

Doing Business in the Middle East:
Hints and Hurdles
Export Council of Australia
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Middle East Snapshot

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Growth and Emerging Markets

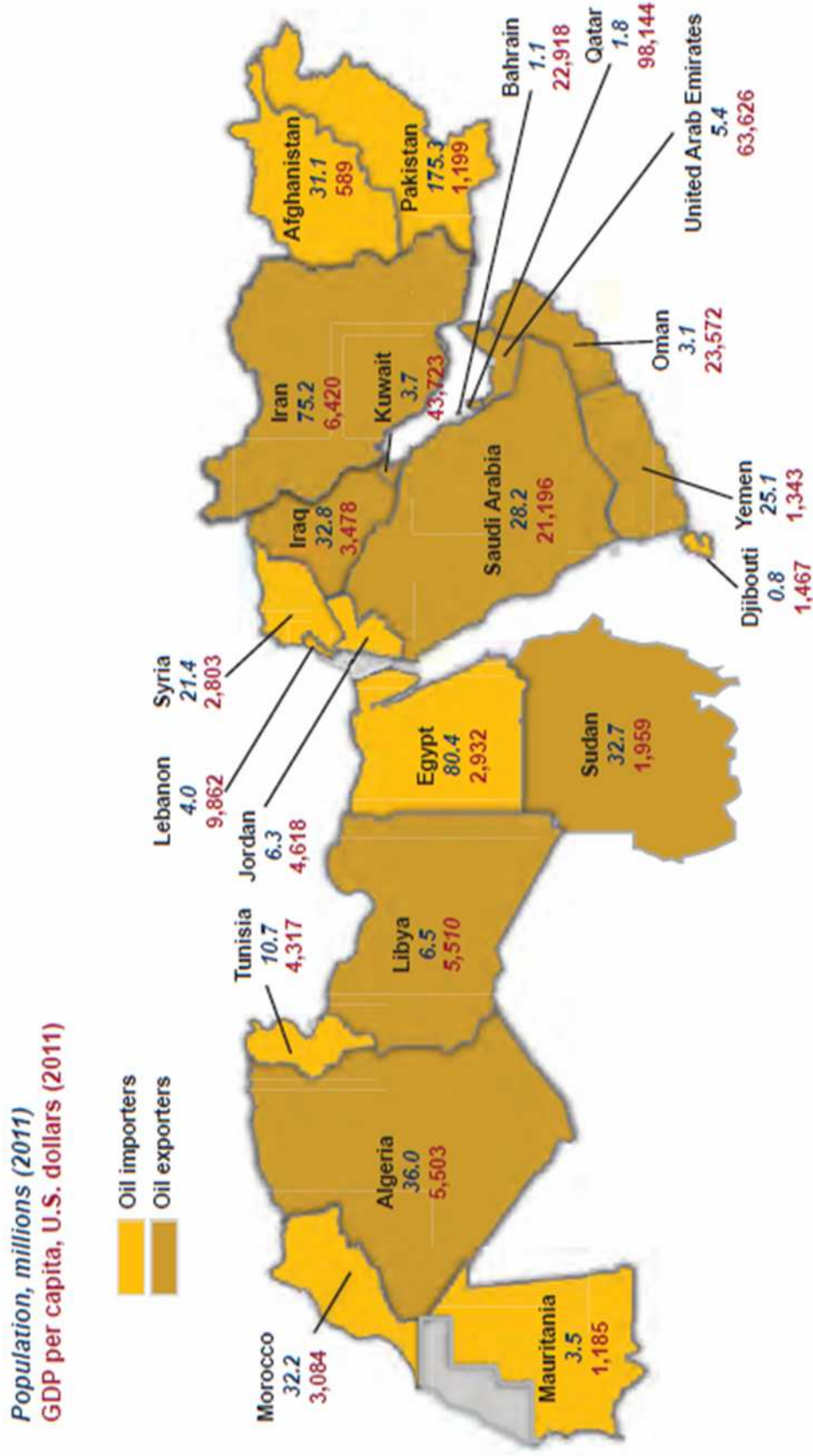


Australian Government
Australian Trade Commission



Australia
UNLIMITED

MENA snapshot



Sources: IMF Regional Economic Outlook database; and Microsoft Map Land.

Key dimensions

- 70% of the worlds oil reserves are in MENA
- 46% of the worlds natural gas reserves are in MENA
- UAE Sovereign Wealth Fund is the 4th largest in the world with AED5 trillion in assets
- Imports within the region are unusually high e.g. 80% of what is consumed in the UAE is imported

Environment

- MENA region is diverse and consists of 20 different markets
- Region has been disturbed by the Arab Spring Uprising
 - A matter of employment, equity and justice
 - Demographic skew <25yrs
 - Very high youth unemployment
 - Highlighted region-wide governance issues
- Collapse of Dubai property market and GFC have also impacted region
- Security concerns

The economic outlook across MENA is mixed

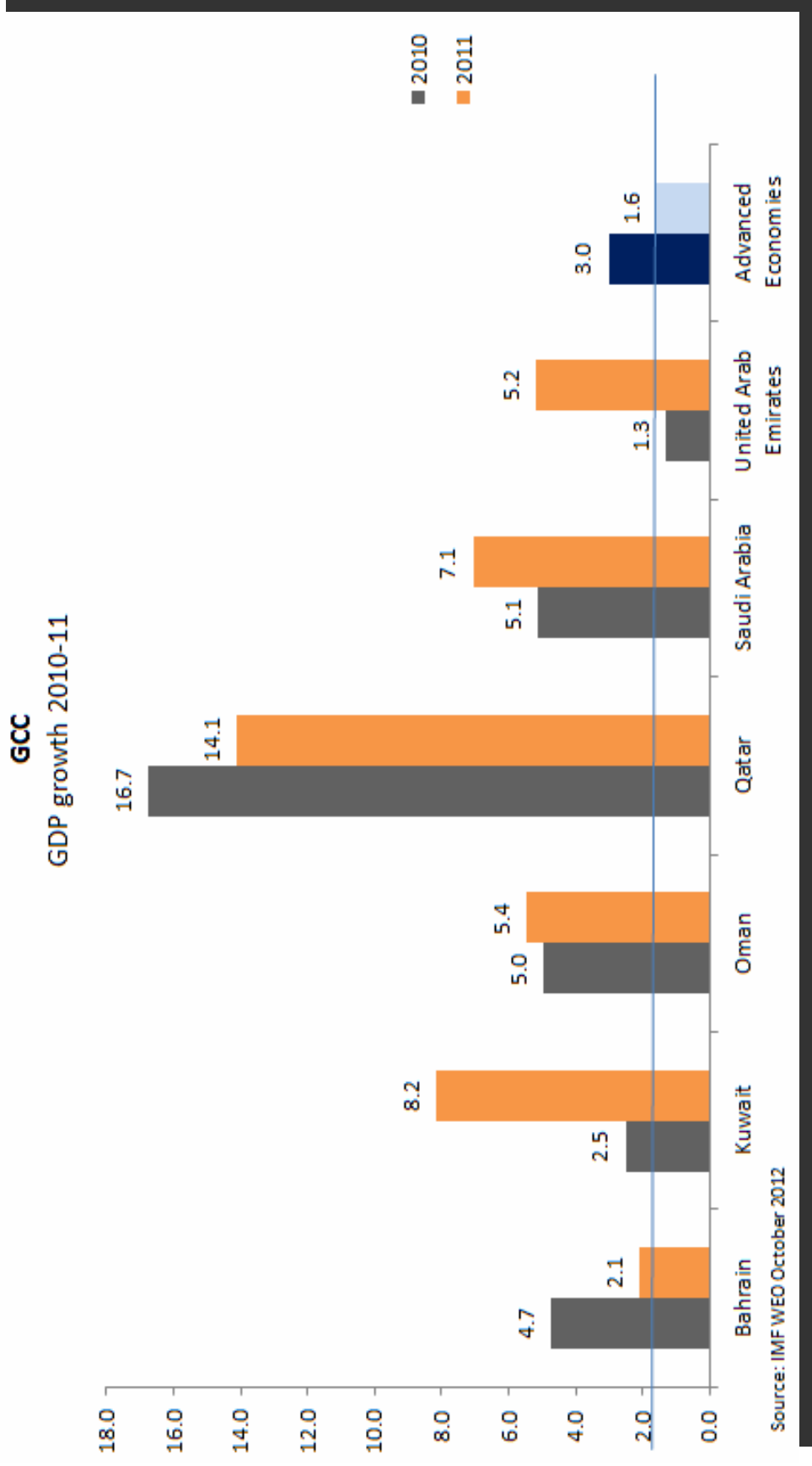
- Gulf Cooperation Council (GCC) countries
 - robust growth is supported by expansionary fiscal policies and accommodative monetary conditions
- Oil exporting countries
 - solid growth in 2012
- Oil-importing countries
 - moderate recovery in 2013
- Arab countries in transition
 - ongoing political transitions to continue to weigh on growth
 - macroeconomic stabilization and growth-oriented reforms is becoming increasingly urgent
- MENA-wide risks
 - the challenge of generating enough jobs for a young and rapidly growing population
 - a sustained large drop in oil prices

GCC focussed strategy

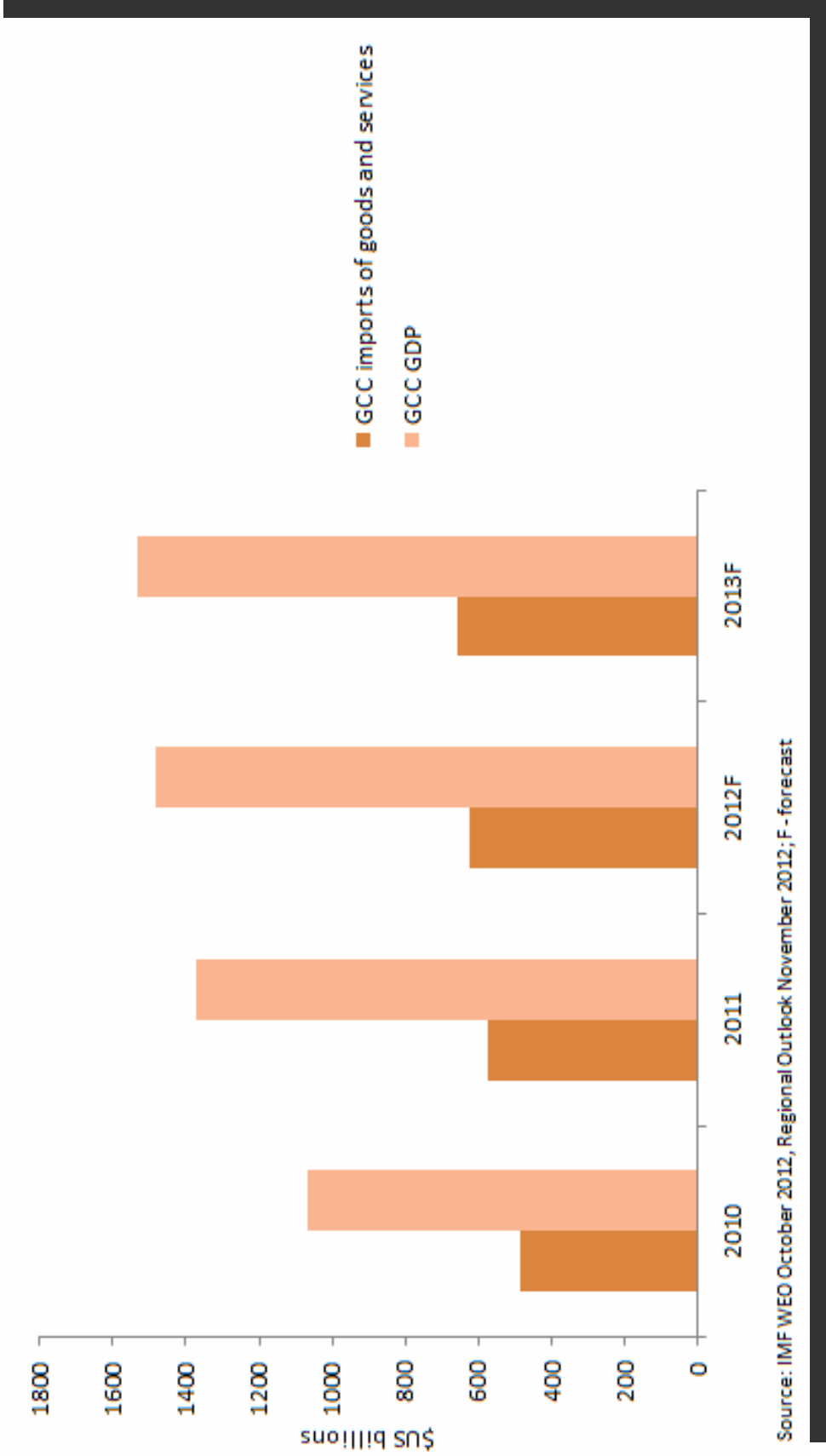


1. KSA
2. Qatar
3. Rest of GCC
4. Morocco
5. Rest of MENA

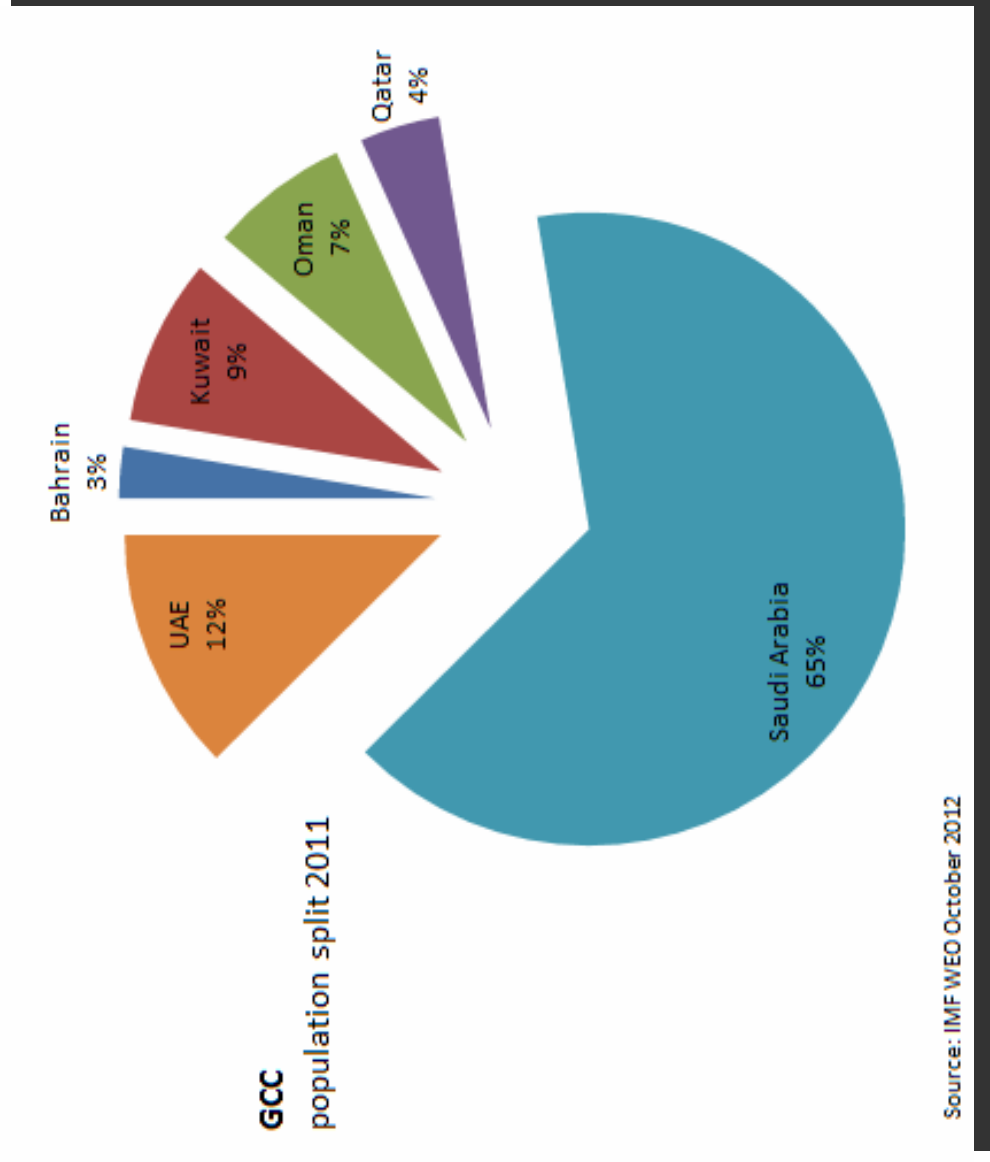
GCC is a growing, import-intensive group of economies...



...with the value of imports of goods and services representing over 40 per cent of GDP...



...and a consumer base of over 43 million people



Preconditions for long term sustainable engagement are in place across GCC

- Import driven
- Stable
- Big, well articulated ambitions
- A host of mega projects
- Deadlines to meet
- Vast financial resources
- Diversification a key goal
 - reduce the dependence on crude oil revenue
 - increase investment in the downstream industries of the oil sector
 - promote the role of the private sector and privatisation.

Australian business has traction across GCC



‘Positivity’ towards Australia

- Recognised for robust industry capability in key sectors
 - “want to see more”
- Perceived as low sovereign risk (FDI)
- Emirates-Qantas partnership – increased connectivity and freight capacity

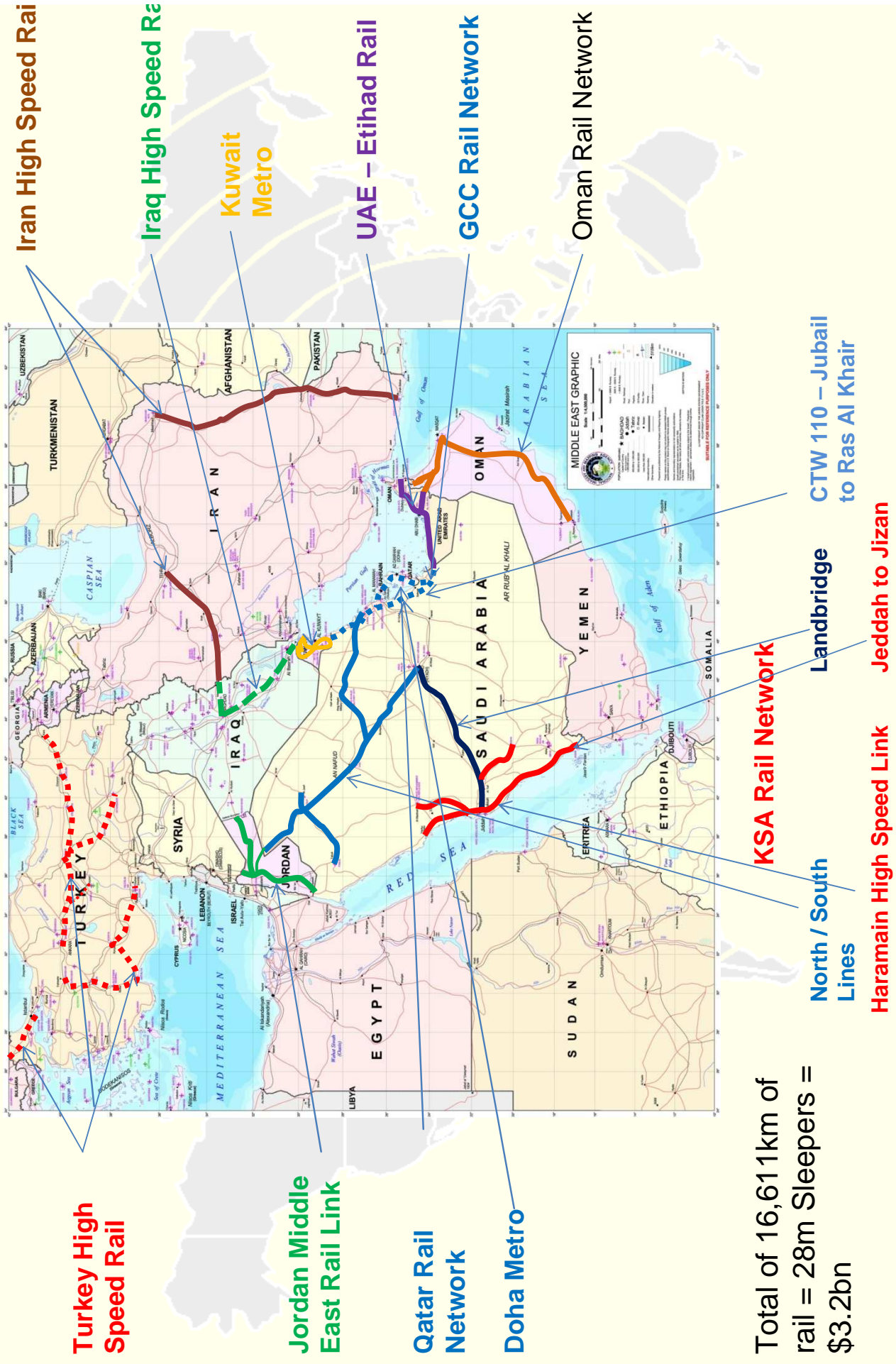
‘Hints’ for doing business in GCC

- High context societies
- Due diligence is key to partner selection
- Sustained commitment over long term
 - time
 - money
- Price conscious but in-country value add (ICVA) increasingly a point of differentiation
 - diversification
 - employment
 - localisation
- Payment
- Currency
- Brand & reputation sensitive

Best prospects...

- **Infrastructure (Rail)**
- Greenbuild
- Major sporting events
- Food and water security
- Vocational skills training

GCC rail projects...



Total of 16,611km of rail = 28m Sleepers = \$3.2bn



Rail opportunities in GCC

- The population of GCC is 43m with virtually no existing railway
- The regional spend on in freight and metro/passenger rail is in the order of \$US106bn in the medium term
- In line with GCC plans, individual country spending on freight rail will create a regional rail network of 2,17km that will join Oman, the UAE, Saudi Arabia, Qatar, Kuwait and Bahrain by 2017
- Saudi Arabia is the only country with any existing freight rail network, and is in the early phases of its rail program
- The UAE has commenced the civil works for the first stage of its freight program and is tendering stage 2
- Saudi Arabia, Abu Dhabi, Qatar, and Kuwait all are pursuing passenger rail developments. The success of Dubai's new metro line coupled to need to develop cost effective rapid transit is helping to drive these developments.

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Greenbuild

Sector Overview

- Sustainable development is on the government agenda, as an economy savior
- Green Building is fairly new in the region
- Recognizing the importance of Energy Efficiency
- Several Government Initiatives have been launched for plastic recycling.

Market Opportunities

- Green building consultancy
- Green building materials
- Energy Efficient products and technologies
- Integrated waste recycling system.
- Grey water management
- Knowledge exchange
- Awareness raising initiatives and environmental education.



MENA wide Green Building and Energy Efficiency Seminar Series
(Abu Dhabi, Dubai, Muscat, Riyadh, Doha and Rabat)

Greenbuild

- **Saudi Arabia** - only three buildings are green licensed, 50 in the pipeline. ARAMCO (major oil producer) has adopted a green building policy.
- **Oman** - energy conservation, developing renewable energy and preserving the environment is a priority for the Government as stated in their Five Year Plan (2011 – 2015).
- **UAE** - sustainable environment and infrastructure is a key component of UAE's Government Strategy.
 - Abu Dhabi has committed to producing 7 percent of its energy through renewable sources by 2020
 - Dubai committed to producing approximately 5 percent of its energy through solar power by 2030.

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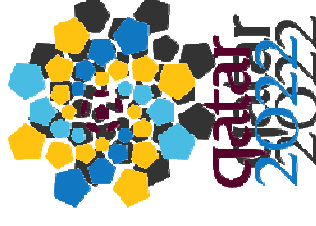
The business of the 2022 FIFA World Cup Qatar

- Qatar – cornerstone to our global strategy (+ Brazil, Russia, Japan, Korea)
- Launched by Australian Sports Minister (Lundy) in London during Olympics



1. Public Diplomacy

- Started in London – forensic intros., international media (eg, Minister in Dubai Eye)
- Sheikh Saoud Al Thani, SG, Qatar Olympic Committee – attended London; repeated access
- Hassan Al Thawadi, SG, Supreme Committee 2022 on Special Visitor Program – overseeing A\$100bn projects (12 stadiums, 90,000 hotel rooms, a new airport and a rail network)



The business of the 2022 FIFA World Cup Qatar

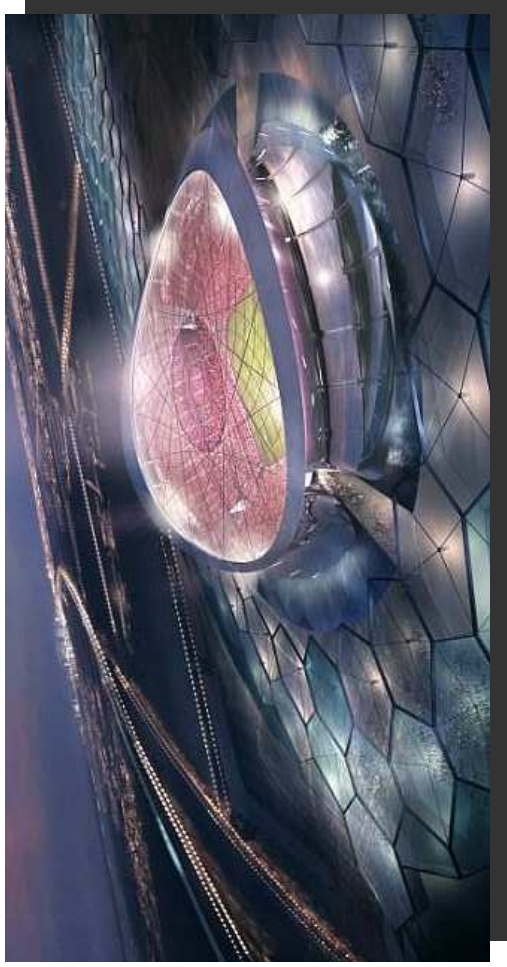
- ## 2. Capability building opportunity – UAE’s National Olympic Committee (NOC)
- Complex opportunity, Aust-bound mission being scoped (education, products / services)
 - Pursuing an MOU with Australian Olympic Committee (AOC)
 - Assets have been globally distributed (via diplomatic channels) – eg, *Track Record*
 - MSE Patron, Mark Webber (F1), engaged in reception in Abu Dhabi during F1 in 2013
 - Exclusive access to recent Socceroos training session in Doha (pre Iraq World Cup Qualification match)



FIFA 2022 infrastructure

- 12 stadiums – all air-conditioned (\$4bn)
- 3 refurbished, 9 new (\$9bn)
- Majority to seat 45,000 and shrink to 26,000 after event
- Donated to foreign countries
- Phased approach, 2014, 2016 and 2018
- 96,000 new accommodation stock
- 84,000 for fans and 11,400 for officials, teams, media
- Hotels, serviced apartment and cruise ships
- Roads and transport must be upgraded or built

FIFA 2022 infrastructure - stadiums



Left: Design for
Lusail Stadium

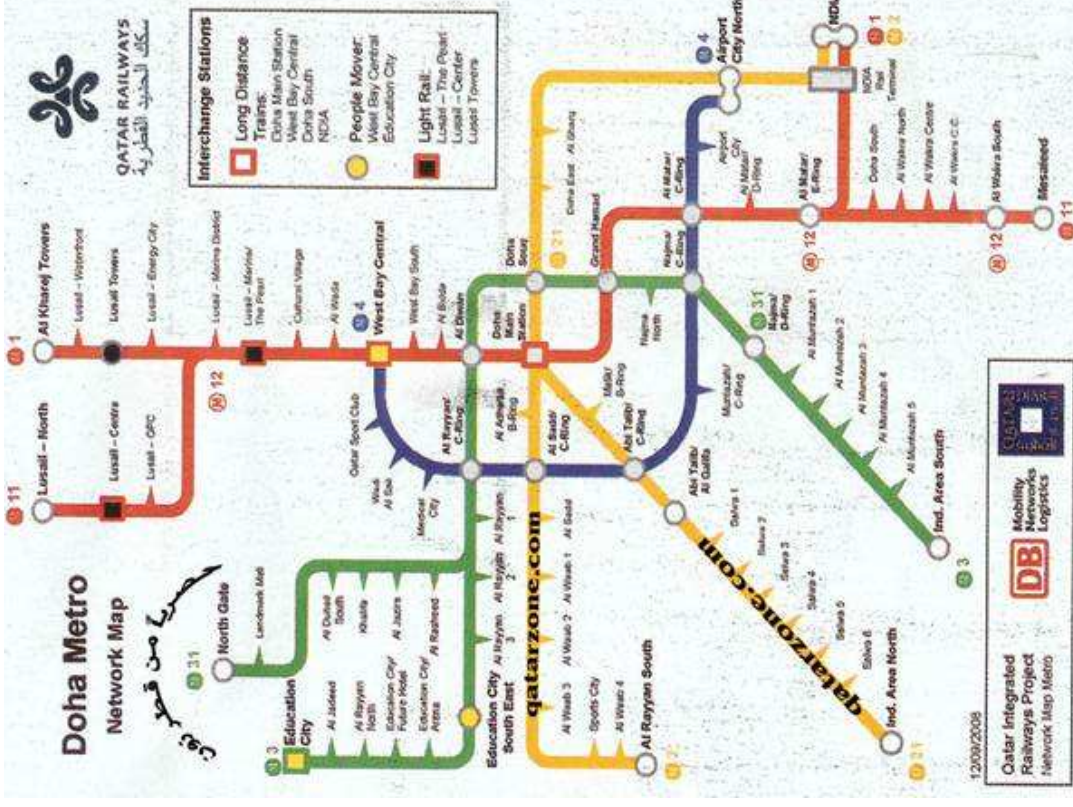


Right: Design for
Al Gharafa Stadium

FIFA infrastructure - Doha metro

Imagine – they are building *all this* from scratch! And this is just one of the rail projects...

- 300km Doha metro, four lines and 98 stations



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Securing food & water supply to 2020

- A growing GCC population points towards increased dependence on imported food staples.
 - Food imports are projected to grow to US\$53.1bn by 2020, or 8% of all imports in value terms.
 - Ensuring that food imports remain available at an affordable price is a key strategic priority for the GCC.
- The region's dependence on desalinated water means that meeting more of its food needs through domestic production is not an option in the long term
 - some GCC states continue to subsidise domestic agriculture as part of their food security strategy and to protect livelihoods in the remaining rural communities.
 - GCC countries are likely to maintain domestic production of fish, dairy and crops that are not water-intensive, such as dates.
 - There is also scope for growth in agro-processing industries—already a relatively strong sector—with potential to increase exports to growing nearby markets such as Iraq and Turkey.
 - This, in turn, could draw in rising imports of raw materials such as sugar and cocoa to be used for production of processed foods such as sweets
- In the aftermath of the food price crisis, the main alternative strategies of ensuring food imports is by controlling the source of supply and buying or long-term leasing land in developing countries to use for export-oriented farming
 - There is significant scope for these investments to increase total agricultural yield, by providing finance, equipment, training, technology seeds and fertilisers

Source: 'The GCC In 2020: Resources for the Future'

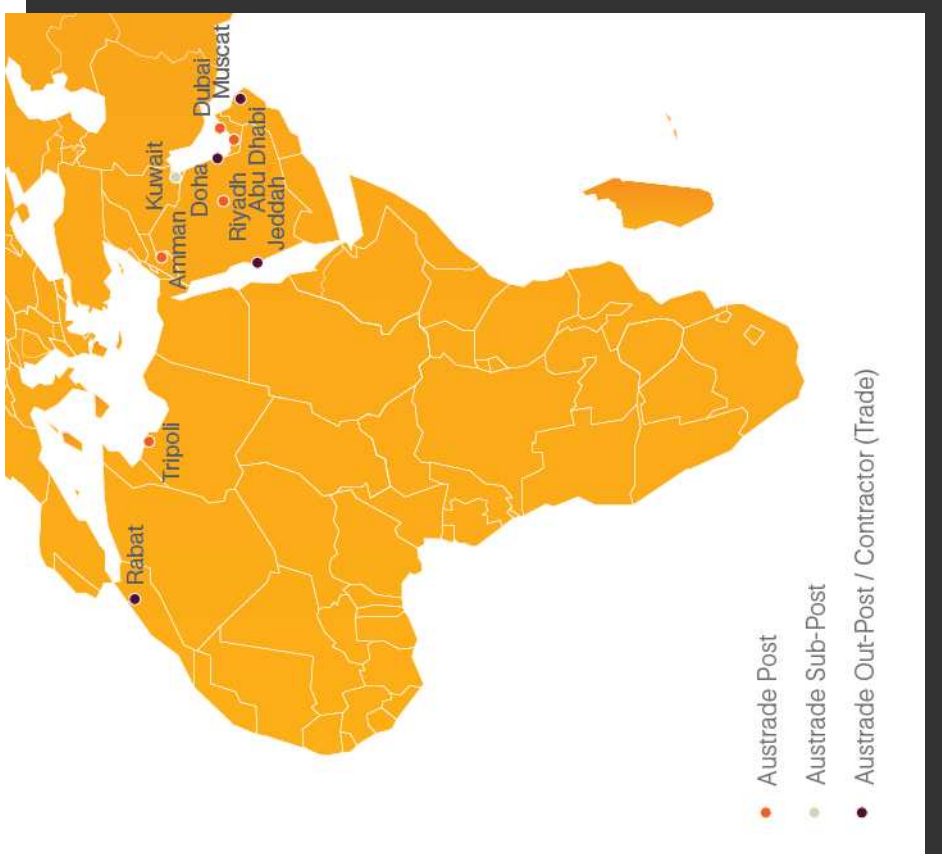
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Forthcoming events

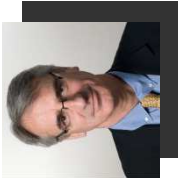
- Rail
 - ME Rail Conference Abu Dhabi (Feb 2013)
 - Webinar to deliver GCC opportunities to clients
 - Saudi Rail visit to AusRail (Nov 20102)
- Greenbuild
 - Seminars in Dubai and Abu Dhabi (March 2013)
 - Seminars and mission in Riyadh, Rabat, Doha (April 2013)
- Sports
 - Australian Sports Capability Presentation (Feb 2013)
 - UAE sports delegation Inbound mission to Australia (April 2013)

Austrade's presence across MENA



Austrade marketing specialists working together with you to identify opportunities and help position you to demonstrate your expertise.

MENA Senior Leadership Team



Gerard Seeber, Counsel General and Senior Trade Commissioner, Dubai



Amanda Hodges, Trade Commissioner, Dubai



Said Metwalli, Trade Commissioner, Abu Dhabi



Lee Kennedy, Trade Commissioner, Riyadh / Kuwait

Austrade's great strength is its sustained on-the-ground presence in offshore markets

- We can identify opportunities for you
- **We can qualify those opportunities**
- We can develop a comprehensive visit/contact program for you
- **We can brief you in-depth on the market and the companies involved**
- We can interpret the business climate and local commercial practice, and provide language support as well
- **We can set up and accompany you on your appointments**
- We can remain your “eyes and ears” on the ground and provide practical support and on-the-spot assistance in establishing your market presence.

How to get started

If you are new to export try our **International Readiness Indicator**
www.austrade.gov.au/International-Readiness-Indicator

If you would like to read about how to export visit
www.austrade.gov.au/export

Call **13 28 78** to speak to a Trade Adviser.

David Landers GM Growth and Emerging Markets

