

Council for Australian-Arab
Relations (CAAR)

Australia Arab Chamber of
Commerce and Industry (AACCI)

Business Guides to the Arab Gulf

GCC Market Overview

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This guide is a broad overview of the nature of doing business in the Arab Gulf region. It provides necessary background to the region, its business environment and the social and cultural underpinnings that impact the way business is transacted across the region.

It has been designed to assist the development of a deeper understanding of the region and the individual national markets within it, in order to help Australian companies be better prepared for market entry.

The overview is important to gaining an understanding of the issues affecting business processes in the region, and should be read in conjunction with the six individual country briefs that make up this series of business guides: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates.

This core overview document is divided into five parts:

Part I: Brief overview of the Arab Gulf Region

Part II: The business environment and its social foundations

Part III: Requirements for market entry.

Part IV: Frequently asked questions,

Part V: A statistical review of Australian trade with the GCC.

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Part I: Brief overview of the Arab Gulf Region

The Gulf Cooperation Council (GCC)

This series of Business Guides focuses on six Arab countries that form the regional body known as the Gulf Cooperation Council, or GCC. The GCC States account for almost half of the world's oil reserves, and for Australia, the GCC is our tenth largest export market – worth \$6.8 billion in 2007-08.

The European Union (EU) is the principal trading partner for the GCC, being the source of the bulk of the region's imports. The GCC's oil, gas and other hydrocarbon products go largely to East Asia.

The GCC is composed of:

- Bahrain
- Kuwait
- Oman
- Qatar
- Saudi Arabia
- United Arab Emirates (UAE)

The GCC was established in 1981 as a political and economic alliance, and as noted in its Charter, it reflects 'the ties of special relations, common characteristics, and similar systems founded on the creed of Islam', which bind its members, so as 'to effect coordination, cooperation and integration between them in all fields.' The GCC has a total population today in the region of 40 million people.

Approximately 70% of the overall GCC population is composed of 'nationals' or citizens of the individual member countries, but as can be seen below, the proportion of nationals to the total population varies quite considerably between member countries.

	Total Population*	Nationals⁺	% of total
Bahrain	718,306	483,198	67.3
Kuwait	2,596,799	1,305,445	50.3
Oman	3,311,640	2,734,347	82.6
Qatar	824,789	(est) 206,197	25.0
Saudi Arabia	28,146,656	22,570,580	80.2
UAE	4,621,399	839,000	18.2
Total	40,219,589	23,409,580	69.9%

(Source: CIA Factbook and estimate of Qatari nationals)

The GCC aims to move towards ever closer economic coordination, and on January 1, 2008, a GCC Common Market was formed. The common market agreement grants 'national treatment' to all GCC companies and citizens in any other GCC country, and in doing so endeavours to remove all barriers to cross-border investment and services trade within the GCC.

The GCC aims to harmonise and integrate activities in many areas, including:

- economic and financial affairs
- commerce, customs and communications

- education and culture
- social and health affairs
- information and tourism, and
- legislative and administrative affairs.

GCC economic growth and outlook

The region's oil wealth has had a huge influence on world trade flows and is an increasingly important factor in global financial markets. A rapid inflow of capital in recent years has triggered massive infrastructure development within the GCC, such as ports, oil refining and storage facilities, petrochemicals, water supply systems, power generation, roads and building construction.

GCC countries have been at the centre of the high growth experienced in Middle East markets over the past five years. Interestingly, however, for much of the region, non-oil GDP has been growing faster than GDP derived from oil production.

During the past five years, GDP growth in the GCC has averaged 7%. In 2001, the combined GDP of the six GCC countries was US\$ 332 billion, rising to US\$ 712 billion in 2006.

Managing inflation has been a major concern for the region, and the traditional (oil-related) links to the US dollar provide significant challenges for monetary management.

The 2008 global credit crisis will mean reduced growth for the region, although oil revenues have built significant financial reserves, and, and country-based 'Sovereign Wealth Funds' (SWF) have become a specific expression of that financial power.

The Abu Dhabi Investment Authority (ADIA) is rated the largest SWF in the world with assets estimated at US\$625 billion in September 2008¹. The Kuwait Investment Authority has been ranked as the fourth largest SWF, with assets thought to be over US\$ 200 billion, and Qatar is ranked as number eight with assets estimated in early 2008 at around US\$ 60 billion.²

The Economist magazine has noted that the Gulf's SWFs have accumulated offshore assets in excess of US\$1.5 trillion, but that these assets have been hit with severe portfolio losses in the global credit crisis of 2008.³

The major outwards investment flows from Arab states have been to the USA and Europe, and that is likely to continue for as long as property values in the region decline as a result of the global economic downturn. Arab external investments have traditionally been centred on 'bricks and mortar' physical assets, with an emphasis on landmark property and hotel investments, such as ADIA's purchase of New York's iconic Chrysler Building and similar properties in London.

The profile of investment is changing, however, as the disposition of Arab capital increasingly diversifies to other asset classes. In August 2008, for example, ADIA took a US\$7.5 billion stake in Citigroup of the USA.

¹ *The Economist*, 18 September 2008.

² *The Economist*, 17 January 2008.

³ *The Economist*, 8th November 2008.

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The increase in ownership and control of landmark international companies, however, has not taken place without some controversy, as happened with Dubai-based, DP World's acquisition of P&O's global port operations in 2006 and the 30% stake taken in October 2008 by GCC interests in Barclays Bank PLC, Britain's second largest bank.

The importance of oil to the region

Oil represents, on average, 70% of the GCC countries' total exports for the period 2003-2007. The region accounted for more than 20% of world production in 2006 and currently holds about 40% of global oil reserves.⁴

Although there is considerable uncertainty about the size of remaining oil reserves, based on various estimates, Saudi Arabia is considered by many to have over 80 years of reserves remaining at 2007 rates of production, whilst Kuwait and UAE are both considered to have over 100 years at 2007 rates of production.

The GCC countries will remain well-placed to cover future oil demand at competitive production costs. Moreover, they are among the few countries with spare oil production capacity.⁵

Ease of doing business in the GCC

The World Bank's *Doing Business* indicators⁶, which measure the relative ease of doing business around the world, noted the improvements underway across the GCC. This index benchmarks such factors as the ease of opening a company, gaining credit, dealing with licenses and protecting investors etc.

The following table compares ease of doing business projections for the six individual GCC countries in late 2007 for the 2008 year, with those released in October 2008 for 2009. As a benchmark, it is also worth noting that in this World Bank survey of the 181 economies worldwide, Australia ranked 9th for the 2009 year.

Country	Rank 2009	Rank 2008
Saudi Arabia	16	24
Bahrain	18	17
Qatar	37	38
UAE	46	54
Kuwait	52	49
Oman	57	57

The World Bank⁷ made special mention that 'Saudi Arabia eliminated layers of bureaucracy that had previously made it one of the toughest places in the world to start a business.'

⁴ ECB page 57.

⁵ Op cit.

⁶ Doing Business 2009 – [World Bank](#).

⁷ "Doing Business 2008" – World Bank http://www.doingbusiness.org/documents/FullReport/2008/DB08_Full_Report.pdf

GCC common issues

The GCC countries share some common characteristics, including:

- high dependency on oil and gas revenues
- a young labour force, with high levels of youth unemployment.
- reliance on expatriate labour for both managerial and low-skill private sector positions.

The UAE (notably Dubai) and Bahrain have diversified their economies and reduced dependence on oil resources. Oman has limited hydrocarbon reserves and is increasingly diversifying its economic base. Tourism in Oman will be a growth factor.

Further diversification throughout the GCC will, however, be required to address youth unemployment, notably in Saudi Arabia, where unemployment stands at 12%, with the percentage of jobseekers in the 20-29 age group as high as 25%.⁸

A single GCC currency?

Discussions amongst GCC members are progressing towards the creation of a single regional currency. The move has been proposed to provide greater combined leverage in monetary policy, and better regional management of inflationary pressures.

A summit of GCC central bank governors in September 2008 reported significant progress on the monetary union objective. The EIU suggests there is a good chance of monetary union by 2012-15⁹ - and some media reports suggest that it may even be as early as 2010.

Australia's trade with the GCC

Australia enjoys close trading relationships with the countries of the GCC and maintains diplomatic and trade representation throughout the Gulf to support that trade activity. Australia's exports to the Gulf region have grown rapidly since the 1970s. Wheat, barley, rice, dairy products, alumina and live sheep have been the foundation of that trade with the region.

In recent years bilateral trade has also diversified rapidly, and today includes a much wider array of products, including motor vehicles, as well as a burgeoning services sector. Australian companies have found the GCC markets most receptive to their service offerings, including in the fields of engineering consulting, architecture, ICT, interior design, landscaping, financial services, veterinary services, event management and many others.

Education

In 2008, approximately 10,000 GCC students chose to study in Australia.¹⁰ This is a relatively small number, but nevertheless a growing proportion of the approximately 500,000 international students studying in Australia. Saudi Arabia

⁸ Op Cit ECB page 20.

⁹ EIU – 'Gulf states – Single currency' – 19 September 2008 - [Single Currency](#)

¹⁰ Australian Education International website – Pivot statistics.

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is both the largest and fastest growing source of GCC students in Australia – totalling 6,865 students in 2008.

Bilateral relations

Australia holds Joint Ministerial Commission or other high-level bilateral gatherings with most of the Arab Gulf states.

The Australia Arab Chamber of Commerce and Industry Inc (AACCI) plays a key role in the promotion and development of commercial linkages while the Council for Australian-Arab Relations (CAAR) is an important vehicle for enhancing relations and understanding between Australia and member countries of the Arab League, through a series of educational, cultural, business and youth exchange programs.

Free Trade Agreements (FTAs)

All GCC countries are now members of the World Trade Organization (WTO), and through the WTO have agreed to work for greater trade liberalisation.

The GCC is negotiating FTAs with a range of countries including the EU, Japan, China, New Zealand, Singapore, China and Australia.

Australia and the GCC have been discussing a Free Trade Agreement for several years. The third round of negotiations was held in Canberra in February 2009. Progress has been made in a number of important areas. Discussions have centred on goods and on services investment as well as government procurement, sanitary and phytosanitary measures, Rules of Origin and intellectual property.¹¹

¹¹ For updates on the Australia-GCC FTA negotiations visit [DFAT FTA](#)

Part II: The business environment and its social foundations

The Arab world

There are more than 300 million people living in 22 Arab states and territories stretching across North Africa and the Middle East, from the Atlantic Ocean through to the Red Sea and Gulf regions, and further east to the Arabian Sea and the Indian Ocean.

Language and culture are unifying features of the societies, with Islam providing an overarching body of belief and a strong sense of identity and community. Arabs share a common sense of kinship, history and destiny.

Arab influence gained prominence with the spread of Islam in the Seventh Century CE.¹² Arabic, formerly a tribal language of the Arabian Peninsula, soon became the primary language for a large part of the world, as Islamic culture spread across the Middle East, Northern Africa, Spain and South East Asia.

Following World War I and the end of 400 years of Ottoman rule, much of the Middle East came under British or French influence, and national borders within the region largely took the form we know today.

The Arab League was established in March 1945, as a voluntary association of nations; the citizens of which speak Arabic. The now-22 members are: Algeria, Bahrain, Comoros, Djibouti, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Mauritania, Morocco, Oman, the Palestinian Territories, Qatar, Saudi Arabia, Somalia, Sudan, Syria, Tunisia, United Arab Emirates, and Yemen. The most common definition of an Arab nation is therefore one that belongs to the League of Arab States (i.e. the Arab League).

In a cultural sense, to be an Arab is to share the common language of Arabic and its rich traditions. Islam is also at the centre of the Arab community. For most Arabs, although not all, it is a key component of their sense of identity. Of the 300 million Arabs in the Middle East, however, some 5% of the population is believed to be either Christians or followers of other religions.

Understanding Islam

In doing business in the GCC, it is most useful to have an understanding of Islam, as it not only has a profound influence on the daily life of Gulf Arabs, but also deeply impacts commercial practice.

¹² CE represents either Christian Era or Current Era. It differs from the Islamic calendar in that it measures years from the birth of Christ, whilst the Islamic calendar measures time from the year of the Prophet Muhammad's journey (or Hijra) from Mecca to Medina in Arabia. The Islamic year is also a lunar year, and is 11 days shorter than the standard year, which is based on the Gregorian solar calendar.

Islam is one of the world's great religions. It is a monotheistic faith, similar to Judaism and Christianity in recognizing the spiritual tradition of the Prophet, Abraham. The term 'Islam' means 'submission' to God. An adherent to Islam is known as a 'Muslim,' or 'one who submits to God.'

Muslims believe that God revealed his teachings to the Prophet Muhammad, and these revelations were repeated and eventually recorded by his companions to form the Qur'an, the holy book of Islam, which has some elements in common with the Jewish and Christian Bibles. The Prophet Muhammad, who was born in the Arabian city of Mecca in 570 CE, is not seen as the founder of the Islamic religion, so much as the restorer of the original, uncorrupted faith of Adam, Abraham and others. The Prophet Muhammad is therefore highly revered as the last and greatest of the prophets of God.

Today there are over well over one billion Muslims across the world. Some 20% of those adherents are Arabs. As noted previously, however, only around 28 million of these Arabs are citizens of the GCC.

A particular expression of the Islamic faith is the Hajj to Mecca each year. The Hajj draws some three million Muslims from across the world to Saudi Arabia. Muslims are obliged to carry out the pilgrimage to Mecca at least once in their lifetime, if they can afford it. Those who have undertaken the Hajj are distinguished by their white caps and the title Haji (for men) and Hajjah (for women).

A shorter form of the Hajj (the Umrah) can also be undertaken, but this is not a substitute for the month-long pilgrimage. The dates of both events vary with the Islamic calendar, as noted previously.

Islam is also composed of a number of religious denominations that are very similar in their core beliefs, but have differences in their jurisprudence and organisational structure. The principal differences are expressed between the Sunni and Shi'a communities.

The separation of the Sunni and Shi'a Muslims came about in the late 7th Century, following the death of the Prophet Mohammed in the year 632 CE, and was precipitated by disagreements concerning the religious and political leadership of the community. At that time Sunni Muslims favoured an election to determine leadership. Shi'a Muslims believed the role should pass to the Prophet Muhammad's son-in-law, Ali. From this divergence of views, spiritual differences have further developed. The majority of Shi'a Muslims today are to be found in Iran and Iraq. The peoples of Iran, however, are not Arab, but trace their ancestry from the old Persian empires, and speak an Indo-European language, known as Farsi. The Iraqi Shi'a Muslims, who make up some 60% of Iraq's population, are on the other hand Arab – many of whom live in the south of the country.

Today Sunni Muslims represent the majority (an estimated 85%-90%) of Islam's adherents worldwide, except as mentioned in Iran and also Iraq where they are in the majority. In the GCC, the Sunni community tends to be very much in the majority, with the exception of Bahrain, where a majority of the population is estimated to be Shi'a, and has historical links with Iran. The Shi'a community in Kuwait is around 20%-25% of the population and approximately 15% in countries such as Saudi Arabia, Kuwait, UAE and Qatar.

When visiting an Arab country, an awareness of Islamic practices is most important. Prayer times and religious festivals have a significant impact on business practice and your hosts will appreciate that you are sensitive to their beliefs and respect their customs.

Muslims are required, for example, to pray five times a day. During business negotiations, your hosts may excuse themselves at prayer times (*salat*) - usually for a 10-15 minute break. Prayer times are published each day in the newspapers, as they depend on the lunar cycle and do vary. Prayer rooms are provided in offices and public places, such as airports and railway stations.

Friday is also the principal day of observance and rest in the GCC during the week. The weekend, however, does vary in different countries in the region – and can be either a Thursday-Friday or Friday-Saturday combination.

Weekend	
Bahrain	Friday - Saturday
Kuwait	Friday – Saturday
Oman	Thursday - Friday
Qatar	Friday - Saturday
Saudi Arabia	Thursday - Friday
UAE	Friday - Saturday

It is wise to familiarise yourself with the Muslim holy days and weekend in each country you will be visiting. Also take note that national holidays in each location could be different. Be aware when the fasting month of Ramadan occurs each year, as timings also change with the lunar calendar. A golden rule is to never plan a business trip to the Gulf without consulting the calendar. (*See also the section on Islamic Holidays and Festivals.*)

Halal

The Arabic word *halal* means permissible or lawful. The opposite term is *haram* – forbidden or unlawful. The principles of what is permissible and what is not were set down in what is known as *sharia* law, which is based primarily on the Qur'an and the teachings of the Prophet. The Islamic sharia law prescribes that Muslims eat only food that has been slaughtered according to Islamic rites. Some foods are forbidden completely, notably pork, amphibious animals (such as turtles and crocodile – but some people might also have concern about crab or lobster) and of course there is a total prohibition of alcohol.

For food to meet halal standards, animals must be slaughtered according to halal procedures. This requires a Muslim slaughterer to use a sharp knife and ensure that all blood is drained from the animal. The slaughterer and the animal should also face Mecca. Meat prepared in this fashion must be certified as halal, with certification provided by an approved Islamic certifying authority.

There are a number of these authorities operating in Australia. While halal is generally associated with the slaughter of animals, the concept of halal encompasses also food ingredients, as well as personal care products.

Companies seeking to export foods to Arab Gulf markets should ensure that their product complies with the halal guidelines for the market chosen. While halal principles are universal, there may be differences in interpretation of regulations from country to country. Some Australian certifying authorities also have specific accreditation from particular importing countries, and these may not include all (or any) of the GCC countries.

When shipping foodstuffs to GCC markets in LCL (less than container load) quantities, it is important to ensure that they are not packed or commingled with

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non-halal produce in a shipping container. Australian freight consolidators specialising in the Arab markets provide a halal-only service which avoids the mixing of cargoes.¹⁷

Some of the major agencies providing halal certification in Australia are listed by the [Australian Department of Agriculture, Fisheries and Forestry](#). These organisations are primarily involved in the certification of meat products. Many of them, however, also provide certification for other (non-meat) products.

Islamic holidays and festivals

The Islamic calendar has an overriding influence on business and social activities. Two major festivals dominate the year. They are Eid al-Fitr (or Fitri) and Eid al-Adha. (Eid translates as celebration). Eid al-Fitr is the holiday period marking the end of Ramadan, the fasting month, and is commonly known in the Gulf as 'Eid.'

The dates of Ramadan, the fasting month, vary each year, according to a lunar calendar. During this period, Muslims fast from sunrise to sunset, with the fast being broken at sunset. (The term for breaking the fast is 'Iftar.') Ramadan is not an ideal time for a business visit. Business activity slows and companies can also adopt shorter working hours. Your client may also feel tired, distracted, or could be out of the country.

After sunset on the last day of Ramadan, the Eid al-Fitr celebrations commence. This time is equivalent in importance to Christmas in Australia. It is a festive occasion of parties and exchanging gifts with family and close friends. This holiday period usually lasts three days but can extend to five days. It is certainly not a time to plan a business visit, as most businesses will be closed and people will be occupied with their families.

Another major holiday is Eid al-Adha, which falls 70 days after Eid al-Fitr. There are also a number of other holy days during the year, including Mohammad's birthday (Mawlid) and the Islamic New Year (Muharram).

Before you plan your visit to the market, consult the internet for public holidays in the Islamic calendar. [The Australia Arab Chamber of Commerce and Industry site](#) is a useful source of this information. The Chamber also publishes a desk calendar each year which contains details of all Islamic holidays. The calendar is distributed to all members of the Chamber. It is also available for purchase from the Chamber's national office. Details of other national holidays in each of the GCC countries will be covered in each of the individual country Business Guides also available on this website.

Legal framework created by Islam¹³

The legal systems in the GCC are a complex body of precedence. The Qur'an (Koran) the holy text of Islam is, firstly, the foundation for the Arabic system of jurisprudence, and sharia law, as noted previously, sets down the legal, social and dietary principles that govern a Muslim's way of life. These sharia principles underpin other legal statutes to create the framework of jurisprudence within the various states of the GCC.

¹³ This data has been extracted from 'An Overview of legal structures in the GCC Countries' by Nicholas B. Angell of Afridi and Angell. See [Afridi & Angell](#)

Ottoman (Turkish) legal scholarship has also had a strong influence upon the development of legal systems within the region, whilst the introduction of the Napoleonic Code into Egypt, during the nineteenth century, left some residual precedents in law as well.

The Egyptian influence in legal affairs remains in evidence, whilst British legal codes have also made contributions. The recent transformation of the legal systems in the GCC countries in fact reflects the various strands of this composite historical tradition.

Arab customs and culture

Arab culture is rich in literature, poetry, music, architecture and design. Arab achievements in mathematics, geography, medicine and astronomy are considerable.

Arabic became a reservoir of much of the West's learning for centuries following the fall of Rome in 476 CE. A great deal of the science and philosophy (even that of Ancient Greece and Rome) taught in European universities in the Middle Ages had frequently been translated from Arabic. Muslim Arabs became brokers of a cultural revolution in Europe, transmitting and implementing works of science, as well as technical advances from further East in Asia, including the introduction of paper from China, the adoption of the zero into mathematics – as well as the system of numbers that are used around the world today.

Knowledge of this heritage and an ability to comment on these achievements demonstrates a respect for the culture. The Arabs are rightly proud of their heritage, and it helps to demonstrate an awareness of these accomplishments when building relationships.

Arabs have a strong value system, deeply influenced by Islam. The role of the family, personal dignity, social morality, respect for children and the elderly are all tenets of the religion. Hospitality, generosity and politeness are also highly valued and are expected of the individual. Far more than in Western society, there is a keen sense of tradition, and a belief that fate also plays a significant role in life.

In recent years, Arab culture has been subjected to intense examination by the Western media. Emotive and often ill-informed conclusions have been drawn, and these have increased Arab irritation at times with the West. Understanding the rich traditions of Arab society and the principles of the Muslim faith will equip you to demonstrate that you are not easily influenced by media stereotypes of Arab society. This awareness will help immensely in building trust and establishing sound business credentials.

Arab mannerisms

Arabs frequently avoid direct statements of intent in order not to offend. As in other parts of Asia, the word 'Yes' should be accepted advisedly. An Arab may say 'Yes' when he means 'Yes, I hear you,' but he may not mean 'Yes, I agree.'

Politeness is a strong characteristic of Arab societies. As in Asia, it is also generally not appropriate to utter a direct 'No.' Adapting to the more nuanced ways of speaking in the Middle East requires both understanding and patience. A blunt 'No' can frequently cause offense, but handled politely, with a seemingly explanation, the situation can be appropriately handled. The expression *Insh'allah* (as God

wills) is also often used in the Arab world. It denotes that while best endeavours may be applied, outcomes can be variable, and often beyond one's control.

The Arab family

The family is a cornerstone of Arab society. Arab households are usually large and may include grandparents, aunts and uncles, nieces and nephews. The father is responsible for the welfare of the family and acts as the spokesperson. Deference and respect is given to mothers and grandmothers to provide advice on important family decisions. Children are treasured and parents will sacrifice to ensure children are well provided for. The elderly are highly respected.

Family issues are frequently a major factor determining Arab behavior in business. Conflict or discordance within the family may result in a significant impact on external relationships – and this is amplified by the fact that the majority of Arab businesses are family owned.

Arab families in the Gulf are very large, but also tightly knit. It is most important never to say anything untoward about another person in the community, as you could well be speaking to a member of their family – or close friend. In any case you must assume everyone knows everyone else – and a negative comment will quickly find its way back to the person concerned.

Dress Code

Traditional Arab dress is based on the teachings of the Qur'an, which strongly emphasises modesty. For many Arab women, especially nationals in the GCC, the most common form of dress, outside the home, is a dark cloak known as an abayah, which is worn with a scarf that may also serve as a veil. The abayah will usually cover a woman from shoulders to feet. The hejab scarf will cover the hair, but not the face. In Saudi Arabia, it is traditional to wear a full veil that only reveals the eyes.

Although there will always be exceptions, Arab women from Egypt, Iraq and the Levant (i.e. Jordan, Lebanon, the Palestinian Territories and Syria) whom you may meet in the Gulf generally would not wear the abayah.

The traditional dress for Gulf Arab men is called the dishdasha (or thawb), usually made of light cotton. The standard head covering is the ghutra, a light scarf which is usually white or red and white checkered – also known as a kaffiyeh. The ghutra is held in place by a black cord (traditionally made from camel hair) known as an iqal or agal. The style of headwear may vary between tribal groups and nationalities.

The names and styles of traditional dress outlined above may vary and this description covers the basic forms of Arab dress. In more conservative Arab societies such as Saudi Arabia, strict dress codes, notably for women, are enforced by the religious police.

Arab men from beyond the Gulf region that you may meet in business in the Gulf, such as Egyptians, Jordanians and Lebanese etc., generally dress in Western style. Similarly Gulf Arab men, when they travel beyond the region, will also generally wear western clothes.

As a visitor, the most important rule to follow is to dress modestly. For women, in much of the Gulf, this means wearing high-cut blouses and dresses that have sleeves and longer hemlines. Trousers or pant suits are also acceptable. A scarf should be carried for use if visiting holy sites (although it is important to first check if non-Muslims are permitted to enter those particular places).

In Saudi Arabia, an abayah is essential for women at all times.

For men, long trousers and long sleeved shirts are preferred for business usually (but not always) with a tie. Suits are worn on formal occasions, when meeting senior officials or at formal dinners.

Etiquette

Much has been written about the importance of etiquette in Arab societies. Arabs in business, however, have generally travelled widely, and a large number have been to Australia. Many more these days have also been educated in the West. They are familiar with western culture and understand our practices. It is therefore most important to be natural.

An overly formal approach to a meeting could appear stilted and perhaps strained, and inhibit forming a relationship. It is nevertheless desirable to be more polite and attentive than perhaps you would be with a fellow Australian. It is critically important to listen well and speak slowly, avoiding colloquialisms or slang.

A simple principle to follow is that Arabs, by their upbringing, tend to be polite, hospitable and generally conservative and that it would be appropriate to act in a considerate and responsive manner.

As relationships with your Arab counterparts develop and serious negotiations are undertaken, an appreciation of the finer points of etiquette will help to avoid giving unwitting offence.

Customs that are common throughout the Islamic world are well known. Some are not unique to Arab society, but are standard behaviours in a range of international situations. Some of the ground rules of social etiquette are:

- Use your right hand whenever possible, particularly when eating.
- Never point your finger at a person.
- Avoid showing the soles of your feet or shoes.
- Avoid crossing your legs – especially as this can expose the soles of your shoes.
- Maintain an open and relaxed body posture – and don't cross your arms.
- Avoid any show of anger or impatience. When frustrated, a mild smile is considerably better than a scowl. It is best not to betray your feelings.
- Maintain eye contact with your host. Shifty eyes may be construed as a lack of trust.
- A man should not offer to shake hands with an Arab woman, unless she offers her hand first. Even then, only a gentle touch is appropriate.
- Similarly, a woman should not attempt to shake an Arab man's hand – unless he offers his hand first.
- When offered tea, coffee or snacks, always accept, even if you do not finish them.
- The offer of strong black (cardamom) coffee is a feature of Arab meetings and is a mark of hospitality that should *not* be refused. The cups are small and when you have enough, a polite 'jiggle' of the cup with your fingers signifies to the server that you have had sufficient.
- Polite small talk will generally be the way your host prefers to open a meeting, particularly an introductory one. Conversation may often centre on details of your flight and whether you were comfortable. Remain at ease and don't show impatience to get down to the nitty-gritty.
- Make an effort to relax and not show any signs of tension or impatience.
- Avoid politics or any subject that could be considered overly personal.

Market Overview

- Always pay respect to older people and show affection and interest in children and their achievements, but it is best not to ask directly about the host's wife.
- Speak slowly and deliberately – avoiding idioms and slang.
- Confirm that you have been understood, and /or repeat important points to ensure that you have clarified them fully.
- Avoid talking excessively. It is far better to listen, especially on first meeting in order to gain a better understanding of what your client actually wants.
- Display an active interest in Arab culture – your hosts will appreciate your questions. But avoid potentially sensitive areas, especially politics, and any issues that could be misconstrued as judgmental, such as the role of women in Arab society.

What *not* to do

- Avoid being overly familiar, particularly with Arab women.
- Do not talk loudly – or brashly.
- Do not offer alcohol – or indeed talk about it.
- Do not dress too casually or in an unkempt fashion.
- Do not initiate conversations about politics or religion.
- Do not swear or use slang terms.

The Business environment

The Arab way of doing business

Gulf Arabs have long and cherished mercantile traditions. They particularly value the art of negotiating the best price, and generally enjoy the give-and-take involved in reaching a deal.

Price is usually the major determinant in the transaction, but this emphasis appears to be moderating as more complex service offerings become common, and 'brands' have been established. While it is important to stress benefits on a continual basis – price will inevitably be a primary consideration in reaching agreement.

Arab trading traditions have been honed in the physical market place. Negotiations can therefore often be emotionally charged. When this type of approach is used in an office setting, it can be quite off-putting for someone unfamiliar with it. It is worth remembering that this approach quite often is part of a test. Don't rise to a bait, but coolly articulate the terms under which a deal can be done. Don't give your best price up front. Negotiate slowly towards it. Where appropriate, construct a multi-layered offering of 'product' and 'support' necessary in increasingly sophisticated markets. Remember it can all be part of the game.

When negotiations appear to become intense, remain calm and firm and repeat your position for emphasis and to ensure clarity. Avoid becoming emotional – even if others around you are.

It is particularly important to be aware that you are often speaking with people who may appear to understand you, but speak English as a second language, and therefore may miss much of what you think is perfectly clear. You need to always check carefully to ensure you are fully understood.

- A number of studies have shown that even amongst apparently fluent English speakers in the region, many on average comprehend only about 60% of what

is being said. This means that 40% of what you are saying may be misconstrued.

- If, for example, 40% of the conclusions drawn from a meeting are different for each party, then there is potential for deep misunderstandings, possibly disagreement, and at best this will lead to many more hours spent trying to clarify outcomes.

In these circumstances, it is important not to be rushed into an agreement where there are doubts, and where risks have not been fully evaluated. In these circumstances, it is quite appropriate to call for a break in the discussions.

This request for time-out should never be portrayed as a sign of indecision or a need to seek approval from head office. It is critical to maintain your position as the company's decision-maker on the spot. A day's break will enable you to refine your proposition and consult with colleagues. It is also often valuable at this stage to commit your proposal to paper and send it to those with whom you are negotiating so that your potential partners can read and discuss your proposal fully.

Don't rush negotiations at this stage and if appropriate extend your stay, emphasising that you are always prepared to take time to ensure the transaction will be secure, durable and profitable for both parties.

Stress your company's desire to establish a long-term relationship that offers the promise of even greater returns – and that you recognise that this relationship must be built on trust and complete understanding.

It has been found that the 'delay and stopover' technique is often remarkably effective. It will demonstrate your company is serious about a long-term engagement, ensuring that the details are "right" and that each party is fully comfortable with the agreed terms.

Once again, it is important to convey that your request for an extension of time for negotiation is a positive move to produce the best possible outcome – and does not indicate any reluctance to proceed, nor any inability to close the deal during your visit.

Arab meeting protocols

Arrangements and settings for meetings in the Gulf can vary a lot, and it is best to be prepared for anything – i.e. to be flexible with time and location.

In many instances, you may be meeting with an expatriate executive (either from India, Pakistan or Europe) and the meeting will then tend to follow standard international practice.

Some of the different characteristics of Arab meetings are:

- Your host may interrupt the meeting at any time to answer any one of a number of phones, fixed line or mobile, or respond to an assistant seeking a signature or advice.
- Other people may enter the meeting — often not introduced, and conduct a discussion quite unrelated to your business. There could also be a call to prayer or a side conversation with another visitor, who is unknown to you.
- This free-wheeling meeting environment is characteristic of the accessible nature of Arab society. Wait to be re-engaged in discussion, as these interruptions are usually brief, albeit that they can be frequent.

Market Overview

- Remain unaffected by what you might normally consider unusual interruptions—be patient and wait for an appropriate opportunity to resume your presentation.

Remember you are also being assessed for your patience and compatible business manner at the same time.

Some further points to consider:

- Arabs tend to place a great deal of emphasis on words — sometimes this is seen as a substitute for action, but it is part of process of getting to know you. Be prepared for expansive conversations.
- Never exhibit impatience or tension if the meeting is not meeting your expectations.
- Do not look for western style structure in meetings—particularly a direct flow of discussion topics.
- Make sure you keep your three or four ‘*must win*’ points in play during the meeting. Do not get distracted from your objectives by what, in the Arab world, are standard meeting dynamics.
- Develop a negotiating style that is calm but firm – gracious and friendly.

Sincerity and trust will be amongst the primary factors that your host will be looking for when assessing you and your company as a future business partner.

Arranging meetings

For a first visit to the market, a quality program of appointments is essential to achieving an outcome. Using Austrade, a State government representative or business adviser in the GCC is the most effective means of meeting the right people.

On your first or second visit, to get a better feel for the way business is done, try to make contact with a ‘vertical slice’ of the market (i.e. including end-users, government agencies, banks and other service providers) so that you receive a variety of views — not just those from distributors or agents.

It is common for meetings to be rescheduled or delayed, so ensure you have other contacts in your visit plan to fill any gaps.

While your host may delay the meeting, this should not suggest that you (the seller) can do the same. Always be punctual — it is expected.

Finding the location of a meeting is not always straightforward, particularly when street names or building numbers are not well marked, or are in Arabic characters. Local advice from Austrade or a State government representative office can assist to ensure you get to appointments on time and in a number of cases provide you with location maps. Austrade, your State government representative or hotel concierge may be able to recommend a reliable contract driver or taxi service for ease of travel.

If your host is unavailable, try to reschedule the meeting with a deputy or personal assistant. Deputies or personal assistants, however, may not have the power or

discretion that they have in Australia. But it is worthwhile being politely persistent.

Use your mobile phone for results. You are more likely to receive a response to a voicemail or text message than you are to e-mail or other forms of communication. Whenever meeting new contacts, always try to obtain their mobile phone numbers.

Arab business entities – the family company

Arab family companies dominate the commercial and trading environments in the Middle East. The Dubai International Finance Centre (DIFC) estimates that 90% of all companies in the GCC States are family-owned, compared with 60% globally.

As family relationships dominate business, it is important to familiarise yourself with the management structures of the companies that you are dealing with, and appreciate that the decision processes may not operate in exactly the same way as they do in Australia. Business relationships in the GCC tend to be more personal than elsewhere, and can take time to develop – as they are built on trust. Establishing a sound business relationship, however, is the keystone of ongoing business engagements in the Arab world.

Many of the GCC multi-generational family groups have strong market positions and established international brand representation. They are also (like many of their Asian counterparts) often conglomerates, with a diverse range of activities from banking and real estate to construction, retailing, electronics, telecoms, insurance and automotive etc.

In these larger family companies, the patriarch, who is generally the founder, is highly revered and decision-making is concentrated with a small group of directors. It is also quite common for these companies to engage a 'gatekeeper,' often an experienced expatriate, who undertakes due diligence on deals pitched to the company before they are assessed and presented to key family members for decision.

Executive and managerial positions in a range of Gulf companies are filled by expatriates, particularly South Asians (Indians and Pakistanis), but also many Egyptians, Lebanese, Palestinians, Jordanians, Syrians and Europeans.

Decision-making is conservative and, like family companies anywhere, privacy is important. External influences, such as international accounting standards are, however, changing the way Arab family companies operate, and making processes more transparent.

Another factor changing the behaviour of Arab family companies is pressure to list at least parts of their family corporate interests publicly. The UAE recently lowered the minimum ceiling for family-owned companies listing to 30%. The Dubai International Financial Centre has established a family business unit to help family companies through the listing process.

With increasing numbers of the younger generations of wealthy Arab families being educated in the West, international business practices are becoming more common, with diversified management structures and decision processes. There have also been more initial public offerings (IPOs), although these are still not common.

Like many of their Asian counterparts, Arab family companies are moving towards a higher degree of specialisation in specific market sectors, and gradually

moving away from their broad conglomerate structures and pure agency-based operations.

Islamic Banking

Islamic banking has the same purpose as conventional banking, except that it operates in accordance with the sharia rules, known as Fiqh al-Muamalat (Islamic rules on transactions). The basic principle of Islamic banking is the sharing of profit and loss and the prohibition of riba (usury).

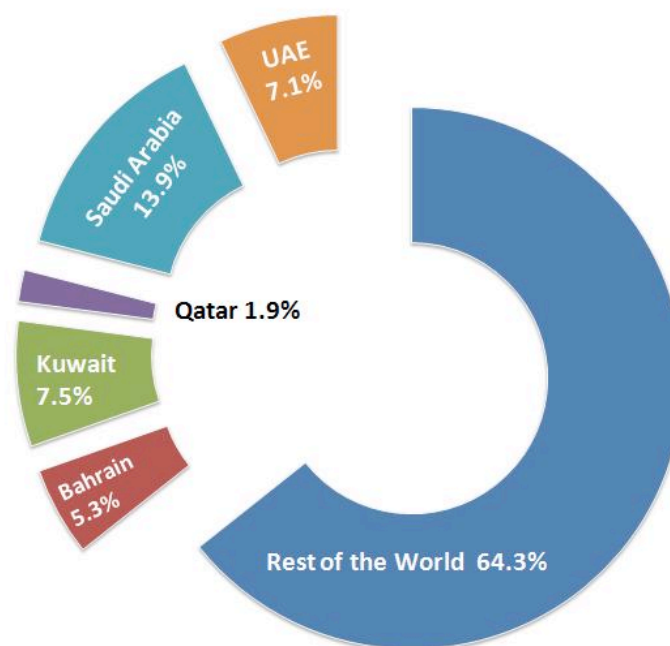
In an Islamic mortgage transaction, for example, instead of lending the buyer money to purchase the item, a bank might buy the asset from the seller, and re-sell it to the buyer at a profit, while allowing the buyer to pay the bank in instalments.

With ever-stronger foundations in the Middle East and Asia, Islamic finance is beginning to play a larger role in international financial centres, too. The UK's first standalone sharia-compliant bank opened its doors in 2004; two others have followed and another is on the way. (All are backed by Middle Eastern institutions.)

In April 2008, the London Stock Exchange listed its maiden sukuk (Islamic form of bond or certificate), adding much-needed depth and liquidity to the market. Products have moved beyond lending, insurance and investment funds to include sukuk hedge funds, currency swaps, and more. Deutsche Bank, Barclays Capital and BNP Paribas are already among the world's top five issuers of sukuk.¹⁴

In 2007, the GCC region held 36 percent of global sharia assets, which are estimated at US\$500 billion.

Distribution of Reported Sharia-Compliant Assets (US\$500 billion) in 2007



Source: The Banker, November 2007 issue

The DIFC has already established a strong presence in this assets market with about US\$ 16 billion listed in the DIFX (through mid-2007). Bahrain has played a

¹⁴ *Economist* 1 September 2008

pioneering role in Islamic banking, being the first country to develop and issue sukuk and has implemented a regulatory framework for Islamic banks and Islamic insurance and reinsurance. By developing standardized, sophisticated, and liquid Islamic products, the GCC countries are planning to establish a global competitive advantage in this field.¹⁵

For more detailed information on Islamic banking see: [Islamic Banking](#)

Common Arab business terms

Most commercial engagements in Arab Gulf countries take place under internationally accepted terms of trade, with contracts expressed in English.

Some awareness of Arab financial and trading terms may, however, be beneficial as they provide certain insights into the manner in which the trading process is conducted.

The principal terms are:

Bai salam means a contract in which advance payment is made for goods to be delivered at a later time.

Mudarabah - Profit Sharing.

Murabahah - Cost Plus. Price is determined by a basic build up of costs to establish a final selling price.

Musawamah is a general type of sale in which the price of the commodity to be traded is bargained between buyer and seller without any reference to the price paid, or the cost incurred by the seller.

It is different from *Murabahah* in respect of a pricing build-up. Unlike *Murabaha*, however, the seller in *Musawamah* is not obliged to reveal his cost. Both the parties, however, negotiate on the price.

Musharakah (joint venture) is a relationship between two parties or more, who contribute capital to a business, and divide the net profit and loss pro rata. This is often used in investment projects, letters of credit, and the purchase of real estate or other assets

Sukuk is the Arabic term for a financial certificate but can be interpreted as the Islamic equivalent of a bond. However, fixed-income, interest-bearing bonds are not permissible in Islam. Hence, Sukuk are securities that comply with the Islamic law and its investment principles.

Takaful is an alternative form of insurance cover that a Muslim can avail himself against the risk of loss due to misfortune.

Wakalah (Agency) is the appointment of a representative to undertake transactions on his/her behalf, similar to a power of attorney.

¹⁵ Data extracted from IMF Regional Economic Outlook, October 2008

Part III: Requirements for market entry

Export Strategy

When considering export to the markets of the Gulf, it is highly recommended that you seek guidance from an experienced adviser. Gulf countries are different from markets elsewhere, and require a well-prepared, tailored approach. There is also value in approaching companies that you know have done good business in the Gulf (and perhaps also those who have lost money), and seek advice to ensure your proposed approach suits the market.

As a general principle, your product's benefits should be strongly linked in some way to price in order to demonstrate savings to the customer. As negotiations can be lengthy, it is useful to set realistic milestones in the process, and ensure that your export program can be financed over time.

As personal contact is particularly important to negotiations in the Arab world, ensure also that you budget for additional trips to the market to finalise negotiations and thereafter to maintain close contact with the client.

Moreover your export strategy for the GCC (and your export planning generally) should of course be closely integrated with your company's business plan. Align export activities with the company's operations and avoid 'disconnects' between domestic and international marketing.

Identify your company's strengths and weaknesses from the outset so you can capitalise on the strengths and overcome the weaknesses. Understand the areas where you have a competitive advantage in the market. These may include your technology, your staff or business systems. And finally ensure that you can clearly and convincingly articulate your value proposition to your prospective client in the market.

For more advice visit the on developing an export strategy see Austrade's website ['Developing a sound business plan for export.'](#)

Arab agency arrangements

Agency arrangements in the GCC require careful consideration. A particular feature of the various commercial agency laws is their express provision for compensation to be given to the GCC agent in the event of termination without justification.¹⁶

Specific requirements in each jurisdiction are addressed in the accompanying country Business Guides. In general, GCC agency agreements, when registered, are difficult to terminate and may involve high compensatory payments and protracted negotiations.

These types of agreements are recognised as potentially onerous, and have come under the scrutiny of the World Trade Organization (WTO) as a restrictive practice. They have also been the subject of many bilateral trade negotiations.

¹⁶ Afridi & Angell - [Legal structures](#)

Some liberalisation of these agency agreement laws is expected to occur eventually. In the interim, however, close attention should be paid when negotiating representation agreements. It may prove worthwhile to investigate whether some alternative arrangements are possible.

These issues are covered in more detail in the individual country Business Guides.

Communicating

Arab businesspeople generally prefer oral to written communications. During meetings, mobile phones will usually be answered – instant communication of this type is preferred, whether the call is from a business associate or a family member also involved in some way with the business.

E-mails will usually be read, but are not always answered as promptly as they may be in Australia. It is best to keep your phone calls brief and confined to key issues, noting that your contact is unlikely to write anything down, and will most likely receive a huge number of phone calls each day. It is therefore recommended that you follow up your phone call with an e-mail confirming what was discussed and agreed – or simply to say thank you, demonstrating courtesy, consideration and follow-up.

The value of visits

Like any market, personal visits are a critical factor in developing your business. During the market development phase, expect to visit more frequently than you would expect to visit clients elsewhere. Most importantly, let your prime contacts know that if a visit is required, you will definitely be there.

There is enormous value in having your Arab counterparts visit Australia. Many do, for vacations, business or to see family studying in Australia. Encourage your prospects to visit your city and see your product or service in action – also to call on some of your key customers in Australia to get a sense of how well your product or service is regarded in your home market.

Alternatively, offer to visit them if they are staying elsewhere and cannot visit your city. An offer of Australian hospitality will always be welcomed.

GCC Embassies in Australia

GCC countries with diplomatic representation in Australia are the State of [Kuwait](#), [the Kingdom of Saudi Arabia](#) and the [United Arab Emirates](#).

[Bahrain](#) does not have diplomatic accreditation with Australia.

For the Sultanate of Oman, the accredited Ambassador is based in Tokyo, but there is a [Consulate-General in Melbourne](#).

The Ambassador of [Qatar](#) is resident in Jakarta.

Arab-related organisations in Australia

There is a wide variety of organisations in Australia that foster linkages between Australia and the Arab World, as there are organisations in GCC countries which similarly foster links with Australia. A summary of related organisations in Australia follows:

Australia Arab Chamber of Commerce & Industry Inc (AACCI)

[The AACCI](#), founded in 1975, is the peak business body promoting commerce between Australia and the countries of the Arab League. The Chamber provides a wide variety of services including the legalisation of export documents, visa advice, networking events and a wide range of functions designed to foster trade and increase knowledge of business between Australia and the Arab world.

The Chamber can also put prospective exporters to the Gulf in touch with appropriate business consultants to help them establish themselves in the market place.

The AACCI maintains close links with counterpart Chambers of Commerce in the Arab world and assists its members in providing linkages to these organisations. The Chamber also hosts visiting delegations to Australia, a valuable source of business networking. Most Australian companies trading with Arab markets are members of the AACCI.

Council for Australian-Arab Relations (CAAR)

The [Council for Australian-Arab Relations](#) (CAAR) was established by the Australian Government in January 2003, as an initiative to strengthen ties between Australia and Arab countries and to promote a greater understanding and acceptance of each other's cultures, values, beliefs and diversity. The aims of CAAR's projects and activities are to create partnerships that promote people-to-people links with Australia in countries of the Arab region, promote the mutual exchange of information and ideas of excellence between Australia and Arab countries, and develop and promote the engagement of youth between the regions.

The Arab Council Australia (ACA)

The [Arab Council Australia](#) is a community organisation that represents the interests of Arab Australians and promotes the economic, social and cultural life of the community.

Australian Arabic Council (AAC)

The [Australian Arabic Council](#) fosters relationships between the Australian Arabic community and the wider Australian community.

Learning Arabic

Arabic is a complex language. To achieve even reasonable fluency requires at least 12 months of full time study and some aptitude for learning a second language. The US State Department estimates that it takes 80 to 88 weeks (roughly a year in the classroom full-time and an overlapping 6-12 months in-country) to get to a Level 3 on a 5-point scale in modern standard Arabic.

Without a high level of fluency in the language, it would be very risky to try to conduct business and negotiate a transaction in Arabic.

Deakin University offers an 'Arabic On-line' course that you may wish to consider, if you anticipate long-term participation in Arabic-speaking markets.

Your Arab hosts will, however, in almost all cases, speak English, albeit that they will have differing levels of understanding, which they may not necessarily make known to you. Hence it is important to use simple, everyday language to avoid misunderstandings and explain technical terms carefully. Check constantly that

you are being understood, by reiterating your comments and by asking related questions.

As is the case in any country, your Arab hosts will appreciate your attempts to master some standard social phrases. This is not difficult and demonstrates your interest in learning more about Arab culture and language.

Useful Arabic phrases

[Arabic phrases](#)

[Speaking Arabic](#)

Useful sites for learning Arabic:

[Arabic](#)

[More Arabic phrases](#)

A brief guide to *the principles of Islam* can be found on the BBC website:

[Islam - BBC](#)

Market Selection

The selection of the most appropriate markets to enter is usually the most important decision for exporters. Propelling your company on an export drive into Arab Gulf markets does represent a significant commitment. Market entry costs are high and the time to first sale can be lengthy. However the financial rewards of doing so may be high, and many Australian companies have built substantial business in the Gulf. There are many opportunities to build new business, but continuing success in the markets of the Arab Gulf requires good planning, patience and persistence.

Deciding which of the individual Gulf markets to choose first is usually a distillation of the following range of factors:

- advice from agencies such as Austrade, Chambers of Commerce and State Governments
- activities of your competitors
- anecdotal advice (e.g. serendipitous tip-offs or conversations, sometimes in places like the golf course or airport lounge etc.)
- media reports – notably the attraction of ‘boom markets’
- seminars and presentations
- opportunistic enquiries – the ‘accidental exporter’ scenario
- aversion to countries where issues related to political stability, health, travel and corruption factors are characteristics
- strong comfort factors – ease of travel and communications, sound legal and contractual system, strong financial and regulatory regime

Market Overview

- Australian profile in the target market – is there a supportive local Australian business community?
- support systems in overseas markets – including government agencies, consultants and advisers, chambers of commerce and industry associations, friends and ‘connections’
- clear identification of a major buyer for a specialised product or service.

It is difficult to be prescriptive about what market selection techniques work best. There are, however, a series of sound analytical principles that should be applied to the range of choices. Reality checks should be applied to any market selection decision.

The following table provides some techniques for validating market selection decisions.

Market selection – the reality tests

THE CRITERIA

THE REALITY TESTS

What volume of sales can be expected?	Examine competitor or similar company experience. Develop an export strategy with realistic milestones – and with reference to the existing production base. Calibrate market size and conservatively assess achievable market share
Competition	Analyse competition intensely. This will provide a valuable indicator of market attractiveness as well as a measure of market entry hurdles. Competitor pricing, market dominance and extent of competition will assist in developing a viable market entry strategy.
How long will it take me to develop business?	Use realistic timelines to assess working capital requirements. Assume delays are probable. Be realistic and conservative in sales forecasts and avoid a 'boom mentality.' Ask others how long it took them to become established.
How will I get paid?	Obtain a credit profile for the country concerned and consult export credit insurers regarding appropriate terms.
How much will my market development program cost?	Develop a timeline and cost each element of the market development program.
How do I find a reliable buyer/partner?	Austrade, state government agencies, industry associations, Chambers of Commerce and business consultants can assist with matching business interests. Undertake background and credit checks on buyers and potential associates. Ask for references – determine who are their buyers and their principals. Be analytical and avoid anecdotal commentary. Ensure there is a solid match in size, capability, distribution, and service capacity. Ensure that agency agreements provide for acceptable risks and assess how enforceable they are in the local environment. Review what dispute resolution measures are available. If you are asked to sign an agreement, have it checked by a local legal firm, to advise you what your implicit (as well as explicit) obligations under this agreement might be.
What are the regulatory hurdles?	Identify the hurdles that need to be overcome and determine how long will it take – and cost to do so. Elements such as customs regulations, IP protection, registration with regulatory authorities, product liability insurance issues need to be considered.
What resources do I need to maintain my business?	Assess the human resources component of the export program. Avoid dilution of effort by tracking too many enquiries in too wide a range of countries. Concentrate on making the first export deal a success and build from there.

THE CRITERIA (cont.)

THE REALITY TESTS

How will I deal with corruption and related issues?

Seek advice from Austrade and business advisers. Assess the business environment through Transparency International indices and ensure that corruption issues can be avoided, noting Australian extra-territorial legislation on the bribing of government officials and implications under the Australian Crimes Act. The [Transparency International website](#) provides its 2008 Corruption Perception Index.

Who can help me?

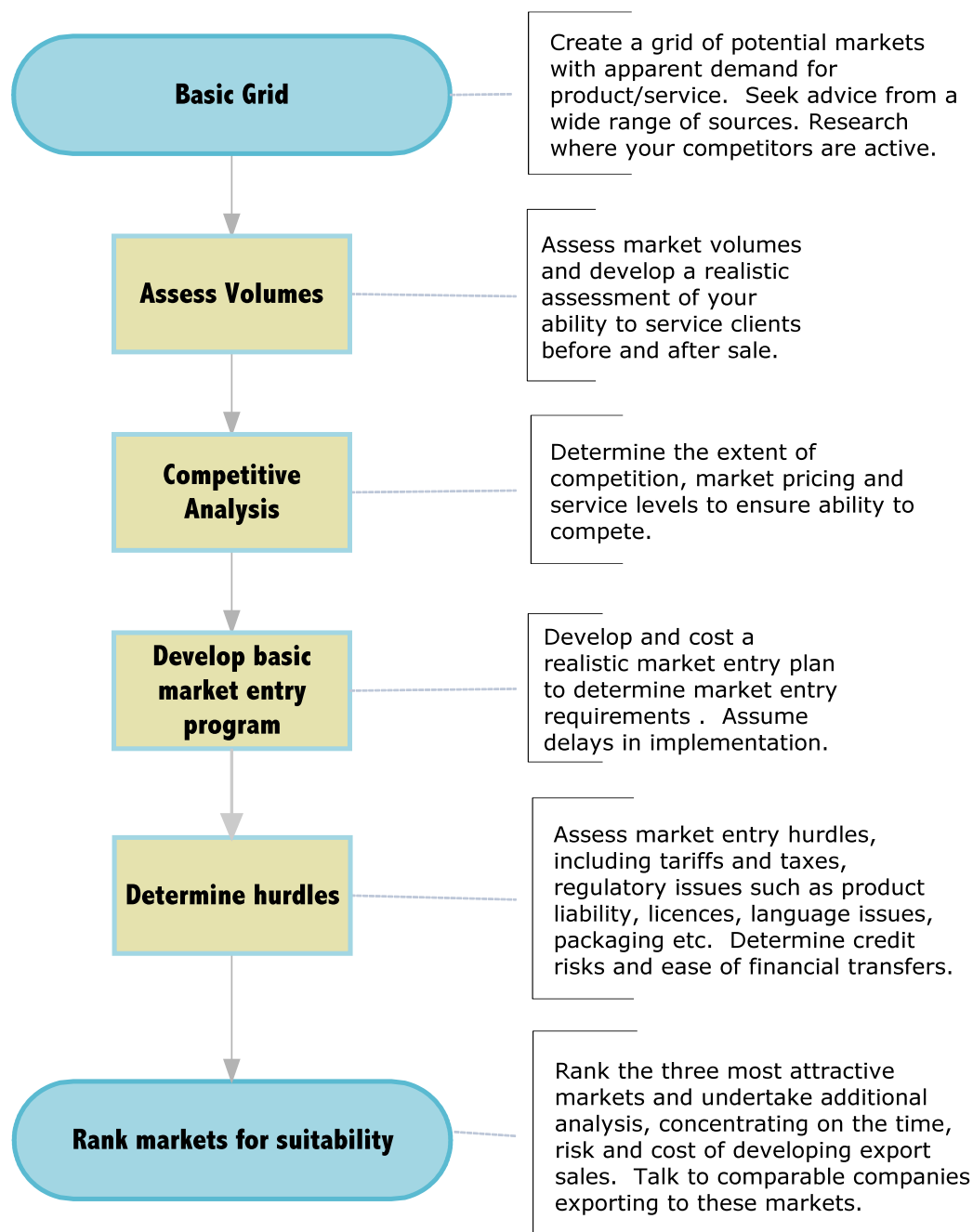
Assess support available from federal and territory government programs as well as industry associations, chambers of commerce and business consultants. Develop a market entry program that will attract Austrade EMDG financial support. Attend country-based networking events. Established exporters (non competitors) are usually very willing to share experiences.

Country risk

Many agencies publish tables of country risk for export transactions and a country's ability to service external debt. The OECD rankings are at <http://www.oecd.org/dataoecd/47/29/3782900.pdf> but there are many others.

This Graphic provides a simple process for approaching the market selection process:

Market Selection Basics



Self evaluation tool

This checklist is designed to test your company's readiness and capacity to export to the Arab Gulf countries.

It is a simple tool that is designed to prompt thought and raise questions about the matters you will need to address in developing your market entry strategy.

The Challenge	What is required	Pass (Y/N)
1. Intensive market research	Analytical study of market characteristics. Attending seminars – networking with companies who are successful in the region	
2. Competition	Identify competitors and devise strategies to combat intense competition. Are your products competitive in comparable markets?	
3. Patience	Sales may not come quickly. Can I finance the sales development process?	
4. Relationship building	Do I understand what is required? Am I prepared to devote the effort to building a long-term alliance?	
5. Partner selection	Finding the right business partner can be an onerous process. Agency arrangements are difficult to change. Am I prepared to devote quality time to assessing potential partners?	
6. Visit frequency	Regular visits will be required. Does your company have the resources and funds to undertake the visits? This could involve 4-5 visits over perhaps 2 years	
7. Technical service	Your Arab partner will usually require strong backup support. Have you assessed the market's needs and can you resource an effective sales and technical support operation?	
8. Responsiveness	Can you respond quickly to technical or service issues?	
9. Product presentation	Is your product/service tailored for Arab markets?	
10. Business culture	Do you understand the negotiating environment? Can you adapt to different negotiating styles in the region?	
11. Preparation	Can you commit resources and time to understanding Arab Gulf business settings?	
12. The flexibility factor	Arab Gulf markets are susceptible to sudden changes – either as a result of political events or intense competition from unexpected sources. Can you adapt and respond to sudden changes in product offerings, pricing and delivery?	

Your responses to this assessment will identify the areas where you must devote effort to increase your chances of export success.

In all of the areas listed in this table, help and support is readily available from a number of government and private sector agencies.

A useful litmus test is if you answered “No” to 50% of these questions, you will need to undertake significantly more preparation to achieve success and not burn valuable working capital through lack of preparation.

Part IV: Frequently asked questions (FAQs)

Doing business in the Arab Gulf – how to use these Guides to Arab Gulf markets

This series of frequently asked questions (FAQs) is designed to respond to a range of questions that you may have when considering doing business with Arab Gulf countries.

The six individual country guides in this series provide a combination of background settings and practical advice to Australians planning to do business in one of more of the six countries of the Gulf Cooperation Council: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates (including Dubai).

These markets are some of the most attractive in the world, but they are also amongst the most competitive. To be successful in them requires:

- that your product or service is world-class, and sufficiently well priced to compete against offerings from virtually anywhere else in the world
- that you are prepared to invest the time to determine which of the six markets is your best point of entry and then to investigate that market thoroughly
- that you have sufficient funds to undertake the necessary market investigation, and make sufficient trips to the market to determine how to position your product or service, and select the right agent(s) and /or business partner(s).

Although it is sometimes possible to make a quick spot sale, sustained business requires careful planning and a commitment of time to building relationships. Strong, well-developing business relationships are critical to successful business in Arab Gulf markets.

The guides to the individual markets provide greater details of each market's characteristics – and assist you to evaluate where your product or service would fit best.

Finding a business partner

Each of the six country guides provides practical advice on agency arrangements for individual markets.

Although there are a lot of similarities in GCC markets, nevertheless each has its own particular characteristics, and these need to be factored into your market entry strategy.

The GCC Overview provides a broad commentary on agency arrangements, with additional information provided in each of the country guides.

Recognising or registering professional qualifications

Registering professional qualifications in the GCC countries differs in each jurisdiction and procedures can be onerous, particularly as many government and municipal agencies require multiple registrations for each discipline e.g. mechanical, civil, structural and electrical engineering.

Each of the country business guides provides advice and referrals to websites for more information on registration. While the general trend is towards simplification, the process remains complex and time-consuming.

Obtaining sound local advice from business consultants and lawyers can assist market entry, and practical advice from colleagues in related disciplines who have been through the process can provide valuable 'how to do it' tips.

Compliance with WTO obligations will continue to simplify the registration procedures; however, it is essential to ensure that your registrations and licences are confirmed, to provide a sound foundation for the delivery of professional technical services.

Checking quarantine and phytosanitary provisions

GCC countries place a high priority on biosecurity issues. Strict compliance is required and failure to comply can prove a very expensive exercise, with product seizures and destruction not being uncommon. Import bans, notably for BSE, have been common.

AQIS is very familiar with GCC requirements and AQIS certification will be necessary for many food and animal products. Australia's high reputation for biosecurity is well-established in the GCC and Australia's strict controls have resulted in an enhanced market position compared with the USA and EU, where import bans have been applied as a result of BSE and other quarantine risks.

Pay particular attention to 'use by' dates as GCC countries enforce strict regulations relating to food product expiry dates.

Trade exhibitions

Each country guide has a separate section of trade exhibitions and a number of links to external websites with more information.

Austrade also provides a list of upcoming [international events](#) that include trade events, exhibitions, seminars and missions for Gulf countries. Austrade can advise on trade events, and trade representatives in the region for various State Governments can assist as well.

Participation in a trade exhibition has several advantages:

- Meeting a high concentration of buyers and distributors
- Experiencing the 'feel' of the market
- Attending display-related events for networking purposes
- Observing the activities of competitors
- Gaining valuable market intelligence from visitors and fellow exhibitors
- Participation in an Australian pavilion provides high profile
- Australian group networking events provide valuable connections
- Costs are minimised by federal and state governments
- Group arrangements and EMDG can provide cost-effective packages

Participation in trade displays is still expensive in both monetary and resource terms. For the new exporter, displays are useful in attracting potential agents and distributors (as well as gaining orders). But maximum value from a trade exhibition will be enhanced if you already have an agent or distributor working alongside you on the exhibition stand who can negotiate orders on your behalf.

If you are completely new to the market, it is worth considering visiting the market during one of these events, as they provide a unique 'neutral ground' to observe the market in action and gain valuable experience – as well as contacts.

Possible scenarios

The following is a series of scenarios that cover a variety of situations. These scenarios have been constructed to provide a series of suggestions, and although the individual cases may not fit your situation exactly, they can provide insights that will help you work out what to do in your particular situation.

Q: I operate a small contracting business and we do high-quality renovations. With all the building activity in the Middle East, there must be lots of work around. How do I get some of this business?

Yes, there is a massive volume of construction work, but gaining access for a small company is not easy. Here are some of the factors you need to consider:

- There is a large number of local contractors operating in these markets, usually employing contract workers from South Asia, often at very low labour costs. You need to keep in mind that overheads are structured very differently in the GCC than they are in Australia. Some inputs are much cheaper – but others can be far more expensive. You really need a good understanding of local costs before you can quote a job confidently.
- The best way into the market often can be to have a high-end specialization, well-regarded in Australia, but not yet standard practice in the Middle East. If you do not have some strong element of product or service differentiation, the competition you face will be very intense – and highly price-driven.
- You could consider an alliance with an Australian company with existing contracts in the region. Australian consultants are well embedded in the Gulf region and may be valuable contacts. Check with your own customers in Australia to see if they are engaged in any activity in the GCC region. If they are, seek an introduction to their managers in the Gulf, and discuss ways you could possibly work together.
- Consider a visit to coincide with a premier Gulf exhibition, such as [Big 5](#), which caters for the building and construction sector. This will enable you to assess offerings in the market and assess whether you can compete.
- Consider concentrating on lower-volume markets such as Qatar and Oman. You will, however, need to visit these markets first, to make a careful assessment of how to position yourself and whether there is enough potential business to make it worthwhile. Without a 'leg-in' through a business connection, approaching these smaller markets 'cold' can be extremely difficult and the costs of entry very high.
- If you don't have any connections, attend networking sessions and seminars on Gulf markets here in Australia. These events are organised by AACCI, Austrade and state and territory governments.

Also visit the section on *'People to help you'* to review who to contact to provide in-market assistance.

Q: Prestigious Middle East properties need a quality interior designer. My company has undertaken integrated design contracts for some of Australia's top of market residential properties. How can I get into this huge market?

The demand for interior design is huge. Naturally, there is a lot of competition from companies who have a well-established market presence.

Taste and style is generally very different from Australia, and some depth of appreciation of the culture and visual arts of the region is important.

Breaking into the market without a strong point of referral can take considerable time and be very expensive.

Most Australian companies who have succeeded in this market sector have done so through personal and corporate referrals. Your reference points are critical. If you have done work for a major hotel chain, for example, try to gain leverage for business through your contacts with that company.

Some of the market characteristics are:

- It is crowded and competitive.
- As a result, price pressures are generally intense.
- Innovative and highly creative concepts are well accepted, provided that they are empathetic to local tastes.
- An initial visit will provide you with an indication of contemporary Middle East tastes and styles – and price structures.
- Ensure your first visit is fully pre-planned and well organized, and that you have sufficient time to arrange meetings with a broad range of opinion leaders.
- Take examples of your reference work on other projects.

The high-profile markets, such as Dubai, can be the most difficult to access.

Investigate markets such as Abu Dhabi, Qatar, Oman and Bahrain where market entry barriers may be lower.

Also visit the section on *'People to help you'* to review who to contact to provide in-market assistance.

Q: I distribute very high-quality produce and confectionery items and supply to some of Australia's top hotels and restaurants. How can I get some business started in the Middle East?

You will probably find that your best initial connections are in Australia. For this business, referrals are critical. Check whether any of your restaurant clients have connections in the Gulf. Many Australians are working in the region as Executive Chefs and Food + Beverage Managers in the major hotels. While there are a range of independent restaurants, you will find that a large number of the top venues are associated with the major hotels.

Emphasis in the fine produce market has traditionally been European, although there is also increasingly strong awareness of Australian gourmet lines, as Australian executive chefs make their mark in the region, and more people from the Middle East holiday in Australia. Nevertheless concentrating, at least initially, on four-star properties may result in easier market entry.

Your hotel clients may be able to provide referrals to their other Gulf properties and this will help enormously.

If you cannot make any progress through referrals, you will need to commission some market research to develop a market entry strategy tailored for your business. Both Austrade and state government representatives based in Dubai can assist you, as well as business consultants in Australia and the Gulf.

There is a range of major trade exhibitions in the GCC focusing on food. [Gulfood](#) in Dubai is one of them. This event, now in its 13th year, showcases international and local food offerings and will provide you with intensive exposure to the GCC marketplace for food products and services.

Consider concentrating on one country to start with and identify your best hotel and restaurant prospects. You could attempt direct marketing to these customers, but 'cold' approaches have a very low strike rate.

Appointing a distributor may be an option. This type of high-end business, however, is usually best negotiated directly with end-users, who can also advise on the appointment of a local company to handle in-country logistics for you. Direct sales have the advantage of avoiding distributor mark-ups and complications associated with agency agreements. But you will need to visit the market more frequently and devote a high level of personal attention to your clients.

You will need to ensure that your confectionery meets *halal* standards and can be certified halal by a recognised agency in Australia. The *GCC Overview* has more details to help you review requirements.

Remember that key ingredients such as emulsifiers, stabilisers, flavours and gelling agents must also meet halal guidelines.

Your next step may be to visit the market and present your product to your key prospects. A well-researched visit program will be required, with clients preferably having evaluated your product *prior* to the visit.

Visit the section on '*People to help you*' to review who to contact to provide the in-market assistance.

Q: My company is in the landscape business and we specialise in luxury apartment complexes. Our projects involve using innovative low water consumption plantings. Every time I see pictures of Dubai I can see so much business. How can I get into the market?

Australian landscaping companies have established good business in the Middle East, bringing skills in arid climate cultivation, blended with contemporary design techniques.

You will need to research the types of installations favoured by major hotel and apartment developers to ensure your design concepts are suited to Gulf markets. Study of preferred plant types (including salt tolerant varieties) is also most important.

Like other specialised services markets, landscaping relies heavily on referrals. Examine your existing network of clients and contacts to assess whether some of the companies you work with have a business presence in the Gulf. These leads can prove invaluable. Australian architects, consulting engineers and project management companies are active in the Gulf and can provide good leads.

Australian companies in the landscaping sector have created sound business in the smaller countries such as Qatar, where luxury apartment complexes are a relatively recent development – similarly in Oman. But Saudi Arabia is also highly prospective, although you may find higher barriers to market entry.

It will be important to showcase your premier installations in Australia as reference sites and be prepared to present these with high visual impact to your Gulf prospects.

The UAE market offers good prospects, but Dubai is a hotly contested market, so entry may prove tougher - unless you can develop referrals.

Any visit to the Gulf will need to be well researched. As a first step, study the developments and styles of the various GCC countries and decide which is most appropriate for your expertise. Concentrating on one market at a time is probably the best initial approach, rather than expending your marketing resources over a multiplicity of markets.

Try to combine your visit with a relevant trade exhibition or conference to provide you with concentrated exposure to this industry sector and good networking opportunities.

Also visit the section on 'People to help you' to review who to contact to provide in-market assistance.

Q: My company specialises in IT solutions for building management and security. Major CBD buildings in Melbourne and Sydney use our systems. What are my prospects in the Middle East?

The Gulf has undergone a massive construction boom and that is likely to continue, but probably at a slower pace.

Market Overview

The rapid pace of construction has increased pressures for quality, but cost-effective, asset management systems, such as building management and security.

Try to develop referral business through existing clients as this will significantly ease the market entry process. Also, showcase your reference sites well.

Study the types of existing and planned developments taking place in each market. Determine whether your services are better suited to planned, new or existing developments.

Try to work on your system's unique features and look for differentiation, rather than trying to compete in the 'general' market for building management and security systems as there is so much competition in this market sector.

Trade events such as [GITEX](#) provide a good opportunity for a visit to assess GCC market offerings – and your competition. Concentrate initially only on attending the premier IT exhibitions and associated conferences.

Gaining access to buyers and specifiers in this area is not easy, emphasising the need to research your prospects well, to match needs well and increase your chances of success.

A well-researched visit program will provide definitive answers to your prospects.

Also visit the section on *'People to help you'* to review who to contact to provide necessary in-market assistance.

Q: What are the prospects in the Gulf for Australian architects?

Similar to architectural services markets anywhere, referrals and connections are critical to gaining a business foothold. Reference sites are critical and associations with clients or contacts with international connections really help.

Establishing a local practice is time-consuming and expensive. Gaining a project assignment will determine whether a permanent local presence is required, or whether some other form of local association is more effective.

In a similar manner to consulting engineers, registration in various jurisdictions may prove complex and time-consuming, although the process is improving in some countries. Local advice on complying with registration requirements is essential.

Architecture is not an area where a 'cold' approach is likely to yield results. Gaining access to clients will inevitably be through connections and referrals.

Also visit the section on *'People to help you'* to review who to contact to provide necessary in-market assistance.

Q: What are the best prospects in the Gulf for processed food products? I have access to a number of Australian products and need to know how to get into the Gulf supermarket business.

Australian food products have developed a sound reputation in the Middle East over many years for quality, competitiveness and wholesomeness. Each of the Gulf markets generally consumes a similar range of packaged food products. Local manufacture is growing in many of the markets, such as Saudi Arabia, Kuwait and the UAE.

Positioning is very important as so many imported European, US, Asian and Middle East products are represented on supermarket shelves.

Distribution and merchandising support are key factors and researching each of the GCC markets is essential. Some countries, such as Kuwait, have a high proportion of co-operatives, while others, such as the UAE, have a variety of modern outlets with a range of hypermarkets, as well as top-end speciality retailers, such as [Harvey Nichols](#) of the UK, which has stores in Riyadh and Dubai.

Saudi Arabia is the largest market in the region – but is more complex in view of regional differences, stringent standards of labelling and protective tariffs for its local food processing industry.

While competition in smaller markets such as Qatar and Oman may be less intense, volumes for A/B income-group consumers are significantly lower. Each market is different in ethnic composition and this has a strong impact on product mix and taste.

Building an effective distribution network takes time and effort; however there are many sound distributors and logistics companies. In some cases, direct sales to some of the supermarket groups are possible. The GCC Overview provides advice on consolidators in Australia.

Listing fees for products vary in each country and with the various chains.

Visiting or participating in [Gulfood](#) in Dubai is a key consideration. Consider participation if you already have a well-developed marketing program. If you are totally new to the market, coinciding a visit with an event such as Gulfood will be most valuable.

This event, now in its 13th year, showcases international and local food offerings and will provide you with intensive exposure to the GCC marketplace for food products and services

Purchase of a comprehensive market research report will provide a depth of information on the food and grocery market structure in each country, as well as demographic data, merchandising and promotional techniques. Study of sound market research data will soon provide the 'best fit' for your company's product range.

Some suggestions are [Gulf Consumer Goods Markets](#), [BMI Saudi Arabia](#) and [Research and Markets](#).

Labelling is a critical issue in every Gulf market – see the GCC Overview and Country Guides for more details.

Specialist companies can provide this service – either in Australia or in the Gulf through a company based in a Free Trade Zone. Dubai has very well-developed services in this sector.

The GCC Overview also provides vital information on compliance with halal certification procedures.

Market Overview

Also visit the section on *'People to help you'* to review who to contact to provide necessary in-market assistance.

Q: What are the opportunities in the sporting goods and services market?

Australian sporting expertise is well recognised in the Gulf, particularly in facility design and operation, as well as training and sports promotion.

The Asian Games 2006 in Qatar resulted in many Australian companies establishing a presence in the Gulf, building on the success of the Sydney 2000 Olympic Games.

Connections are all-important.

Key areas are detailed in the Opportunity Grids in each of the Country Guides.

Popular sports in the Gulf are:

- Football
- Power boat racing
- Auto sports – from Formula One and V8 SuperCars to desert rallies
- Golf
- Horse racing – notably in Dubai
- Basketball
- Water sports including diving
- Personal fitness – gyms
- Life guard training
- Cricket – notably in Sharjah for the South Asian community.

Also visit the section on *'People to help you'* to review who to contact to provide necessary in-market assistance.

Q: There are a lot of Australian cars shipped to the Middle East. What are the opportunities in the automotive market?

Australian cars now have a prominent market share in the GCC countries, principally Toyota (Camry and derivatives) and General Motors Holden vehicles (Commodore and Statesman/Caprice) which are badged as Chevrolet.

Automobiles have a special appeal for Arab consumers, and many people have several cars.

This has resulted in opportunities for accessories (particularly for prestige vehicles), as well as spare parts, noting that there is strong competition from unbranded replacement parts.

The 4WD recreational community is very active and Australian product is considered well-tested for the Gulf's harsh, desert driving conditions.

Distribution channels are well established and a survey of vehicle numbers and types will soon establish the most prospective countries and market sectors.

Also visit the section on *'People to help you'* to review who to contact to provide necessary in-market assistance.

Q: I have a training company, specialising in small business management. What are the opportunities?

Business training is a large and growing market in the GCC countries. There is a strong emphasis on building SME skills, notably in the UAE, but also in other GCC countries.

Australian trainers have developed good reputations in the region, largely as a result of a combination of a practical approach to training and interpersonal styles often seen as well-suited to many cultures in the region.

This is a competitive area, notably with companies from the UK, as well as many franchised programs from the USA and Europe.

It is not an easy area to get started in, and a 'leg up' from personal contacts and referrals will really help.

The most prospective (but also most competitive) markets are the UAE, Kuwait and Saudi Arabia.

Dubai has placed very strong emphasis on support for SME companies and supports a range of programs through a range of its agencies and centres of excellence.

Q: My company offers engineering consulting services - mechanical and electrical with specialisation in air-conditioning and energy management. Where do I start in the Gulf?

This is an area of strong demand – but also intense competition.

Firstly, review the characteristics of each of the GCC markets – they all have considerable demands for these services.

Market entry barriers include professional registration, which is lengthy in some jurisdictions. Multiple registrations can also be necessary for varying disciplines. Seek local advice on this critical factor.

Visiting a building and construction trade exhibition such as 'Big 5' in Dubai can provide a valuable feel for market prospects and a first-hand assessment of competition.

Review each of the countries to develop a feel for which market is 'right' for your services. If you do not offer highly specialised services, avoid the 'crowded' markets, such as the UAE.

Part V: A statistical review of Australian trade with the GCC

Merchandise and services trade with the GCC

The statistics included in this publication cover merchandise exports only. Accurate figures for Australia's services exports to the GCC are either not available or are estimates based on limited data sets.

There is, however, strong anecdotal evidence of rapid growth of Australian services exports to the GCC in recent years, although the value of these services exports can not be accurately determined; nor can Australia's performance in the services sector within the GCC be compared in statistical terms with those of our competitors.

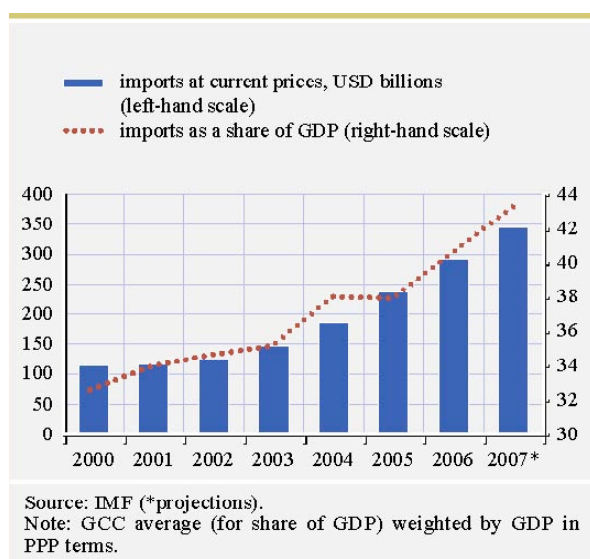
Australian services are also often 'embedded' in merchandise export statistics, when services are provided as an inclusion in product exports and not separately recorded.

Australian expatriates based in the GCC are a major contributor to the services trade. The UAE is home to some 15,000 Australian expatriates, with an estimated further 2,000 - 3,000 in the other GCC countries. Australian professionals working in the GCC are an important element in its globalised business environment.

Many Australian expatriates represent Australian companies engaged in service delivery such as engineering, architecture, agribusiness, ICT and other disciplines. Others are working for a combination of local or foreign companies, while some are sole operators.

These individuals are important reference points and sources of referral for other Australian services exporters. Many Australians seeking to establish in GCC markets have found their connections with Australians resident in the markets particularly valuable.

Figure 1: GCC Total Imports of Goods and Services



This diagram is drawn from the ECB Occasional Paper No 92 of July 2008 and reproduced here with ECB permission.

The European Central Bank (ECB), in its commentary on the above table, noted:¹⁷

'Import growth in GCC countries has been buoyant with double-digit rates every year since 2004. In absolute terms, imports of goods and services in the six GCC countries more than tripled from USD 114 billion in 2000 to USD 345 billion in 2007 (IMF projection).

Saudi Arabia (USD +90 billion) and the UAE (USD +80 billion) account for almost three-quarters of the additional imports over this period. As a share of GDP, since 2000 imports have increased on average by 10 percentage points, from 33% to 43%, notwithstanding the rapid expansion of nominal GDP in GCC countries (Table 1).

Looking at overall absorption, the growth of real domestic demand has exceeded real GDP growth in the GCC every year since 2004, and is projected to continue to do so in 2008.'

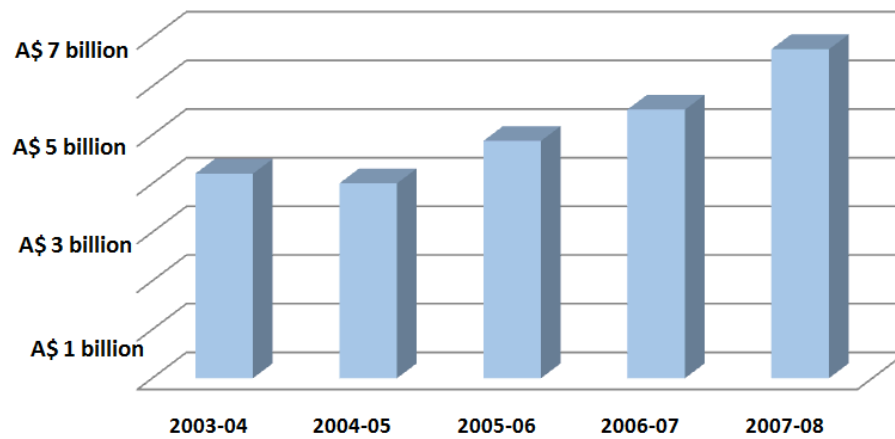
The ECB analysis incorporates estimates for services imports into the GCC, as well as merchandise trade, providing strong backing for the sense that the growth in services trade has been as dynamic as that in merchandise trade.

Australia's merchandise trade with the GCC

Figure 2: Australia's total merchandise exports to the GCC – last 5 fiscal years – A\$ (billions)

¹⁷ European Central Bank: 'The Gulf Co-operation Council Countries – Economic Structures, Recent Developments and Role in the Global Economy' – July 2008. <http://www.ecb.europa.eu>

Market Overview



Source: DFAT Composition of Trade

Australia's merchandise trade with the GCC has grown by more than 60% over the past 5 years.

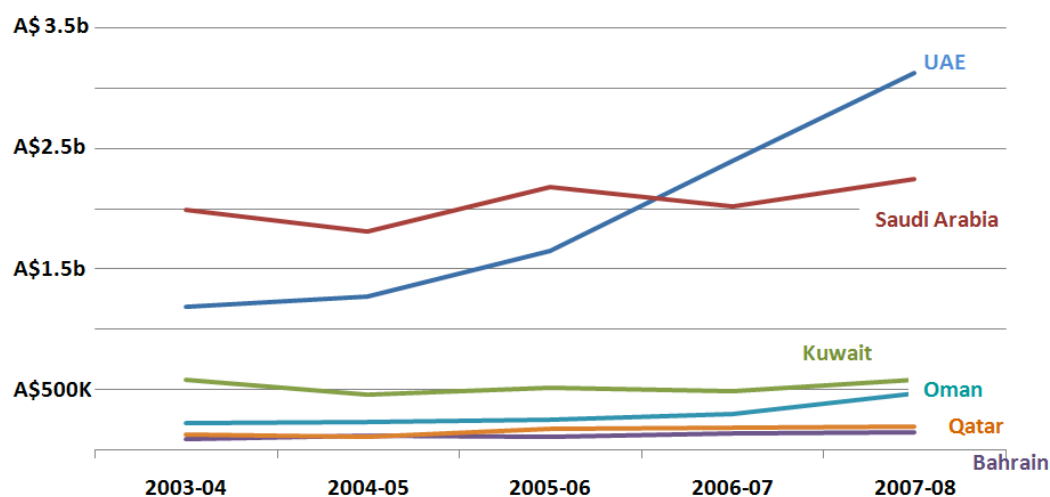
Figure 2 and Table 1 illustrate the trend in Australian exports for the combined six GCC countries over the past 5 years, averaging 12% per year.

Table 1: Australia's merchandise exports to the GCC by country – last 5 fiscal years (A\$'000)

COUNTRY	2003-04	2004-05	2005-06	2006-07	2007-08
UAE	1,184,994	1,274,342	1,647,048	2,393,350	3,126,202
Saudi Arabia	1,992,155	1,808,249	2,178,691	2,015,015	2,248,105
Kuwait	580,033	461,980	515,318	493,281	576,391
Bahrain	96,117	122,845	108,326	134,149	144,417
Oman	219,554	228,092	250,176	300,778	468,392
Qatar	132,379	110,444	178,273	184,615	199,144
TOTAL	4,205,232	4,005,952	4,877,832	5,521,188	6,762,651

Source: DFAT Composition of Trade

Figure 3: Australia's merchandise exports to GCC by country – last 5 fiscal years – (A\$ b.)



Source: DFAT Composition of Trade

The most striking element in this table is the strong performance of the UAE market.

The UAE was Australia's 13th largest export market in 2007, with Dubai serving also as a major re-export centre for the other GCC countries, as well as many other destinations.

At least 35% (and possibly in some cases more than 35%) of Dubai's imports are re-exported.

Dubai accounts for approximately 85% of the UAE's re-export business.

Sharjah is also a major re-export centre.

One of the major trends during this period is the emergence of Australian passenger motor vehicles as a principal Australian export item to the GCC – representing 31% of total merchandise exports in 2007-08.

The Kingdom of Saudi Arabia is the largest outlet for Australian vehicles, followed by the UAE. The Australian-made Toyota Camry is a volume export vehicle, and is now the vehicle of preference for taxi fleets in the GCC.

The GMH Commodore and Statesman/Caprice marques are among the leaders in the more powerful rear-wheel-drive vehicle class.

Table 2: Australia's exports of Passenger Motor Vehicles (PMVs) to GCC 2007-08 (A\$ m.)

Country	PMV exports 2007-08
Saudi Arabia	1,013
UAE	358
Kuwait	287
Oman	275
Qatar	83
Bahrain	55
TOTAL	2,071

Source: DFAT Composition of Trade

Commodities are the next largest item in Australia's export mix. They include wheat, barley, rice, dairy products, live animals, meat, alumina, metals and mineral ores.

Wheat, barley and other grains have been traditional Australian exports to the region. Rice rose to importance in past years, but with Australian rice production at an 80-year low in 2008, due to drought conditions, rice exports to the GCC have been curtailed.

Australia is a major supplier of alumina to aluminium smelters in Dubai ([Dubai](#)) and Bahrain ([Alba](#)).

Dairy products are also a longstanding export item, especially cheese. Australian cheddar has been in demand in the Middle East for many years. Canned cheese has been traditionally popular in regions with irregular power supply and cold chain limitations.

Live cattle and frozen meat are also key commodities in Australia's export mix. Live sheep are the principal item, as well as frozen lamb and beef. Australia has benefited from its BSE-free status, as a number of GCC countries have halted imports of US and European beef due to so-called 'mad cow' related issues.

A number of commodities appear as "*Confidential*" items in the trade statistics. The terminology 'confidential' is used when there are only one or two suppliers of the commodity and to define the product and total volume imported would, by deduction, reveal the sales volumes of individual companies.

Items commonly included in the *Confidential* classification include wheat, alumina, mineral ores, barley and other grains.

Table 4 indicates Australia's share of total imports for the GCC countries. Calendar year 2007 figures are not available for all GCC countries, hence the table is a mix of 2006 and 2007 statistics. These gross market share statistics do not however, accurately reflect Australian performance in view of the disparate product mix in imports. Large capital item imports such as aircraft, ships and defence equipment also distort an accurate measurement of market share.

Competitive performance can only be assessed within discrete product/commodity categories and is then only meaningful with knowledge of comparable product types.

Table 3: Australia's overall share of GCC imports – Calendar Year 2007 - A\$ millions

Country	Total imports	Imports from Australia	%
UAE*	130,520	1,954	1.5
Saudi Arabia	115,086	1,946	1.7
Kuwait*	20,793	529	2.5
Bahrain	14,689	924	6.3
Oman	20,442	363	1.8
Qatar*	21,926	191	0.9
TOTAL	323,456	5,907	**

Source: UN data on the DFAT STARS Database.

* 2006 figures | ** Not appropriate due to mix of years

Individual country analysis

United Arab Emirates

Australian exports to the UAE have shown the strongest growth in the 5-year period, increasing by 164%. The metals sector has accounted for the bulk of this growth, (with some 9% of Australia's exports to the UAE in 2007-08). Gold exports reached A\$1 billion in 2007-08, while zinc and copper accounted for about A\$ 250 million, reflecting the huge growth in the UAE construction industry.

Passenger motor vehicles were again the largest single item in Australia's exports to the UAE. At A\$ 358 million, cars represented about 12% of the total.

Meanwhile, foodstuffs (including live animals) accounted for \$ 305 million, or about 10% of exports in 2007-08.

Confidential items were \$ 741 million – which is likely to include sales of wheat, alumina, other grains and mineral ores.

The major sources of the UAE's imports are the United States, China and India, with each country accounting for about 10% of total import volumes. The UAE's imports are widely dispersed across many product categories and many countries.

As noted earlier, some 35% of the UAE's imports are re-exported, with Iran and Saudi Arabia being the major destinations. Nearby Qatar and Oman are also important re-export destinations.

Saudi Arabia

Passenger motor vehicles dominate Australia's export trade with Saudi Arabia, recording sales of A\$1 billion in 2007-08 or a dominant 45% of the total Australian export trade to that market.

Foodstuffs and raw materials are also important export items. Food products (including live animals) exports were \$ 456 million in 2007-08, or 20% of the total. The Confidential items were \$ 548 million, which will include wheat, other grains and mineral ores, amongst others.

Saudi Arabia's major import suppliers in 2007 were the USA (13.6%), China (9.7%) and Germany (8.9%). Australia counted for 2.2% of Saudi Arabia's imports in 2007.¹⁸

Capital item imports, such as aircraft, ships and defence equipment, are major factors in Saudi Arabia's global trade. US and EU oilfield supplies and oil processing equipment also represent strong elements in Saudi Arabia's overall export mix.

Chinese-manufactured industrial and consumer goods are also very significant.

Kuwait

Australia's exports to Kuwait have remained steady, reaching A\$ 576 million in 2007-08. Half of these imports (A\$ 287 million) were passenger motor vehicles, again emphasising the importance of the automotive sector to Australian exports.

Foodstuffs (including live animals) accounted for A\$ 132 million or 32% of Australian exports.

Confidential items accounted for A\$ 120 million.

The United States, Japan and Germany were Kuwait's major suppliers.

Bahrain

Australian exports have shown steady growth over the past five years, reaching A\$144 million in 2007-08.

Food items, notably live animals, represent 46% of Australia's sales – (A\$ 66 million).

Passenger vehicles were a major element in Australia's exports to Bahrain – 38% of the total.

Oman

Australia's exports to Oman have grown by 114% over the past 5 years.

¹⁸ DFAT Fact Sheet

Passenger motor vehicles account for the bulk of Australia's exports to Oman, making up nearly 60% of exports in 2007-08.

Foodstuffs (including live animals) were 19% of total exports in 2007-08, with the other major items being in the Confidential category. These confidential items are likely to be grains and metal ores.

Oman's major imports suppliers in 2007 were the UAE (26%), Japan (16%) and India (7%).

The UAE is a popular transshipment port for exports to Oman in view of its proximity and good road links. A range of Australian goods enter Oman via the UAE.

Qatar

Australia's exports of A\$199 million in 2007-08 represented very acceptable growth (50% over the past 5 years). Services exports, however, have been strong, with a number of Australian consulting engineers, designers and planning companies having established sound business in Qatar, as a result of the country's strong push for infrastructure development, and particularly boosted by the creation of infrastructure for the Asian Games 2006 – with which many Australian companies were closely involved.

Passenger motor vehicle exports represented 42% of exports in 2007-08, followed by food products at 28% and Confidential items at 17%.

Japan, the United States and Germany are Oman's principal import suppliers, as well as the UAE, with Sharjah and Dubai offering efficient transshipment services by road and sea.