

What's Your Middle East Strategy?

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China, India, and emerging nations such as Thailand, Vietnam and Malaysia have been on people's radar screen for years. But the Middle East is growing rapidly and will start to become an equal consideration going forward.

Growth rates in Asian countries have been following a predictable and upward pattern in recent years. Accordingly, they have gotten a lot of attention from investors wanting to capitalize on it. If you haven't been watching the radar screen very carefully, though, you may have missed the emergence of Middle Eastern nations such as Egypt, Jordan, Kuwait, and Saudi Arabia. Starting in 2011, these countries will grow at an annual rate of 3.5%-5.0%, according to IHS Global Insight. Egypt and Saudi Arabia will lead the pack, with annual growth rates over 4% per year from


2011 through 2013.

While the Asian growth has stemmed largely from population growth and the industrial and the technological base that needs to grow to support that population, Middle Eastern growth is driven by those factors plus oil revenue and technological leadership in focused industries such as petroleum, chemicals, aluminum, and services such as education. As a result, Middle Eastern growth may be well-suited to a slightly different brand of retailing and business to business commerce than in many emerging Asian nations.

From a logistics perspective, this could translate to a more high-margin opportunities, and everybody likes higher margins, especially in today's freight world where rates are rock-bottom and the challenge is sorting out the loads that make money

from the rest. Saudi Arabia is diversifying its economy, and trade into and out of Dubai is already mostly non-oil. Cosmetics, toiletries, and high-value equipment related to petroleum and renewable energies will make up significant cargo volume. This bodes well for a diverse set of freight and shipping providers, including container, breakbulk, and liquid bulk carriers.

Cargo destined for the region is often unloaded directly in the destination country today. Dubai and Bahrain are positioning to be regional load centers within the Arabian Gulf itself. While Dubai might be considered a natural choice for cargo that is ultimately destined for the United Arab Emirates (UAE), Bahrain is an attractive option for the Northern Gulf and the Indian subcontinent. It has unique access to Saudi Arabia; it will soon connect with Qatar via a 40-kilometer causeway and it can also be used as a platform for serving India and Pakistan, which together import about the same value of goods every year as the whole GCC bloc. Being aware of this opportunity, Bahrain is now offering value-added services through its duty-free Bahrain Logistics Zone (BLZ), which connects to the airport and a large industrial park.

Because of the rapid pace of development, any regional strategy needs to consider future economics and infrastructure as much as today's situation, which might be quite different by the time your traffic flows ramp up. Therefore, it is a good idea to get some profiles and projections of the economies, some market intelligence on the planned infrastructure, and some local contacts to facilitate doing business. Boston Strategies International offers all of the above through its offices in Boston, Dubai, and Shanghai. 

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