



MIDDLE EAST BUSINESS CLUB

Profile of GCC Region

The last few years have been 'boom' years for the markets of the Middle East but like all global regions, they have not escaped the impact of recession nor that of the so called 'credit crunch'. However, the economic forecast for the region is more encouraging than that for many other global zones and a steady growth rate is anticipated as each GCC State continues with a policy of diversification where more intensive labour industries are encouraged.

Oil and associated revenues have encouraged an influx of foreign capital which has sparked a huge unprecedented rise in the levels of construction activities across the region. Whilst there are, by virtue of the global recession, certain risks confronting the market, the region has become increasingly more resilient to potential shocks with this achieved by a wider filtration of oil and associated revenues within respective States.

Profile of the Individual Markets

Bahrain :-

With its highly developed communication and transport facilities, Bahrain is home to numerous multinational firms with business interest in the Persian Gulf. Going forward the government of Bahrain have several challenges to face, including further diversification into labour intensive industries. Bahrain has a flourishing trade environment and it has a long standing bilateral relationship with the UK which is in excellent health. Trade between the two countries has been steady over the last few years and exports from the UK currently stand at circa £165 millions.

The principal sectors of opportunity for UK businesses are – Education & Training / Construction / Financial Services / Consumer products / Manufacturing and Tourism

Egypt :-

Egypt's economy, traditionally associated with agriculture and particularly cotton, has over recent years become much more diversified and following a period of anaemic growth prior to 2003, growth has increased substantially and by the end of 2008 had reached 7% with UK exports to Egypt topping £600 Million at the end of 2008. Heavily import-dependent approximately 90% of UK exports to Egypt were manufactured goods. These included telecoms equipment, industrial machinery and pharmaceutical products with certain consumer products also showing a steady growth.

The following sectors have been identified as those hosting the highest levels of potential for UK companies – Agriculture / Education Skills / Leisure / Information and Communication Technology / Legal and Financial Services / Chemicals / Security equipment / Healthcare. The UK is the largest non-Arab investor in Egypt.

Iraq:-

Iraq has enormous trade and investment potential. However, reducing corruption and implementing structural reforms will be key to Iraq's economic success. Iraq is second only to Saudi Arabia in terms of oil reserves and many believe that further exploration could increase the country's proven reserves to as much as 200 billion barrels. Many opportunities exist for companies that wish to participate in the restoration of Iraq's telecommunications network and the UK government is anxious to see UK companies play a substantial role in the reconstruction of Iraq's infrastructure across sectors such as – Power / Water / Health / Telecommunications / Construction / Education / Oil & Gas.

Jordan:-

Jordan rightly claims to combine a cheap yet well-educated labour force with good infrastructure and a central geographic position in the Middle East. The leading sector of the economy is services, accounting for around 70% of GDP and employing around 65% of the working population. Jordan has a business friendly environment and a high regard for UK goods and services. The widespread use of English in the business community makes it easy to conduct business and is often regarded as a good starter market for the Middle East.

There are many opportunities for UK companies including – Machinery & Equipment / Medical & Pharmaceuticals / Chemical Processing / Water & Energy / Telecommunications / Security / Construction / Retailing / Management Consultancy / Transport.



Kuwait:-

Kuwait is a complex and challenging market requiring adaptability and persistence. The UK has a healthy trading relationship with Kuwait which is the UK's third largest trading partner in the Gulf. UK exports are around £450 million covering a number of sectors such as – Industrial and Electrical Machinery / Transport / Metal / Food / Clothing and other Consumables / Financial Services / Aviation / Shipping and others. There are also exciting opportunities with the Kuwaiti Oil and Gas sectors with the development of Kuwait's northern oil fields now very much on the agenda.

Kuwait businessmen are very active in the re-emerging Iraqi market and are keen to tie up with UK companies in exploiting opportunities.

Lebanon:-

Lebanon is one of the freest economies in the Middle East, with few restrictions on imports. The UK is currently the sixth largest exporter to Lebanon, with UK exports of goods valued at approx £200 million at the end of 2008. The political instability is often cited as the main reason why this market is not further exploited by UK companies.

The ICT sector, which is estimated to be worth in excess of \$500 million, has flourished over recent years and many opportunities have been lost to UK companies by virtue of political issues. Target sectors for UK companies include – Water / Environment / Construction / Leisure and Tourism / Health.

The surprising factor is that Lebanese banks seem to be relatively unaffected by the global credit-crunch and reflect their long successful history since the 1800's.

Oman:-

This Sultanate has always regarded a dynamic private sector as the engine of prosperity and growth and it is no surprise that energies are being focused on encouraging new businesses and diversification from the oil and gas revenue influences. Market oriented policies and private sector development are deeply rooted economic concepts and practices in Oman.

Aside from opportunities within the oil and gas sector, the following sectors also host potential for UK companies – Transport Equipment / Telecommunications / Power-generating Machinery / Industrial Machinery / Electrical Machinery / Scientific Instruments / Chemicals / Healthcare.



Qatar:-

Qatar has permitted substantial foreign investment in the development of its gas fields during the last decade and in 2007 became the world's leading exporter of liquefied natural gas. The Qatari government encourages joint ventures, realizing that Qatari industry will benefit from not only equity but also gaining knowledge from foreign players (economic offset). Future infrastructure and development projects over the next few years are likely to be substantial and being one of Qatar's main trading partners it is hoped that UK companies will be successful in participating in many of those projects.

Sectors that host the main opportunities for UK companies are – Construction / Manufacturing / Medical and Healthcare / Oil and Gas / Tourism / Consumer products.

United Arab Emirates :-

A massive construction boom, an expanding manufacturing base and a thriving service sector helped the UAE to substantially diversify its economy. To create the foundation for a dynamic modern country, the UAE government has been improving infrastructure by investing in roads, bridges, airports, seaports and an advanced telecommunication system. Despite the current global economic climate conditions, the UAE with its healthy economy and programme of privatization and investment offers significant export opportunities to UK businesses. Whilst most sectors can find potential opportunities in the UAE, the following sectors hold particular potential – Manufactured goods / Telecommunication Equipment / Industrial Machinery / Vehicles / Power Generating Equipment.

With an inviting business environment, the UAE has long been recognized as the commercial and business Hub of the Arabian Gulf and yet the UAE only took some £280 million of UK exports for the year as at the end of 2008.



Saudi Arabia:-

This is the 25th largest importer in the world and accounts for a quarter of total GCC GDP.

The investment environment in the Kingdom reflects traditions of liberal, open market private enterprise policies and its Foreign Investment Law allow for 100% foreign ownership of projects and real estate. Despite its wealth, the country still benefits from International and regional trade financing and export guarantee programmes offered by the Islamic Development Bank. It is vital for Saudi Arabia to attract substantial amounts of private and foreign investment and new technologies. The sectors that offer the highest area of opportunity for UK companies are – Defense Equipment / Oil, Gas and Petrochemicals / Power and Water / Financial Services / Education and Skills / Construction and all its sub-sectors / Environment and Technology services / Consumer goods / ICT.

The UK's total exports to the Kingdom is approx as at for 2008 £1.5 billion.

Syria:-

The Syrian government has redirected its economic development priorities from industrial expansion into the agricultural sector in order to achieve food self-sufficiency, enhanced export earnings and stem rural migration. The government has announced ambitious plans to build new airports and redevelop existing ones across the country. Syria is not the strongest UK market in the region and saw UK companies export only approx £60 million for the year 2008. However there are opportunities albeit that Syria remains a challenging market and the following sectors can offer considerable spoils for success – Banking and Financial services / Education / Healthcare / Oil and Gas development / Tourism and Leisure.

