total trade is composed of 32.6% of trade in services and 67.4% of trade in goods, when counted in terms of balance of payment (BOP). For Saudi Arabia, trade in services represent 7.2% of its total exports (BOP), while trade in goods (including a massive share for oil & gas) represent 92.8%. When looking at the same figures, but in terms of value added this time, one can see that the share of trade in services represent 58.9% of total EU trade, while for Saudi Arabia, this figure is only of 13.9%.



This demonstrates that the development of services in Saudi Arabia is severely underperforming compared to developed countries. Indeed, looking further one can see that Share of **Services value added** in EU **Goods** Exports is of 34.1%, while those of Saudi Arabia is only of 17%, which means that the country is not competitive in the services around the products that it exports, including for the exports of petroleum products where the average for the EU is 30%.

1.2 FDI in the region – recent trends and developments

Foreign Direct Investment is one of the main resources in the development of current economies. Additionally, FDI may help countries to break out of the vicious cycle of underdevelopment. There have been conducted extensive studies on the effects FDI has on economic growth, either at national or at supranational level. The flow of FDI is from the north (developed countries) to the south (developing countries). But this trend is changing in the globalizing world whereby the north and south are much intertwined.

The Importance of Foreign Direct Investment (FDI)

Investments, particularly Foreign direct investment (FDI), has been recognized as one of the main contributors for economic development. There is a strong relationship between the inflows of FDI and a



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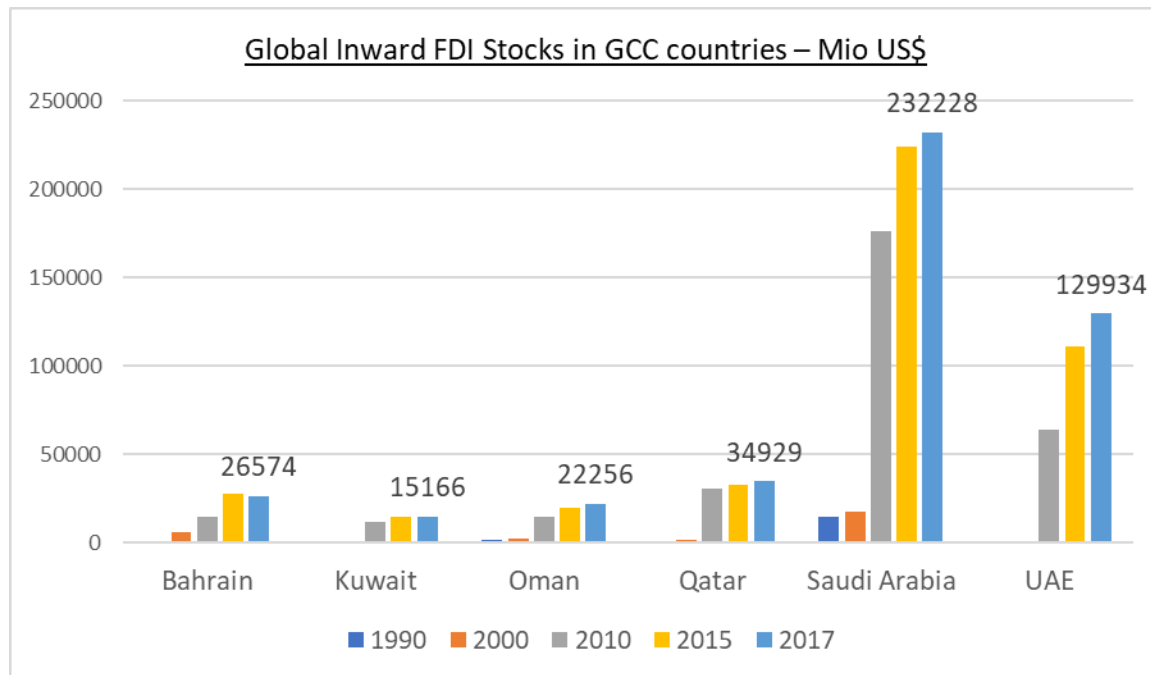


sustainable economic growth. In the past 25 years there has been a remarkable growth in FDI flows all over the world. This is notably due to the fact that many countries, especially developing countries, see FDI as an important element in their overall strategy for economic development. FDI boosts economies by triggering technology, promoting knowledge, creating a more competitive business environment, and enhancing productivity (OECD,2002). Between 2000 and 2016, the share of FDI stock in global GDP increased from 22% to 35%. Following a decline during the economic crisis, mergers and acquisitions (M&As), the most dynamic component of FDI, have recovered, reaching a record value of USD 1.2 trillion in the first quarter of 2018 (European Central Bank, 2018).

FDI Recent Trends in GCC countries

UAE, Saudi Arabia and Qatar account for over 50% of FDI projects in West Asia (2017) and the UAE attracted \$9 bio FDI in 2016. FDI has been steadily coming back to GCC countries since its sharp decline following the global financial crisis. In UNCTAD’s annually published *World Investment Report 2018* it was indicated that FDI flows into the UAE continued its recovery following the sharp decline in 2009.

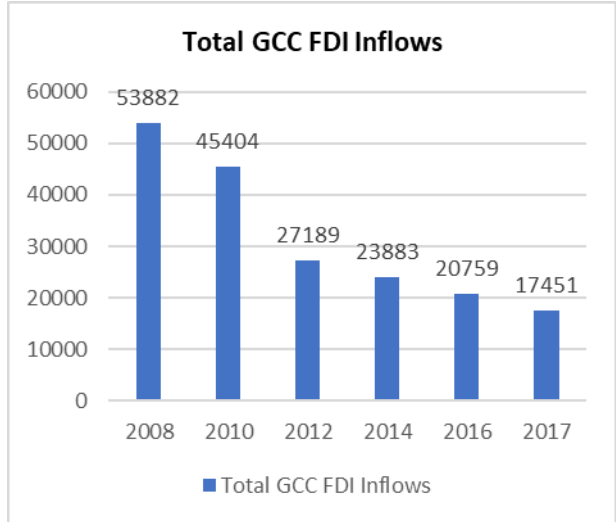
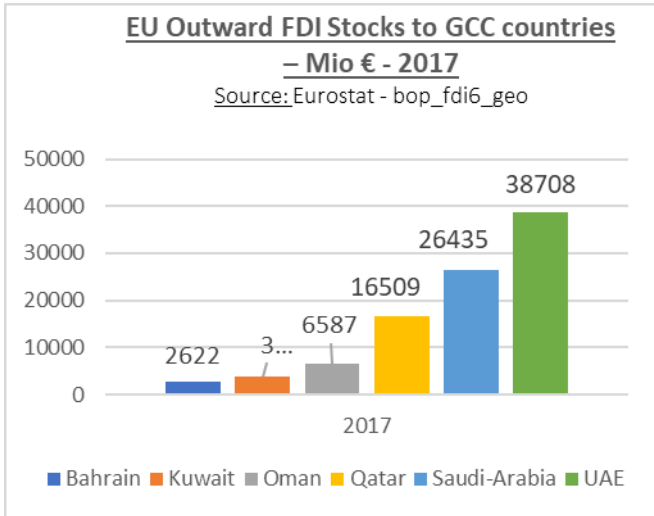
For the purpose of this study, we will look in particular on the Inward FDI coming into the GCC Countries.



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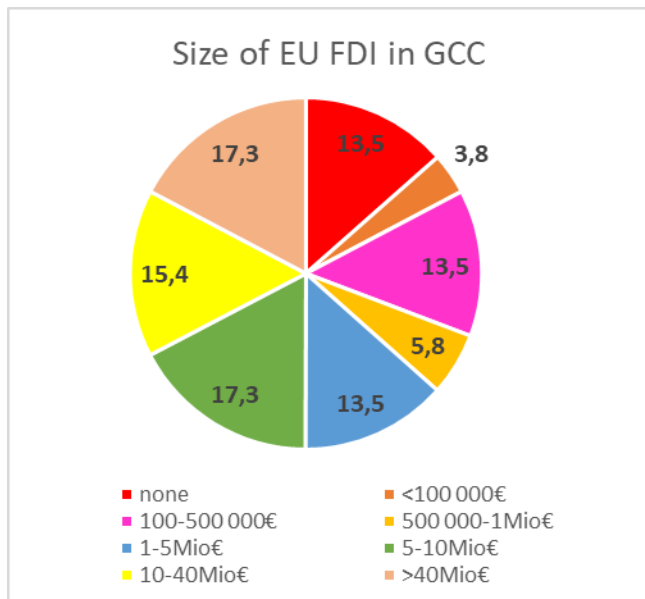
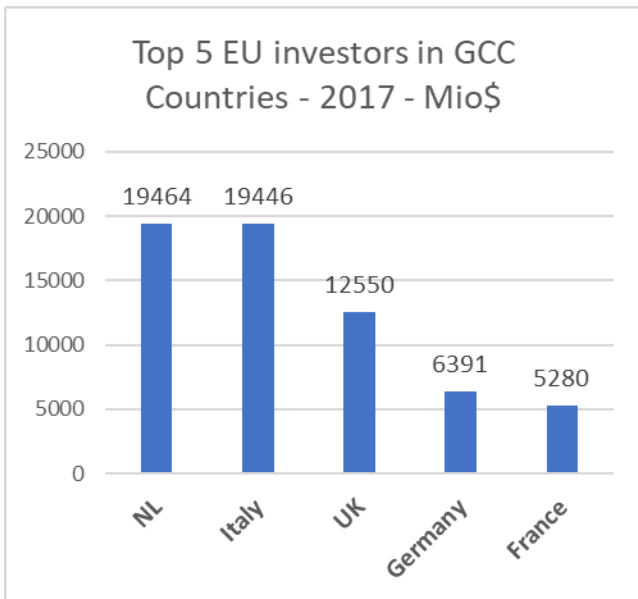




The EU is already a significant investor to the GCC countries, with a total Outward EU FDI in GCC in 2017 of 94 554 Mio € - 103 867 Mio \$, which represents 22.5% of total GCC FDI Inward (461 087 Mio \$).

FDI flows into the GCC region have diminished of -64% in GCC countries since 2008. FDI flows into the UAE grew by 8 per cent in 2017 to USD 10.4 billion from USD 8.6 billion in 2016. FDI was categorized as being **59% services** (19% business, 14% construction, 9% finance); 27% manufacturing; 14% agriculture for 2017. On average €4.5 bio of FDI comes from the EU annually.

Saudi Arabia has experienced 5 consecutive years of declining FDI flows, despite significant investment in capital projects. Kuwait has also experienced a decrease in FDI during that time. However, in terms of Inward FDI Stocks, the mid-term trend is rather flat in 4 countries (Bahrain, Kuwait, Oman & Qatar) and increases in Saudi Arabia (+7.6% in 4y) and in UAE (+28% in 4y – see Chart above). On the other hand, the EU remains by very far the biggest investor in the world with 9 301 Bio\$ FDI Outward stocks in 2017 (41% of World).



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The Netherlands and Italy are the biggest investors in the 6 GCC countries, followed by the United Kingdom, Germany and France.

A previous [Firm survey of 2015](#) showed that it was rather bigger companies that invest in GCC region – mainly exceeding €10mio; which tends to demonstrate that GCC economies are difficult for SME investors.

FDI Stock per capita:

Country	Population - 2018	FDI Stock per capita (USD Millions) - 2016	FDI Stock per capita (USD Millions) - 2018
Bahrain	1,442,659	18,284.211	18,481.198
Kuwait	2,916,467	3,693.067	3,563.452
Oman	4,613,241	4,768.136	5,839.959
Qatar	2,363,569	13,207.393	11,769.59
Saudi Arabia	33,091,113	7,171.685	6,847.64
UAE	9,701,315	12,899.676	14,708.491

Source: CIA World Factbook & Santander foreign investment overview

This shows the size of FDI in these countries relative to their population. Smaller GCC countries have a larger FDI stock per capita than larger ones. Some countries have had their populations grow faster than their FDI causing their FDI per capita to drop while others actually have less FDI stock now compared to 2016.

The demography of the GCC countries is also a criterion that needs to be taken into account in the analysis of the possibilities for EU companies to invest, taking into consideration the education level and the skills available on the local market.



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2. REGULATORY AND OTHER BARRIERS TO TRADE AND INVESTMENT IN SERVICES IN GCC

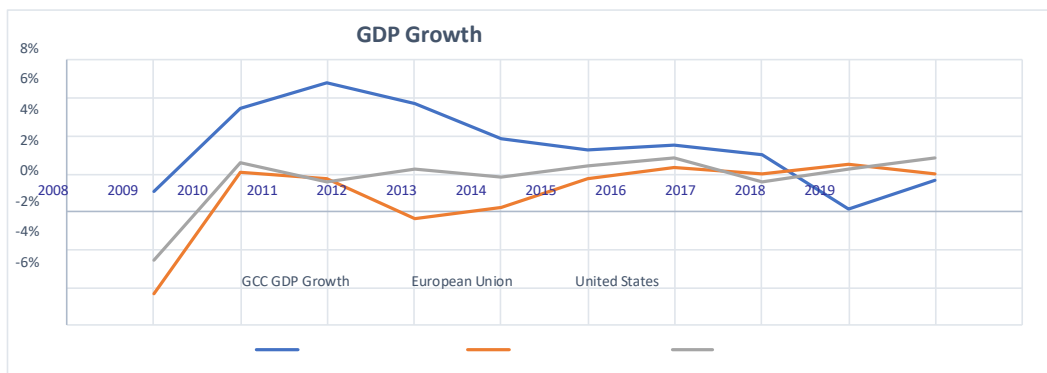
2.1 Attractiveness and Challenges in trading and investing in GCC

2.1.1 Attractiveness of GCC for Foreign Direct Investors and Services Exporters

Why is there a need to increase FDI in the Gulf Region?

Fast and considerable changes on the global energy market and falling oil prices due to higher supply, lower demand, and more competition is causing the need for FDI into other sectors of the economy. America's recent expanded energy production has also deemphasized the global importance of GCC oil. Greater concerns over Climate Change's impact on the planet in association with developments in battery technology has triggered renewable energy production that is starting to take pace and hence reduce the need for fossil energy.

GCC countries have reacted by investing part of their financial reserves (through Sovereign Wealth Funds) in FDI across the world, including in EU. GCC countries have also continued their pattern of buying U.S. Treasury Bonds. However, investing abroad does not solve the fact that back home, GCC countries are still dependent on oil revenues which is why there is a pressing need for diversification of income and creation of jobs within the region. GCC countries like Saudi Arabia have launched bold initiatives to transform the structure of their economies through development strategies such as Saudi Vision 2030. The graph below that contains the GDP growth of the EU, GCC, and United States shows the particular vulnerability that GCC countries still have to oil prices. The swift drop in GCC GDP growth following the oil price drop of 2016 is a perfect example of the volatility that oil economies present. The service economies of the EU and the United States contrast this although they may have a lower ceiling of growth their economies are not at the mercy of a single commodity price. GCC countries have reacted to the need to change their economies by investing in their services sectors. Initially they invested in real estate and construction services. More recently they have expanded to the tourism and to the air and maritime transport industry. Saudi Arabia has now begun to issue tourist visas as it looks to attract visitors other than business people or religious pilgrims. Saudi Arabia is making itself more of a tourist destination by building a Six Flags theme park along with other attractions. However structural problems in GCC countries persist including unemployment amongst youth and in high skilled sector, lack of development of in the private sector, and issues with their legal framework that could scare away investment.



Why is the Gulf Region attractive for FDI?

GCC's economic growth has been relatively high until recently despite persistent weakness in the private sector. The

region offers a high GDP per capita but has relatively small fragmented markets. The GCC offers a good geographical situation in terms of proximity to India, Pakistan, and other large markets. The impact of Iranian sanctions must also be taken into account since it is a potential market of 80 million



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people. Most GCC countries offer low taxes and investment incentive regimes, but there are potential issues with double taxation in some cases. GCC countries offer modern infrastructure and transport networks in terms of roads and airports.

2.2 GCC Countries Trade indexes

One of the way to analyse whether GCC countries are attractive for exporters and investors is to look at how they rank in existing indexes. These indexes rank the countries based on specific indicators. In this section the GCC will be assessed by the Ease of Doing Business Index and the Global Trade Index. The whole report can be found here¹

Ease of Doing Business Index

The Ease of Doing Business Index is part of the World Bank and gathers detailed and objective data on 11 areas of business regulation, helping governments diagnose issues in administrative procedures and correct them. The report measures complex regulatory processes by zeroing in on their quantifiable components. The score combines measures with different units such as time to start a company or procedures to transfer a property. The score captures the gap between an economy's current performance and a measure of best regulatory practice set in Doing Business 2020 across the entire sample of the same 41 indicators for 10 Doing Business indicator sets used in previous years.

Rank	Country	EODB Score
11.	UAE	81.3
62.	Bahrain	69.8
78.	Oman	67.2
83.	Qatar	65.9
92.	Saudi Arabia	63.5
97.	Kuwait	62.2

The GCC countries have an overall average ranking in the World Bank Ease of Doing Business Index (2018), except UAE which ranks above average. Due to investor-friendly legislation, financial and tax environments, as well as an extensive double tax treaty (DTT) network and well-established infrastructure, the UAE may be seen as an excellent business location. As seen the other countries may have a more complex investment climate, which does not foster further investments. But UAE has other regulatory burdens, notably related to business visas that also need to be taken into consideration for services sectors investors.

Global Enabling Trade Index

Co-published by the World Economic Forum and the Global Alliance for Trade Facilitation, the Report features the Enabling Trade Index, the Global Enabling Trade Index covers 136 economies, with a diverse background as emerging and major countries. Data of the index is retrieved through several sources from the World Bank, UNCTAD and International Trade Centre etc. The Enabling Trade Index

¹ https://www.doingbusiness.org/content/dam/doingBusiness/media/Annual-Reports/English/DB2019-report_web-version.pdf



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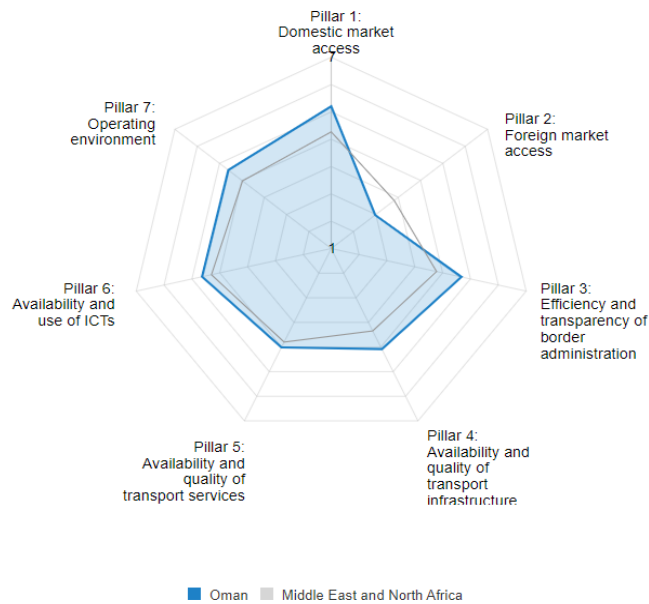
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assesses the extent to which economies have in place institutions, policies, infrastructures and services facilitating the free flow of goods over borders and to their destination.

How GCC Countries are ranked in the Global Enabling Trade Index.

Oman		46th / 136	
Enabling Trade Index 2016			
Key Indicators, 2015 <small>Source: International Monetary Fund, World Economic Outlook Database (April 2016); World Trade Organization, Merchandise Trade Statistics (22 November 16)</small>			
Population millions	4.1	Trade openness % GDP	100.9
GDP US\$ billions	74.3	Share of world trade % world total	0.22
GDP per capita US\$	17,972.9	Merchandise trade balance US\$ billions	23.92



The country-specific results have been transferred to a graph that shows data of the pillars. The introductory information (i.e. GDP, Trade openness, share in world trade), gives an overview of the country’s economic situation. The data of the ETI is published in a radar chart, which sort the pillars into the relative positions. The country-specific is in blue and the data of the Middle-East & North Africa continent is in grey. Because of the two different regions, there is a clear overview on what the situation is of the country in comparison with the continent.

You can find the radar chart of the other GCC Countries, with relevant links, in Annex II.

GETI for GCC countries

The table above outlines the data of the Global Trade Index (GTI) for the GCC countries. As prescribed in the methodology of the ETI (see [Annex I](#)), there is a score from 1 to 7. For enhancing the visibility, the tables have been coloured.



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Enabling trade index for GCC countries

Enabling trade index for GCC countries					
Oman 46th	Value /7	Bahrain 42nd	Value /7	Kuwait 87th	Value /7
Domestic market access	5.5	Domestic market access	5.2	Domestic market access	5.2
foreign market access	2.7	foreign market access	3.3	foreign market access	2.1
Efficiency and transparency of border administration	5.0	Efficiency and transparency of border administration	4.8	Efficiency and transparency of border administration	4.1
Transport infrastructure	4.5	Transport infrastructure	4	Transport infrastructure	3.4
Transport services	4.4	Transport services	4.8	Transport services	4
ICTs	5.0	ICTs	6	ICTs	5.3
Operating environment	5.0	Operating environment	5.1	Operating environment	4.3
Total Average	4.6	Total Average	4.7	Total Average	4.1
United Arab Emirates 23rd	Value /7	Saudi Arabia 67th	Value /7	Qatar 43rd	Value /7
Domestic market access	5.1	Domestic market access	4.9	Domestic market access	5
foreign market access	2.1	foreign market access	2.3	foreign market access	2
Efficiency and transparency of border administration	5.7	Efficiency and transparency of border administration	4.3	Efficiency and transparency of border administration	5
Transport infrastructure	6.3	Transport infrastructure	4.5	Transport infrastructure	4.6
Transport services	5.6	Transport services	4.5	Transport services	5.2
ICTs	6.1	ICTs	5.4	ICTs	5.7
Operating environment	5.6	Operating environment	4.7	Operating environment	5.4
Total Average	5.2	Total Average	4.4	Total Average	4.7
Source: World Economic Forum - 2017					

The colour division is as follows:

RED: A score from 1-3

YELLOW: A score from 4.5- 5

ORANGE: A score from 3- 4.5

GREEN: A score from 5-7

When the score within the index is getting a higher outcome, the colour is darker. It will be possible to see differences within the colour columns. One can clearly see that the six GCC countries are performing badly for “foreign market access”. However, this index needs to be taken with cautious when related to trade in services, since it essentially looks at criteria that are related to trade in goods. Indeed, when we examine the criteria for instance for what are the most problematic factors for “importing” (High cost or delays caused by international transportation; Burdensome import procedures; Domestic technical requirements and standards; High cost or delays caused by domestic transportation; Tariffs and non-tariff barriers; Corruption at the border; Inappropriate telecommunications infrastructure; Crime and theft) or what are the most problematic factors for “exporting” (identifying potential markets and buyers; Burdensome procedures at foreign borders; Access to trade finance; Access to imported inputs at competitive prices; High cost or delays caused by international transportation; Technical requirements and standards abroad; Rules of origin requirements abroad; Tariff barriers abroad; Difficulties in meeting quality/quantity requirements of



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buyers; Inappropriate production technology and skills; Corruption at foreign borders; High cost or delays caused by domestic transportation); a significant number of these criteria apply only to trade in goods and do not affect trade in services.

Bahrain:

Bahrain is ranked 42nd out of 136 countries of the report, with an average value of 4.7. Again, there is a distinction between the domestic and foreign market access. Pillar 6 of the index is also high in comparison with the other pillars. Bahrain’s market, although small, hosts a range of IT companies within the areas of IT services. Global IT companies choose Bahrain as a hub due to the availability of talent, cost competitiveness, ownership structure and market access to the overall region.

Kuwait:

Kuwait is ranked 87th out of the 136 countries of the report, with an average value of 4.1. Kuwait has the lowest rank of the 6 GCC countries. There is a trend of the division of the scores of the pillars, whereby pillar 2 is low and pillar 1 & 6 are high. Transport infrastructure and services are in poor conditions for Kuwait. However, the state of the transport is based on national structure. There are hardly any transport connections between the GCC countries.

Oman:

Oman is ranked 46th out of the 136 countries of the Enabling Trade Report, with an average value of 4.6. All the different pillars are relatively near to the total average except for pillar 1 and pillar 2. The value of the domestic market access is in Oman high in comparison with the other GCC countries. Oman has been a member of WTO since WTO, alongside the membership of the Gulf Cooperation Council, which have been the key factors of Oman’s trade policy. The main sectors of the great domestic market access are in agricultural sector and in services. There is a clear distinction between the domestic market access and foreign market access.

Qatar:

Qatar is ranked 43rd out of the 136 countries of the report, with an average value of 4.7. In comparison with the other countries, Qatar scores relatively high on ICTS and the operating environment. However, if you look further into the operating environment section, the highest value is on protection of property. Subsections such as openness to foreign participation are relatively low.

Saudi Arabia:

Saudi Arabia is ranked 57th out of the 136 economies of the Global Trade Report, with an average value of 4.4. Just as Kuwait the quality of infrastructure is in good condition but for fostering the trade, a common infrastructure is needed. For ICTS is there is a ongoing improvement in the mobile structure of the country. The subscription of mobile-broadband shows the effort to go with the digital flow. Digitalization leads to a stronger market position for communication tools.

United Arab Emirates:

UAE is ranked 23rd out of the 136 countries of the report, with an average value of 5.2. United Arab Emirates has the highest value of all the GCC members, whereby it stands out in ICTs and transport infrastructure. Remarkably market access is lacking behind the other pillars. Together with Kuwait it is has the worst value in foreign market access, but also the domestic market access is relatively poor. However, as tobacco and alcohol face tariffs higher than 50%, there cannot be directly made a conclusion on the market access of UAE. Still there is a big difference between foreign and domestic market access.



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Before coming to the conclusion based on this index, it is significant to understand that it is based on goods and services. These pillars shed a certain light on the business environment in the GCC countries, but certain value numbers cannot be directly linked to services.

The first discrepancy is the gap between Domestic and Foreign Market Access. Domestic market access is the situation within the country to get access to the market, whereby foreign market access is to what extent foreign enterprises have access to the markets of the GCC. An explanation for this gap is the way of trading in the GCC countries and political tensions. GCC countries mainly follow local requirements and procedures. Getting access to these local markets requires a bureaucratic path, whereby enterprises should rely on expertise and knowledge of the local market access. The best option is to find the right local agent/distributor to enrol in the local market with the aim of further exploring the GCC market.

Pillar 6 (ICTs) has an overall high score in all the GCC countries. Members of the GCC made separate reforms for the improvement of the communication technology the last years. Saudi Arabia has invested significantly in E-Commerce related platforms and smart cities. UAE came up with the eGovernment Plan to implement initiatives to improve eServices. Qatar has an ambitious five years plan for upgrading the telecom infrastructure. These improvements have led to an enhanced communication infrastructure. However, further improvement requires a better cooperation among the GCC countries.

The operating environment reflects a certain amount of different points. The first point is the protection of national trade and to which extent businesses are protected for terrorism. This does not have any links with trade with foreign business as these sections are focused on protectionism. The second point is relevant for foreign enterprises willing to do business with or within the GCC countries. The relevant sub-section is the openness to foreign participation. If you see the business impact on rules of FDI, there is a clear conclusion that GCC countries have a low score. Through protectionist rules it does not foster foreign FDI from other businesses. Also, in certain countries e.g. Oman, the ease of hiring foreign labour scores low. There are highly restrictive rules on hiring foreign labour, which decreases the willingness to do business in some of the GCC countries.

2.3 GCC Countries FDI Analysis

In this section, we provide general information on conditions for foreign direct investors in the respective GCC Countries. As an important aspect for investors is the possibility to send managers and other collaborators in the countries in which they invest, we have also added in Annex III, when available, some information on the business visas requirements.

Bahrain:

In 2017 Bahrain had the fastest growth of FDI of any GCC country (EDB Bahrain). The main strong points for FDI in Bahrain are its low costs in terms of operating expenses as well as the cost of rent or land. It also offers the most competitive taxes in the region with a corporate, individual, and capital gains tax rates set at zero. Expatriate employers are responsible for a 3% monthly contribution of their employee's salary for social insurance capped at 9555,88 Euro in monthly wages. Bahrain also serves as a gateway to larger markets like Saudi Arabia since exclusively doing business in Bahrain presents a relatively small market. The largest non-oil contributor to Bahrain's GDP has become their growing financial services sector.

Despite many advantages to investing in Bahrain there are some potential risks and drawbacks. Bahrain is the only GCC country that is majority Shia despite being ruled by a Sunni minority. This has



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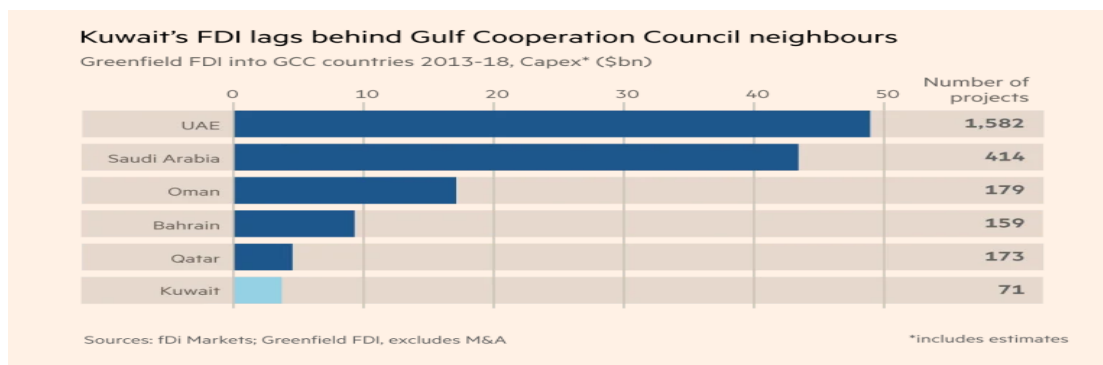
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caused some political unrest between the general population and the ruling class. Unrest sprung up during the start of the Arab Spring in 2011 in the form of demonstrations against the government. Bahrain's government has uncovered several terrorist plots in the country. Iran has also been accused of stirring unrest in the country amongst Bahrain's Shia population. There is also some resentment towards the United States and other Western Nations who are seen as being the backers of the Sunni government. Despite this unrest though Bahrain remains an overall safe country. The presence of the U.S. Fifth US naval fleet helps preserve security and deter regional rivals like Iran.

Kuwait:

FDI in Kuwait has been stagnate the past few years and as lagged behind other GCC countries as their government tries to incentivize investment. Recent law changes have made the country more hospitable to FDI. The major change is allowing 100% foreign ownership of business in the following sectors: infrastructure (water, power, wastewater treatment, and communications); insurance; information technology and software development; hospitals and pharmaceuticals; air, land, and sea freight; tourism, hotels, and entertainment; housing projects and urban development; and investment management (Santander). Kuwait offers a young population with a strong banking sector and overall quality infrastructure. Currently there is a flat corporate tax rate of 15% with numerous exemptions offered to foreign investors along with no personal income tax. Employers also must make an 11.5% monthly contribution of their employees' salary for social security capped at 8175,82 Euro in monthly wages.



Some

concerns with investing in Kuwait is that its government's intervention in the economy is considered too high by many and its political situation is fragmented. Kuwait has very high levels of public sector employment and one of the most extensive welfare states in the region. There is concern about foreign companies who invest being able to get Kuwaitis to enter the private sector. Kuwait also has corporate and social insurance taxes that are significantly higher than that of Bahrain without offering a significantly larger market. Kuwait is also vulnerable to regional tensions with Iraq to its north and Iran to the east across the Arabian Gulf.

Oman:

Oman is strategically located at the opening to Arabian Gulf through the Straits of Hormuz where two thirds of the world's oil passes through. Oman allows 100% foreign ownership in free zones and up to 70% in other sectors. Oman also offers relative political stability for the region. See below a table from KPMG:



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		Incentives					
		Commercial Activities	Omanisation requirement	Foreign ownership	Corporate taxation	Capital requirements	Customs duty
Special Economic Zones	Duqm	Industrial estates; logistics; tourism; mixed-use development	25%	100%	30-year tax holiday	No minimum investment capital	0%
	Knowledge Oasis Muscat	Information technology services	25%	100%	No incentives	OMR 20,000	None (within GCC)
Free Trade Zones	Sohar	Steel Manufacturing; trade and logistics; oil and gas; petrochemicals	15% (first 10 years)	100%	25-year holiday	No minimum investment capital	0%
	Salalah	Industrial; manufacturing; R&D; logistics	10%	100%	30-year tax holiday	No minimum investment capital	0%
	Al Muzanah	Warehousing; food processing; industrial	10%	100%	30-year tax holiday	No minimum investment capital	0%

Oman's geographic location being next to Yemen and its civil war offers a certain level of risk. The region of Yemen called Mahra which borders Oman has not seen much of the civil war's violence. However, other GCC nations have alleged that weapons and supplies have come through Oman into Yemen to support the Iranian backed Houthi Rebels.

Qatar:

Qatar is the wealthiest country in the world in terms of GDP per capita, it is also one of the safest countries. It has long been a destination for FDI and the number of expats in Qatar outnumbers native citizens. The corporate tax rate for foreigners is generally a flat rate of 10%. Qatar offers currency stability since the Qatar Riyal is pegged to the U.S. Dollar.

Saudi Arabia:

Saudi Arabia is the largest GCC economy with the most proven oil reserves. Saudi Arabia is a highly influential nation in both the GCC and OPEC regarding economic issues as well as regional disputes. As of 2015 the Saudi stock market was opened to foreign investors with certain limitations on the percentage of firms that a foreign investor could own. Foreign investors are not responsible for an Islamic tax known as Zakat. The corporate tax for most foreign investors is a flat rate of 20%. The capital gains rate is also 20%. There can be an exemption to paying capital gains for the sale of stock on the Saudi Stock market if the shares were purchased after 2004. There is no personal income tax and the social insurance tax is pay monthly by the employer at a rate of 2% for foreign employees. There are numerous tax incentives available depending on the type of business and location of the investment. There are additional incentives for an investment in a project exceeding 242055 Euro that also hires at least five Saudi citizens.



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UAE:

The UAE has developed from a juxtaposition of Bedouin tribes to one of the world's most modern and wealthy states in only about 50 years. Economic growth has been impressive and steady throughout the history of this confederation of emirates (between 2000 and 2018, average real Gross Domestic Product (GDP) growth was at close to 4%). It is the second largest economy in the GCC (after Saudi Arabia), with a nominal gross domestic product (GDP) of 414.2 billion USD, and a real GDP of 392.8 billion constant 2010 USD in 2018. Since its independence in 1971, the UAE's economy has grown by nearly 231 times. The non-oil trade has grown by around 28 times from 1981 to 2012. Backed by the world's seventh-largest oil deposits, and thanks to considerate investments combined with decided economic liberalism and firm Government control, the UAE has seen their real GDP more than triple in the last four decades. Nowadays the UAE is one of the world's richest countries, with GDP per capita almost 80% higher than OECD average.

As impressive as economic growth has been population growth in the UAE: the total population has increased from just about 550,000 in 1975 to close to 10 million in 2018. This growth is mainly due to the influx of foreign workers into the country, making the national population a minority. The UAE's labour market system, like those of other GCC member countries, links residence in the UAE to visa rules. This system is a major advantage in terms of macroeconomic stability, as labour supply adjusts quickly to demand throughout economic business cycles. This allows the Government to keep unemployment in the country on a very low level of less than 3%, and it also gives the Government more leeway in terms of macroeconomic policies – where other governments often need to make trade-offs between fighting unemployment and fighting inflation.

Business and finance:

The UAE offers businesses a strong enabling environment: stable political and macroeconomic conditions, a future-oriented Government, good general infrastructure and ICT infrastructure. Moreover, the country has made continuous and convincing improvements to its regulatory environment and is generally a top country for doing business. UAE is ranked as the 11th best nation in the world for doing business by the [Doing Business 2019](#) Report published by the World Bank Group (See page 211). The UAE are in the top ranks of several global indices, such as the World Economic Forum's (WEF) Global Competitiveness Index (GCI), the World Happiness Report (WHR) and the Global Innovation Index (GII). The Economist Intelligence Unit (EIU), for example, assigns the UAE rank two regionally in terms of business environment and 22 worldwide. From the 2018 Arab Youth Survey, the UAE emerges as top Arab country in areas such as living, safety and security, economic opportunities, and starting a business, and as an example for other States to emulate.

The weaker points remain the level of education across the UAE population, limitations in the financial and labour markets, barriers to trade and some regulations that hinder business dynamism. The major challenge for the country, though, remains translating investments and strong enabling conditions into knowledge, innovation and creative outputs.

UAE law does not allow trade unions to exist. The right to collective bargaining and the right to strike are not recognised, and the Ministry of Labour has the power to force workers to go back to work. Migrant workers who participate in a strike can have their work permits cancelled and be deported. This means that it will likely difficult to negotiate the EU "Trade and Sustainable Development" Chapter with UAE. Consequently, there are very few anti-discrimination laws in relation to labour issues, with Emiratis – other GCC Arabs – getting preference in public sector jobs despite lesser credentials than competitors and lower motivation. In fact, just over eighty percent of Emirati workers hold government posts, with many of the rest taking part in state-owned enterprises such as Emirates airlines and Dubai Properties.



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The United Arab Emirates has long been a destination for FDI in the Middle East. The UAE has several free trade zones that allow foreign investors to have 100% ownership. And recently, companies set up inside of the free trade have been granted a dual license that allow businesses to trade from the free zone into Dubai, which was not the case before. There is a possibility that a new legislation would be adopted that would allow 100% foreign ownership outside of a free trade zone as opposed to the current limit of 49% ownership.

2.3 Barriers & Challenges to FDI & Trade in Services in GCC

2.3.1 Geopolitics in the GCC Region

When a company board of a multinational corporation or a smaller investor decide to invest abroad, they will systematically run a “Country Risk Assessment” and hence will look at the geopolitics in the country in which they want to invest to measure the risk for their investments. This is particularly true for the GCC Region.

Below is a table that summarises the “country risk” criteria in the six GCC countries.

COUNTRY RISKS SYNTHETISING CHART							CREDENDO		
Risk assessment by Credendo									
Copyrights - http://www.credendo.com							Last update of the chart: 24/10/2019		
		Export transactions				Direct Investments			
		Political Risk Short Term	Political Risk Medium/Long Term	Political Risk Special transaction	Premium classification OECD	Commercial Risk	Political Violence Risk	Expropriation and Government Action Risk	Currency Inconvertibility and Transfer Restriction Risk
BHR	Bahrain	4	5	4	5	B	5	3	5
KWT	Kuwait	1	3	2	2	C	3	4	3
OMN	Oman	2	5	3	4	B	2	3	5
QAT	Qatar	2	4	3	3	B	4	3	4
SAU	Saudi Arabia	2	3	2	2	C	4	4	3
ARE	UAE - United Arab Emirates	2	3	2	2	C	3	2	3

Risk 1: Lowest 7: Highest Commercial Risk Lowest: C Highest: A

Global Regional Tension

The six GCC countries are all relatively safe and each of their governments have overall control over their territory. However, there are numerous geopolitical concerns regarding the surrounding region that could affect FDI in the region. The regional influence of Iran poses a particular threat to its rival Saudi Arabia. The Iranian threat is not just from across the Persian Gulf. Houthi rebels in Yemen and Shia militias in Iraq both backed by Iran pose a significant threat to GCC countries. Half of GCC countries share a land border with one or both of these nations. Recent tensions in the strait of Hormuz have mainly disrupted the flow of oil but continuing tension could disrupt other industries such as logistics which could be a potential industry for FDI to flow towards. Even though most FDI would be in sectors other than oil a disruption to global oil markets would negatively impact the entire economy of GCC nations. Any direct confrontation between Saudi Arabia and Iran would stop business in the region and likely close many airports and seaports as well as risking the safety of foreign investors in GCC countries. Increasing tensions in this region could force GCC countries to make difficult decisions that could impact their relationship with the United States and Europe.

Inter-GCC Tension



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Additionally, there is tension within the GCC between the members themselves. The region's recent boycott of Qatar by some GCC members showed how these tensions can play out and the risk for investors in the region. Although tensions have cooled since the boycott there are still sharp political differences in the region. Many GCC countries are less inclined to follow Saudi Arabia in its hard-line stance against Iran for fear of getting drawn into a conflict. There is also internal tension within Bahrain between the Sunni dominated government and the Shia majority population. During the start of the Arab Spring and in the years following there has been violent protest against the government in Bahrain that was followed by a repression of protests and the media by the government. Despite these differences the economic ties between these countries remains strong and is an important incentive for foreign investment in this region.

Issues with an effect on the GCC as a whole

The GCC which formed in a part due to Gulf States aligning in response to a rising Iran following its Islamic Revolution has failed in many aspects to live up to its aspirations. There have been broad initiatives for a single currency and single market comparable to the EU. The GCC seems to start these initiatives and then back off of them because a country or two is dragging its feet or there are too many issues with implementation. There is also a fear of the smaller GCC countries of Saudi domination of any initiative. Recently though Saudi Arabia has started to deal with GCC countries individually outside of the GCC framework. Saudi Arabia recently began a bilateral initiative with the UAE on a wide range of issues covering the fields of military, political, economic, trade and cultural². This seems to indicate that the GCC's largest member would rather operate outside of the GCC where it can have more control and move faster. It is not to say that the GCC can never achieve economic integration but until meaningful progress is made that prospect should be held in doubt for the near future. This should prompt investors again to focus on GCC countries as individual and diverse countries and markets to see which one is most suitable in offering the sector they want to invest in while presenting the best market and a favourable regulatory regime.

Western Criticism of Saudi Arabia

Another potential barrier to FDI would be the recent criticism of Saudi Arabia by western nations for its air campaign in the Yemen Civil War and its alleged involvement of the murder of journalist Jamal Khashoggi. These controversies could prevent certain European companies from making an investment in the region for fear of social backlash. These social pressure risks are especially acute today in the age of social media where one perceived misstep by a company can cause global outrage. Overall it is important to acknowledge that investment in a foreign country will always present a level of risk especially if the country being invested in differs in cultural norms or other aspects. This is why FDI always requires intensive research beyond just an overview before any decision is made.

Impact of Iran-Saudi Conflict on the GCC as a Whole

Any escalation of regional tension with Iran would negatively impact investors in all six GCC countries. Escalated tensions or outright conflict would hamper trade and business sentiment in the region as well as slowing growth in the region. GCC countries could also potentially become more closed off to foreign investment in the interest of foreign investment. However, an important distinction needs to be

²<https://www.forbes.com/sites/dominicdudley/2018/07/25/is-time-running-out-for-the-gulf-cooperation-council/#2f03286956b8> (Article for Saudi-UAE bilateral cooperation)



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made. GCC countries are divided in how they stand in relation to Iran. Saudi Arabia is supported by Bahrain and the United Arab Emirates in its fierce opposition to Iran. That would put these three countries at the most risk should tensions escalate in the region. The countries of Oman, Kuwait, and Qatar have taken more of a middle ground in their stance on Iran. These three countries are less likely to be attacked in the event of an escalated conflict that see more attacks on oil infrastructure and cities. However, these non-aligned nations would still face all of the negative economic impacts of a regional conflict. Oman, Kuwait, and Qatar offer the potential to possibly deescalate questions between the other GCC countries and Iran but ultimately the direction that Europe and the United States take will decide how things proceed in the Arabian Gulf.

Impact of the Syrian Civil War and Unrest in Iraq

Since the beginning of the civil war in 2011 Syria has been a cause of great concern for GCC countries. The instability in the country has given a rise to Iranian and Russian influence in Syria backing the Assad government. Iraq to a lesser extent has been an area of concern for GCC countries following the United States withdrawal in 2011. The rise of the Islamic State that followed threatened the bordering nations of Kuwait and Saudi Arabia. Despite the defeat of the Islamic State for the most part in Iraq there is still a threat from Iranian backed Shia militias that remain active in Iraq. Although Iraq's current government carries more legitimacy than Syria's there is no clear path forward in both nations to secure peace. Uncertainty in this region will always be kept in mind by GCC leaders, this uncertainty could in the way of economic and legal reforms that GCC countries have embarked on to modernize themselves.

Outlook for GCC Expansion

Although the GCC has not expanded beyond its six founding members there has been discussion over the years of other countries joining that include Egypt, Morocco, Jordan, Iraq, and Yemen. Instability and war in Yemen have currently derailed any talks of them joining the GCC. Iraq is a Gulf State but it stands out amongst GCC countries since it is a Shia majority democracy while all of the GCC members are an Arab monarchy of some form. Essentially there is potential for the GCC and its market to grow but the time frame is very open ended as to when any new members would join.

Reality of Brexit on GCC FDI

In addition to the possible expansion of the GCC there is also the reality of Brexit and a reduction in the size of the EU. The U.K. is a large investor in GCC countries already and has close diplomatic ties with several GCC countries. It is definitely a loss for the EU to lose the U.K. who is a powerful investor and player in the region. Overtime thought the EU will be able to increase its FDI stock in GCC countries as long as those countries legal frameworks and economies move in the right direction along with the regional geopolitical situation.

Conclusion on Regional Tension

It is important to recognize that the regional tension that is presented above is unpredictable and uncontrollable to the investor. Even GCC countries cannot alone control these tensions or resolve conflicts. Although most of these issues do not exist explicitly within the border of GCC countries they exist within the neighbourhood and can spill over at any moment. It is important for any investor to recognize and respect that these risks exist in an uncontrollable and unpredictable form.



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2.4 Specific barriers to trade in services

One of the main barriers to FDI is ownership requirements is the compulsory local partnership or Joint Venture. In some GCC there is an equity cap of 49% at best. In Qatar, the equity cap is from 25% to 49% depending on the sectors. This is often not enough for services sectors. Indeed, most of the European service businesses that invest abroad have a clear policy of not investing at all if they don't have a wholly ownership possibility for their subsidiary (i.e. 100%), and other will possibly accept to invest with a local partner provided that they have the control of the company, i.e. at least 51% or 50% plus one vote. The major reason for this behaviour, contrary to the manufacturing sectors, is that the service is produced and consumed at the same time. It is much more complicated to slice down the value chain of the services. Therefore, the added value of a services compare to its competitors is in the compilation of know-how, IT management and Human Resource management. If you would choose to share this with a majority partner, you run the risk of losing the sole specificity of the company that makes it more competitive.

The length of legal proceedings, costs of attorneys and courts is also a barrier to FDI. Foreign investors need to feel protected by a strong legal system that they are used to in Europe or the United States. Additional legal issues include investor access to the market, e.g. 40 activities in services sector are still exempted from FDI in [Saudi Arabia under the Foreign Investment Act](#). There are issues with restrictions on hiring staff, problems in finding qualified staff (education related issues), and problems getting GCC citizens to leave the public sector for the private sector. Visa regulations vary between nations and can difficult to obtain for investors (especially in Saudi Arabia). Additionally, there are difficulties in obtaining construction permits and foreign companies competing for public tenders.

Possible Solutions

GCC countries can allow 100% or at least majority control of businesses by foreign investors. They can also make the necessary legal reforms to increase transparency in their legal systems to increase investor confidence. Additional measures to reduce the administrative and licensing burden of starting a business and difficulty of investing will allow FDI to flow easier. Also making the environment for investment more attractive by improving infrastructure in GCC countries as well as liberalizing the labour market especially for women will attract more investment. GCC countries can also begin educational initiatives to steer youth towards innovative sectors to fill the needs of foreign investors.

Some GCC countries have already started this but it is important to continue to liberalize and develop financial markets. Countries that become attractive to businesses like insurance and asset management will be able to add billions in FDI to their country. GCC countries must also continue to innovate the way in which they attract and promote FDI within their country. In addition to their promotion, it is important for FDI countries to channel FDI towards sectors of their economy that increase the general welfare of the country as well as fostering growth and innovation. GCC countries should use FDI to help reach their ambitious goals of economic transformation. This would include investment in the areas of IT, health, media, tourism, and financial services to name a few. Among the practical solutions that should be promoted, one can list the following issues:

- GCC Countries allowance of 100% ownership or at least majority ownership for foreign investors;
- Legal reforms that increase transparency and investor confidence, in Saudi Arabia in particular;
- Administrative reforms to cut red tape and licensing burdens of starting a business for foreign investors;
- Overall improvement to infrastructure to make it more friendly for business to operate in GCC countries;



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- Liberalizing the labour market especially for women to allow European investors to hire a diverse workforce to suit their needs;
- Educational initiatives in GCC countries to prepare their domestic workforce for employment opportunities from foreign investment (Ex: Intel investment in Costa Rica 1997);
- Liberalization of financial markets for foreign investors (process has started in Bahrain, Qatar, the UAE, and recently in Saudi Arabia).

How to achieve this in the GCC Region?

Regional cooperation amongst GCC countries is required to reduce barriers to FDI as well as coordinating investment promotion:

GCC countries should also envisage autonomous reforms to reduce barriers, with regulatory convergence among GCC countries, towards the creation of a GCC single market, as it was anticipated in the creation of the GCC.

Another instrument could be the setting up of a better coordination of the investment promotion authorities, so as to try to avoid duplication of FDI Attraction Strategy (Hub in air transport, deep sea harbour, etc.), but this objective would have to overcome the fragmentation of the GCC countries on their investment strategies.

2.4.1 Signing Bilateral Investment Treaties

Another aspect that European services investors will look at when deciding to invest in a country is whether or not the possible hosting candidate of their investment has signed or not a Bilateral Investment Treaty with the country of origin of the company. Such treaties are a strong signal that the country has sought to give the investors protection of their investment. The value of these BITs is much more in that political signal rather than in the possibility of finding a redress through the Investor to State Dispute Settlement (ISDS) that most of these treaties encompass. Indeed, the worst decision for an investor is to attack either locally or through ISDS the country in which he decided to invest. However, the possibility of a compensation in case of expropriation is an important instrument that investors cannot neglect, and is a pledge of respect for foreign investors.

The six GCC countries and the 28 Member States of the European Union have signed 75 BITs, Kuwait being the country that has the larger number (24), followed the United Arab Emirates (13). Saudi Arabia has the lowest (8), followed by Bahrain (9) and Oman (10). On the EU side, the countries that have signed the larger number of BITs with GCC countries are Belgium & Luxembourg, Germany, France and Italy, which have a BIT with all six GCC member countries.

It is interesting to note that, according to UNCTAD, the GCC as a region has also signed 8 International Investment Agreements, of which 3 are into force, including one with the European Union. However, when we look more closely at the text of this “Cooperation Agreement” it is clear that this cannot be classed as BIT. The agreement does not include much content on investment except its article 7: “In the field of investments, the Contracting Parties shall strive to take steps for the mutual promotion and protection of investments, in particular through the extension by the Member States of the Community and the GCC countries of investment promotion and protection agreements with a view to improving reciprocal investment conditions.” (see full text [here](#)).



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75 BITs signed between EU 28 Member States and GCC 6 Member States

	AT	BLEU	BG	CY	CZ	DE	DK	EE	ES	FI	FR	EL	HR	HU	IE	IT	LV	LT	MT	NL	PL	PT	RO	SK	SI	SE	UK
Bahrain		✓	✓		✓	✓			✓		✓					✓				✓							✓
Kuwait	✓	✓	✓		✓	✓	✓		✓	✓	✓	✓	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Oman	✓	✓	✓			✓				✓	✓		✓			✓				✓						✓	✓
Qatar		✓		✓		✓				✓	✓		✓			✓					✓	✓					✓
UAE		✓			✓	✓				✓	✓					✓				✓	✓	✓	✓	✓		✓	✓
Saudi Arabia	✓	✓			✓	✓			✓		✓					✓										✓	



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3. INTERNATIONAL COMMITMENTS: GCC AND THE WTO GENERAL AGREEMENT ON TRADE IN SERVICES

Another very important way for investors to verify whether their exports of services or their investments in the GCC countries are safe is looking at the binding international commitments taken in multilateral, plurilateral, regional or bilateral trade agreements. We will first analyse the commitments by the GCC in the World Trade Organisation, and in particular in the General Agreement on Trade in Services (GATS), and in section 3) we will study their services commitments in RTA (Regional Trade Agreements) or bilateral FTAs (Free Trade Agreements).

One of the major outcomes of the Uruguay round, which created the World Trade Organisation (WTO) was the GATS, based on the same principle of its counterpart GATT. Both GATS as GATT had the objective of the creation of a credible and reliable system of international trade rules; ensuring fair and equitable treatment of all participants (principle of non-discrimination); stimulating economic activity through guaranteed policy bindings; and promoting trade and development through progressive liberalization. All WTO signatories are also GATS members, but they may differ in the level of quantitative commitments. The GATS cover 160 services sectors, but members are not obliged to take commitments to all these sectors.

The GATS distinguish between four different modes of supplying services. At country-based reports there is always a distinction in these four modes. The WTO website described the modes as follows:

- **Cross-border supply** is defined to cover services flows from the territory of one Member into the territory of another Member (e.g. banking or architectural services transmitted via telecommunications);
- **Consumption abroad** refers to situations where a service consumer (e.g. tourist or medical patient, or student) moves into another Member's territory to obtain a service;
- **Commercial presence** implies that a service supplier of one Member establishes a territorial legal presence, including through ownership or lease of premises, in another Member's territory to provide a service (e.g. domestic subsidiaries of foreign insurance companies or hotel chains); and
- **Presence of natural persons** consists of persons of one Member entering, on a temporary basis, the territory of another Member to supply a service (e.g. accountants, doctors or teachers). The Annex on Movement of Natural Persons specifies, however, that Members remain free to operate measures regarding citizenship, residence or access to the employment market on a permanent basis, that are not handled by the GATS or any other trade agreement.

GATS' obligations may be categorized into two groups:

- a) The General obligations that apply directly and automatically to all Members and services sectors:
 1. **MFN Treatment:** treatment no less favourable than that accorded to like services and services suppliers of any other country
 2. **Transparency:** To publish all measures of general application and establish national enquiry points mandated to respond to other Member's information requests.
- b) The Specific obligations that apply specifically to designated sectors:
 1. **Market Access:** Conditions and measures, agreed by members for the entry of a specific service into their markets.
 2. **National Treatment** the services and service suppliers of any other Member treatment no less favourable than is accorded to domestic services and service suppliers



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Members of the GCC have committed few sectors to the GATS schedule of commitments, however, there are differences among the six countries. One can say however that as an average, the GCC countries have taken rather limited commitments and in limited services sectors only. Therefore, they have not sent to foreign services exporters or investors any positive signals that they were welcoming investors. It is important to understand that, given that Oman and Saudi Arabia joined the WTO after the end of the Uruguay Round, respectively in 2000 and in 2005, these two countries have taken more commitments than the four others.

The schedules of commitments have been analysed below, for a better understanding and comprehensive overview of their undertaking under the GATS. We first looked at the Horizontal commitments, and then to the sector specific commitments.

3.1 GATS Horizontal commitments

These tables here below explain the horizontal commitments the individual GCC members have in the GATS. After these schedules, there is an analysis of these tables. The extensive information regarding country specific commitments and exceptions can be found here:

https://www.wto.org/english/tratop_e/serv_e/serv_commitments_e.htm

It is important to examine first the GATS Horizontal commitments by the GCC countries, as the limitations that are listed do cover all services sectors, and introduce equity caps, economic needs tests and other restriction to acquire land or move people temporarily in all across services sectors. These horizontal restrictions must then be taken into consideration when looking at the sector specific barriers (see section 2 below)

<u>BAHRAIN</u>	Limitations on Market Access	Limitations on National Treatment
Mode 3: Commercial Presence	Entry is permitted only in the form of a Joint Stock company	Acquisition of land or property is not allowed

<u>KUWAIT</u>	Limitations on Market Access	Limitations on National Treatment
Mode 3: Commercial Presence	<ol style="list-style-type: none"> 1. National services will have priority in the purchase of public departments. 2. Foreign presence should be either through Kuwaiti Agent or through a partnership, in which Kuwaiti portion should be at least 51%. 3. Foreign presence must add economic interest, including a condition to employ 30% of his workforce with nationals 4. Permission through economic needs test and some other considerations. 	National services industries may have kind of incentives and assistance, with technical support lower costs and discount on advertising.
Mode 4: Presence of natural	Unbound ³ except for measures concerning entry and temporary stay of	Unbound except for measures referred to in the market

³ Unbound means no commitment taken



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persons	natural persons, who are: - Managers - Specialists and - Skilled technicians Presence of natural persons is not allowed for these categories	access column Housing and social programs are limited to Kuwaiti citizens
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OMAN	Limitations on Market Access	Limitations on National Treatment
Mode 3: Commercial Presence	1. Commercial presence in the form of a company incorporated in Oman with foreign equity limited to 49% 2. Representatives offices allowed as from 1-1-2001	Purchase of real estate is not permitted. However,
Mode 4: Presence of natural persons	Unbound except for:	Unbound except for:
<i>Business visitors</i>	Entry and stay shall be for a period of no more than 180 days, including multiple entries	Entry and stay shall be for a period of no more than 180 days, including multiple entries
<i>Intra-Corporate Transferees</i>	1. Number to 25% of workforce, but minimum of three persons is allowed. Alternative: Number limited to 15%, number of other foreign employees limited to 10%. A minimum of two ICT allowed as compliant of 15% threshold. 2. Entry and stay shall be for a period of two years 3. Certain positions reserved for Saudi nationals.	1. Number to 25% of workforce, but minimum of three persons is allowed. Alternative: Number limited to 15%, number of other foreign employees limited to 10%. A minimum of two ICT allowed as compliant of 15% threshold. 2. Entry and stay shall be for a period of two years 3. Certain positions reserved for Saudi nationals.
<i>Contractual Services Suppliers</i>	Entry and stay shall be for a period of no more than 180 days, would be renewable	Entry and stay shall be for a period of no more than 180 days, would be renewable
<i>Independent Professionals</i>	Entry and stay shall be for a period of no more than 180 days, would be renewable	Entry and stay shall be for a period of no more than 180 days, would be renewable
<i>Installers and maintainers</i>	Temporary stay is granted for a period of stay of no more than 90 days, which would be renewable	Temporary stay is granted for a period of stay of no more than 90 days, which would be renewable
QATAR	Limitations on Market Access	Limitations on National Treatment
Mode 3: Commercial Presence	1. Services of natural origin have priority in purchase of the public sector,	1. Acquisition of real estate by foreign persons is



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	<p>as well as in purchases of national and foreign contractors. The priority is only applicable if the differential is not in excess of 10% compared to those of foreign origin.</p> <p>2. Foreign commercial presence should be through a Qatari agent or related to it, or through a partnership with capital of Qatari company</p> <p>3. Foreign commercial presence may be required to provide certain benefits (i.e. technology transfer or development programs)</p>	<p>not allowed. Foreigners can acquire on long lease.</p> <p>2. Foreign nationals may be required to pay taxes on income derived from operations in Qatar. Foreign companies may obtain tax exemptions for 5-10 years.</p> <p>3. National services industries have some incentives/assistance</p>
Mode 4: Presence of natural persons	<p>Unbound except for measures concerning temporary entry and stay in the following categories:</p> <ul style="list-style-type: none"> - Managers - Specialists, and - Skilled technicians 	<p>Unbound except for measures concerning temporary entry and stay in the following categories:</p> <ul style="list-style-type: none"> - Managers - Specialists, and - Skilled technicians <p>Housing and social programs are limited to Qatari citizens</p>

<u>SAUDI ARABIA</u>	Limitations on Market Access	Limitations on National Treatment
Mode 3: Commercial Presence	<ol style="list-style-type: none"> 1. Subject to incorporation as joint stock or limited liability company (Companies Act) 2. Subject to formation and registration (Professional Companies Law) 	<ol style="list-style-type: none"> 1. Require approval from General Investment Authority 2. May acquire right to own real estate by succession in accordance with present laws and regulations. 3. Subject to income tax 4. Some subsidies will be available to Saudis only.
Mode 4: Presence of natural persons	Unbound except for:	Unbound except for:
<i>Business visitors</i>	Entry and stay shall be for a period of no more than 180 days, including multiple entries	Entry and stay shall be for a period of no more than 180 days, including multiple entries
<i>Intra-Corporate Transferees</i>	<ol style="list-style-type: none"> 1. Number to 25% of workforce, but minimum of three persons is allowed. Alternative: Number limited to 15%, number of other foreign employees limited to 10%. A minimum of two ICT allowed as compliant of 15% threshold. 	<ol style="list-style-type: none"> 1. Number to 25% of workforce, but minimum of three persons is allowed. Alternative: Number limited to 15%, number of other foreign employees limited to 10%. A



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	<ol style="list-style-type: none"> 2. Entry and stay shall be for a period of two years 3. Certain positions reserved for Saudi nationals. 	<p>minimum of two ICT allowed as compliant of 15% threshold.</p> <ol style="list-style-type: none"> 2. Entry and stay shall be for a period of two years 3. Certain positions reserved for Saudi nationals.
<i>Contractual Services Suppliers</i>	Entry and stay shall be for a period of no more than 180 days, would be renewable	Entry and stay shall be for a period of no more than 180 days, would be renewable
<i>Independent Professionals</i>	Entry and stay shall be for a period of no more than 180 days, would be renewable	Entry and stay shall be for a period of no more than 180 days, would be renewable
<i>Installers and maintainers</i>	Temporary stay is granted for a period of stay of no more than 90 days, which would be renewable	Temporary stay is granted for a period of stay of no more than 90 days, which would be renewable

<u>UAE</u>	Limitations on Market Access	Limitations on National Treatment
Mode 3: Commercial Presence	Commercial presence through <ul style="list-style-type: none"> - representative office - incorporation with maximum foreign equity of 49% subject to UAE Law 	<ol style="list-style-type: none"> 1. Acquisition of real estate is not permitted for foreigners in which foreign nationals have a shareholding. 2. Foreign nationals or companies may be required to pay direct taxes on incomes derived from work in the UAE 3. Government subsidized services only be extended to UAE nationals
Mode 4: Presence of natural persons	Unbound except for measures concerning entry and temporary stay of natural persons who fall into one of the following categories:	N. A
<i>Business visitors</i>	Entry for persons shall not be for more than 90 days	N. A
<i>Intra-Corporate Transferees</i>	<ol style="list-style-type: none"> 1. Number of managers shall be limited to 50% of the total of managers, executives and specialists. 2. Entry shall be for a period of one-year subject to renewal for two years with a maximum of three years 3. Their stay will be subject to UAE labour and immigration laws 	N. A

The tables set out the horizontal commitments of the GCC countries. Each country (except for Bahrain) have some commitments in Mode 3 and Mode 4. These commitments list limitations in market access and national treatment.

The graph below shows the main conclusion on market access for the GCC countries.



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Market Access for GCC Countries	SA	BH	QT	KW	OM	UAE	Total
Priority for national services							2
Partnership							3
Provision of benefits							2
Joint stock company							2
Economic needs test							1
Foreign equity							3
Time limitation Entry and stay							2
Employ workforce by nationals							4

 = No limitation  = Limitation

On Market Access the main horizontal limitations are on the employment of nationals of the GCC countries in foreign enterprises, foreign equity and partnership requirements. Most of the limitations on market access are meant to foster development of the GCC countries, as foreigners are bound to partnerships with GCC countries. Through these partnerships the countries remain in control over their trade and on the other hand benefit from foreign resources. Another limitation is the need or employ workforce by nationals. Because of this, the employment will not be affected by the arrival of foreign enterprises. Additionally, it develops level of workers of the GCC countries as they are working directly with foreign enterprises.

The other table sets out the horizontal limitations for national treatment in the GCC countries.

National Treatment for GCC countries	SA	BH	QT	KW	OM	UAE	Total
Time limitation Entry and stay							2
Employ workforce by nationals							2
No acquisition of real estate by foreigners							4
Pay taxes on income derived from operations in GCC							2
Assistance national services							3
Certain positions reserved							3
Social programs limited to GCC							2

The main conclusion of these limitations is that it is generally not allowed having real estate in the GCC countries. Through this limitation, the GCC Governments aim at keeping control over their own property. But, of course, for a foreign investor, this can be seen as a barrier. Much will then depend of the conditions and price of leasing real estate. If too high compare to the potential return on investment,



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this will be considered as an impediment to invest. Another limitation for businesses aiming doing business in the GCC is the support from governments to national citizens or companies. This means that when a European services business wants to establish in countries with such a limitation to national treatment, it can expect GCC domestic enterprises enjoying a lot of benefits, and hence be in an unfair competitive environment. Such discriminatory treatment will clearly be a criterion not to invest in GCC countries.

These commitments in the GATS are focused on the benefits of the GCC countries of trade with other partners. Through some limitations, it is also not fostering trade between GCC and third-countries. Through the reservation of certain positions for nationals, foreign trade will not be further stimulated. Without any benefits for foreign enterprises to join the GCC, they will transfer economic activities to other relevant places. Because of the limitations on national treatment, there is discrimination those who are new at the GCC market. Openness for foreign trade does not only foster trade but also stimulates investments in the GCC area.

3.1 GATS Sector Specific Commitments

In addition to the study of the horizontal commitments, one need also to look at the listed sector specific commitments. The sector specific limitation to market access and to national treatment have been listed by using the CPC (Central Product Classification), which is the official list of services sectors that most WTO members are referring to, as it clarifies the scope of the exact commitments. The table below shows the sectors that the GCC members have taken commitments when they joined the WTO. Within each sectoral commitment there are specific limitations. For a detailed description of the limitations, please consult the WTO website.

In the majority of GATS sector specific schedules, commitments are listed by using the CPC twelve broad sectors as follows:

1. Business;	7. Financial;
2. Communication;	8. Health;
3. Construction and Engineering;	9. Tourism and Travel;
4. Distribution;	10. Recreation, Cultural, and Sporting;
5. Education;	11. Transport;
6. Environment;	12. "Other".

CPC constitutes a complete product classification covering all goods and services. It serves as an international standard for assembling and tabulating all kinds of data requiring product detail, including statistics on industrial production, domestic and foreign commodity trade, international trade in services, balance of payments, consumption and price statistics and other data used within the national accounts.

Reference to CPC helps ensure that parties from different countries are referring to the same product or service for the purposes of uniformity. The CPC for services is the most commonly used classification. It is a document submitted by the United Nations Statistical Commission which contains more than 800 pages. The latest version was adopted in 2002 and is accessible through the following link:

<https://unstats.un.org/unsd/statcom/doc02/cpc.pdf>

But for the purpose of the services negotiators, the document that is mostly referred to is the one used by the WTO dated 1991 numbered MTN.GNS/W/1, entitled: "SERVICES SECTORAL CLASSIFICATION LIST", that can be found here: <http://i-tip.wto.org/services/default.aspx>



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The table below refers to the number of sectors committed by the GCC countries in the GATS.

The table clearly shows the differences in commitments the countries have taken. Oman and Saudi Arabia took more sectoral commitments. The reason for this is the push of the WTO when they joined after the conclusion of Uruguay round. These two countries joined the WTO later than the other four. The sectors with the smallest number of commitments are

1. Real Estate Services
2. Rental/Leasing Services without operators
3. Postal Services
4. Transport services

Sector specific

BUSINESS SERVICES:

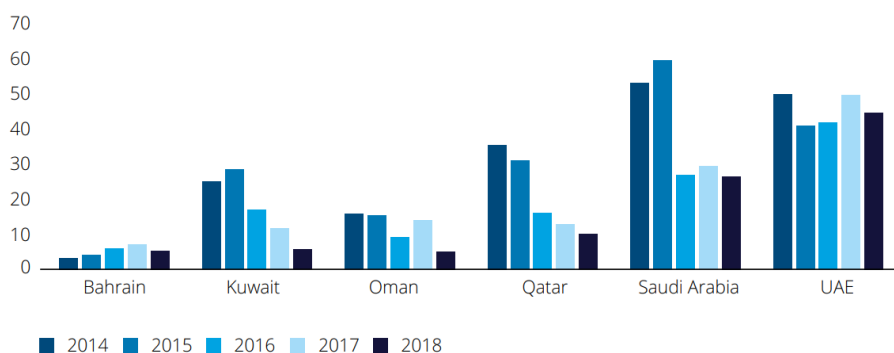
Bahrain is the only country that did not have taken any commitments on business services sectors. All other countries of the Gulf States have some commitments on business services. It is the only country without commitments on architectural and research services. Generally, GCC members have some commitments on specific sub sectors.

COMMUNICATION SERVICES

Some countries committed to communication but only for courier services. Postal Services are not committed. In 2007 there have been talks with the General Post Authority of the GCC for launching a company for a postal service. Despite efforts of the Kuwait's Ministry of Communications, there has not been any developments in this sector

CONSTRUCTION AND RELATED ENGINEERING SERVICES

Value of GCC contract awards by country, 2014-18 (\$bn)



For this sector is Bahrain again the only country without any commitments. This could be clearly seen in this table retrieved from Deloitte⁴. As seen in the table Bahrain has less contract awards in comparison with other GCC members

⁴ Deloitte: Has the industry turned the corner? Deloitte GCC Powers of Construction 2018



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CPC sectors	CPC Classification list WTO W/120 (1991) Sectors and Sub-sectors	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE
	Date of WTO Accession	Jan-95	Jan-95	Nov-00	Jan-96	Nov-05	Jun-96
1	BUSINESS SERVICES						
1-A	Professional Services			9/11	5/11	9/11	6/11
1-A-a.	Legal Services						
1-A-b.	Accounting, auditing and bookkeeping services						
1-A-d.	Architectural services						
1-A-e.	Engineering services						
1-A-f.	Integrated engineering services						
1-A-g.	Urban planning & landscape architectural services						
1-A-h.	Medical and dental services						
1-B	Computer and Related Services		4/5	5/5	4/5	5/5	4/5
1-C	Research and Development Services		3/3	3/3	3/3	3/3	3/3
1-D	Real Estate Services						
1-E	Rental/Leasing Services without Operators					5/5	
1-F	Other Business Services		15/20	15/20	3/20	16/20	5/20
2	COMMUNICATION SERVICES						
2-A	Postal services						
2-B	Courier services						
2-C	Telecommunication services			14/15 + RP		15/15 + RP	
2-D	Audiovisual services			2/6		2/6	
3	CONSTRUCTION AND RELATED ENGINEERING SERVICES		4/5	5/5	4/5	5/5	5/5
4	DISTRIBUTION SERVICES		3/5	4/5		3/5	
5	EDUCATIONAL SERVICES			4/5		5/5	
6	ENVIRONMENTAL SERVICES		3/4	4/4	4/4	4/4	4/4
7	FINANCIAL SERVICES						
7-A	All insurance and insurance-related services			4/4	3/5	3/4	



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CPC sectors	CPC Classification list WTO W/120 (1991) Sectors and Sub-sectors	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE
7-B	Banking and other financial services		12/12	10/12	12/12	12/12	11/12
8	HEALTH RELATED AND SOCIAL SERVICES		3/4	1/4		2/4	
9	TOURISM AND TRAVEL RELATED SERVICES		3/4	2/4	1/4	3/4	2/4
10	RECREATIONAL, CULTURAL AND SPORTING SERVICES		2/5			2/5	
11	TRANSPORT SERVICES						
11-A	Maritime Transport Services			2/6		4/6	
11-C	Air Transport Services			1/5		2/5	
	Other transport services (11B - 11D - 11E - 11F - 11G - 11H - 11I)			4/20		10/20	
12	OTHER SERVICES NOT INCLUDED ELSEWHERE (Incl. Energy related services)						
	Sectors not committed (out of 12)	11	4	2	6	1	6
	Sub-sectors not committed (Out of 162)	158	110	73	123	52	122
	Sectors and sub-sectors committed	1 (4)	8 (52)	10 (89)	6 (39)	11(110)	6 (40)



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DISTRIBUTION SERVICES

The distribution sector provides the necessary link between producers and consumers, within and across borders. Half of the GCC states have committed to this sector

EDUCATIONAL SERVICES

Only Oman and Saudi Arabia have taken commitments on educational commitments. The education sector is facing intensifying competition, oversupply, high operational costs and a shortage of teachers, which, collectively is contributing to the increasing pressure on the operators across the education spectrum. In 2018, the Oman government allocated OMR 1.6 billion (US\$ 4.1 billion⁵), equivalent to 12.6% of total government expenditure towards the education sector. Despite a reduction in the government's allocation to the education sector from 21.0% in 2016, it continues to strongly emphasize on the growth of the sector. The government has developed a national Technological, Vocational Education and Training (TVET) strategy to bridge the gap between the job market and the skills of fresh graduates.

ENVIRONMENTAL SERVICES

Also, on this sector is Bahrain the only individual country without any commitments on environmental services.

FINANCIAL SERVICES

This is the only sector of the GATS commitments, whereby all the six Gulf States have taken certain commitments. Financial systems in the GCC have developed significantly in recent years, largely due to banks, but there appears to be room for further progress, as stated by the IMF. Financial soundness indicators suggest that the banking systems are well positioned, with strong capitalization and adequate liquidity, and well equipped to absorb potential shocks ⁵

RECREATIONAL, CULTURAL AND SPORTING SERVICES

Health and social services include hospital services (i.e. health services delivered under the supervision of doctors), other health services (i.e. ambulance services and residential health facilities), social services and “other” health and social services. It is the only major sector where no negotiating proposal and no collective requests have been tabled.

TRANSPORT SERVICES

Freight transportation and logistics (T&L) is a critical industry for the Gulf Cooperation Council (GCC) countries, yet its technology and infrastructure lag behind that of developed countries. Worldwide, new digital tools and applications are transforming T&L at all stages of the value chain. The lag of improvement can also be seen in the list of commitments as only two states have committed.

⁵ KPMG GCC listed banks' results



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Below, there will be a country-by-country analysis and each sector will be separately discussed.

Country-by-country analysis

- Bahrain** clearly committed to the smaller number of sectors and subsectors, whereby they only committed to one sector and four sub-sectors. Bahrain only took some commitments on Financial Services, specifically in acceptance of deposits and other repayable funds from the public (Ba). The commitments within the financial services sector are subject to Bahrain Monetary Agency (BMA) and sits guidelines, regulation. Undertaking this activity requires a licence from the BMA.
- Kuwait** joined the WTO at the same time as Bahrain in 1995, but took more commitments. In comparison with Bahrain, they have certain commitments on business services and some other sectors. However, they still did not commit to communication sectors and transport services for instance.
- Oman** joined the WTO later and that could be seen as it has committed more sectors and sub-sectors than countries that joined in 1995. It has only not committed on transport and postal services, taking an example from the other GCC countries. Also, GCC countries have a common no-commitment to real estate and rental/leasing. This could also be seen in the horizontal commitments, with limitations on national treatment for each individual GCC member state.
- Qatar** shows the time-bound commitments, as it takes equal commitments as UAE did that joined in the same year. The difference in commitments between 1996 and later is that GCC members, who joined in 1996, did not commit to certain communication services.
- Saudi Arabia** , which joined the WTO only in 2005, committed to largest number of sectors and sub-sectors of the GCC countries. Saudi Arabia only did not fully commit to real estate services. Remarkably, it fully commits to rental/leasing sector, where it is the only GCC country to so do.
- UAE** made no commitments on telecommunications under the GATS. The Telecommunications Law provides that no person may supply telecommunications services to the public or conduct a regulated activity unless licensed to do so, and it also prevents the Telecommunications Regulatory Authority (TRA), from issuing licences to any entity having less than 51% local ownership.



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4. INTERNATIONAL COMMITMENTS: GCC AND FREE TRADE AGREEMENTS

In today's world trade policy, countries have a tendency to engage in bilateral and regional FTAs because of the difficulty to achieve significant level of liberalisation under the World Trade Organization's (WTO) where the Doha Development Agenda (DDA) - which started in 2001 in one of the GCC Countries (Qatar) -, effectively was halted in 2008. As a result of this tendency, there are approximately 400 FTAs which are notified to WTO. Free trade agreements are one of the tools to reduce or eliminate barriers between two or more economies. FTAs create a dynamic business environment that leads to greater economic activities and job creation. They also deliver opportunities for small and medium enterprises to benefit from open trade and investment. FTAs are one of the most profound activities of the last decade. Of 240 international economic integration agreements that have been notified by the WTO, half of these were made in the last 15 years. The European Union has FTAs with individual countries throughout the world. Beyond the barrier's elimination, it also includes trade facilitation in areas such as government procurement and investment, and now more and more in trade and sustainable development, encompassing disciplines in trade and labour and trade and environment.

GCC countries also have some free trade agreements with relevant chapters on services. As a coalition the GCC has two trade agreements. However, some single countries have FTAs. The FTAs are listed below.

4.1 GCC Regional Trade Agreements

4.1.1 GCC-EFTA

The EFTA States signed a Free Trade Agreement with the Gulf Cooperation Council (GCC) in Hamar, Norway, on 22 June 2009. The Agreement entered into force on 1 July 2014. On services, the GCC members have taken commitments in 11 GATS sectors.

The coverage of the Free Trade Agreement includes trade in services, government procurement and competition. For investment and intellectual property rights, the Parties agreed to conduct negotiations on those topics after the entry into force of the Agreement.

Trade in Services

The Chapter on trade in services (Chapter 3) closely follows the WTO General Agreement on Trade in Services (GATS) approach. It covers all four modes of supply of a service, as defined under the GATS, and addresses all services sectors. The Chapter deals with general disciplines, whereas more specific provisions for certain sectors or aspects are contained in Annexes (such as on Mutual Recognition, Movement of Persons, Financial Services and Telecom). There is also a Record of Understanding related to services constituting an integral part of the Agreement.

Below is the table summarising the schedules of commitments by the GCC countries in the GCC-EFTA Free trade agreement. It follows the same analysis method than the one used in Section 2.A.2), which looked at the GATS commitments, using the same classification (CPC Classification list WTO W/120 (1991) Sectors and Sub-sectors).

GCC Commitments with EFTA						
CPC Sectors	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE



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1 (6 sectors & 46 subsectors)	5/6	5/6	5/6	5/6	5/6	5/6
1-A	8/11	4/11	9/11	9/11	9/11	9/11
1-A-a.						
1-A-b.						
1-A-c.						
1-A-h.						
1-A-i.						
1-A-j						
1-A-k						
1-B	5/5	5/5	5/5	5/5	5/5	5/5
1-C	3/3	3/3	3/3	3/3	3/3	3/3
1-D	0/2	0/2	0/2	0/2	0/2	0/2
1-E	4/5	0/5	0/5	3/5	5/5	4/5
1-F	16/20	19/20	18/20	13/20	19/20	18/20
2 (5 sectors & 24 Subsectors)	2/5	0/5	3/5	0/5	3/5	3/5
2-A	0/1	0/1	0/1	0/1	0/1	1/1
2-B	1/1	0/1	1/1	1/1	1/1	1/1
2-C	15/15	0/15	15/15	0/15	15/15	15/15
2-D	0/6	0/6	2/6	0/6	1/6	0/6
3 (5 subsectors)	5/5	4/5	5/5	4/5	5/5	5/5
4 (5 subsectors)	5/5	4/5	5/5	2/5	4/5	4/5
5 (5 subsectors)	0/5	0/5	4/5	4/5	4/5	4/5
6 (4 subsectors)	4/4	3/4	4/4	4/4	4/4	4/4
7 (3 sectors & 17 subsectors)	2/3	2/3	2/3	2/3	2/3	2/3
7-A	4/4	4/4	4/4	3/4	4/4	4/4
7-B	12/12	12/12	12/12	12/12	12/12	11/12
8 (4 subsectors)	3/4	3/4	2/4	2/4	3/4	3/4
9 (4 subsectors)	3/4	3/4	2/4	2/4	3/4	3/4
10 (5 subsectors)	1/5	2/5	1/5	0/5	2/5	3/5
11 (9 sectors & 35 subsectors)	5/9	0/9	5/9	5/9	5/9	5/9
11A – 11C – 11E -11G – 11H	10/22	0/22	15/22	5/22	22/22	15/22
Other transport services (11B - 11D - 11F -11I)	0/13	0/13	0/13	0/13	0/13	0/13
12 (0 subsectors)	0/1	0/1	0/1	0/1	0/1	0/1
Sectors not committed (out of 12)	1	3	1	2	1	1
Sub-sectors not committed (Out of 162)	63	96	55	90	41	50
Sectors and sub-sectors committed	99	66	107	72	121	112

The figures in header of CPC sector (1 to 12) gives the number of sectors where commitments have been taken. The figure in sub-header of CPC sector (e.g. 2-C) gives the number of subsectors where commitments have been taken in these sub-sectors listed in W/120.



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If we compare this table to the one of the GATS schedules (page 39), one can see that all the GCC countries have significantly improved their commitments towards the EFTA countries. Kuwait is the countries with le lower number of sectors and subsectors committed, and Qatar level of commitments remains also rather low. But these schedules reflect an increase awareness of the importance of opening up more services sectors. They should constitute a new benchmark for further EU-GCC negotiations in due time.

Government Procurement for services

The Chapter on Government Procurement (Chapter 6) deals with the procedures to be followed by a government entity which is procuring goods, services and construction services above certain thresholds (specified in Annex XIII). The Chapter draws inspiration from the WTO Agreement on Government Procurement. Through the Agreement, the Parties consent to mutually open their Government Procurement markets. The government entities covered are listed in Annex XIII (Scope), while further provisions are contained in Annex XIV (General Notes).

The table shows which of the CPC services sectors where commitments have been taken for **government procurement by the GCC countries** towards the EFTA countries. As we can see, these commitments are very limited.

CPC sectors	Description	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE
1-B	Computer and Related Services			3/5		2/5	
1-D	Real Estate Services	1/2					
1-E	Rental/Leasing Services without Operators						
1-F	Other Business Services	7/20	3/20			7/20	
2	COMMUNICATION SERVICES						
2-C	Telecommunication services		4/15				
11-C	Air Transport Services	2/5					
	Other transport services (11B - 11D - 11E - 11F - 11G - 11H - 11I)	1/20					
	Sectors not committed (out of 12)	9	10	11	12	11	12
	Sectors committed	3	2	1	0	1	0

4.1.2 Singapore- GCC

The GSFTA is an agreement in strengthening the ties between the GCC countries and Singapore. The GCC-Singapore Free Trade Agreement (GSFTA) entered into force on 1 January 2015. Singapore is the non-Middle East country to have an FTA with the GCC. The GSFTA is comprehensive agreement that includes chapters on trade in services, investment, Ecommerce and government procurement. The commitments by the GCC countries in the services sectors in the framework of the GSFTA go much beyond their commitments undertaken in the WTO GATS.



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Trade in services

Specifically, Singapore and the GCC have committed to liberalize various services sectors beyond its WTO commitments. Broadly, the schedule of specific commitments includes the following sectors: business services: professional services, computer and related services, rental and others; communication services; construction and related engineering services; distribution services; educational services; environmental services; financial services; health related and social services; tourism; recreational, cultural and sporting services; and transport services.

The GCC states' commitments for trade in services in the GSFTA generally go beyond their existing World Trade Organisation (WTO) commitments. Singapore companies will enjoy improved market access in Qatar and UAE in sectors like professional services, which includes legal services, architectural, engineering and accounting services. As an example, UAE improved its foreign equity limit for professional services companies from 49% at the WTO to 75% in the GSFTA. Qatar has not committed to binding any foreign equity limits in the WTO but has now committed to a foreign equity limit of 49% for Singapore companies supplying professional services in Qatar through the GSFTA.

- **Legal Services:** UAE has allowed up to 100% foreign equity for Singapore legal companies from 1 September 2018 onwards. Saudi Arabia also relaxed its foreign equity limits for Singapore legal companies, allowing up to 100% foreign equity companies in Saudi Arabia.
- **Construction Services:** In comparison to the 49% equity limit that UAE committed at the WTO, UAE will now allow up to 75% foreign equity for Singapore construction companies through the GSFTA. Similarly, Bahrain and Oman have committed up to 100% foreign equity for Singapore construction companies, Oman committed 49% foreign equity under the WTO while Bahrain does not have any foreign equity commitments under the WTO.
- **Education Services:** Oman, Qatar and Saudi Arabia have also undertaken new commitments in the GSFTA to allow Singapore education institutions to provide education services to these countries. Notably, these countries have not made any prior commitments in the WTO for education services. Singapore companies offering education services such as higher education services or adult education services will be able to enjoy up to 100% equity for their branches or subsidiaries in UAE.

Please find below a summary of the GCC-Singapore Schedule of Commitments in Services.

CPC Sectors	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE
1 (6 sectors & 46 subsectors)	5/6	5/6	5/6	5/6	5/6	5/6
1-A	8/11	4/11	9/11	9/11	9/11	9/11
1-A-a.						
1-A-b.						
1-A-c.						
1-A-h.						



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CPC Sectors	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	UAE
1-A-i.						
1-B	5/5	5/5	5/5	5/5	5/5	5/5
1-C	3/3	3/3	3/3	3/3	3/3	3/3
1-D	0/2	0/2	0/2	2/2	0/2	0/2
1-E	2/5	3/5	3/5	4/5	5/5	3/5
1-F	6/18	12/18	16/18	16/18	17/18	14/18
2 (5 sectors & 24 subsectors)	2/5	2/5	2/5	2/5	2/5	3/5
2-C	15/15	0/15	15/15	0/15	15/15	15/15
2-D	0/6	0/6	2/6	0/6	2/6	0/6
3 (5 subsectors)	5/6	6/6	6/6	6/6	6/6	6/6
4 (5 subsectors)	3/5	2/5	4/5	2/5	3/5	3/5
5(5 subsectors)	4/5	0/5	4/5	4/5	5/5	4/5
6 (7 subsectors)	6/7	3/7	6/7	7/7	6/7	7/7
7 (17 subsectors)	2/3	2/3	2/3	2/3	2/3	2/3
7-A	4/4	4/4	4/4	4/4	4/4	4/4
7-B	12/12	12/12	12/12	12/12	12/12	11/12
8 (4 subsectors)	3/4	3/4	2/4	2/4	3/4	3/4
9 (4 subsectors)	3/4	3/4	2/4	2/4	3/4	3/4
10 (5 subsectors)	1/5	2/5	1/5	1/5	2/5	3/5
11 (9 sectors & 35 subsectors)	2/9	2/9	3/9	2/9	5/9	3/9
11-A	6/6	6/6	6/6	6/6	6/6	6/6
11-C	1/5	3/5	3/5	1/5	3/5	1/5
11B -11D – 11F – 11I	0/18	0/18	0/18	0/18	0/18	0/18
11E - 11G - 11H -	0/11	0/11	4/11	0/11	5/11	11/11
12	0/1	0/1	0/1	0/1	0/1	0/1
Sectors not committed (out of 12)	2	2	1	2	1	1
Sub-sectors not committed (Out of 162)	75	87	55	76	48	51
Sectors and sub-sectors committed	87	75	107	86	114	111

We have used the same method than the one for analysing the GATS schedules and the schedules tabled by the GCC countries in the EFTA-GCC FTA. The results are quite similar to the one seen in the FTA with the EFTA countries. We fully acknowledge that this method remains superficial. Further and deeper analysis will be necessary for better identifying the sectors that remain unbound. It however gives an overview on the progress made in 20 years, and these schedules should indeed be used as a benchmark for any further EU-GCC negotiations, should they be resumed.

This Singapore-GCC FTA offers much of what the EU would be looking for in terms of trade in services as well as access to government procurement. Regardless of the size differences



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between Singapore and the EU, the framework of the FTA is more acceptable for the EU. Overall the Singapore-GCC FTA covers a wide range of services and business areas and would be a good starting point for negotiations to show that the GCC is capable of taking commitments for trade in services. The EU achieving the same market access that Singapore received in regards to trade in services would serve as a reference for future negotiations between the GCC and the EU. However, the negotiators will have also to look at additional domestic reforms that might have been introduced in the six GCC countries in the meantime.

Government procurement

The GSFTA Government Procurement Chapter commits both Singapore and GCC states to maintaining an open and transparent system of procurement. It also opens up new business opportunities for Singapore. They can tender for procurement projects by GCC governments for committed goods, services and construction services above a specific Special Drawing Rights¹ (SDR) value, as listed in Annex 8A of the GSFTA. In addition, Singapore companies have been given a price preference of 10%, if it was granted to domestic GCC companies by respective GCC countries, for the use of any goods or services produced in the GCC states for the procurement of goods and services.

4.2 Greater Arab Free Trade Area (GAFTA)

GAFTA was declared within the Social and Economic Council of the Arab League as an executive program to activate the Trade Facilitation and Development Agreement that has been in force since January 1st, 1998. The GAFTA includes in its membership to 17 Arab countries. The 17 states that are members of GAFTA are: Algeria, Bahrain, Egypt, Iraq, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Sudan, Syria, Tunisia, United Arab Emirates and Yemen, hence the six GCC countries. To further contribute to economic integration among Arab countries through liberalizing trade in both goods and services, Arab countries are currently engaged in negotiations to liberalise services and investments among them. There is however little transparency on which sectors might be liberalised; and given the precedents of most of the participating in the GAFTA, it is likely that the schedules of commitments will not be as comprehensive and liberalising as the one in GCC-EFTA FTA and in GSFTA.

4.3 Pending and suspended trade negotiations

- **Australia- GCC (suspended 2009)** These negotiations were preceded by bilateral FTA negotiations with the UAE, which were abandoned following a decision by GCC Ministers to only negotiate FTAs as a group. To date, there have been four rounds of GCC-Australia FTA negotiations, with the last one held in June 2009. The last negotiating round, held in Muscat, Oman focused on services, investment, intellectual property, government procurement, competition policy, rules of origin as well as legal and institutional issues. No progress is expected on an FTA with the GCC while the intra-Gulf tensions which commenced in June 2017 remain unresolved, similar to the state of EU-GCC negotiations.

- **South-Korea- GCC**

Three rounds of negotiations for the South Korea-GCC FTA were underway in 2007 to 2009 but the talks came to a halt when the GCC withdrew from the negotiating table in the wake of the global financial crisis at that time.

Pending trade negotiations

- **New Zealand- GCC**



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GCC is New Zealand's eighth largest trading partner (with the UAE and Saudi Arabia being the key markets). In 2017, New Zealand goods and services exports to the GCC totalled NZ\$1.98 billion and total two-way trade was worth NZ\$4.66 billion. The GCC countries are New Zealand's seventh largest export destination. Negotiations were concluded in October 2009. The Agreement now needs to be legally and technically verified before it can be signed and ratified.

- **China-GCC**

In July 2004, China and the Gulf Cooperation Council (GCC) announced the launch of China-GCC Free Trade Agreement negotiations. Till now, the two parties have held five rounds of negotiations and have reached agreement on the majority of issues concerning trade in goods. Negotiations on trade in services are also launched, but with low expectations.

- **Pakistan- GCC**

So far two rounds of negotiation between the GCC States and Islamic Republic of Pakistan have been held to establish a free trade area. In these rounds of negotiations, a number of topics related to this agreement were finalized. The two sides look forward to concluding and signing this agreement at earliest possible time. However, it is not expected that the agreement will imply significant commitments in the services sectors.

4.4 GCC Individual Countries FTAs

- **US-Bahrain** entered into force on January 11, 2006. Bahrain opened its services market wider than any previous FTA partner, creating important new opportunities for U.S. financial service providers and companies. The U.S.-Bahrain FTA also promotes the policy of advancing economic reforms and liberalization in the Middle East. The United States-Bahrain Bilateral Investment Treaty (BIT), which took effect in May 2001, covers investment issues between the two countries.

- **US-Oman** entered into force on January 1, 2009. This Free Trade Agreement builds on promoting economic reform and openness. Implementation of the obligations contained in the comprehensive agreement will generate export opportunities for U.S. goods and services providers, solidify Oman's trade and investment liberalization, and strengthen intellectual property rights protection and enforcement. This agreement could eventually be a model for an EU-Oman FTA, should a bilateral approach be adopted.

- **Morocco-UAE** This free trade agreement came into force in July 2003. The United States began negotiating a Free Trade Agreement (FTA) with the UAE in March 2005. In early 2007, the U.S. and the UAE announced that they would not be able to complete FTA negotiations under the existing time frame, but that both sides remain committed to completing FTA negotiations at a later date. No further FTA negotiations have taken place. It has then been decided that all future FTA for UAE and other GCC will be through the GCC Secretariat.



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5 RECOMMENDATIONS TO THE EU FOR ACTIONS IN GCC REGION

5.1 GCC and the WTO

5.1.1 GCC Countries accession to GPA

European businesses still face many barriers in the field of public procurement in many GCC countries. It is of crucial importance to increase access for services businesses to all public entities that use public procurement (sometimes labelled as “public investment”) in their functioning. This is obviously true for construction services (building, civil engineering, dredging) and construction related services, such as architecture and engineering services, and urban planning. Furthermore, all public administrations and entities in the GCC countries also need for their daily activities to procure telecom and IT services, insurance and banking services, transport and logistics services, cleaning and catering services, legal and accounting services, etc.

One of the ways to improve the possibilities for European services businesses to be able to participate in the major real-estates programs that are developed by the GCC countries (as part of their development policies) would be to encourage the GCC to join the plurilateral WTO Government Procurement Agreement (GPA).

Currently, **Oman** is in the accession process, **Saudi Arabia** was meant to negotiate its accession as a WTO Accession commitment in 2005 and is an observer since 2007, and **Bahrain** has been an observer since 2008. No progress is taking place in none of these three cases. And the three other countries (**Kuwait, Qatar and UAE**) are not even observers.

Timeline: GPA accession process is usually a long-time process, with negotiations with all WTO GPA members. All interested GPAs members can make individual requests that are submitted to the candidate countries. The candidate countries make initial and then revised offers, indicating the public entities that would be open to tenders to the bidders of the other GPA countries, the level of these public entities (national, regional, (or sub-federal level for federal countries), local, municipal, etc.), and the threshold from which the tenders are open to bidders from other GPA countries. The thresholds are specified for procurements in goods, in services, and in “Works projects” (infrastructure projects).

Note: Public procurement commitments should also be taken by GCC countries in the case of FTA or BIA negotiations (see recommendations below).

Recommendation → **To encourage GCC countries to join the Government Procurement Agreement**

5.1.2 Joint Statement Initiative on WTO Domestic Regulations in Services

When asked about the major trade barriers that they encounter in trying to open or expand business abroad or to export in third countries, European service businesses will systematically raise the issue of lack of transparency and due diligence in the regulatory environment. This is also the case in most GCC countries.



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One could wonder why are disciplines on services domestic regulation required? In this context, it is useful to remind that the General Agreement on Trade in Services (GATS) already contains disciplines on barriers to trade in services in the form of restrictions on market access (Article XVI) and on national treatment (Article XVII). Market access restrictions encompass quantitative restrictions such as limitations on the number of services suppliers, total value of services transactions or assets, total number of services operations, the total quantity of services output, the total number of persons that may be employed, as well as measures restricting or requiring specific types of legal entity or joint venture, and foreign equity limitations. The obligation of national treatment prohibits the discriminatory treatment of foreign services and services suppliers when compared to domestic services and services suppliers, in the sectors listed in the respective schedule of commitments except for the limitations registered.

However, negotiators of the GATS recognised that even if members respect their market access obligations in services sectors and even if they refrain from adopting discriminatory licensing requirements and procedures, qualification requirements and procedures, and technical standards, such measures could nevertheless act as a barrier to trade in services. For example, excessively lengthy, complex and in transparent licensing procedures may discourage foreign services providers to seek access to the market of another WTO member. Lack of objective and transparent criteria, on the basis of which authorities would grant a qualification or a license, may give rise to hidden protectionism by such authorities.

It is for these reasons that [Article VI.4](#) of the GATS and the WTO [Decision on Domestic Regulation](#) called upon WTO members to develop any necessary disciplines to ensure that measures relating to qualification requirements and procedures, technical standards and licensing requirements and procedures do not constitute unnecessary barriers to trade in services. The WTO negotiations on the disciplines have the potential to address and prevent such undesirable regulatory practices. At the same time, some developing country members that do not have regulatory frameworks in place for certain services sectors may benefit from the guidance and technical assistance provided on the basis of the future disciplines.

In May 1997, the Guidelines for Mutual Recognition Agreements or Arrangements in the Accountancy Sector were adopted, followed on 14 December 1998 by the WTO Decision setting up the [Disciplines on Domestic Regulation in the Accountancy Sector](#). The disciplines are applicable to all WTO Member who have scheduled specific commitments for accountancy under the General Agreement on Trade in Services (GATS). This was meant to be the first step in the development of other GATS Disciplines on the domestic regulation of services. In April 1999, the Working Party on Domestic Regulation (WPDR) took the place of another body and was mandated to discuss the development of horizontal disciplines. Furthermore, it is also worth to remind that in 1997, 82 WTO members have committed to the regulatory principles spelled out in the “Reference Paper” at the end of the negotiations on basic telecommunications services. This Reference Paper largely reflects principles of good governance in telecoms regulation to further transparency, non-discrimination and competition. By taking this “reference Paper” as additional commitments to their GATS schedule, these countries have agreed to incorporate these disciplines into their domestic regulation. Unfortunately, among the GCC countries, only Oman (which joined the WTO in 2000) and Saudi Arabia (which joined the WTO in 2005) undertook its commitments in telecommunication services as contained in the basic telecommunications reference paper.



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For many years, the WTO Council for trade in services and its depending “Working Party on Domestic Regulation” has worked toward the development of disciplines in other sectors but without much result. It is regrettable that this work never led to further binding disciplines for all WTO members. The work undertaken in 2017 before the eleventh WTO Ministerial Conference aimed at reviving the discussions on this matter⁶.

In December 2017, trade Ministers from 60 countries adopted the Joint Ministerial Statement on Services Domestic Regulation at the 11th WTO Ministerial Conference in Buenos Aires. This proponent group, encompassing participants from developed and developing countries, “call upon all WTO Members to intensify work post-MC11 towards concluding the negotiation of disciplines on domestic regulation [...] in advance of the next Ministerial Conference”.

With one of the major objectives of the WTO negotiations for disciplines in services domestic regulation being to provide more transparency of existing rules for services providers, giving information on licensing and authorization procedures, etc., it would be appropriate for the GCC countries to support the WTO negotiations and to join this initiative. Our understanding is that only **Saudi-Arabia** is participating to the discussions and negotiations that are currently taking place in Geneva.

The possible content of the disciplines would notably be provisions on transparency (all regulation - at all administrative level - should be easily accessible and comprehensible; published; with enquiry contact points for the economic operators, including foreign ones; allow for review and appeal of licensing decisions). The requirement and conditions set up by the regulatory authorities should be clear and updates should be made easily available. The fees to obtain the license or any other relevant authorisation should be public, non-discriminatory and reasonable; and all steps of the authorisation process should be clear and known in advance. The regulatory bodies should be independent.

The EU should encourage all other GCC countries to join the talks, and should the multilateral negotiations fail at the MC12 in Kazakhstan in June 2020, to join the Joint Initiative and move forward as a plurilateral group.

Recommendation → To encourage all GCC countries to join the WTO negotiations for disciplines in services domestic regulation

5.1.3 Joint Statement Initiative on WTO E-Commerce negotiations

At the end of the WTO Ministerial Conference (MC11) in December 2017 in Buenos Aires, Trade Ministers from 71 countries adopted a Joint Statement Initiative on E-Commerce. This group, encompassing participants from developed, developing and least-developed countries, unveiled plans to move forward with discussions in this area.

They agreed to initiate exploratory work towards future WTO negotiations on trade-related aspects of electronic commerce, with participation open to all WTO members. Plurilateral negotiations - under the auspices of the WTO that would be accessible for all WTO members – have been launched in March 2019. Participants have held many exploratory meetings in the first half of 2019, and will now enter in deeper negotiating sessions in the fall of 2019. Thailand and other developing countries like Benin decided to join the initiative, with a total of 80

⁶ [See Annual reports of the Working Party on Domestic Regulation to the Council for Trade in Services \(2017 & 2018\)](#)



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countries today. Together, the group accounts for around 77 per cent of global trade, which is a significant proportion. As for the GCC countries, our understanding is that **Bahrain, Kuwait and Qatar** participated to the Joint Statement Initiative from the start in Buenos-Aires, but have not been very active during the talks in Geneva. **Saudi-Arabia** has decided to join and participate to the meetings in Geneva, but it is not clear what is its position on the future disciplines at this stage. **Oman and United Arab Emirates** are not taking part to the E-Commerce negotiations.

The E-Commerce negotiations should aim at negotiating a high standard agreement that should include ambitious disciplines on as many issues as possible, notably:

- a. Taking firm commitments to provide transparency of all relevant regulations to foster trust in e-commerce platforms and the related e-commerce environment, including a common understanding/definition on the coverage of computer services;
- b. Ensuring cross border data flows, encompassing the prohibition of forced localisation of data-processing or data-storage, or of forced use of local computing facilities and the prohibition of requirements for transfer of or access to source code/encryption keys/algorithms, with possible limited negotiated exceptions;
- c. Banning permanently Customs Duties on Electronic Transmissions;
- d. Adopting rules on the conclusion of contracts by electronic means;
- e. Adopting rules on electronic trust and authentication services (e-signature), on online consumer trust, and on unsolicited commercial electronic messages (Spam, etc.);
- f. Adopting rules on Electronic Public Procurement, and on Electronic Auctions in Public Procurement.

The various proposals under discussion towards the negotiations of an E-Commerce Agreement also encompass the following issues:

- a. Provisions on trade facilitation elements such as streamlined customs procedures;
- b. A review of the 1998 Reference Paper on telecommunications rules to adapt it to the needs of the global digital economy, in particular by ensuring equal conditions for market access for all digital services along the value chain;
- c. Provisions establishing cooperation on regulatory issues with regard to e-commerce and digital trade at large;
- d. Possible negotiation of relevant services market access commitments. Indeed, establishing new disciplines for e-commerce without enlarging the scope of the GATS commitments in services sectors that are essential for improving e-commerce activities would have a limited impact if they applied only to existing market access commitments; many of which are being relatively limited and date from a time when digital trade was only in its infancy. The GCC countries, with the exception of Saudi-Arabia which join the WTO in 2005, have rather low, if not very low commitments in the GATS Schedule of Commitments. These negotiations would be an opportunity for them to improve their commitments and become more attractive for foreign services supplies and investors.

Countries participating to the E-Commerce negotiations are also looking at opportunities to include in the agreement additional elements that might be of interest to GCC countries, like:

- a. Identification of strategies for e-commerce readiness
- b. Access to ICT infrastructure and services
- c. Trade logistics and trade facilitation
- d. e-payment solutions



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- e. Legal certainty and regulatory frameworks
- f. Capacity building and technical assistance
- g. Access to financing

Recommendation → To encourage GCC countries that are already participating to the Joint Initiative on Ecommerce to remain engaged and to contribute to the negotiations in a constructive spirit, and to invite the two other countries to consider joining the initiative.

5.1.4 Initiative on investment facilitation

Also at the WTO Ministerial Conference (MC11) in December 2017 in Buenos Aires, 70 WTO members, recognizing the links between investment, trade and development, announced plans to pursue structured discussions with the aim of developing a multilateral framework on investment facilitation. The proponents, who account for around 73 per cent of trade and 66 per cent of inward foreign direct investment (FDI), agreed to meet early in 2018 to discuss how to organize outreach activities and structured discussions on this topic. Signatories also encouraged all WTO members to actively participate in this work.

These discussions are seeking to identify and develop the elements of a framework for facilitating foreign direct investments that would: improve the transparency and predictability of investment measures; streamline and speed up administrative procedures and requirements; and enhance international cooperation, information sharing, the exchange of best practices, and relations with relevant stakeholders, including dispute prevention. They are also looking at clarifying the framework's relationship and interaction with existing WTO provisions, with current investment commitments among Members, and with the investment facilitation work of other international organizations. It has been decided that these negotiations shall not address market access, investment protection, and Investor-State Dispute Settlement.

As for the GCC countries, our understanding is that only **Kuwait** and **Qatar** participated to the Joint Statement Initiative from the start in Buenos-Aires, but have not been very active during the talks in Geneva. **Saudi-Arabia** has decided to join later and participates to the meetings in Geneva, but here also, it is not clear what is its position on the future possible agreement at this stage. **Bahrain, Oman** and **United Arab Emirates** are not taking part to the Investment Facilitation negotiations.

Recommendation → To encourage the GCC countries that are already participating to the Joint Initiative on Investment Facilitation to remain engaged and to contribute to the negotiations in a constructive spirit, and to invite the three other countries to consider joining the initiative.



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6. GCC AND THE EU

6.1 Resuming of EU-GCC FTA negotiations

Background: In 1989 the EC and the GCC concluded a Cooperation Agreement containing a commitment from both sides to enter into negotiations on a Free Trade Agreement (FTA) between the EC and the GCC. The agreement also aims at facilitating trade relations, and strengthening stability in a strategic part of the world. The Free Trade Agreement negotiations started in 1990 but faced a standstill pending the decision from the GCC in 1999 to move towards an intra-GCC Customs Union by March 2005. The EU adopted a new set of negotiating directives in July 2001, including services and other areas included in recent FTAs. The negotiating directives stated as a condition for signature of such an agreement the constitution of a GCC Customs Union. The FTA was foreseen to provide for a progressive and reciprocal liberalisation of trade in goods and services. Unfortunately, the negotiations have faced several challenges and were effectively halted in 2008, when the GCC countries suspended all ongoing negotiations in which they were involved.

The negotiations with the countries of the Gulf Cooperation Council were essentially blocked by two political issues: human rights and Saudi Arabia's willingness to keep the possibility to raise Export Taxes and Export Duties on Oil and many other products. The EU has clearly said that it was a question of principle, and it was not willing to accept this, since it will create a precedent seriously impacting both trade and other trade negotiations.

The understanding was that the services offers by the GCC countries were reasonably good (for that period), and the EU negotiators had the feeling that they obtained the maximum possible at that point in time (i.e. "DDA +"), although some countries might have gone further given their level of development in services industries. There were notably some phasing out periods between 5 to 7 years depending on the sectors and the countries that could have been subject to further negotiations. "Energy related services" were also a contentious issue. The problem resided in the components "related to energy", which for some GCC countries went as far as cleaning services for offices of an energy company, which for the EU went much too far. It was considered that Bahrain had the best offer, followed by Oman and a bit further by UAE.

While periodic informal contacts have taken place since then to test whether a basis might be found to resume and conclude negotiations, these have not been successful so far. The EU should try again to persuade the GCC countries to resume the FTA negotiations. The economic conditions as well as the world trade environment have dramatically changed in the last decade, and the GCC countries might now find a renewed interest to close trade ties with the EU at a time where the uncertainty is spreading out in world trade. The EU should discuss the scope of a possible new trade and investment agreement with GCC.

Any resuming of the negotiations should aim at reaching a new generation of EU Trade Agreements with the GCC countries. It would aim to build on WTO Commitments, and on existing free trade agreements that GCC countries have signed, and deepen progressive liberalisation of trade in goods and services. To provide more confidence to the GCC services negotiators, the talks could use the traditional "positive list approach", like the European Union did with countries like Singapore and Vietnam.



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Given the willingness from the GCC countries to further diversify their economies away from the dependence of oil and gas, the services negotiations are an obvious tool to send clear signals to European foreign direct investors from the services sectors that the GCC region is welcoming them, with a strong domestic economic growth, a strong demographic growth and a strong GDP per capita. These potential new business opportunities need indeed a political signal to the business community that the countries have learn from the past shortages and weaknesses, and that they are now ready to take long term legal commitments through the EU-GCC FTA and provide to investors the so-needed legal certainty. The negotiations should also be a tool to get commitments on domestic regulation and regulatory cooperation, like the EU negotiated with all its trading partners for a decade now, but with more precise disciplines in the last FTAs like the one of Canada and Japan.

The renewed negotiations would also look at fostering economic integration between the parties and develop rules on investment, intellectual property rights, rules of origin and public procurement. The agreement would also cover political issues such as human rights, illegal immigration and fight against terrorism. And of course, it will have to include trade and sustainable development provisions, such as commitments on labour, on corporate social responsibilities, on environmental and climate change issues, etc.

Recommendation → To resume the stalled Regional FTA negotiations between the EU and the GCC countries

6.2 Negotiating a EU-GCC Bilateral Investment Agreement

Should the GCC countries not be interested in resuming the EU-GCC FTA negotiations (notably may-be because of no change in the position related to export duties), or not in agreement with the new and broad scope of modern FTAs that the EU is currently negotiating with other countries around the world, an alternative for the EU would be to propose to the GCC countries to work on a feasibility study or an informal scoping exercise, for initiating a regional investment agreement with the six GCC countries and the European Union.

Investment Agreements with the EU contains not only the Investment protection language and investment dispute resolution, but as well pre-establishment market access commitments, and horizontal and sector specific disciplines and regulatory cooperation (incl. MRA on qualifications) and possibly Public Procurement market access commitments. The main aspects that are not included in an investment agreement are the market access issues on goods and the non-tariffs barriers related to goods trade. Such alternative would be of great interest to the European service sectors, since it would be possible to increase business opportunities in the GCC countries (through new market access commitments) and to provide a better legal certainty for their exports and investments (through post establishment investment protection commitments).

It must be reminded however that, in the framework of the currently on-going BIA talks with China, that the parties agreed to have a chapter on Trade and Sustainable Development, as described in paragraph A here above. It is difficult to make further comments or comparison since the EU has not yet signed stand-alone investment agreement. The ones with Singapore and Vietnam were negotiated in the same package of the FTAs, and were then separated in the ratification process. None of these investment agreements are yet implemented, as they need to be ratified by all relevant national and regional parliaments of the 28 EU member states, as per the Opinion 2/15 of the European Court of Justice of 16 May 2017. One need therefore to



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acknowledge that the fact that the negotiations and then the ratification process takes a so long course might be a deterrent to all parties to choose this solution.

Recommendation → To suggest the launch of a regional investment agreement between the GCC and the European Union

6.3 Negotiations of individual FTAs or BIAs with the six GCC countries

Should the GCC countries not be interested in resuming the EU-GCC FTA negotiations, nor in launching a regional investment agreement, the European Union should envisage to assess the interest of individual countries to open new negotiations towards comprehensive trade agreements, or Bilateral Investment Agreements.

It is worth reminding at this stage that there is a precedent for such line of action. Indeed, the European Union started regional trade negotiations with the Association of South East Asian Nations (ASEAN) in 2007. Given that it appeared relatively early in the discussions that the two Regions (EU & ASEAN) did not share the same perspective on the scope of the agreement, these talks were paused by mutual agreement in 2009 to give way to a bilateral format of negotiations. These bilateral trade and investment agreements were conceived as building blocks towards a future region-to-region agreement. Negotiations with Singapore and Malaysia were launched in 2010, with Vietnam in June 2012, with Thailand in March 2013, with the Philippines in December 2015 and with Indonesia in July 2016. So far, the EU has completed negotiations for bilateral agreements with two of them (Singapore in 2014 and Vietnam in 2015) while negotiations with Thailand, Malaysia and the Philippines are currently on hold. Negotiations with Indonesia are still ongoing. EU and Thailand, following the lengthy democratic process in the country clearing up the suspension of the talks imposed by the European Foreign Affairs Council in 2014 because of the military coup, have recently agreed to resume the talks.

This demonstrates as well that bilateral negotiations with countries of a constituted region like ASEAN and like GCC is possible, respecting the pace that the countries which volunteer for such bilateral will fix themselves. It must be acknowledged however that the EU will certainly only propose such bilateral talks to countries which would accept to run negotiations towards relative deep and comprehensive free trade agreement, covering all aspects of modern trade agreements, beyond trade in goods and services, reaching regulatory cooperation, competition rules, and trade and sustainable development disciplines.

It is notably interesting to note that **Kuwait, Qatar and Saudi Arabia** have signed on to the Joint Statement Initiatives in the WTO, which might demonstrate an interest from these countries to be more active in trade negotiations.

Recommendation → To suggest the launch of negotiations for individual FTA with interested GCC countries



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ANNEXES

Annex I: Global Enabling Trade Index - Methodology

The Global Enabling Trade Index is part of the Global Enabling Trade Report, which is biennially published by the World Economic Forum, in cooperation with Global Alliance for Trade Facilitation.

The index covers 136 economies, with a diverse background as emerging and major countries. Data of the index is retrieved through several sources from the World Bank, UNCTAD and International Trade Centre etc. The Enabling Trade Index assesses the extent to which economies have in place institutions, policies, infrastructures and services facilitating the free flow of goods over borders and to their destination.

The scope of this index is broader than trade facilitation, but pillars 4 through 6 include several indicators that capture concepts covered by the Trade Facilitation Agreement (TFA). The TFA had been concluded during the ministerial Conference in 2013. The Agreement came into force after the ratification by two-third of the WTO Members in February 2017. The WTO describes the TFA as it contains provisions for expediting the movement, release and clearance of goods, including goods in transit. It also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues. It further contains provisions for technical assistance and capacity building in this area.

The Global Enabling trade index pillars are based on four sub-indexes, whereby each sub-index is divided in several indicators. Some of relevant indicators will be elaborated on in a later phase of the section.

A. Market Access

This sub-index measures tariffs, non-tariff measures and conditions for the entry of a specific product/service. There are two pillars in this sub-index

- Pillar 1: **Domestic market access** assesses the level and complexity of a country's tariff protection as a result of its trade policy.
- Pillar 2: **Foreign market access** assesses tariff barriers faced by a country's exporters in destination markets. It includes the average tariffs faced by the country as well as the margin of preference in destination markets negotiated through bilateral or regional trade agreements, or granted in the form of trade preferences.

B. Border Administration

- Pillar 3: **Efficiency and transparency of border administration** assesses efficiency, transparency and costs associated with trade. It includes an assessment of the range, quality and comprehensiveness of key services offered by customs and related agencies, and the average time, costs and number of documents. The pillar also assesses the time predictability of border procedures, as well as the transparency of the process—as measured by the availability and quality of information provided by border agencies.

C. Transport and Communications Infrastructure

- Pillar 4: **Availability and quality of transport infrastructure** measures the infrastructures for the various modes of transport.



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- Pillar 5: **Availability and quality of transport services** is complementary to pillar 4. This pillar assesses the availability and quality of transport services, including the presence and competencies of shipping and logistics companies in the country, as well as the ease, cost and timeliness of shipment.
 - Pillar 6: **Availability and use of ICTs** evaluates the availability and quality of information and communication technologies (ICTs). It also takes into account the quality of internet access, as broadband access has become the norm, to fully leverage the potential of the internet.
- D. Business Environment
- Pillar 7: **Operating Environment** assesses the quality of a country's operating environment. It also evaluates the level of protection of property rights, quality of the public institutions and openness to foreign participation and investments.

Methodology

The score of pillars is computed by aggregating the outcomes of the individual indicators. The scores have been converted to a scale from 1 to 7, with 7 as the highest score. Sub-indexes have been measured via aggregating the pillars. The score has the same conversion as with the individual indicators, with 7 as the best possible outcome. It is important to know that the data of the ETI is based on trade in goods and services. As both parts of trade have been put together, the data cannot solely be linked to trade in services. However, there is a trend whereby trade in goods and services are seriously intertwined.



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ANNEX II. GLOBAL ENABLING TRADE INDEX

You can follow the link on the countries to find more on their ranking in the Global Enabling Trade Index:

[Bahrain](#)

[Kuwait](#)

[Oman](#)

[Qatar](#)

[Saudi Arabia](#)

[UAE](#)



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Annex III. GCC Country Business visas regulations

This section gives concrete basic information for each of the GCC Countries and the various link to sources of information used in this report. It also provides detailed information on the visa requirements that are set in each country for exporters and investors that need to move on a temporary basis in the GCC countries for the purpose of business.

Bahrain

Size: 778.3 km² – 172nd in the world – As a comparison, Belgium (30,688 km² – 136th) is a little over 40 times the size of Bahrain. This is the smallest GCC country and about half of the 1.5 million people who live in Bahrain are expatriates (CIA World Factbook).

Work Visa Requirements

- Visa application form
- Employee's passport
- Passport size photograph
- Sponsorship Letter: a letter of employment indicating employer's name/organization, commercial registration number, employee's capacity, salary, contract duration, employee's name, birth date and nationality
- Copy of the contract
- Health record from an authorised clinic
- BD100 fee

Residency Permit/ Family Visa

- Application form
- Employee & family's passport copies
- Employee's sponsorship letter
- Employee's contract
- Family health record from an authorised clinic
- BD22 fee per applicant

Bahrain Sources:

<https://www.mylifeelsewhere.com/country-size-comparison/bahrain/greece> (size comparison)
<https://www.cia.gov/library/publications/the-world-factbook/geos/ba.html>
<https://bahrainedb.com/latest-news/bahrain-fdi-grows-114-reforms-boost-investment/>
<https://www.mofa.gov.bh/Default.aspx?tabid=256>

Kuwait

Size: 17,818 km² – 152nd - Belgium is a little less than twice the size of Kuwait.

Visa requirements

Kuwait has different visa types created to differentiate between the visitor's entry requirements, lengths of stay and purpose of their trip. Among the various visas available, the one appropriate for business are:

Kuwait Visit Visa



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A **Kuwait visit visa** must be sponsored by a Kuwait company or by a relative that is a resident foreigner staying in the country. Before traveling to Kuwait, a visitor can have his visa processed and passport stamped at their nearest Kuwait embassy.

A Kuwait sponsor can use a faxed copy of the visitor's passport to **obtain the visit visa in Kuwait**. A copy of the visa can be faxed to the visitor to enable him or her to travel to Kuwait. They can then meet at the airport with the original visa upon entering the country. There is a special counter in the arrival hall where the sponsor can deposit the visa papers. The visitor must pick up his original documents at a similar special counter inside the immigration area. The original documents are required to complete entry formalities.

It takes approximately 2 working days to obtain a **Kuwait visit visa**. Hotels can arrange visit visas for business and it takes around 7 days.

Visit Visa for Business

To obtain the **Kuwait visit visa for Business** the applicant must have a sponsor.

- Kuwait sponsor or company
- Kuwait visit visa application and security form filled out by the sponsor
- A copy of the visitor's passport
- A copy of the sponsor's signature as registered for business purposes
- A copy of the sponsor's letter of invitation to the business, stating the purpose of the visit.

Visit Visa for Relatives

Immediate family members and other relatives who reside in other countries can visit family members currently living in Kuwait. No eligibility or criteria is required. As long as you have a proof of relationship, you can definitely visit with your Kuwait Visit Visa.

The required documents for a family visit visa are:

- Proof of relationship or kinship
- Copy of the visitor's valid passport
- Original and copy of the civil ID of the sponsor (or the family who resides in Kuwait)
- Recent salary certificate for foreign sponsor

Kuwait Multiple Entry Visit Visa

People who obtain a **multiple entry visit visa** are able to enter Kuwait as many times as they want during a one-year period. This type of visit visa for Kuwait is most handy for business sponsored foreigners, the sponsor however, has to be the ministry of defense. It is important to note that unlike other westerners (like citizens of the EU), Americans are able to obtain multiple entry visit visas for Kuwait that have a validity of 10 years and unlimited number of entries.

Kuwait Sources

<https://en.portal.santandertrade.com/establish-overseas/kuwait/investing>

<https://www2.deloitte.com/content/dam/Deloitte/global/Documents/Tax/dtll-tax-kuwaithighlights-2019.pdf>

<https://www.kdipa.gov.kw/en/whykwt-2/>



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Oman

Size: 309,500 km² – 70th - Oman is about 10 times as large as Belgium

Oman business Visa: Business visa for foreign investors in Oman

The business visa is exclusively reserved for investors wishing to place their funds in a commercial activity Sultanate of Oman. The validity of the business visa is six months from the date of issue. Its issue is subject to verification of the investment and will then allow a renewable residence permit of two years. The business visa allows multiple entries in the territory of the Sultanate. The business is subject to some conditions and the investor must first obtain the approval of the Ministry of Trade and Industry:

- A copy of the investor's passport valid for a period of at least six months
- The original partnership certificate issued by the Ministry of Trade and Industry, and a copy of the certificate.
- The work permit issued by the Ministry of Manpower, stamped with an investor's stamp. Copy of the specimen signatures of the signing officers issued by the Ministry of Trade and Industry.
- Copy of the valid membership certificate of the Omani Chamber of Commerce and Industry, accompanied by a copy of the valid commercial register.
- In case the application is submitted by someone other than the partners, the representative must be Omani and provided with an authorization issued by the General Directorate of Passport & Stay at the request of the guarantor. A medical fitness certificate issued to nationals of certain countries defined as follows by the Ministry of Health (India, Pakistan, Philippines, Bangladesh, Indonesia, Sri Lanka, Egypt, Sudan, Ethiopia); this certificate must be endorsed by the Ministry of Health.

<https://www.evisa-oman.com/en/the-different-types-of-e-visas-oman>

Oman Sources

<https://assets.kpmg/content/dam/kpmg/om/pdf/oman-investment-handbook.pdf>

Qatar

Size: 11,581 km² – 158th - Belgium is about 3 times larger than Qatar.

There are two types of Qatar business visa:

- 72-hour business visa – This business visa is issued on arrival. Also, it is viable for further extension up to 72 hours. The persons who are on short business trips, they can consider applying for this visa. For example, if you have a business meeting with a potential client in Qatar or you wish to participate in a business convention, you can apply for this business visa. However, make sure you have all the valid documents.
- Business visa – This is different from the 72-hour business visa. This visa is obtained for contractual work. Hence, the validity of this Qatar business visa is three months. A contractual worker can reside in Qatar on a short-term basis. The employer is responsible for arranging this type of visa. Moreover, the employer should operate an approved company or an institution in Qatar.



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- Investor Visa – This type of visa is also included in the Qatar business visa category. Persons who wish to invest in Qatar, they can apply for the Investor visa. However, investment option is available for selected ventures only. You have to read the guidelines and protocols thoroughly before you apply for the Investor visa. You will be issued Investor visa along with a residency in Qatar. For this, you have to provide valid documents certifying your property ownership, a certificate of good conduct and behaviour, and medical check-up report.

List of Documents required for Business Visa to Qatar:

These are the different types of Qatar business visa. For obtaining these visas, you need to provide some documents such as:

- Passport that is valid for six months from the date of arrival in Qatar
- Financial proof
- Other documents verifying your purpose of visit
- Overall Qatar offers a range of options for Visas for investor purposes but it is important to know the regulation on which sectors or ventures are open to FDI as this will impact the visa process. <https://in.musafir.com/visa-information/business-visa-to-qatar.aspx>

Qatar Sources:

<https://www.pwc.com/m1/en/tax/documents/doing-business-guides/doing-business-guide-qatar.pdf>

Saudi Arabia

Size: 2,149,690 km² – 12th - Saudi Arabia is about 70 times the size of Belgium.

Visa Regulation:

A business visit visa can be obtained for a short-term visit to Saudi Arabia. This visa does not make someone eligible for employment or salary in Saudi Arabia but allows them to travel to the country for short-term business. These visas can be obtained in a time ranging from fourteen days to six months. To apply for one at a Saudi consulate you need an invitation letter from the Saudi host organization that is endorsed by a Saudi Chamber of Commerce as well as a letter from the company or organization in your own country. It is more difficult for expatriates to obtain a work visa whether they have their own organization or they are joining a company that is already there. Also, although most business in Saudi Arabia can be done in English all correspondence with the government relating to business investment must be done in Arabic. This mainly pertains to documents that are to be submitted in Arabic.

Summary of the steps to investing in Saudi Arabia (Deloitte)

- Obtain the investment license from the Saudi Arabian General Investment Authority (SAGIA)
- Open a bank account with a local bank in KSA for depositing the initial capital
- Obtain a commercial registration (CR) from the Ministry of Commerce and Industry (MOCI)
- Register with the Chamber of Commerce
- Register with the Customs department
- Obtain a municipality license
- Register with the Ministry of Labor
- Register with the General Organization for Social Insurance (GOSI)
- Register with the General Authority of Zakat and Tax (GAZT)



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Some hindrances to investing in Saudi Arabia come from its intimidating bureaucracy and complicated legal system. The main issue with the Saudi legal system is that it adopted Shari'a law in an uncodified form that affect transparency in the legal system and undermines business confidence. Some regulations have been adopted to cover areas like corporate law but they are still subordinate to Shari'a law causing investor uncertainty. Larger regional concerns with Saudi Arabia are the current civil war in Yemen. The recent attacks on Saudi oil production are not believed to have come from Yemen but regardless of their origin the attacks demonstrate the risk of violence from regional rivals.

Work Visa Requirements:

- Visa Block Number
- Passport (with at least 6 months validity and 2 clean pages)
- Police Certificate from www.acro.police.uk - Must be legalised by the FCO.
- Letter of Introduction from Saudi Employer
- 2 Passport size photographs
- Saudi Visa Application Form + Declaration
- Contract from Saudi - dully signed and stamped by the Ministry of foreign Affairs in KSA
- Electronic Power of Attorney
- Attested Educational Certificates from the Saudi Cultural Bureau
- The Attested Ed. Certificate must also be ratified from the Saudi Embassy (processing time 2days)
- Medical Report Attested by the FCO
- Visa Order Form
- All applicants who do not have British/EU passports must provide their original residence permit.

Saudi Arabia Sources

<https://www.pwc.com/m1/en/tax/documents/doing-business-guides/doing-business-guide-ksa.pdf>

https://www2.deloitte.com/content/dam/Deloitte/xs/Documents/tax/me_tax_doing-business-guide-sa-2017.pdf

<https://en.portal.santandertrade.com/establish-overseas/saudi-arabia/foreign-investment>

<https://www.saudiarabiavisa.co.uk/saudi-work-visa.html>

United Arab Emirates

Size: 83 600 km² - 114th - The United Arab Emirate are about 3 times as large as Belgium.

Business Visa in UAE:

UAE offers only short-term visas as described below, which do not, go beyond 90 days. The requests are processed electronically and rapidly. For instance, for the 90 Days Visa (Multiple Entry), the processing time for the [90 Days \(Multiple Entry\) Dubai UAE visa](#) may take anytime between 24 to 72 working hours.

- 90 Days Multiple Entry Visa will make travel between U.A.E. and visiting nearby countries easier for travelers who need to make multiple stops for Long time whether by air, land or sea and return to Dubai on the same visa rather than having to incur additional time and expense obtaining two or three or more separate visas.



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- Requirements for obtaining the 90 Days UAE Visa varies depending on your nationality.
- 90 Days Visa (Multiple Entry) is a multiple entry visa, which entitles you to stay in UAE for up to 90 days or less. The visa validity will be 60 days from the date of issue but stay should be no more than 90 days from the date of entry in UAE. You can travel multiple times to UAE in this span of 90 days.
- [14 Days \(Single Entry\)](#)
- [30 Days \(Single Entry\)](#)
- [30 Days \(Multiple Entry\)](#)
- [60 Days \(Single Entry\)](#)
- [90 Days \(Single Entry\)](#)
- [90 Days \(Multiple Entry\)](#)
- [90 Days \(Job Seekers\)](#)

United Arab Emirates Sources:

<https://www.pwc.de/de/internationale-maerkte/assets/doing-business-in-the-uae.pdf>

https://www.instadubaivisa.com/types_of_visa.php



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Annex IV. Table on GCC Tax Treaties with EU Member States

	Bahrain	Kuwait	Oman	Qatar	Saudi Arabia	United Arab Emirates
Austria	✓	✓		✓	✓	✓
Belgium	✓	✓		✓		✓
Bulgaria	✓	✓		✓		✓
Croatia		✓	✓	✓		✓
Cyprus	✓	✓		✓		✓
Czech Republic	✓	✓			✓	✓
Denmark						
Estonia	✓					✓
Finland						✓
France	✓	✓	✓	✓	✓	✓
Germany		✓				✓
Greece				✓	✓	✓
Hungary	✓	✓	✓	✓	✓	✓
Ireland	✓			✓	✓	✓
Italy		✓	✓	✓	✓	✓
Latvia				✓		✓
Lithuania						✓
Luxembourg	✓			✓	✓	✓
Malta	✓	✓		✓	✓	✓
Netherlands	✓	✓	✓	✓	✓	✓
Poland		✓		✓	✓	✓
Portugal	✓			✓	✓	✓
Romania		✓		✓	✓	✓
Slovakia			✓			✓
Slovenia				✓		✓
Spain		✓		✓	✓	✓
Sweden					✓	
United Kingdom*	✓	✓	✓	✓	✓	✓

Sources:

- <http://taxsummaries.pwc.com/ID/Bahrain-Corporate-Withholding-taxes>
- <https://home.kpmg/xx/en/home/insights/2015/07/kuwait-thinking-beyond-borders.html>
- <https://home.kpmg/xx/en/home/insights/2015/10/oman-thinking-beyond-borders.html>
- <http://www.oecd.org/tax/treaties/beps-mli-position-qatar.pdf>
- <http://taxsummaries.pwc.com/ID/Saudi-Arabia-Corporate-Withholding-taxes>
- <http://taxsummaries.pwc.com/ID/United-Arab-Emirates-Corporate-Withholding-taxes>



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GCC VAT Tax

In 2016 GCC Countries agreed to a VAT of 5% of designated goods. Although the VAT was supposed to go into effect in every country on January 1 2018 only Saudi Arabia and the UAE were ready by then. The remaining four nations needed additional time to implement the VAT. Bahrain followed the next year in implementing the tax. There are slight differences across countries with what the VAT applies to and what can be exempted as well as the existence of free zones. This is something relatively minor for investors to monitor as the tax becomes a part of these countries' economies. This VAT tax though is substantially lower than that of EU countries so it is unlikely to phase European investment.

<https://thearabweekly.com/vat-gcc-countries-preparation-future>

<https://www.sme10x.com/10x-industry/the-current-state-of-vat-in-the-gcc-countries>

<http://www.oecd.org/industry/ind/40230902.htm>



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