



MIDDLE EAST REGION

MIDDLE EAST IS GROWING AS LUCRATIVE
EXPORT MARKET FOR EASTERN CAPE
PRODUCTS AND SERVICES



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MIDDLE EAST: STRATEGIC IMPORTANCE

- Market size of about 500 million people
- Imports more than 90% of food related products
- Has no manufacturing base
- Sovereign Funds
- Distance to market
- Oil reserves and disposable income
- Agricultural production seasons contrast to our competitors



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2. MIDDLE EAST IN CONTEXT

- GDP: 2.6% (GCC States:2019)
- Growth has picked up across the region and it is projected to strengthen
- Most countries have moved to identify new sources of non-oil revenues
- Increased oil export by the region in 2018 which led to increased public spending and investment.
- Negative effect on regional economic growth prompted by U.S sanctions on Iran.
- UAE, Saudi Arabia, Kuwait & Qatar feature in the top 10 of the largest Sovereign Wealth Funds globally.
- Smartphone penetration highest in the world.
- Embargo on Qatar by the quartet.
- Sharp increase in inflation expected across Gulf States owing to introduction of VAT.



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3. MIDDLE EAST IN CONTEXT

POLICY DEVELOPMENTS:

- Most oil exporters have formulated strategic development plans in response to the oil price decline. (Saudi Arabia's recent Vision 2030 and Bahrain Vision 2030) These plans anticipate that several strategic sectors such as logistics, tourism, energy, financial services, health care, and manufacturing will help generate the much-needed private sector jobs and growth. Policymakers have made some progress in increasing the role of the private sector, including through public-private partnerships (PPPs) in Kuwait and Oman; other countries are expected to follow.
- Several countries are developing privatization plans (ongoing in Iran, while Kuwait, Oman, and Saudi Arabia are in the planning stages).
- Small and medium enterprises (SMEs) have been promoted for job-creation potential across the GCC. Moreover, several countries are modernizing their investment and labor laws (Algeria, Bahrain, Oman, Qatar, and Saudi Arabia)
- Energy price reforms have been instituted to reduce spending.



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COMMON MARKET CHARACTERISTICS

- Relationship Building
- Local Partnership
- Market Access
- Timing/Regional Holidays
- Learn Simple Arabic Greetings
- Handshake used for greetings
- Meeting Times
- Business Negotiations
- Religious Consideration



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BILATERAL RELATIONS

- Establishment of Diplomatic Relations
- Bilateral Air Service Agreement
- Agreement Concerning cooperation in the Military field
- Memorandum of Understanding between the Department of Foreign Affairs of the RSA and the Ministry of Foreign Affairs of the State of Qatar.
- Agreement on Economic, Commercial and Technical Cooperation
- Agreement on the Promotion and Reciprocal Protection of Investments.*
- Pending Agreements
 - Agreement for the Avoidance of Double Taxation and the prevention of Fiscal Evasion with respect to Taxes on Income.



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SOUTH AFRICA-MIDDLE EAST EXPORT ANALYSIS



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SA TRADE WITH THE MIDDLE EAST



	1994	2018
EXPORTS	R2 327 060 819	R49 215 603 000
IMPORTS	R3 536 796 207	R127 038 840 000
TRADE BALANCE	-R1 209 735 388	-R77 823 237 000

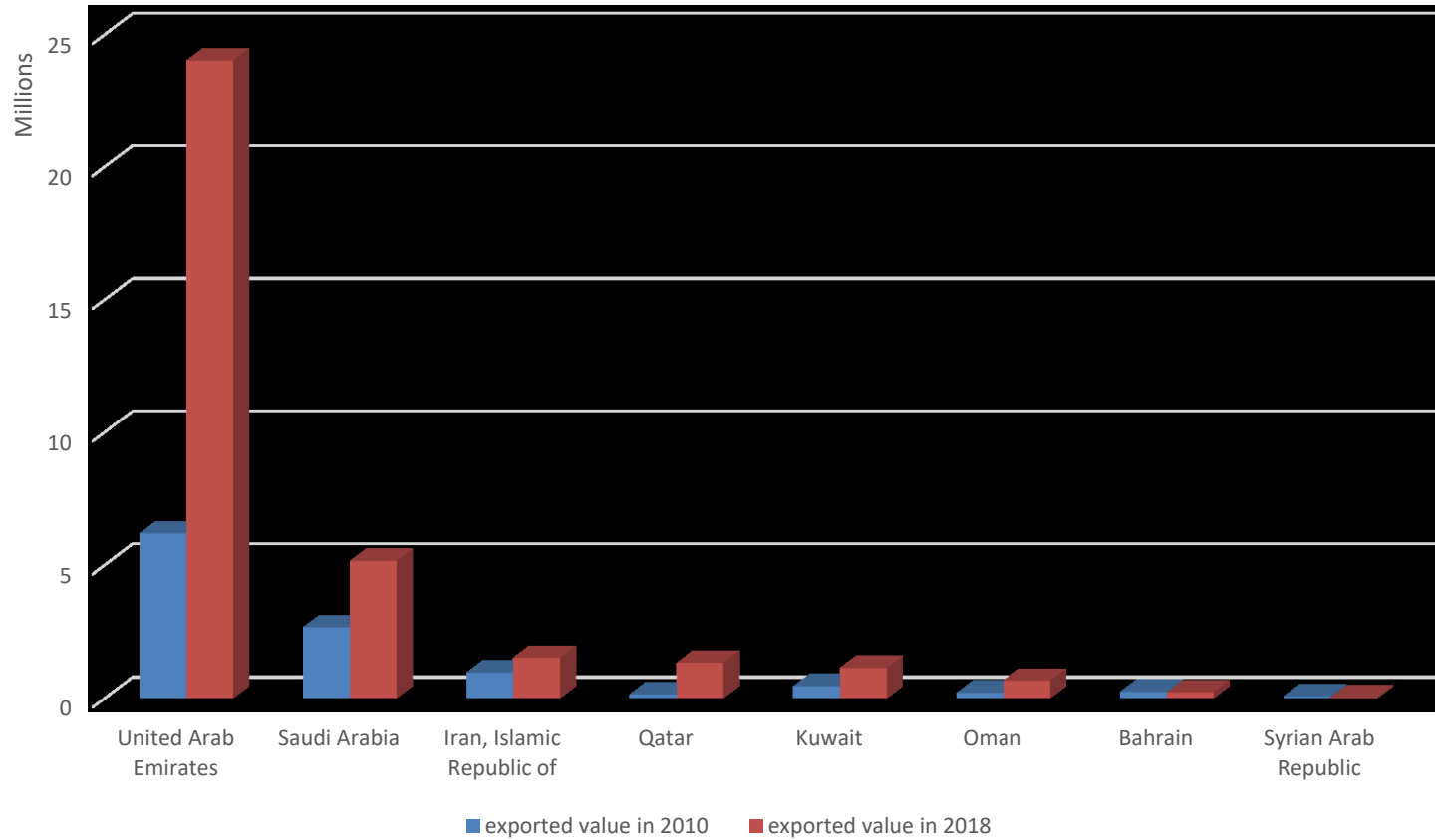


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SA EXPORTS 2010 & 2018 AS PER DIVERSIFICATION STRATEGY



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SA's TOP EXPORT MARKETS

Unit : South African Rand thousand

	Total exports 2010	Total exports 2018
United Arab Emirates	6182103	24012543
Saudi Arabia	2659912	5145099
Iran, Islamic Republic of	959187	1515486
Qatar	149564	1327669
Kuwait	449669	1136206
Oman	202169	654849
Bahrain	238230	227776
Syrian Arab Republic	65446	33903

Source: Trademap



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SA's MOST EXPORTED PRODUCTS TO MIDDLE EAST

(in ZAR '000)

Product code	Product label	South Africa's exports to Middle East		
		Value in 2016	Value in 2017	Value in 2018
'TOTAL	All products	42976084	47904205	49215603
'710231	Non-industrial diamonds unworked or simply sawn, cleaved or bruted (excluding industrial diamonds)	4734963	5381684	6686048
'270112	Bituminous coal, whether or not pulverised, non-agglomerated	5257876	5709106	6233736
'720241	Ferro-chromium, containing by weight > 4% of carbon	2098448	5473269	5630920
'710239	Diamonds, worked, but not mounted or set (excluding industrial diamonds)	2638684	2404742	2633206
'080510	Fresh or dried oranges	1964392	1911833	1811792
'260112	Agglomerated iron ores and concentrates (excluding roasted iron pyrites)	605217	2005733	1261680
'080550	Fresh or dried lemons "Citrus limon, Citrus limonum" and limes "Citrus aurantifolia, Citrus ...	1452561	1308649	1052166
'740200	Copper, unrefined; copper anodes for electrolytic refining	0	856876	927771
'870323	Motor cars and other motor vehicles principally designed for the transport of persons, incl. ...	882458	747918	807932
'261000	Chromium ores and concentrates	545071	1007594	673925

Source: Trademap



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SA'S VALUE PROPOSITION

- Proximity to markets
- Agro-processing and supply capabilities
- Growing Talent pool
- Technology and skills transfer
- Defence technologies and solutions



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COUNTRY PRODUCT MATRICES

UNITED ARAB EMIRATES	SAUDI ARABIA	QATAR	KUWAIT
<ul style="list-style-type: none"> • Precious Metals (Gold: semi-manufactured forms, Non-industrial diamonds) • Automotive (Motor Cars/Vehicles for transporting people and goods) • Petroleum (Light oils and preparations. • Metals (Agglomerated iron ores) • Pharmaceutical (Medicaments) • Capital Equipment (Parts of Machinery) • Agro-processing (Fresh apples) 	<ul style="list-style-type: none"> • Automotive (Motor Cars/Vehicles for transporting people and goods, Drive-axles) • Agro-processing (apples, dried oranges, grapes) • Chemicals and Plastics (Medicaments) • Metals (Flat-rolled products, parts of structures, Articles of iron or steel) • Construction and Capital Equipment (Parts of machinery, pumps, telephones) • Minerals (Light Oils) 	<ul style="list-style-type: none"> • Automotive (Motor Cars/Vehicles for transporting people and goods, Road tractors) • Metal (Agglomerated Iron ores, parts of structures) • Pharmaceuticals (Medicaments) • Aerospace (Parts of aeroplanes or helicopters, Powered aircrafts) • Precious Metal (Articles of jewellery) • Capital and Electrical Equipment (Telephones, Appliances for pipes) • Mineral Fuels (Medium Oils) • Agro-processing (Cigarettes, containing tobacco) 	<ul style="list-style-type: none"> • Automotive (Motor Cars/Vehicles for transporting people and goods) • Agro-processing (Cane or beet sugar, cashew, apples and other edible fruits) • Metal (Articles of iron or steel, Equipment for scaffolding, Bars and rods) • Chemicals and Plastic (Soap and organic surface-active products, Beauty or make-up preparations)



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COUNTRY PRODUCT MATRICES

cont.

IRAN	OMAN	SYRIA	BAHRAIN
<ul style="list-style-type: none"> • Automotive (Motor Cars) • Agro-processing (Maize, Cigarettes, Food preparations) • Pharmaceuticals (Medicaments) • Metal (Flat-rolled products of iron or non-alloy steel) • Precious Metals (Articles of jewellery) • Capital Equipment (Parts for internal combustion piston engine) 	<ul style="list-style-type: none"> • Agro-processing (apples, dried oranges, pears, grapes) • Minerals (Medium oils, Anthracite, Light oils and preparations) • Metals (Tubes and pipes) 	<ul style="list-style-type: none"> • Automotive (Motor Cars/Vehicles for transporting people and goods) • Agro-processing (Sunflower-seed and oil, cigarettes containing tobacco, Maize) • Chemicals and Plastic (Polypropylene, Polyethylene) • Construction and Capital Equipment (Machines for the reception, Lead-acid accumulators) 	<ul style="list-style-type: none"> • Automotive (Motor Cars/Vehicles for transporting people and goods, Parts for tractor) • Metals (Bars and rods, aluminium) • Capital Equipment (Data-processing machines, Telephones for cellular networks, Machines for the reception) • Mineral products (Petroleum oils, Medium oils)



OPPORTUNITIES

AGRO-PROCESSING:

- The Middle East currently imports 90% of all food with imports expected to increase three fold to \$8.4bn by 2020.
- Land acquired by Gulf States which is used for food production and shipped back home for consumption in the domestic market. As GCC countries mostly do not produce enough to meet demand, this is one way to strengthen their food security.
- Increase imports for halaal food.
- Counter-seasonality

DEFENSE:

The demand for arms has risen owing to increased tensions which have resurfaced in the Middle East, where Saudi Arabia, for example, has tripled its defense expenditure in the past decade. Four of the five fastest growing defense markets are now in the Middle East, as regional instability continues.

QATAR:

The embargo imposed by the quartet has created many opportunities for SA companies in a range of sectors.



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OPPORTUNITIES CONT.

- Planned Middle East infrastructure investment expected to be in excess of US\$1.3 trillion over the next 10 years. Project spending will continue to rise on the back of investments required for mega events in the region, notably Dubai's World Expo in 2020 and Qatar's World Cup in 2022. This is combined with the post Arab Spring social spending packages particularly on social housing, healthcare and transport infrastructure and continued investment in oilfields, petrochemicals and power production facilities.
- Saudi Arabia remained the largest market (31%) in terms of infrastructure project awards followed by Qatar (28%), Kuwait (18%), the UAE (12%), Oman (10%) and Bahrain (1%).
- Signature infrastructure projects include the US\$93 billion King Abdullah Economic City project in Saudi Arabia, the US\$147 billion Dubailand project in Dubai, the US\$45 billion Lusail development in Qatar and Oman's US\$20 billion Duqm New Town project.
- The pan-Gulf railway network is expected to be operational by 2022 and runs for 2,177km connecting the GCC. It is expected to encourage travel and increase trade
- Airport spending – Airports in the region are expected to expand massively by 2020 due to an increasing number of passengers and cargo traffic, driven by strong tourism growth and mega events such as the World Cup 2022 in Qatar and Dubai Expo 2020.



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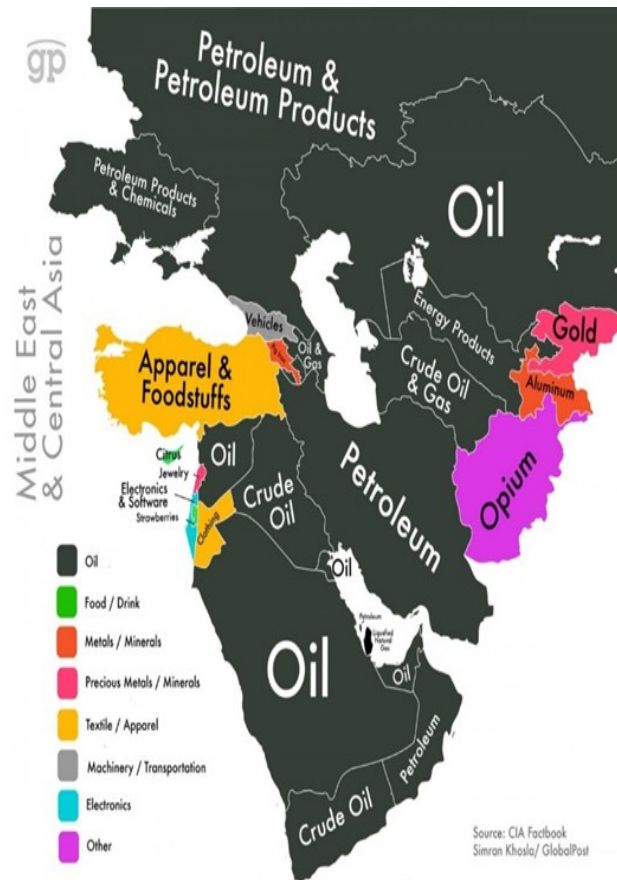


OPPORTUNITIES CONT.

EXPO 2020

Expo 2020 will be held in Dubai from 20 October 2020 to 10 April 2021. The World Expo will give participants in the Middle East, Africa and South Asia an opportunity to access a region of more than 3.2 billion people with a collective GDP of more than USD 6.5 trillion. The United Arab Emirates is host to Expo 2020 where 200 international participants including 180 countries, corporations, non-governmental organisations and educational institutions will participate. 70% of the 25 million expected visitors to the Expo will be from outside the UAE, the largest proportion of any World Expo. Expo 2020 Dubai is an opportunity for South Africa to promote and showcase its trade and investment as an industrially diverse trade hub *and its tourism potential.*

Challenges



1. RIASING POLITICAL AND SOCIAL TENSIONS

Regional uncertainties arising from the complex conflicts in Iraq, Libya, Syria, and Yemen.

2. COMMODITY DECLINE AND OIL PRICE UNCERTAINTY

The oil price has fallen by more than 70% since 2014, when it was \$115 a barrel to the current \$65.

3. SECURITY OF WATER SUPPLY:

Water-stressed region, with the highest CO2 emissions per capita – threatening both biodiversity and food security. Most food import dependent region in the world due to lack of arable land.

4. SLOW PACE OF REFORMS

5. HIGH UNEMPLOYMENT RATE AMONG YOUTH AND WOMEN

STATE VISITS OUTCOMES: MIDDLE EAST

- Establishment of investment fund.
- Finalisation of all outstanding agreements.
- ARMACO to use South Africa as its hub for African Operations.
- Alignement of National Plan Strategies with the objective of identifying complementarities.
- Visa concerns and air travel routes challenges to be addressed.

REGIONAL PROGRAMME 2019-2020

- 1 National Pavilions (Gulfood) – Q4
 - 3 Outward Selling Missions
 - Saudi & UAE (Q1)
 - Qatar & Kuwait (Q2)
 - Oman & Bahrain (Q3)
- Dubai 2020 Expo (Flagship project)

THANK YOU!



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