

Summary

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The GCC Tech Landscape: The Sighting of Opportunities and Potential Pitfalls **10 May**

Key points

- Digital transformation must be part of the economic transition underway in the GCC.
- Asian markets share traits with the GCC and can serve as references for the region's journey.
- As digital transformation requires innovation across an economy, businesses and sectors need to collaborate, and governments must primarily communicate the vision.
- Entrepreneurship must reverse its negative image and could use local ambassadors to promote its benefits.

Synopsis

The GCC's transition will depend on diversifying trade, creating and branding the Arab economy, and having a collective voice in the Arab world. Digital transformation can support this move. In fact, digitalisation can lead to a net increase in jobs, with each new job providing a higher multiplier of further opportunity.

Digitalisation, the application of digital technology to transform businesses, has already affected Asia. Asian economies have transformed from being commodity driven to being technology driven. China transformed itself and is now a significant exporter of pioneering digital technologies. The GCC should learn from Asia rather than from Silicon Valley, because it shares the following traits with Asian economies:

- Their economies include state enterprises, family enterprises and multinationals.
- In markets in Asia, the Middle East and Africa (AMEA), tech companies can best scale by partnering with incumbent institutions.
- AMEA markets are more likely to be driven by government policies than private ones.

A country should use the existing pillars of its economy, in which it already has experience, when creating new ones. Leveraging existing industries is more credible when trying to convince investors from other markets to come in. Bahrain has six such industries with potential:

- Financial: Using the advantages of Bahrain's historical position has good prospects, for example in providing unconventional asset classes.
- Manufacturing: Industry 4.0 fuses technologies, which can help create a good environment for manufacturing and testing. The opportunity to fail locally before expanding elsewhere is beneficial, as Bahrain is a natural launching pad for the region, and the opportunity exists to attract global talent.
- Logistics: Bahrain represents a natural landscape to test consumer supply chains.
- Energy: Renewables and storage are evolving rapidly.
- Healthcare: The sector requires nimble policy-setting; having pioneering healthcare testing is also important.
- Tourism: Bahrain can leverage its benefits, with the potential for double-digit growth. To get more people to visit the country, Bahrain must look beyond the King Fahd Causeway (between Saudi Arabia and Bahrain).

Not all industries should be addressed concurrently. Those showing current momentum, where credible developments can be made, and where early wins are possible, should be prioritised.

The GCC is ready for the transformation and has the requirements for it. However, its workforce is not well educated in technology, and only 15% of small to medium-sized enterprises have an online presence. The GCC must equip its youth to compete in the global economy. It could use imported

talent in the near term, while encouraging knowledge transfer and capacity building to the local ecosystem.

Opportunities can be leveraged if businesses and sectors collaborate. Innovation is “like an orchestra that takes time and requires working together”, Lawrence Morgan, Chief Executive Officer, Nest Global, Hong Kong, said, adding that the emphasis has to be on collaboration, co-creating and sharing.

Government has a critical role as facilitator to enable such collaboration. At the same time, being aware when it should get out of the way is equally important. Citizens have often relied on government support, but the government’s role is not to continually provide subsidies. It may use incentives, but it needs metrics, too. Governments need to communicate the vision and lead by example.

While entrepreneurship is crucial for the process, it currently has an image problem in Bahrain. It will require convincing corporates and banks to support start-ups, and to change the mentality of putting money elsewhere, such as into real estate and other assets. The GCC region needs entrepreneurial ambassadors – just as in Asia, the GCC’s successful families have backgrounds as entrepreneurs. Their cumulative support can help change mindsets.

No single winner will take all. Each GCC country must leverage its own strengths.

Session panellist

Lawrence Morgan, Chief Executive Officer, Nest Global, Hong Kong

Disclosures

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