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The trillion-dollar export opportunity in non-oil goods

GCC governments are making progress in reducing their reliance on oil revenues and building an export base of high-value-added goods and services. To accelerate the shift away from oil exports to non-commoditized goods and services, GCC countries can expand their industrial base beyond petrochemicals, support high-productivity sectors, and enter competitive markets.

Exports of non-oil goods have grown by a compound annual growth rate of 2% over the past 10 years. The World Bank's latest Gulf Economic Update estimates that GCC non-oil GDP growth reached 3.9% in 2023, while oil-generated revenues contracted by the same percentage.

With the correct measures, we estimate that GCC countries could accelerate this growth and increase total 2022 non-oil exports worth US$202 billion to $1 trillion annually by 2030. Our $1 trillion figure comes from: past export growth, GCC countries' revealed comparative advantage (RCA) in key export sectors (which means they sell abroad significant amounts from that sector), and extrapolating top-quartile export growth manifested by global benchmarks.

To capture this prize, GCC policymakers can take three sets of actions.

1 They can use targeted policies to develop sectors that grow exports rapidly. These sectors should align with each country's existing strengths and resources, generate high levels of productivity and added value domestically, while supporting long-term sustainability.

GCC governments should continue ongoing investment in non-oil sectors such as metals, plastics, minerals, machinery, and services. For instance, Saudi Arabia plans to invest $170 billion in mining to capitalize on its estimated $1.3 trillion worth of mineral resources. Some of these sectors, such as chemicals, already have a high RCA. Other sectors, such as foodstuffs, textiles, and transportation, have rising RCAs, indicating increasing global competitive advantage that could accelerate export growth.

2 Policymakers can nurture a trade-friendly environment through a mix of policy action, infrastructure building, and human capital development. A comprehensive framework to attract foreign direct investment is essential to develop export capabilities in emerging sectors. That framework should combine regulatory reforms, investment incentives, and streamlined business processes.

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Also required are trade policies and regulations that facilitate exports by simplifying customs procedures, reducing trade barriers, and ensuring compliance with international trade laws.

In terms of infrastructure, GCC governments should make the physical, technological, and logistical investments necessary for diversification. That would enable the kinds of complex manufacturing required in sectors such as pharmaceuticals and advanced automotives. Investments should include state-of-the-art digital technologies, like Single Trade Window portal, that streamline the export process for traders, customs, and other government stakeholders. They also include transportation systems that move goods more efficiently, thereby attracting investment to export sectors.

Governments also must improve the region's human capital through enhanced university education, training, and skill development for workers in new and emerging sectors that have high export potential. These efforts should encourage innovation and accelerate the adoption of new technologies to improve product quality, reduce production costs, and boost competitiveness in international markets.

Because the development of human capital is a long-term endeavor, it is also vital to bolster efforts to attract global talent in emerging sectors. The continued expansion of sectors, such as manufacturing in Oman, will depend on the ability to tap global talent pools.

3 GCC governments can enhance access to foreign markets. They can deepen engagement with existing trade partners and venture into new markets. These require a long-term effort to achieve the difficult task of opening markets at a time when some countries are raising trade barriers.

In particular, GCC governments can pursue bilateral and multilateral trade agreements that enhance market access for exporters, and then pursue the opportunities. That means providing financial incentives, such as tax exemptions and reduced tariffs, that support exporters seeking to meet international quality and safety standards and make their products globally competitive. Importantly, exporter incentives must not undermine the negotiation of trade agreements, requiring a balancing act.

Governments also can achieve export growth through trade promotion agencies. For instance, the Saudi Export Development Authority (SEDA) promotes the country's export agenda. Entities such as SEDA can provide exporters with services including market research, trade fairs, and matchmaking with potential buyers. Moreover, dedicated trade promotion agencies can provide support across the export value chain, including the exploration of new markets, identifying and engaging with buyers, and export-import financing. They are especially effective at helping small and medium-sized enterprises and new businesses to become exporters.

GCC leaders have a vision to diversify and increase non-oil exports. Now is the time for policymakers to translate that vision into reality. By accelerating these transformations they can reach $1 trillion in non-oil export revenues by 2030.

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