غرفة التجارة العربية الايرلندية
Arab–Irish Chamber of Commerce

The Arab World

Long Term Economic Prospects & Opportunities for Ireland

Table of Contents

List of Tables

List of Figures

Foreword

The publication of this report coincides with the 25th anniversary of the founding of the Arab-Irish Chamber of Commerce. The Chamber was formed to promote economic, commercial and cultural links between Ireland and the Arab States. In the intervening period, the Chamber has been a catalyst in the development of a vibrant trade relationship which is now worth over €3bn to the Irish economy.

The report, compiled by DKM, was commissioned by the Chamber to identify opportunities for greater economic co-operation between Ireland and the 21 Arab nations that stretch from Morocco on the Atlantic Coast of North Africa to Oman in the East of the Arabian Peninsula and from Syria south to Yemen.

Arab countries are home to half of the world's know oil reserves and 30% of known natural gas reserves. These alone guarantee that there will be significant inflows of revenue to the region to guarantee a large and continuous demand for a wide variety of goods and services for the next fifty years at least. It is logical that such a prosperous region should be considered as a significant potential trading partner, for an export led economy such as ours.

The report takes medium and longer term views of the potential for growth in trade between Ireland and the Arab countries, identifying where and how future demand will develop. By analysing demographics and political and economic trends, the report maps the specific areas of demand which will be important and the sectors in Ireland that are best positioned to supply that demand over the coming two to three decades.

This study was not undertaken to be an academic exercise, nor was it drafted to rest on the shelf of the Chamber library. It is intended that the report will encourage Irish enterprises, the public sector and business development agencies to take advantage of the undoubted opportunities which exist to build business in this region. The report demonstrates conclusively that the Arab states, already a major trading partner, can play an even bigger role in the success of Irish business in the decades ahead.

The Arab World already represents a major international market for Ireland characterised by proximity, high import demand, high incomes in many countries, rapid population growth and large scale infrastructure plans. Direct air links between Ireland and the Gulf have eased market access considerably. DKM found that Ireland has a very positive image in the Arab World, borne of long-term business links, identification with a common historical experience and a perception that, among Western countries, Ireland is sympathetic to Arab causes.

The report contains many important findings, perhaps the most striking of which is that Ireland has the potential to treble exports to this region, to €9bn., over the long term.

DKM has identified that trade to Arab states currently supports 8,000 jobs, already a significant level. If exports were allowed to develop to the potential identified in this report, it is estimated that 20,000 jobs could be supported. The report makes a number of recommendations. We believe that

the most important of these is that we wake up to the potential that the Arab markets offer to Irish business. We believe that in the years ahead business ties with this region could be pursued much more vigorously by both the public and private sectors.

A good example of this was the omission of the region from the Food Harvest 2020 plan. Most Arab states have limited agricultural resources and subsequently the region is a major importer of agrifood, with over €74bn worth of imports per annum. Irish companies have already established export links to a number of countries, but our report indicates that a more focused approach could see food exports rise from approximately €300m to nearly €1bn. This growth would play a big role in helping Ireland reach its future targets in the agrifood area.

We can do much more to build business between Ireland and the region. More frequent visits by high profile, well briefed Government figures such as the President, Taoiseach, Tánaiste and senior ministers would be beneficial. Formal processes and linkages count for much in the Arab World. Activation of double taxation agreements would be helpful. The Visa Waiver system active for a number of Arab countries should be maintained beyond its 2016 timeframe and should be extended to all the countries in the region.

Enterprise Ireland and others have done excellent work to date, however the region warrants more resourcing of Ireland's enterprise and economic promotion agencies. Medium and long term strategies need to be developed for the key sectors offering most opportunity for Ireland in the region to focus resources in the right areas and maximise impact for both the private and public sectors.

Visits to Ireland by heads of state and Ministers from key Arab states should also be planned to continue building "Brand Ireland" in the region. A means should be found to harness the potential of the many Arab nationals who have studied in Ireland and who now hold positions of influence in their home country. Academic institutions can play a key role in facilitating this. Third level college business programmes should be developed in partnership with Arab institutions with the objective of increasing graduate input into growing Arab-Irish trade and commerce.

The Arab Irish Chamber has supported and will continue to support the development of trade between Ireland and the Arab states. We advise companies on market intelligence in member countries, product registration, company registration, visas and government regulations. We also provide specific services in certifying and legalising trade documents, certificates of origin and certificates of conformity. We also provide Arabic translation services.

Over the last twenty five years, a determined group of Irish businesses and entrepreneurs have led the way in building trade between Ireland and the Arab states. Most of these pioneering companies are members of our Chamber and we salute the important role they have played in building strong bi-lateral economic and cultural relationships. They have built an important base from which our trade with the Arab region can grow. This report gives an indication of how important that can be for Ireland and gives a sense of how it can be achieved.

We can think of no more fitting way of celebrating our 25th anniversary, than to lay firm foundations for the next 25 years. We believe that this excellent report will help us to do that.

January 2013

Executive Summary

To mark its 25th anniversary, the Arab-Irish Chamber of Commerce (AICC) has commissioned DKM Economic Consultants to undertake a study of the short, medium and long-term **market opportunities for Irish businesses** in the countries represented by the Chamber. The twenty-one members of the AICC (excluding Ireland) are as follows:

Algeria	Lebanon	Saudi Arabia
Bahrain	Libya	Somalia
Djibouti	Mauritania	Sudan
Egypt	Morocco	Syria
Iraq	Oman	Tunisia
Jordan	Palestine	United Arab Emirates (UAE)
Kuwait	Qatar	Yemen

The total **population** of the AICC countries is currently 350 million, 5% of the world's population. Egypt is by far the most populous, accounting for almost one-quarter of the total. The next six largest account for more than half of the total, i.e. Algeria (10%), Sudan (10%), Iraq (9%), Morocco (9%), Saudi Arabia (8%) and Yemen (7%).

The region's population is growing rapidly, and is expected to reach 461 million by 2025, and 621 million by 2050. This equates to an increase of roughly 80% over the next 40 years, **twice the global population growth rate**. Over the period the AICC countries will increase from 5% of the world's population to 6.7%.

The **largest economies** in the region are Saudi Arabia, United Arab Emirates and Egypt, which between them represent 50% of the entire region's output (Saudi Arabia alone accounts for almost 25%).

When **per capita data** is considered, the smaller energy exporters such as Qatar, UAE and Kuwait each enjoy GDP per capita of ten or more times the region average. The other oil-exporting gulf countries – Saudi Arabia, Bahrain and Oman also enjoy high per capita income levels. Saudi Arabia is notable in having both a large population, and high per capita incomes. The Gulf States also have large expatriate populations, sometimes outnumbering the natives.

At the other end of the spectrum, countries such as Djibouti, Mauritania and Somalia have low GDP in both aggregate and per capita terms.

With regard to trade, Saudi Arabia and UAE are the most prominent nations, with **aggregate trade** (imports + exports) of over €400 billion each. Below them, Algeria, Egypt, Iraq and Kuwait each have aggregate trade in excess of €100 billion while Qatar is also just under €100 billion. By comparison, Ireland's aggregate trade stands at €388 billion.

Merchandise trade dominates, driven by energy exports. The value of internationally traded services exports from the region is considerably lower, with Egypt and Lebanon the strongest exporters of services.

AICC countries are **highly dependent on imports**, with Saudi Arabia, UAE and Egypt being the largest importers. The region is particularly dependent on food imports, reflecting in many cases limited resources of arable land and water. This is a significant vulnerability – high food prices in recent years are widely seen as a catalyst for the Arab Spring.

Notwithstanding very high levels of wealth in some cases, the AICC countries lag behind the West in terms of **development**, particularly physical infrastructure, human capital and ease of doing business. The highest ranked AICC country in the UN's Human Development Index is UAE at 30th; Saudi Arabia is 56th and Egypt is 113th (by comparison, Ireland is ranked 7th). Unemployment is high in many countries, and literacy rates (a proxy for education) are not especially high.

It is notable however that in terms of ease of doing business, economic freedom and corruption levels, the countries of the Arab World generally score better than the BRIC countries (Brazil, Russia, India and China), which often attract considerably more attention.

Large-scale investments are being planned in many countries over the coming years, as part of national development programmes, reflecting:

- weaknesses in infrastructure,
- rapidly increasing population,
- availability of funding, and
- knowledge that energy reserves will not last forever and that diversification is necessary.

The IMF estimates that over USD4 trillion will be invested in the AICC countries in the coming five years, over USD 1 trillion in Saudi Arabia alone.

This is being accompanied by **localisation policies** ("Saudisation", "Bahrainisation", etc.), aimed at replacing expatriate workers with local staff.

These developments will generate significant opportunities not only for firms supplying and managing infrastructure but also for those in the education and training sectors. The health sector will also present opportunities, given current and future demographic structures.

In 2011 **Ireland exported €1.56 billion worth of goods** to the AICC countries, 1.7% of our total exports. The AICC countries are thus one of Ireland's most important trading blocs outside Europe and North America, and are on a comparable level with Japan and China. In terms of exports by indigenous firms, the AICC countries are more important than China. Merchandise exports are growing strongly, and are up approximately 38% over the last decade.

From the other perspective, Ireland accounts for 0.33% of total merchandise imports into the AICC countries. Four countries import more than €100 million worth of goods each year from Ireland – UAE, Saudi Arabia, Kuwait and Egypt – and between them, they account for almost 70% of Ireland's merchandise exports to the region.

The UAE is particularly noteworthy:

- Its merchandise imports per capita are over €23,000, well in excess of the other countries in the region, reflecting the fact that it acts as a trade hub for the Gulf and beyond.
- It is also the highest per capita importer of Irish goods in the region, at almost €60 per annum, comparable to Ireland's exports to North America and the EU (excluding the UK).

Ireland's exports are highly concentrated by sector. The top six categories in 2011 accounted for more than 80% of Ireland's merchandise exports to the region. These are:

1. Soft drink concentrates (€536 million),
2. Baby formula (€217 million),
3. Medical & pharmaceutical products (€193 million),
4. Computers, computer parts and storage devices (€118 million),
5. General industrial machinery & equipment & parts (€110 million), and
6. Dairy (€103 million).

These markets are particularly important for multinational corporations based in Ireland.

The value of **Irish services exports** to the region is comparable to that of merchandise exports (€1.33 billion), but they are even more concentrated, with three countries – UAE, Saudi Arabia and Egypt – accounting for over 80% of the total. A sectoral breakdown of exports to the region is not available, for confidentiality reasons. Services exports from Ireland to the region have been growing particularly strong over the last decade. For instance exports to UAE are up approximately €483m to €514m while Egypt has seen an increase of approximately €325m to €361m.

From a temporal point of view, **the short (1-5 year) term environment** in the region will be dominated by a number of factors, notably:

- High energy prices will underpin Exchequer revenues in the oil and gas exporters.
- Political disturbance in a number of countries will cause uncertainty and risk, acting as a constraint on investment and reconstruction.
- National development programmes will drive investment.
- Demographic structures point to a strong requirement for education and training.

In the medium (5-15 years) term:

- Subject to political difficulties being resolved, opportunities will widen, notably in Iraq and Libya. Libya in particular has potential to match the income levels of the Gulf States, given its hydrocarbon reserves and modest population.
- There will be pressure for investment and diversification programmes to deliver in terms of employment opportunities for the growing working age populations.

Moving to the long (15-25 years) term:

- Some countries will see a tailing off of their hydrocarbon reserves, which will force economic change.
- Population pressures will mount in all countries, driving the need for continued economic diversification and development. They will be most pressing in countries such as Egypt, with limited energy exports, rapidly rising populations and food security issues.
- The populations will also age considerably, which will put pressure on health services and the general exchequer budget through its draw on pensions.

Based on the analysis in this study the AICC countries have been divided into Tier 1, 2 and 3, in terms of the level of market opportunity for Ireland.

Tier 1: Saudi Arabia and the Gulf States (Bahrain, Kuwait, Oman, Qatar, UAE)

- Consolidate, grow and deepen market involvement

There is already a significant presence by Irish companies and an established flow of trade and investment. The focus needs to be on consolidating and deepening Ireland's commercial presence and on building the Irish brand. These are also good markets for companies looking to establish themselves in the region.

Tier 2: Algeria, Egypt, Jordan, Lebanon, Libya, Iraq, Morocco, Tunisia.

- These offer future potential for Ireland
- Exploratory / Developmental

These markets offer significant medium to long-term potential where the focus should be on getting started and establishing a presence by experienced Irish companies with a track record elsewhere in the region. They will require a different set of supports in the early years focussed around market entry and development activities.

Tier 3: Djibouti, Mauritania, Palestine, Somalia, Sudan, Syria.

- Niche sectors
- Approach is to establish contacts locally and to have a network in which opportunities can be exploited as they arise

There are, and will continue to be, ad hoc opportunities for Irish exporters in these markets. However, for a variety of economic and market reasons they should be addressed in a more reactive manner on a case-by-case basis and do not in general offer the same level of business opportunity as the Tier 1 and 2 countries.

In conclusion:

- The Arab World represents a major international market for Ireland, characterised by:
  - proximity,
  - high import demand,
  - high incomes in many countries,
  - rapid population growth, and
  - Significant infrastructure deficits and large-scale plans in many countries to tackle these.
- Direct air links between Ireland and the Gulf are a major benefit which has eased market access considerably.
- The AICC countries combined are as important an export market for Ireland as China, and for indigenous companies they are more important.
- Irish exports – and in particular services exports – have been growing strongly over the last decade.

- Ireland has a very positive image and "brand" in the Arab World, born of long term business links, identification with a common historical experience, and a perception that, among Western countries, Ireland is sympathetic to Arab causes.
- A weakness however, is that many Irish firms lack the scale needed for the investment required to create a presence in the Arab market. Developing a presence in the Arab World is a long term process, which requires spending time in situ to build up relationships. Local partners are a necessity (if not a legal requirements) in most cases. Irish firms need to be aware of this and be prepared for the investment in resources required.
- The market in the Gulf States is very competitive, and it is difficult to compete on price. Irish firms need to concentrate on their specialisms and quality.
- At the moment, the main focus of Irish firms and economic promotion agencies is on the Gulf, as opposed to North Africa, and our analysis by-and-large confirms the appropriateness of this approach in the short term.
- The planned investment in infrastructure and in human capital development in the Gulf States and Saudi Arabia in particular over the next decade or so is enormous, and warrants serious consideration by any substantial Irish firms or institutions in the construction, education, health and ICT sectors.
- Within this region, Saudi Arabia is the most lucrative, having both a critical mass of wealth and population. It is notable among the AICC countries in having a sizeable middle class, which is likely to expand over time with population growth and economic development. However, it is a challenging environment in which to do business.
- The other Gulf States are more open, but represent smaller and more competitive markets.
- The long term economic importance of the Gulf is assured by large energy reserves, population growth, and the local realisation that development and economic diversification are a priority.
- Irish firms and institutions have been active in a number of non-Gulf countries in the past, and in time countries such as Egypt, Libya, Iraq and Algeria will become increasingly important markets, once political stability is established. Libya and Iraq in particular have the advantage of large energy reserves.
- A full sectoral analysis of the future potential of the Arab World for Irish firms and institutions is beyond the scope of this report. However, we have identified a number of sectors that appear to have the most potential, namely:
    - Agrifood*
    - Pharmaceuticals/medical devices/medical technology*
    - Human capital formation*
    - Aviation
    - IT/telecoms/software*
    - Energy and renewable energy
    - Construction
    - Financial services
    - Tourism*.
- We have not been able to place a value on the potential of all of these sectors. Of the sectors that we have been able to measure (those with the asterisk), we tentatively estimate that the value of trade with the AICC countries to the Irish economy is currently approximately €2 billion (compared to total merchandise and services exports of €2.9 billion), and is capable of growing at 8% per annum in the short term and at 5% per annum over the medium and long term. This

would see the value of trade in these sectors treble over the next 25 years to €7 billion (in constant money terms).

- The sectors we have not been able to measure – aviation, construction and financial services – are of comparable if not greater potential, which would indicate an overall growth potential to more than €9 billion. Construction warrants a particular mention given the level of infrastructure development planned in the Gulf in particular over the coming decade. Sharia compliant Government bonds (Sukuk) also have potential to be a source of funding to the Irish Government when it returns to the financial markets, albeit they impose some restrictions on issuers.
- We estimate that at the moment some 8,000 jobs in Ireland are dependent on trade with the Arab World, split roughly 50:50 between merchandise and services exports. In the long run, we estimate that this figure could grow to in excess of 20,000.

During the course of our analysis, a number of issues have arisen where action can be taken to enable "Ireland Inc." to capitalise on the short, medium and long term opportunities in the AICC countries. With this in mind, we would make the following recommendations:

- Ireland already has a strong brand in the Arab World, built on business and personal relationships, and perceptions of the role played by Ireland on the global stage, but scale and the required time and resource commitment are a challenge for many Irish firms and institutions considering the region. Ways of leveraging the beneficial potential of the brand to the maximum degree should be explored by the Irish private and public sector. Much work has already been done in this area. Existing links such as embassies, economic promotion agencies, chambers of commerce and business networks, firms and institutions operating in the region can be the conduit for this. An agency such as Enterprise Ireland could act as a support mechanism.
- Over the past number of decades, the Irish public sector has built up a significant body of human capital in the general field of governance, including *inter alia*:
  - economic regulation (energy, financial services, transport, etc.),
  - quality regulation (The Irish Medicines Board, HIQA, etc.),
  - public service training (e.g. the Institute of Public Administration),
  - economic development and promotion (e.g. Enterprise Ireland, IDA Ireland, Bord Bia, Bord Iascaigh Mhara, Shannon Development).

  Given that power structures tend to be quite centralised in Arab countries, the proportion of the economy that flows through the public sector (reflecting among other things energy royalty revenues), and the push to develop and diversify their economies, there would appear to be a large opportunity for Irish public sector bodies to provide technical assistance to or "mentor" their Arab counterparts in the broad task of socio-economic development. The structures through which this would happen would need to be identified, but the World Bank and the EU as well as individual Governments have programmes that fund education and training of public servants. Private sector Irish bodies, such as IDI, are already involved in this activity. This would further enhance Ireland's brand in the region over the medium to long term.

- The Middle East and North Africa region is particularly dependent on food imports, reflecting in many cases limited resources of arable land and water. Ireland can benefit significantly from this particularly in relation to food technologies where it has a proven track record and reputation.

- Formal processes and linkages count for much in the Arab World. More frequent visits by high profile, well-briefed Government figures (President, Taoiseach, Tánaiste, senior ministers) would be beneficial in this context, including for instance easing the removal of remaining restrictions on beef exports. It is noteworthy that Prime Minister David Cameron, President Sarkozy and Chancellor Merkel have all visited the Gulf region on numerous occasions during their time in office.
- In a similar vein, Joint Economic Commissions, Memoranda of Understanding, etc. are part of the way of doing business in the Arab World, and can facilitate business linkages. Double taxation agreements exist with most of the Gulf States and Saudi Arabia, but many are yet to be activated (not yet ratified by the Gulf State Governments). Any steps that can be taken to facilitate this will be helpful.
- Given the importance of the AICC countries for Irish exports and for indigenous exports in particular, the region warrants more resourcing of the activities of the Irish enterprise and economic promotion agencies. It is notable, for instance, that the Middle East, one of the largest food-importing regions in the world, barely receives a mention in the *Food Harvest 2020* report.
- The simplification of the visa process for visitors to Ireland from the Gulf States has been beneficial and should continue to facilitate movement of people between the Gulf and Ireland. The Visa Waiver system, which includes a number of Arab countries, appears to be working well and should be maintained beyond its 2016 timeframe.
- There is a need to develop medium and long-term strategies and plans for the key sectors offering most opportunities for Ireland in the region. By doing this in a planned way there will be the benefit of ensuring that resources are focussed in the right areas and their impact is maximised. This approach should involve both the private sector and government agencies.
- The brand building of "Ireland" should be continued, and at a more intense level, particularly by the government and associated agencies. There should be a well planned programme of top level visits to Ireland by heads of state and leaders and ministers of the governments of the Tier 1 countries, and also of the Tier 2 countries when the circumstances are right. (See analysis on page iv).
- Ideas such as "market development incubators" in key markets, trading companies or marketing co-operatives, and tax incentives to spend more time on the ground in the markets should be considered.
- New Irish business networks have been established recently in the Gulf area and these initiatives should be actively encouraged and supported.

  Similarly, a means should be found to harness the potential of Arab nationals who have studied in Ireland and who now hold positions of influence in their home country. The academic institutions for instance can play a crucial role in encouraging and facilitating ways and means for these graduates to stay connected through a so-called 'diaspora mobilisation' approach
- Third level business college programmes should be developed in partnerships between Irish and Arab institutions, plus private sector companies, with the objective of increasing the number and quality of graduates to support the growth of Arab-Irish trade and commerce.

1. Introduction

1.1 Background to the Study

DKM Economic Consultants have been commissioned by the Arab-Irish Chamber of Commerce (AICC) to undertake a study to assess the market opportunities for Irish businesses in the countries represented by the AICC. The twenty-one members of the AICC (excluding Ireland) are as follows:

Algeria	Lebanon	Saudi Arabia
Bahrain	Libya	Somalia
Djibouti	Mauritania	Sudan
Egypt	Morocco	Syria
Iraq	Oman	Tunisia
Jordan	Palestine	United Arab Emirates (UAE)
Kuwait	Qatar	Yemen

Figure 1 The AICC Countries (excluding Ireland)

Source: AICC

The study has been commissioned to mark the Chamber's 25th anniversary (founded in 1987), and takes a short (1-5 years), medium (6-15 years) and long term (16-25 years) perspective of the opportunities that exist[1].

For convenience, in this report where we refer to the AICC countries, we exclude Ireland unless the context indicates otherwise. Another widely used geographic description is the Middle East & North Africa or MENA[2]. "The Arab World", "the AICC countries" and MENA are used interchangeably in this report. The Gulf Cooperation Council (GCC) States currently comprise the major energy exporters of the Arabian Gulf - Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the UAE, and for convenience these are often referred to in the report as the GCC States.

1.2 Report Structure

This report is laid out as follows:

Section 2 describes the current macroeconomic and demographic profile of the AICC countries;

Section 3 describes their expected future current macroeconomic and demographic profile;

Section 4 analyses Ireland's trade with the AICC countries;

Section 5 assesses the nature of the market opportunity for Ireland in the AICC countries, in the short, medium and long term;

Section 6 sets out our conclusions and recommendations for taking advantage of the opportunities.

1.3 Acknowledgements

We wish to acknowledge the time and assistance provided by many individuals in State promotion agencies, the diplomatic service, industry bodies and firms and educational institutions. Without their help this report would not have been possible. Any remaining errors or omissions are the sole responsibility of the authors.

[1] As this study focuses on a twenty-five year timeframe, it is based on the assumption that the current political turmoil in the Arab World comes to a conclusion and that the economies in question return to their long term development paths. However, our analysis acknowledges that short term prospects will be adversely affected. It is worth noting that, while the turmoil has adversely affected a number of countries, in many cases other AICC countries have gained. For example, tourism in Dubai has reportedly gained from a displacement of tourists from Egypt, and the turmoil has seen capital flow into the Gulf from the affected countries.

[2] MENA strictly speaking comprises Saudi Arabia, United Arab Emirates, Kuwait, Qatar, Egypt, Bahrain, Oman, Algeria, Morocco, Libya, Tunisia, Lebanon, *Israel,* Palestine, Jordan, Syria, *Iran*, Iraq, Mauritania, Sudan and Yemen (italicised countries not in AICC). In addition, Djibouti, Somalia and Sudan are often included within the definition of MENA.

2. The AICC Countries – Current Economic and Demographic Profile

This chapter presents a profile of the AICC countries, in terms of population, income levels, trade (imports and exports) and socio-economic structure. Given its relevance from an Irish viewpoint, we include a specific discussion of food imports and security. Socio-economic structure covers development, unemployment and education of the population, ease of doing business, as well as Government investment and development policy.

2.1 Population & Incomes

Table 1 and Figures 2 to 4 overleaf present the population, GDP and GDP per capita of each of the AICC countries (data in tables is represented alphabetically while data in charts is ranked by size in descending order).

The total population of the AICC countries is currently approximately 350 million, 5% of the global population. Egypt is by far the most populous country in the region, accounting for 84 million persons or almost one-quarter of the total. The next six most populous countries account for more than half of the total, i.e. Algeria (10%), Sudan (10%), Iraq (9%), Morocco (9%), Saudi Arabia (8%) and Yemen (7%).

The largest economies in the region are Saudi Arabia, UAE and Egypt, which between them represent 50% of the entire region's output (Saudi Arabia alone accounts for almost 25%).

When per capita data is considered, a somewhat different picture emerges. The smaller energy exporters stand out, with Qatar, UAE and Kuwait each enjoying GDP per capita of ten or more times the region average. The other oil-exporting gulf countries – Saudi Arabia, Bahrain and Oman also enjoy significantly high per capita income levels[3].

At the other end of the spectrum, countries such as Djibouti, Mauritania and Somalia have low GDP in both aggregate and per capita terms.

There is somewhat of a dichotomy between countries with large populations, but relatively low per capita incomes, and those with small populations but high per capita incomes (i.e. the energy exporters). One country that straddles both groups is Saudi Arabia, with a sizeable population and a high per capita income.

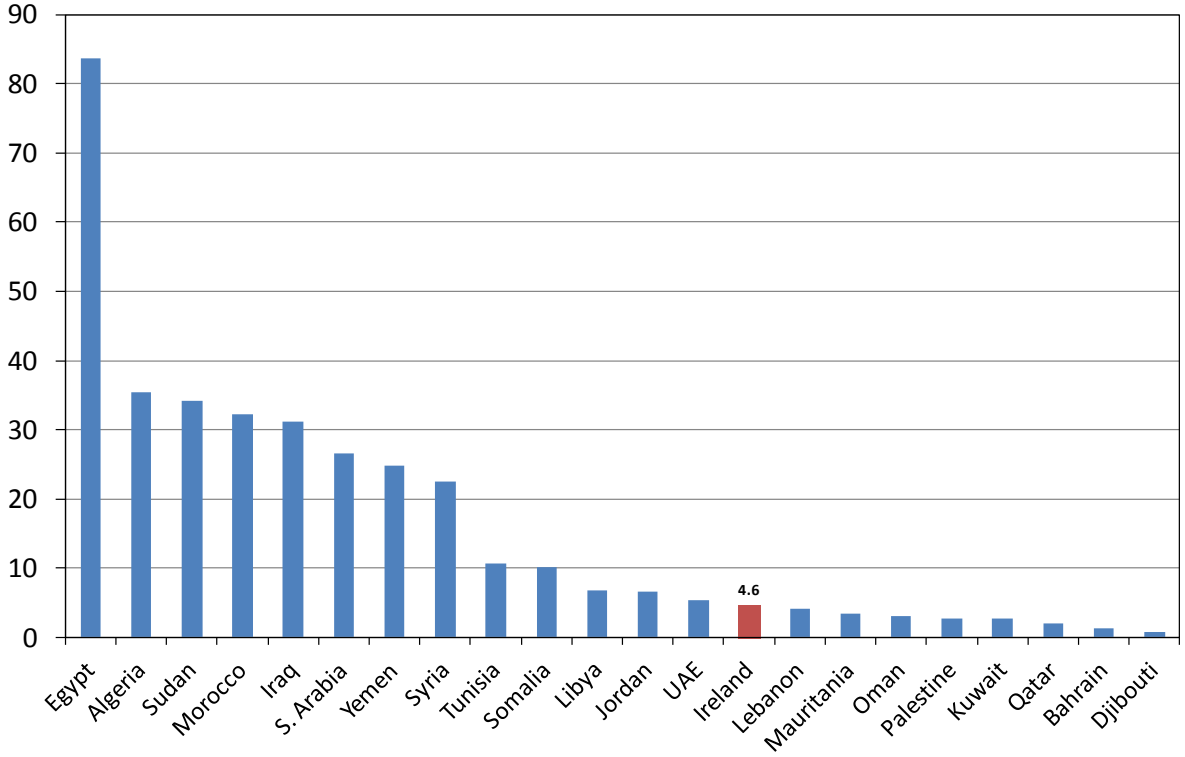
[3] Per capita data is also often presented on a Purchasing Power Parity basis, reflecting differences in cost of living in particular countries. For most AICC countries, per capita incomes are higher on a PPP basis than on an official exchange rate basis, reflecting a relatively low cost of living. Two exceptions are UAE and Kuwait, where the PPP basis is respectively 28% and 38% lower than the official basis (www.cia.gov : http://1.usa.gov/c7nOuy). However, given the focus of our study, the official exchange rate basis is a more appropriate barometer, as it represents actual capacity to buy Irish goods and services.

Table 1 AICC Countries – Population, GDP & GDP Per Capita

	Population July '12 (million)	%age Breakdown	GDP 2011 (USD billion*)	%age Breakdown	GDP per capita 2011 (USD*)
Algeria	35.4	10%	183.4	8%	5,200
Bahrain	1.2	0%	26.4	1%	22,000
Djibouti	0.8	0%	1.3	0%	1,600
Egypt	83.7	24%	231.9	10%	2,800
Iraq	31.1	9%	108.6	5%	3,500
Jordan	6.5	2%	28.4	1%	4,400
Kuwait	2.6	1%	171.1	7%	65,800
Lebanon	4.1	1%	41.5	2%	10,100
Libya**	6.7	2%	62.4	3%	9,300
Mauritania	3.4	1%	4	0%	1,200
Morocco	32.3	9%	101.8	4%	3,200
Oman	3.1	1%	66.8	3%	21,500
Palestine	2.6	1%	6.6	0%	2,538
Qatar	2	1%	173.2	7%	86,600
Saudi Arabia	26.5	8%	560.3	24%	21,100
Somalia	10.1	3%	2.4	0%	200
Sudan	34.2	10%	63.3	3%	1,900
Syria	22.5	6%	64.7	3%	2,900
Tunisia	10.7	3%	48.9	2%	4,600
UAE	5.3	2%	358.1	15%	67,600
Yemen	24.8	7%	36.7	2%	1,500
Total	**349.6**	**100%**	**2341.8**	**100%**	**6,700**
*Ireland****	*4.6*		*179.02*		*38,900*

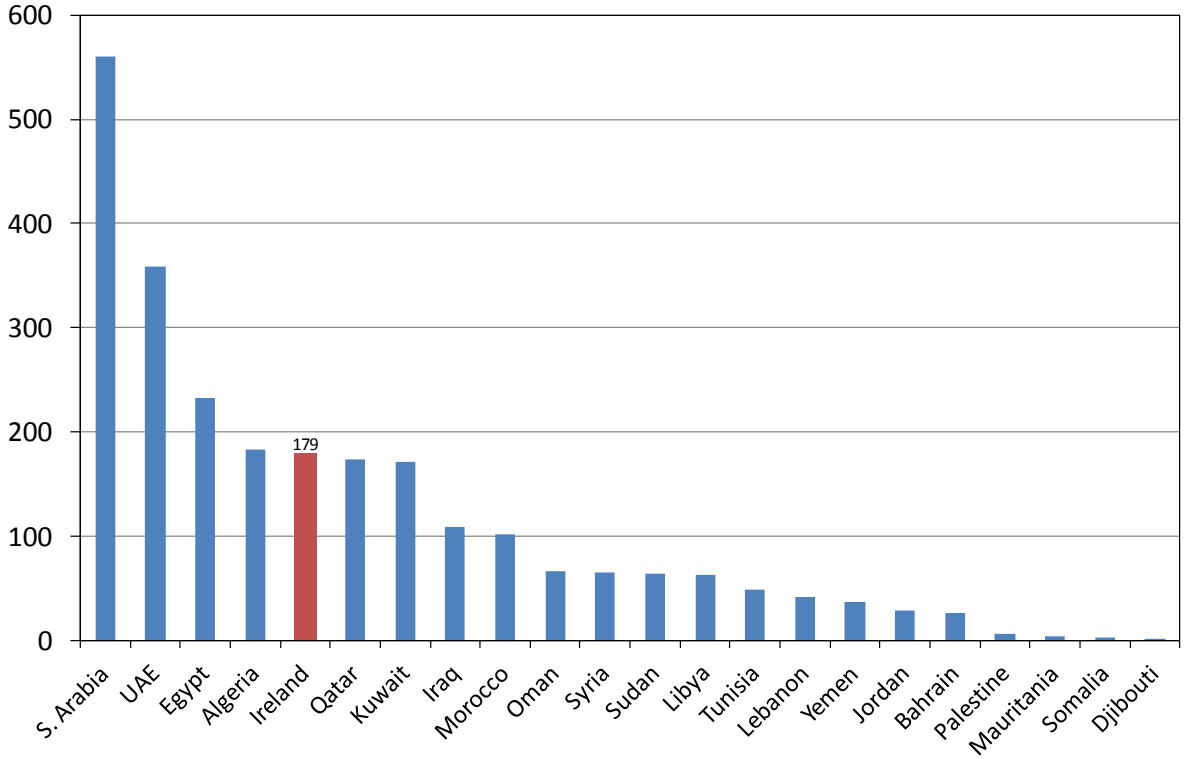
*Official exchange rates. **Libya GDP = 2010. ***Ireland's data are for 2011 and relate to GNP rather than GDP. Population estimates can vary depending on the source chosen.
Source: CIA World Factbook https://www.cia.gov/library/publications/the-world-factbook/

Figure 2 Population of the AICC Countries, July 2012 (million)



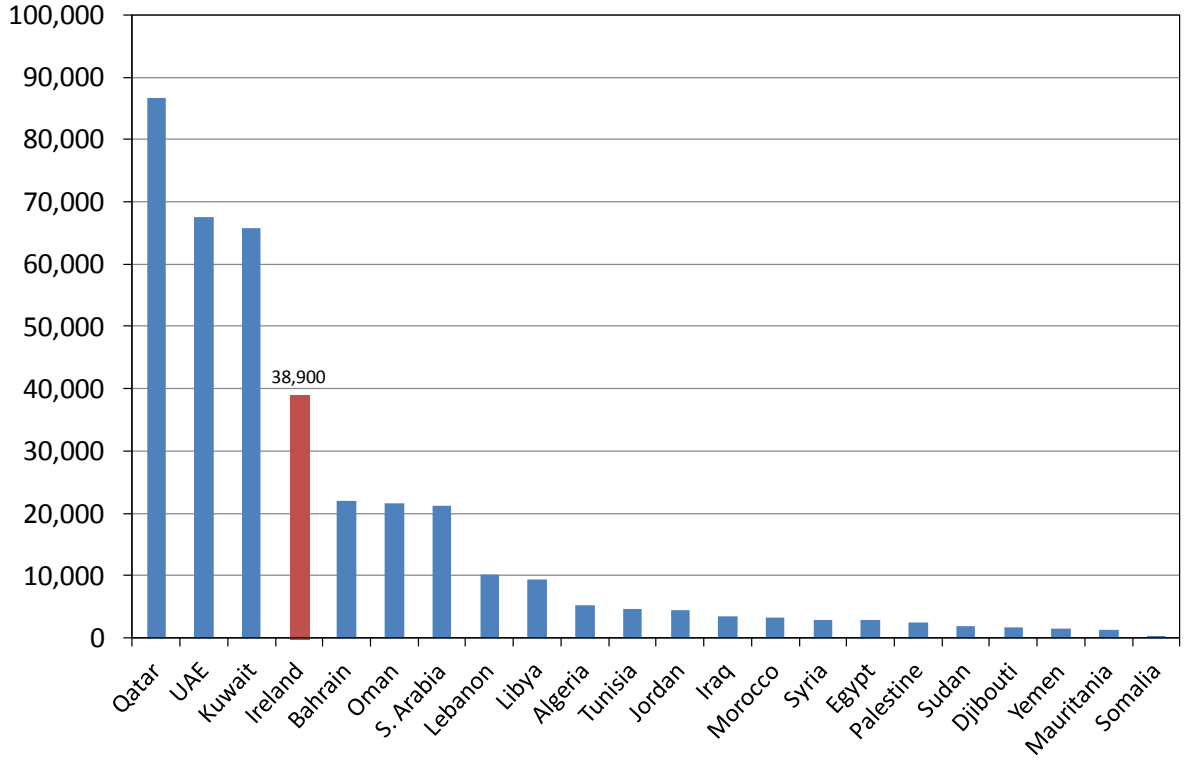
Source: CIA World Factbook

Figure 3 Gross Domestic Product (GDP) of the AICC Countries, 2011 (USD Billion)



Source: CIA World Factbook

Figure 4 GDP per capita of the AICC Countries, 2011 (USD)



Source: CIA World Factbook

Another noteworthy aspect of the region's population structure is the level of inward migration. In a number of the Gulf States, the non-native population outnumbers the native population considerably. Table 2 summarises this.

Table 2 Non-Native Populations ('000) – Gulf States and Saudi Arabia

	Native	Non-Native	Total	Non-native as %age of Total
Bahrain	1,027	235	1,262	18.6%
Kuwait	1,445	1,291	2,737	47.2%
Oman	2,205	577	2,782	20.7%
Qatar	225	1,534	1,759	87.2%
Saudi Arabia	21,872	5,576	27,448	20.3%
UAE	1,961	5,551	7,512	73.9%
Total	**28,735**	**14,765**	**43,500**	33.9%

Sources: CIA World Factbook, New York Times

The populations of Qatar and UAE in particular are dominated by non-nationals, while there is also a very large non-native presence in Kuwait. The largest non-national population is in Saudi Arabia, but as a percentage it is the smallest, given the large native population. This is relevant in terms of the countries' attempts to educate and generate employment for their populations (see later discussion).

2.2 Trade

As well as absolute income levels, the level of trade that the AICC countries engage in is of key importance. The following analysis is based on trade profiles by the WTO. More details are provided in the WTO trade tables reproduced in Appendix A.

Table 3 summarises the value of trade (i.e. exports plus imports) each country engages in, and presents it as a ratio compared to GDP.

Saudi Arabia and UAE stand out once again, with aggregate trade of over €400 billion each. Below them, Algeria, Egypt, Iraq and Kuwait have aggregate trade in excess of €100 billion while Qatar is also just under the €100 billion figure.

Table 3 Trade Profile of AICC Countries, 2010

	Aggregate Trade* (USD million)	Trade* per capita (USD)	Trade to GDP ratio
Algeria	112,160	3,162	61%
Bahrain	30,923	24,506	117%
Djibouti	768	864	59%
Egypt	115,982	1,430	50%
Iraq	102,017	3,185	94%
Jordan	31,376	5,189	110%
Kuwait	108,329	39,583	63%
Lebanon	52,173	12,341	126%
Libya	64,133	10,092	103%
Mauritania	4,597	1,329	115%
Morocco	70,910	2,219	70%
Oman	64,845	23,305	97%
Qatar	93,746	53,301	54%
Saudi Arabia	409,562	14,921	73%
Somalia	na	na	na
Sudan	24,465	562	39%
Syria	39,436	1,929	61%
Tunisia	46,973	4,453	96%
UAE	431,936	57,502	121%
Yemen	21,773	905	59%
Total	**1,826,104**	**5,314**	**78%**
Ireland	*387,877*	*84,537*	*217%*

* Trade equals exports plus imports (merchandise and services). na .. not available.
Source: WTO, CIA Factbook.

Imports and exports can be divided into merchandise (i.e. goods) and services, as per Table 4.

Table 4 Merchandise and services Exports & Imports of AICC Countries, 2010

	Exports USD Million	%age Breakdown	Imports USD Million	%age Breakdown
Merchandise	917,658	89%	609,842	77%
Services	114,040	11%	185,394	23%
Total	**1,031,698**	**100%**	**795,236**	**100%**

Source: WTO.

Merchandise trade clearly dominates, driven unsurprisingly by energy exports. Tables 5 to 8 and figures 5 to 8 overleaf summarise the merchandise and services exports and imports for each country.

Table 5 AICC Countries Merchandise Exports* 2010

	USD Million	%age Accounted for by "Fuel & Mining Products"	%age Share of AICC Country Exports	%age Share of World Total Merchandise Exports
Algeria	57,053	98.6	6.2	0.37
Bahrain	14,971	80.2	1.6	0.10
Djibouti	85	na	0.0	0.00
Egypt	26,438	34.5	2.9	0.17
Iraq	52,483	99.9	5.7	0.34
Jordan	7,028	8.2	0.8	0.05
Kuwait	67,118	92.3	7.3	0.44
Lebanon	5,021	8.9	0.5	0.03
Libya	48,900	89.4	5.3	0.32
Mauritania	2,074	75.6	0.2	0.01
Morocco	17,771	15.1	1.9	0.12
Oman	36,601	73.1	4.0	0.24
Qatar	62,000	84.9	6.8	0.41
Saudi Arabia	251,143	84.2	27.4	1.65
Somalia	na	na	na	na
Sudan	11,404	88.0	1.2	0.07
Syria	12,741	42.4	1.4	0.08
Tunisia	16,427	16.2	1.8	0.11
UAE**	220,000	35.0	24.0	1.44
Yemen	8,400	90.8	0.9	0.06
Total	**917,658**	**69.1**	**100.0**	**6.01**
Ireland	*116,497*	*2.2*		*0.76*

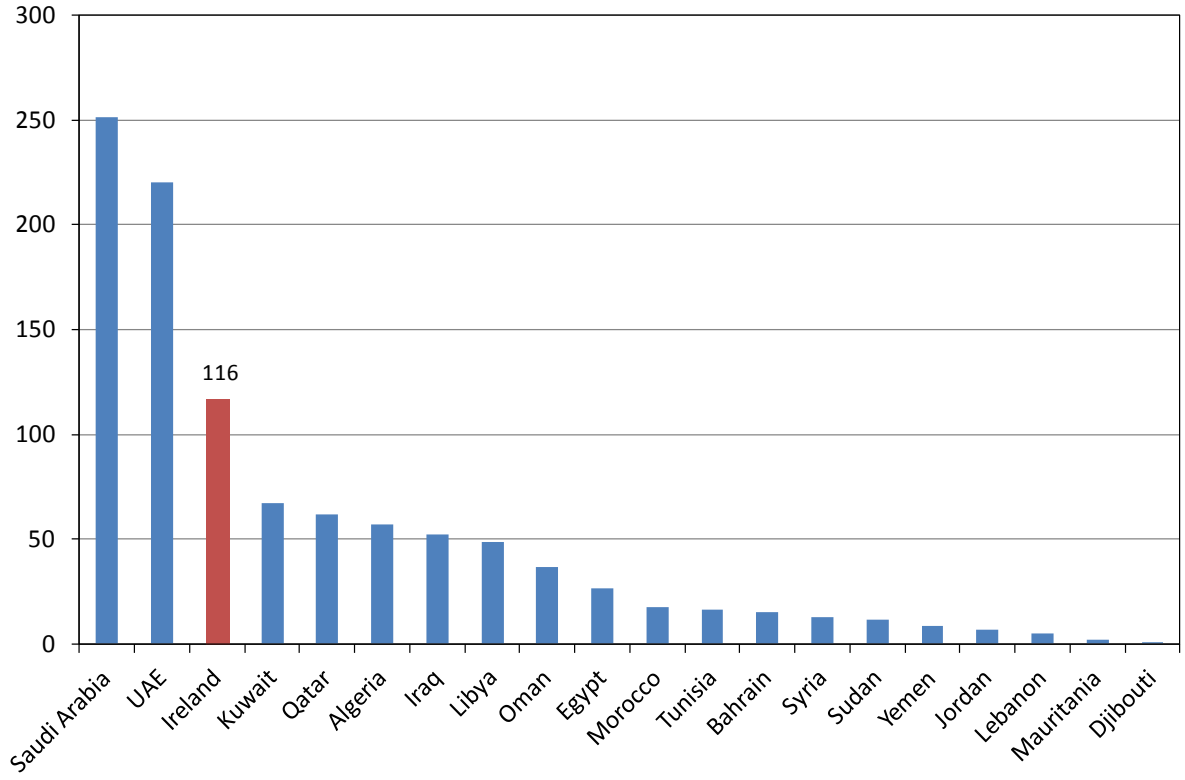
*F.o.b. ("free on board").

**UAE's percentage breakdown of exports in the WTO statistics is incomplete, with only 61% accounted for.

Source: WTO Trade Profiles http://bit.ly/8Z8bgE

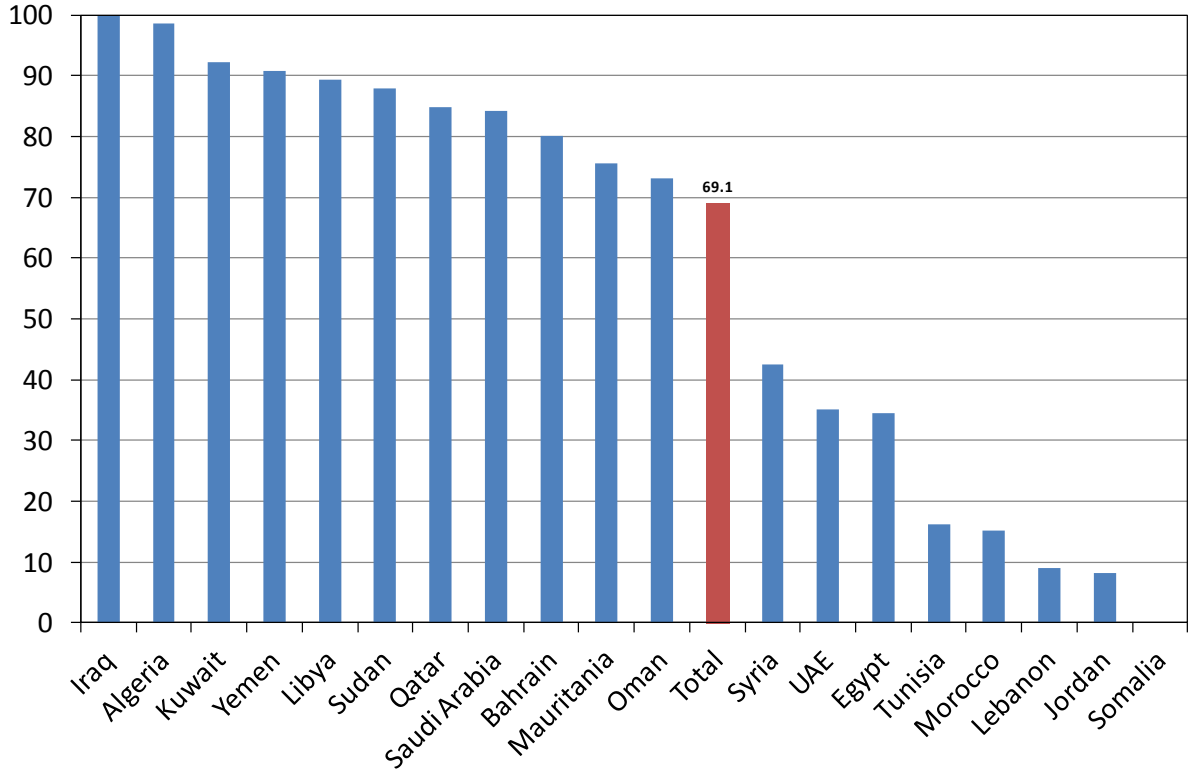
Overall, almost 70% of total merchandise exports from AICC countries are accounted for by "fuels & mining products". These sectors dominate in most countries, and are substantial even in a number of countries not normally considered major oil exporters. This highlights the importance of economic diversification in the region, a theme which is returned to later in the report.

Figure 5 AICC Country Merchandise Exports, USD Billion, 2010



Source: WTO Trade Profiles

Figure 6 AICC Country Merchandise Exports: % accounted for by 'Fuel & Mining'



Source: WTO Trade Profiles

Table 6 AICC Countries Services Exports 2010

	USD Million	% Share of AICC Country Exports	Share % of World Total Services Exports
Algeria	3,519	3.1%	0.09
Bahrain	4,047	3.5%	0.11
Djibouti	149	0.1%	0.00
Egypt	23,618	20.7%	0.63
Iraq	2,293	2.0%	0.07
Jordan	4,782	4.2%	0.13
Kuwait	7,137	6.3%	0.19
Lebanon	15,706	13.8%	0.42
Libya	410	0.4%	0.01
Mauritania	85	0.1%	0.00
Morocco	12,138	10.6%	0.32
Oman	1,761	1.5%	0.05
Qatar	2,826	2.5%	0.08
Saudi Arabia	10,346	9.1%	0.28
Somalia	na	na	na
Sudan	224	0.2%	0.01
Syria	7,040	6.2%	0.19
Tunisia	5,471	4.8%	0.15
UAE	11,028	9.7%	0.29
Yemen	1,460	1.3%	0.04
Total	**114,040**	**100.0%**	**3.06**
Ireland	*97,278*		*2.60*

Source: WTO Trade Profiles http://bit.ly/8Z8bgE

The value of internationally traded services exports from the region is considerably lower than for merchandise exports. In contrast to the merchandise exports, Egypt and Lebanon are the strongest exporters of services. Services exports from the region are dominated by transport and travel.

Turning to imports, unsurprisingly, the largest exporters (Saudi Arabia and UAE) are also the largest merchandise importers. The UAE is a particularly significant importer due to its role as a distribution hub for the Middle East, whereby goods are shipped there initially before being redistributed to AICC and non-AICC countries. Egypt also features, reflecting its large population. The main imports are manufactured goods.

A similar pattern arises with services imports as for merchandise imports, with Lebanon, Kuwait and Algeria also prominent. As with services exports, travel and transport dominate.

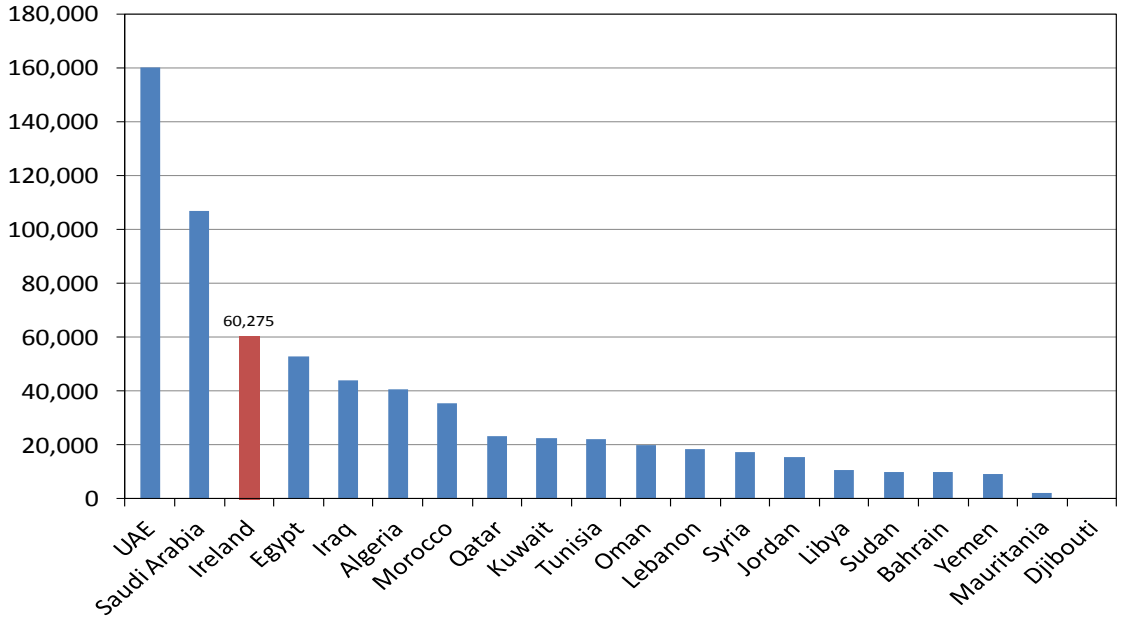
Table 7 AICC Countries Merchandise Imports* 2010

	USD Million	% Share of AICC Country imports	Share % of world total merchandise imports
Algeria	40,473	6.5	0.26
Bahrain	9,800	1.6	0.06
Djibouti	364	0.1	0.00
Egypt	52,923	8.5	0.34
Iraq	43,915	7.1	0.28
Jordan	15,564	2.5	0.10
Kuwait	22,446	3.6	0.15
Lebanon	18,460	3.0	0.12
Libya	10,500	1.7	0.07
Mauritania	1,935	0.3	0.01
Morocco	35,381	5.7	0.23
Oman	19,973	3.2	0.13
Qatar	23,240	3.7	0.15
Saudi Arabia	106,863	17.2	0.69
Somalia	na	na	na
Sudan	10,045	1.6	0.06
Syria	17,467	2.8	0.11
Tunisia	22,215	3.6	0.14
UAE	160,000	25.8	1.04
Yemen	9,212	1.5	0.06
Total	**620,776**	**100**	**4.00**
Ireland	*60,275*		*0.39*

*F.o.b. (Free on board).

Source: WTO Trade Profiles http://bit.ly/8Z8bgE

Figure 7 AICC Countries Merchandise Imports (USD Million) 2010



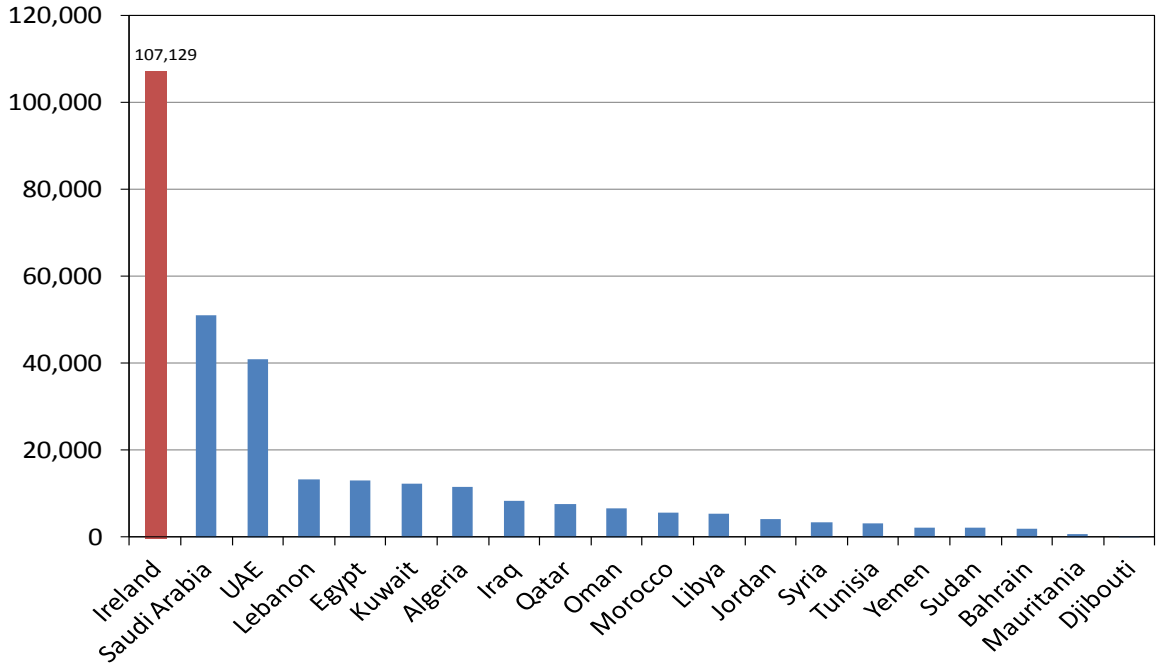
Source: WTO Trade Profiles

Table 8 AICC Country Services Imports 2010

	USD Million	% Share of AICC Country imports	Share % of world total services imports
Algeria	11,549	6.0	0.33
Bahrain	1,905	1.0	0.05
Djibouti	104	0.1	0.00
Egypt	12,991	6.7	0.37
Iraq	8,283	4.3	0.26
Jordan	4,164	2.2	0.12
Kuwait	12,260	6.3	0.35
Lebanon	13,262	6.9	0.38
Libya	5,251	2.7	0.15
Mauritania	568	0.3	0.02
Morocco	5,724	3.0	0.16
Oman	6,525	3.4	0.19
Qatar	7,666	4.0	0.22
Saudi Arabia	50,996	26.4	1.46
Somalia	na	na	Na
Sudan	2,195	1.1	0.06
Syria	3,377	1.7	0.10
Tunisia	3,165	1.6	0.09
UAE	40,908	21.2	1.17
Yemen	2,263	1.2	0.06
Total	**193,156**	**100**	**5.54**
Ireland	*107,129*		*3.06*

Source: WTO Trade Profiles http://bit.ly/8Z8bgE

Figure 8 AICC Countries Services Imports (USD Million) 2010

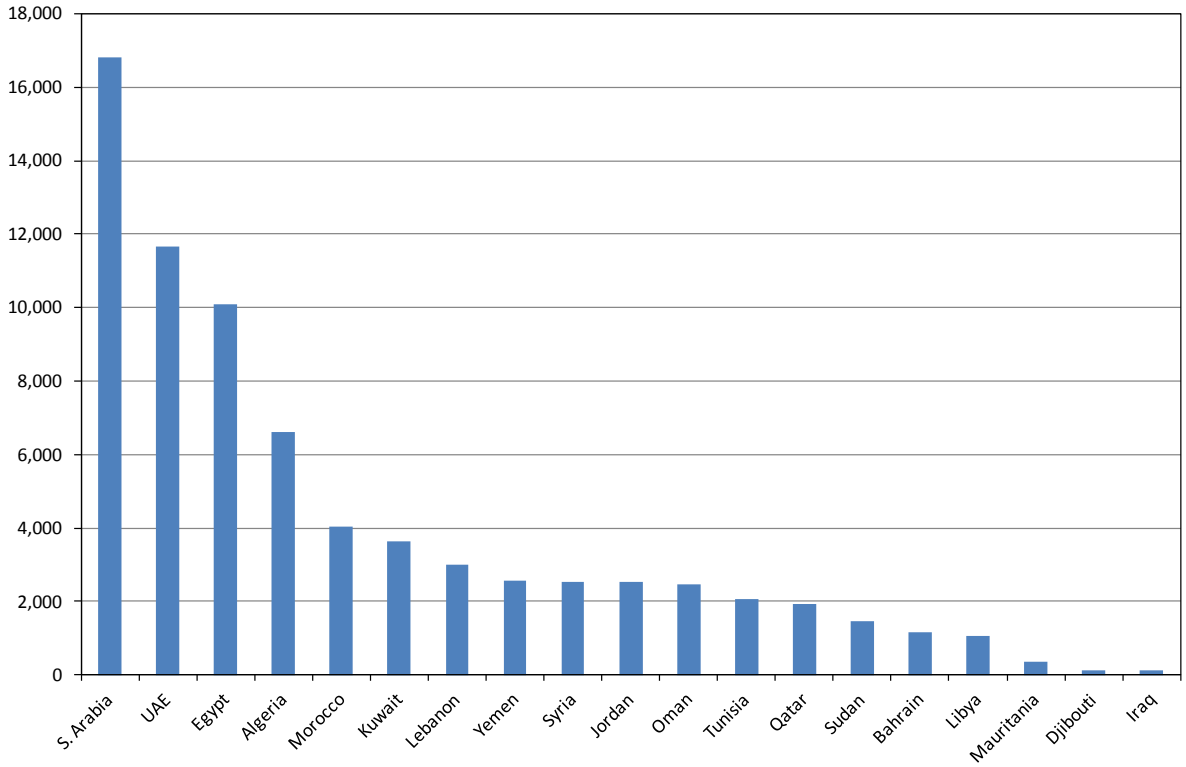


Source: WTO Trade Profiles

2.3 Food Security

The previous discussion highlighted that the Middle East and North Africa is home to a number of highly import-dependent countries. In particular, the region is reliant on food imports, reflecting in many cases limited resources of land and water. In North Africa for example, the IMF estimates that approximately 40% of final consumption is food, which is particularly vulnerable to high food prices given the significant reliance on food imports. The World Bank estimates that food imports to the AICC countries sum to USD74 billion (€57 billion) per annum:

Figure 9 AICC Countries Food Imports (USD Million) 2008



Source: World Bank (2008 Data) *Note: Latest for Iraq (2002) Libya (2004) http://www.worldbank.org/

Table 9 AICC Countries Food Imports* 2008

	USD Million
Algeria	6,597
Bahrain	1,170
Djibouti	132
Egypt	10,097
Iraq	117
Jordan	2,525
Kuwait	3,652
Lebanon	3,009
Libya	1,061
Mauritania	375
Morocco	4,051
Oman	2,453
Qatar	1,916
Saudi Arabia	16,801
Somalia	na
Sudan	1,447
Syria	2,538
Tunisia	2,077
UAE	11,677
Yemen	2,555
Total	**74,251**

Source: World Bank (2008 Data) http://www.worldbank.org/

This creates a number of vulnerabilities:

(i) Countries must export in order to feed themselves, so they are vulnerable generally to changes in the terms of trade (price of exports compared to price of imports).

(ii) They are vulnerable particularly to international food price shocks, as occurred in 2007 – 2008 (and is seen as one of the catalysts for the Arab Spring)[4].

(iii) Longer term, rising population, changes in consumption patterns, increased demand for food globally and the prospect of run-down of hydrocarbon reserves are important issues (see next chapter).

2.3.1 Coverage of Food Imports

A widely-used measure of food security is the ratio of total exports to food imports[5]. Essentially, this ratio assesses whether a country earns enough from its exports to finance its food imports: a higher ratio of total exports to food imports indicates a higher level of food security. Figure 10 presents the ratios for the AICC countries (where data is available). In 2010, the global average was estimated at 11.3[6].

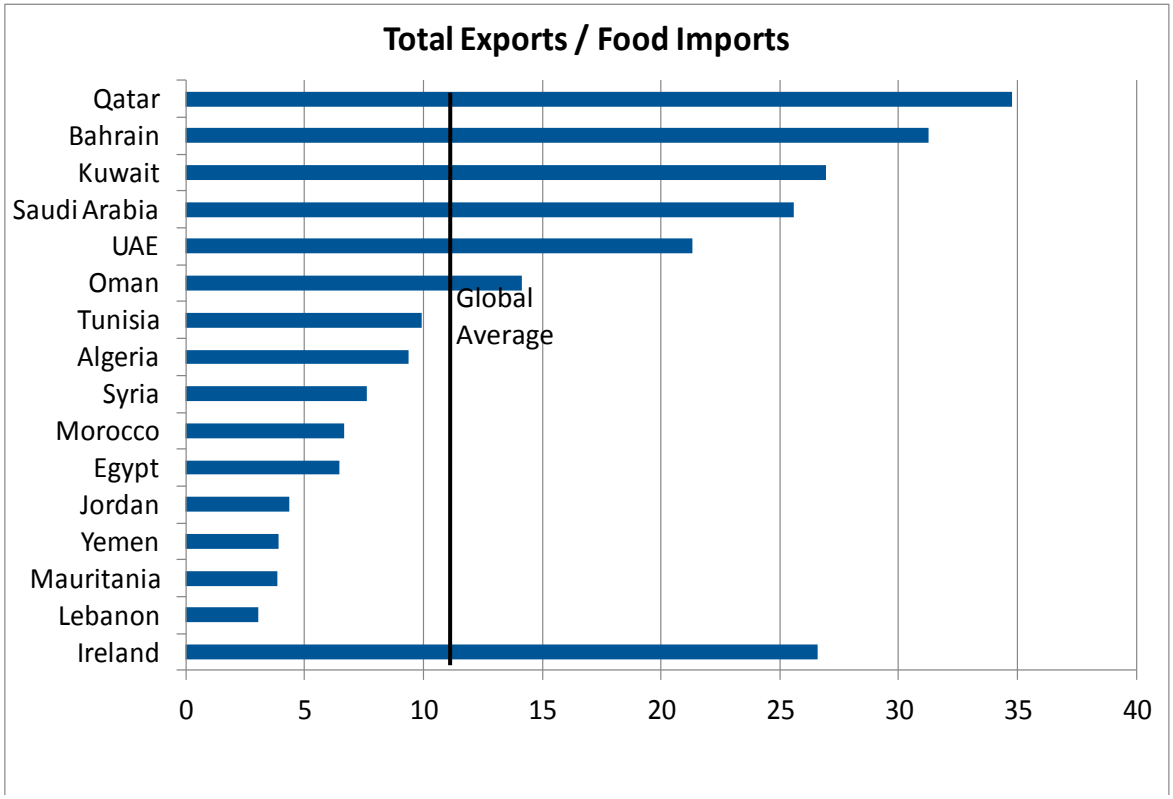
[4] http://www-wds.worldbank.org - http://bit.ly/Qhvk9V

[5] Diaz-Bonilla, E., M. Thomas., & S. Robinson. 2002. *Trade liberalization, WTO and food, security*, Trade and Macroeconomics Division Discussion Paper No. 82. Washington, D.C: International Food Policy Research Institute.

Yu, B., L. You, & S. Fan. 2009. *Towards a typology of food security in developing countries*. Discussion Paper 945. Washington, D.C.: International Food Policy Research Institute.

[6] Breisinger, C., et al., 2010. *Food Security and Economic Development in the Middle East and North Africa*. Discussion Paper 985. Washington, D.C.: International Food Policy Research Institute.

Figure 10 AICC Countries Total Exports/Food Imports



Source: World Bank (2008 Data) http://www.worldbank.org/

There is a clear difference once again between the major energy exporters and the other AICC countries. By and large the former have a ratio well in excess of the global average (although Oman is not far in excess), while the latter are all below the global average.

This statistic highlights the vulnerability of the region in terms of food security. Qatar and Bahrain may not export as much energy as Saudi Arabia or the UAE but their populations are significantly smaller. This explains their position at the top of the chart.

2.3.2 Food Self-Sufficiency

The other aspect of food security is the level of a country's food self-sufficiency, i.e. current and potential levels of domestic food production compared to total demand.

A country's potential to produce its own food depends on variety of factors including the availability of cultivable land. Given the climate, lack of water and levels of desertification in many of the MENA countries, quality arable land is at a premium.

Table 10 and Figures 11 and 12 overleaf display the land area, agricultural area and arable land, as well as arable land per capita, in each of the AICC countries[7]. Some countries cover large areas but

[7] The definitions of agricultural land and arable land vary somewhat from source to source. Arable land is generally defined as land under annual crops (including temporary meadows and fallow land). Cultivable land is arable land plus land under permanent crops (e.g. orchards and vineyards). Agricultural land is cultivable land plus meadows and pastures. Agricultural land covers 38% of the world's land area, while arable land covers 11%. (http://en.wikipedia.org/wiki/Agricultural_land).

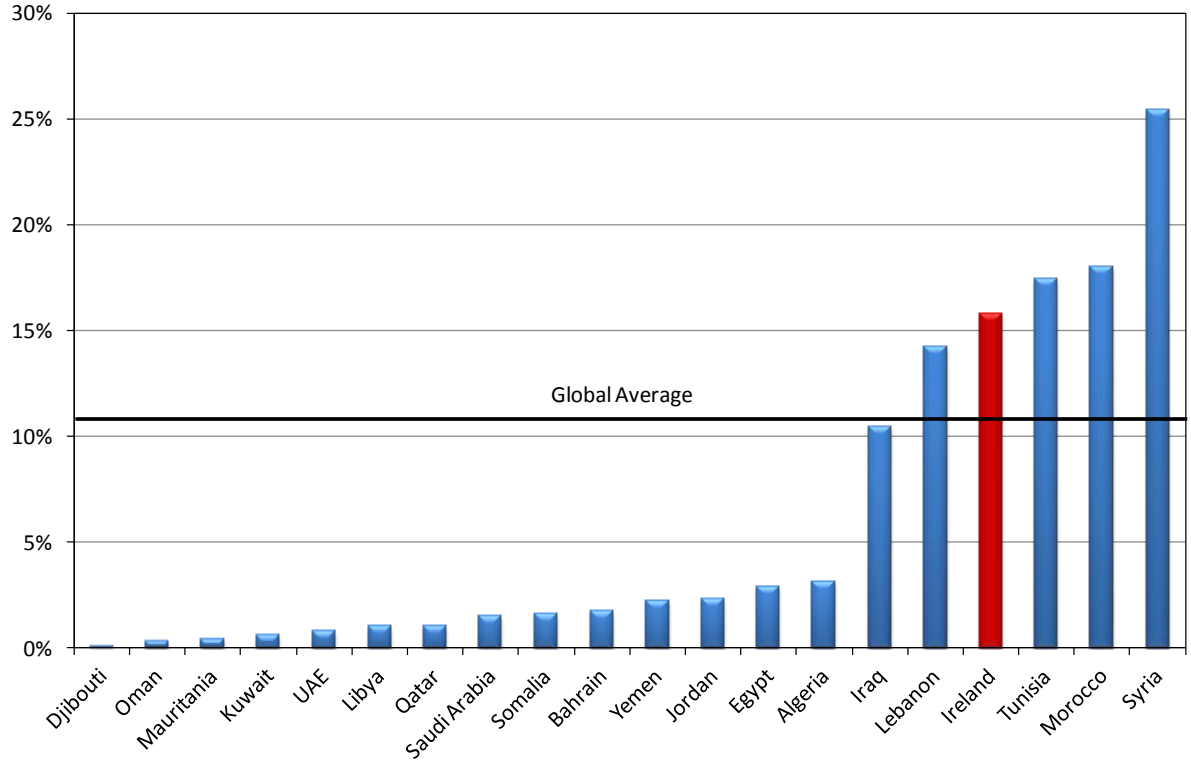
the poor quality of the land in question is highlighted by differences between total land area and arable land area. Most of the AICC countries have proportions of arable land significantly lower than the global average. Arable land per capita is also of relevance. Here, Saudi Arabia moves up the ranking, notwithstanding its large population, because of its large land mass.

Table 10 Land Resources in AICC Countries

	Total Land (1,000 Hectares)	Agricultural Land (1,000 Hectares)	Arable land (1,000 Hectares)	Arable Land as %age of Total Land	Arable Land per Capita (Hectares)
Algeria	238,174	41,325	7,500	3.1%	0.212
Bahrain	76	8	1	1.7%	0.001
Djibouti	2,318	1,702	2	0.1%	0.003
Egypt	99,545	3,689	2,884	2.9%	0.034
Iraq	43,432	8,750	4,500	10.4%	0.145
Jordan	8,878	1,025	201	2.3%	0.031
Kuwait	1,782	151	11	0.6%	0.004
Lebanon	1,023	688	145	14.2%	0.035
Libya	175,954	15,550	1,750	1.0%	0.261
Mauritania	103,070	39,651	390	0.4%	0.115
Morocco	44,630	30,055	8,055	18.0%	0.249
Oman	30,950	1,836	99	0.3%	0.032
Qatar	1,159	65	12	1.0%	0.006
Saudi Arabia	214,969	173,435	3,200	1.5%	0.121
Somalia	62,734	44,028	1,000	1.6%	0.099
Sudan	n/a	n/a	n/a	n/a	n/a
Syria	18,363	13,908	4,670	25.4%	0.208
Tunisia	15,536	9,789	2,707	17.4%	0.253
UAE	8,360	569	64	0.8%	0.012
Yemen	52,797	23,452	1,171	2.2%	0.047
Ireland	*6,889*	*4,189*	*1,089*	*15.8%*	*0.237*

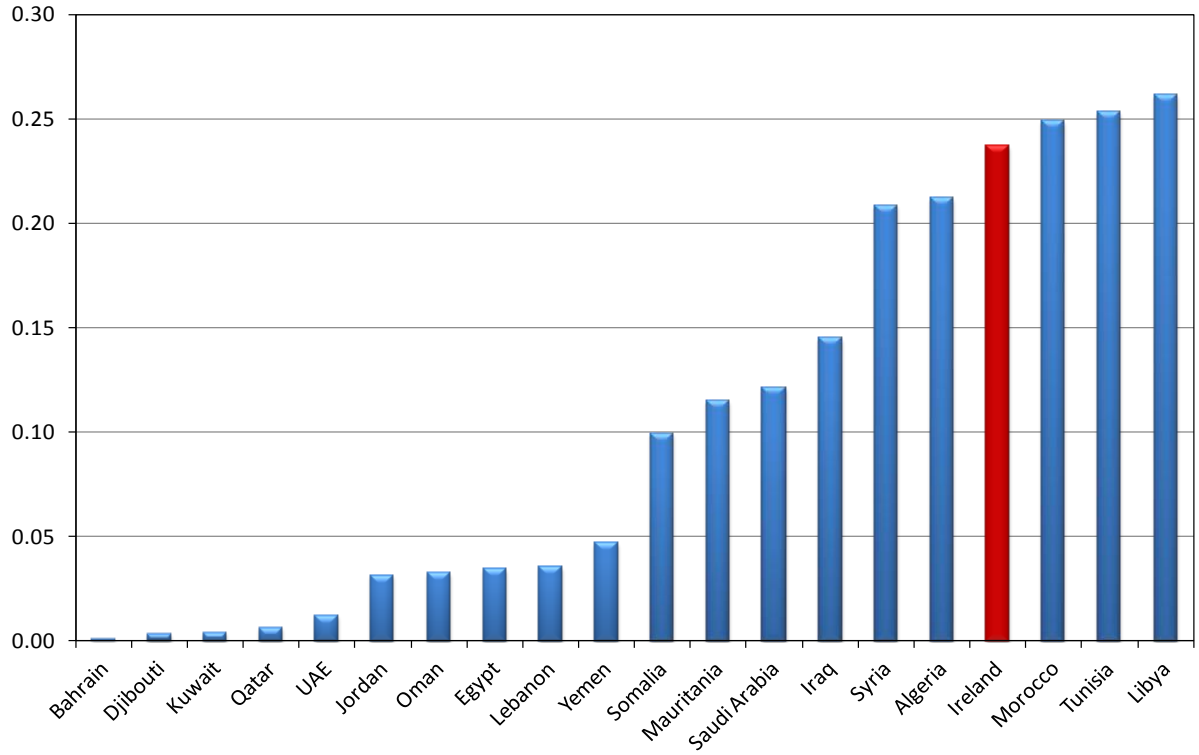
Source: FAO http://bit.ly/SQHp2s

Figure 11 AICC Countries, Arable Land as a %age of Total Land



Source: FAO

Figure 12 AICC Countries, Arable Land per Capita



Source: FAO

Syria, Tunisia, Morocco and Lebanon on the other hand have the highest proportions of arable land, indicating the greatest potential for increasing agricultural production. These countries are also below average in terms of food imports coverage.

A notable vulnerability is Egypt, which has a low level of food import coverage, a high population and a low level of arable land per capita.

2.3.3 Food Subsidies

An important aspect of the drive for food production capacity is the level of food subsidies. Subsidies are common in developing countries, as the price of food is a key arbiter of public well-being and satisfaction with the Government. It is widely recognised that rising food prices in 2007-2008 were one of the catalysts for the Arab Spring.

However, by depressing the price of food, subsidies undermine domestic agricultural incomes and act as a strong disincentive to invest in agriculture, thus creating a vicious circle of import dependency.

The 2009 World Bank/FAO/IFAD report *Improving Food Security in Arab Countries*[8] found that food subsidy programmes account for a significant share of the national budgets of some countries, thus creating a further vulnerability to international price shocks.

2.4 Level of Development

The preceding analysis has highlighted the countries that are noteworthy by virtue of population, high income levels, and/or high levels of imports, and food security. This section considers the broader socio-economic structures of development in more detail, covering the UN Human Development Index and indicators such as unemployment, poverty and education.

2.4.1 Human Development Index

The UN Human Development Index (HDI)[9] gives a broad-brush assessment of the level of human development in countries across the world. It measures the average position in a country across three basic dimensions of human development:

- Health, measured by life expectancy at birth;
- Knowledge, measured by a combination of the adult literacy rate and the combined primary, secondary, and tertiary gross enrolment ratio; and
- Standard of living, measured by GDP per capita (in USD Purchasing Power Parity, i.e. adjusted for cost of living).

The 2011 HDI values for the AICC countries are presented in Table 11 and graphically in Figure 13.

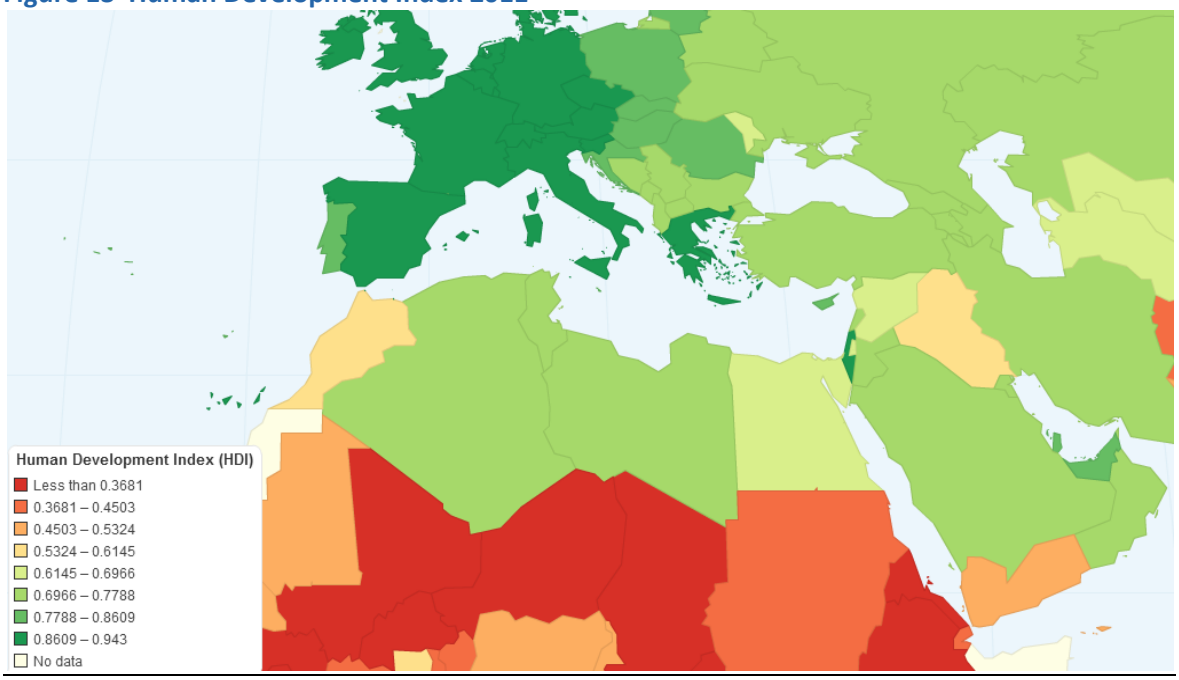
[8] World Bank http://bit.ly/QTEiHU
[9] http://hdr.undp.org/en/statistics/

Table 11 UN Human Development Index 2011, AICC Countries

	Global Ranking	Index
UAE	30	0.846
Qatar	37	0.831
Bahrain	42	0.806
Saudi Arabia	56	0.770
Kuwait	63	0.760
Libya	64	0.760
Lebanon	71	0.739
Oman	89	0.705
Tunisia	94	0.698
Jordan	95	0.698
Algeria	96	0.698
Egypt	113	0.644
Syria	119	0.632
Morocco	130	0.582
Iraq	132	0.573
Yemen	154	0.462
Mauritania	159	0.453
Djibouti	165	0.430
Sudan	169	0.408
Somalia	unranked	unscored
Ireland	*7*	*0.908*

Source: UN Human Development Index http://hdr.undp.org/en/reports/global/hdr2011/.

Figure 13 Human Development Index 2011



Source: UN Human Development Index http://hdr.undp.org/en/reports/global/hdr2011/.

By this measure, the smaller Gulf States are the most developed of the AICC countries. Djibouti, Sudan, Yemen, Morocco and Iraq are the least developed (no data are recorded for Somalia). Even for the richest nations in the region, however, their ranking is not especially high, pointing to significant scope for development going forward.

2.4.2 Unemployment, Poverty, Education

The levels of unemployment, poverty, education and literacy are further indicators of the strength and breadth of an economy. These are summarised in Table 12 for the AICC countries. Unemployment and literacy are also presented graphically in Figures 14 and 15.

In general, the oil-exporting Gulf States and Saudi Arabia perform better than the other States, but unemployment is notably high in a number of them, including Saudi Arabia, Bahrain and Oman. Likewise, literacy is less than 90% in Saudi and Oman, and is less than 80% in UAE (for comparison, Ireland's literacy rate is quoted as 99%).

Table 12 AICC Country Unemployment & Education

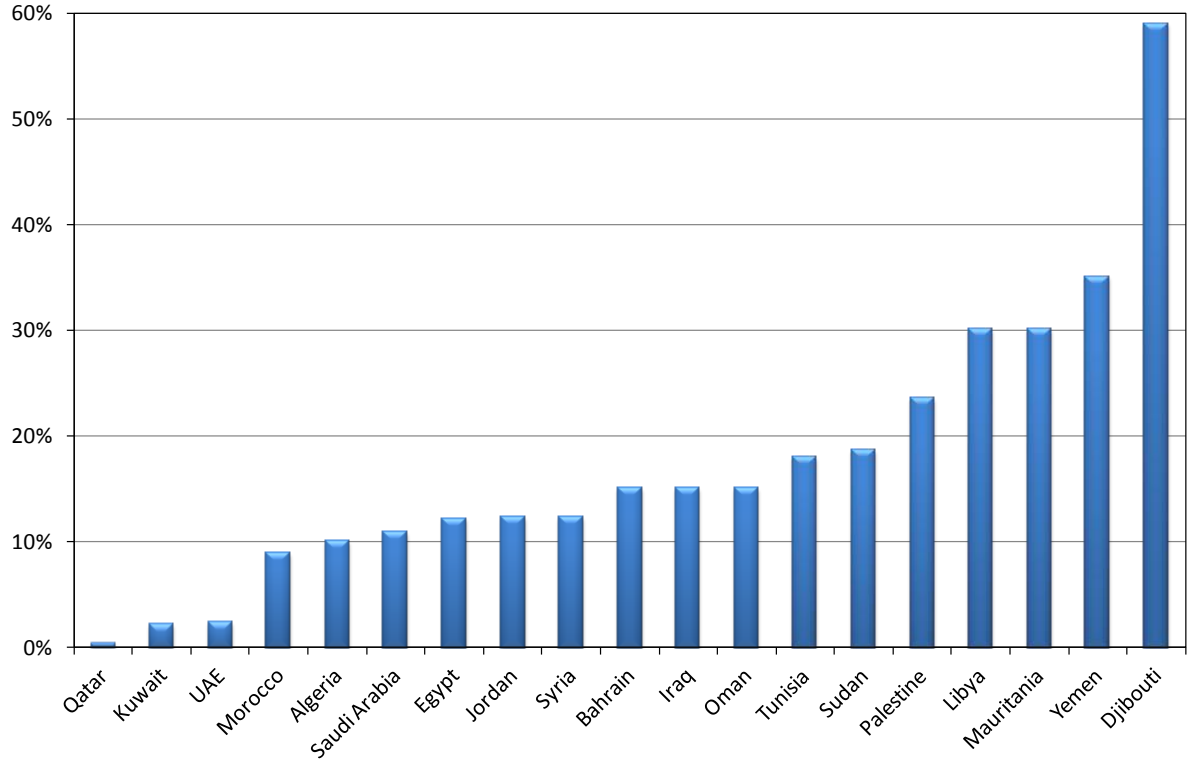
	Unemployment rate	%age Below Poverty Line	Years of Schooling	Literacy Rate
Algeria	10.0%	23.0%	13	69.9%
Bahrain	15.0%	n/a	14	94.6%
Djibouti	59.0%	42.0%	5	67.9%
Egypt	12.2%	20.0%	11	72.0%
Iraq	15.0%	25.0%	10	78.2%
Jordan	12.3%	14.2%	13	92.6%
Kuwait	2.2%	n/a	12	93.3%
Lebanon	n/a	28.0%	14	87.4%
Libya	30.0%	33.3%	17	89.2%
Mauritania	30.0%	40.0%	8	58.0%
Morocco	8.9%	15.0%	10	56.1%
Oman	15.0%	n/a	12	81.4%
Qatar	0.4%	n/a	12	96.3%
Saudi Arabia	10.9%	n/a	14	86.6%
Somalia	n/a	n/a	3	37.8%
Sudan	18.7%	40.0%	4	61.1%
Syria	12.3%	11.9%	11	79.6%
Tunisia	18.0%	3.8%	15	74.3%
UAE	2.4%	19.5%	13	77.9%
Yemen	35.0%	45.2%	9	63.9%

Notes:

1. Literacy rate refers to the population of 15+, except in Egypt (10+)
2. Data relates to various years, and in some cases is quite old;
3. In some countries the level of public sector employment can be very substantial, and this can affect the unemployment rate;
4. Definitions of poverty and quality of education can vary greatly across countries;
5. The data can vary significantly by gender.

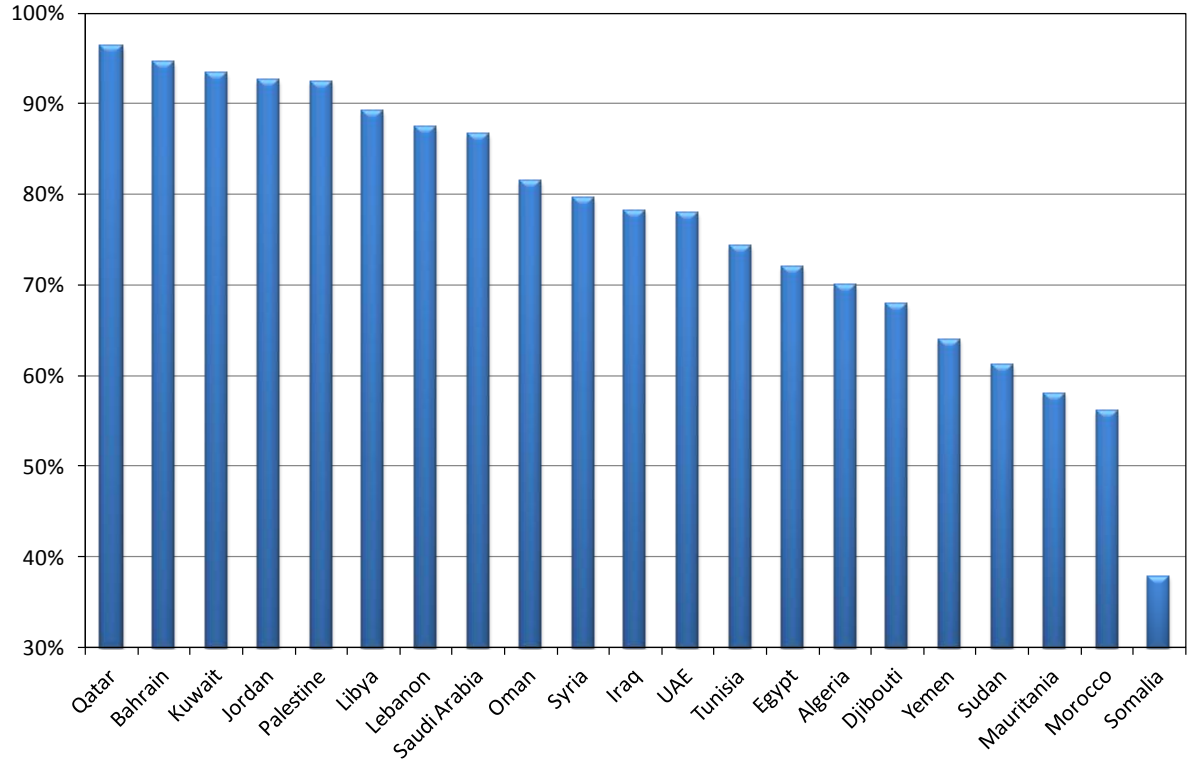
Source: CIA Factbook https://www.cia.gov/library/publications/the-world-factbook/

Figure 14 Unemployment Rate AICC Countries



Source: CIA Factbook

Figure 15 Literacy Rate AICC Countries



Source: CIA Factbook

2.5 Ease of Doing Business

This section assesses some of the factors contributing to the ease of doing business in the various countries. The following are considered:

- ease of doing business and similar indicators,
- political stability,
- creditworthiness/public debt, and
- visa requirements.

2.5.1 Ease of Doing Business

A key issue for firms considering working overseas is the ease of doing business in the countries in question. This incorporates issues such as starting a business, property rights, corruption, enforcement of contracts, getting paid and so on.

A number of indices have been developed to capture this. Perhaps best known is the **World Bank Doing Business Index**[10]**,** which combines 10 different indicators (weighted equally) into a ranked 'Ease of Doing Business' index. Other widely quoted indices include:

- Transparency International's **Corruption Perceptions Index**[11], a survey-based index of perceived corruption in the public sectors of 183 countries worldwide.
- The **Index of Economic Freedom**[12], developed by the Heritage Foundation and the Wall Street Journal.

We also briefly describe the visa requirements for Irish businesspeople travelling to the AICC countries.

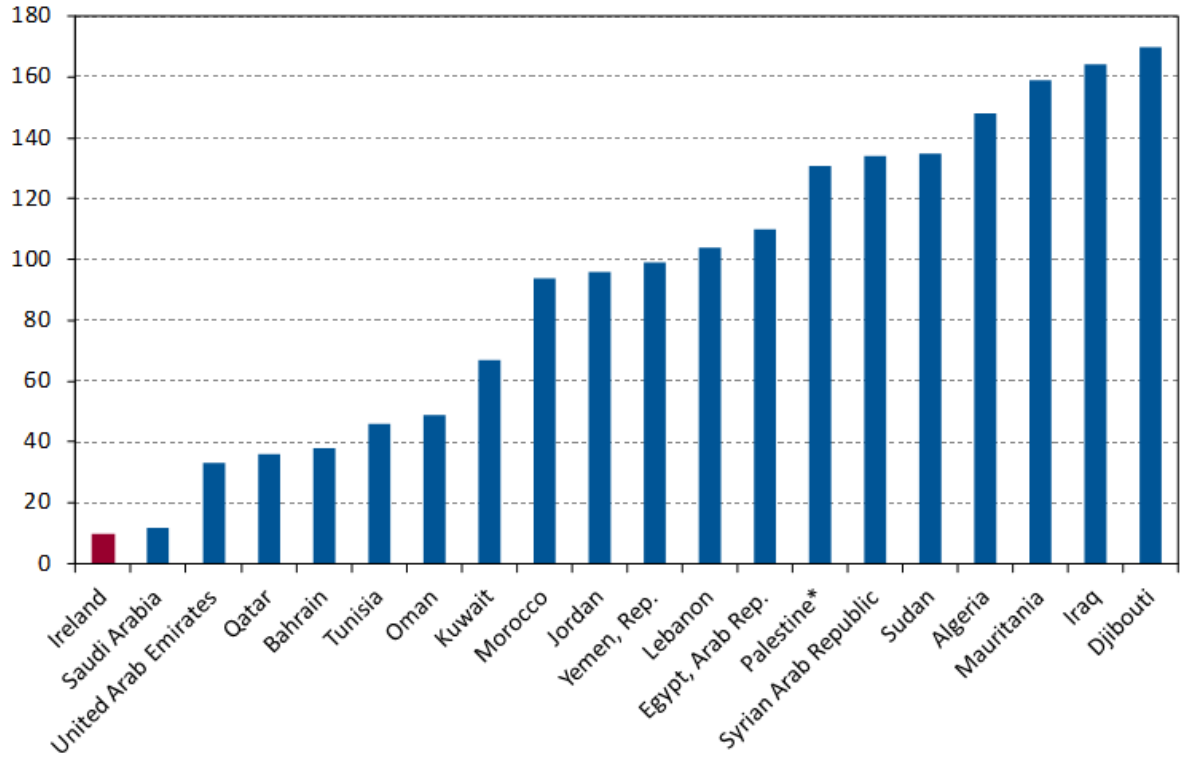
World Bank Doing Business Index

Table 13 overleaf ranks the AICC countries in accordance with the overall 'Ease of Doing Business', and with the index's individual elements. Ireland, the UK, the US and the BRIC countries (Brazil, Russia, India and China) are also included (shaded) for comparison. Figure 16 ranks the AICC countries graphically.

While Ireland, the UK and the US rank higher than any of the AICC countries, it is noteworthy that the oil-exporting Gulf States and Saudi Arabia rank better than any of the BRIC countries. Remarkably, Saudi Arabia has the highest ranking of the AICC countries, and is only marginally lower than Ireland, which does not match with anecdote regarding ease of doing business in Saudi compared to other Gulf countries. On the other hand Algeria scores poorly, which does resonate with the feedback from our consultations.

[10] http://www.doingbusiness.org : http://bit.ly/pypG6G
[11] http://cpi.transparency.org/cpi2011/
[12] http://www.heritage.org/index/default. Similar indices include the Fraser Institute's Economic Freedom of the World Index (http://bit.ly/ne9CCB).

Figure 16 World Bank Doing Business in AICC Countries Overall Ranking (2011)



Source: World Bank / Doing Business http://www.doingbusiness.org/rankings/

Table 13 Ease of Doing Business Ranking of the AICC Countries and UK, US, BRIC Countries (June 2011)

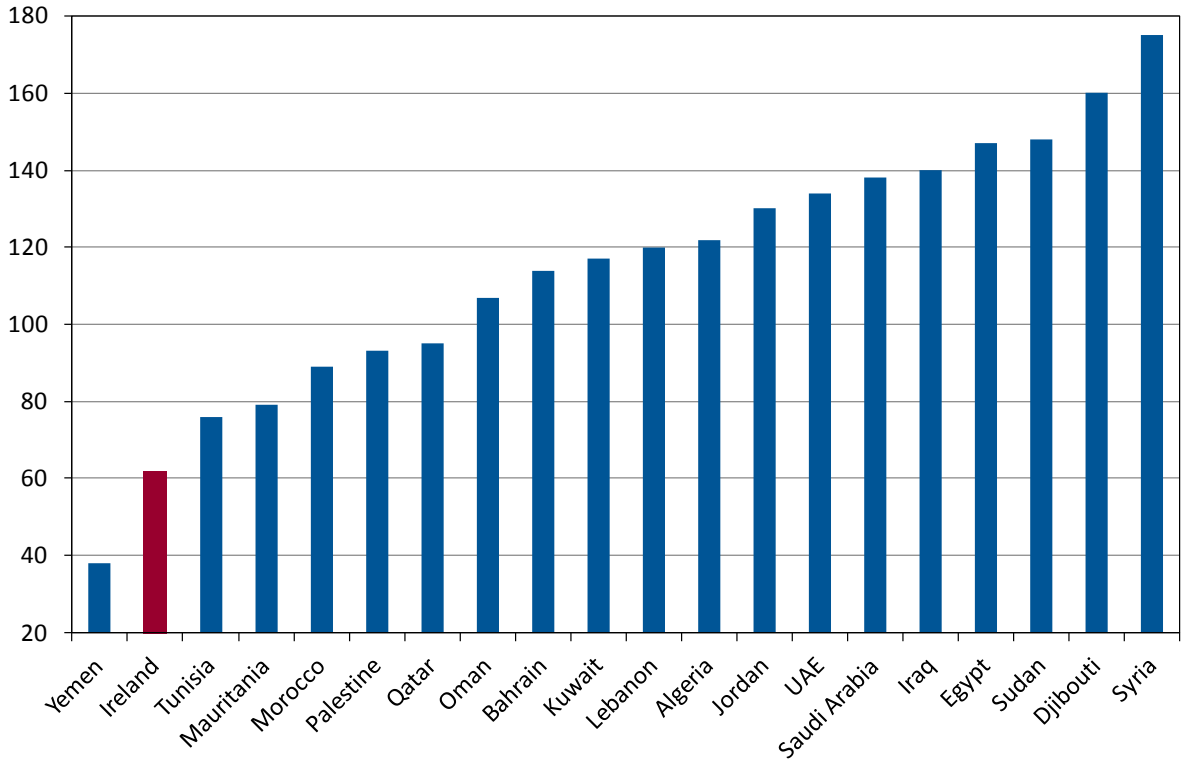
	Ease of Doing Business Rank	Starting a Business	Dealing with Construction Permits	Getting Electricity	Registering Property	Getting Credit	Protecting Investors	Paying Taxes	Trading Across Borders	Enforcing Contracts	Resolving Insolvency
US	**4**	13	17	17	16	4	5	72	20	7	15
UK	**7**	19	22	60	68	1	10	24	13	21	6
Ireland	**10**	13	27	90	81	8	5	5	21	62	10
Saudi Arabia	**12**	10	4	18	1	48	17	10	18	138	73
UAE	**33**	42	12	10	6	78	122	7	5	134	151
Qatar	**36**	116	24	18	37	98	97	2	57	95	37
Bahrain	**38**	82	7	49	30	126	79	18	49	114	25
Tunisia	**46**	56	86	45	65	98	46	64	32	76	38
Oman	**49**	68	64	61	21	98	97	9	47	107	76
Kuwait	**67**	142	121	57	88	98	29	15	112	117	48
China	**91**	151	179	115	40	67	97	122	60	16	75
Morocco	**94**	93	75	107	144	98	97	112	43	89	67
Jordan	**96**	95	93	36	101	150	122	21	58	130	104
Yemen	**99**	66	35	52	55	159	133	116	118	38	114
Lebanon	**104**	109	161	47	105	78	97	30	93	120	125
Egypt	**110**	21	154	101	93	78	79	145	64	147	137
Russia	**120**	111	178	183	45	98	111	105	160	13	60
Brazil	**126**	120	127	51	114	98	79	150	121	118	136
India	**132**	166	181	98	97	40	46	147	109	182	128
Palestine	**131**	177	129	85	78	166	46	39	114	93	183
Syria	**134**	129	133	83	82	174	111	111	122	175	102
Sudan	**135**	126	130	107	41	166	155	103	151	148	84
Algeria	**148**	153	118	164	167	150	79	164	127	122	59
Mauritania	**159**	159	64	122	59	166	147	175	143	79	152
Iraq	**164**	176	120	46	98	174	122	49	180	140	183
Djibouti	**170**	179	142	143	148	177	179	70	37	160	141

Note: There is no rank provided for Libya or Somalia. Source: World Bank / Doing Business http://www.doingbusiness.org/rankings/

There is also a fair degree of variability between the sub-indices that make up the overall index. The 'enforcing contracts' sub-index (see Figure17) is a case in point, whereby Saudi Arabia scores a weak 138, well down the list of AICC countries (Ireland itself scores a mediocre 62 on this sub-index, compared to 7 in the US and 21 in the UK).

One could argue about the appropriateness of an equal weighting for all the sub-indices. We note also that freedom of labour movement is not included in the index, an important issue for overseas firms and one that appears to be problematic in working in Saudi Arabia for instance in terms of obtaining visas. Other useful indicators would be ease of getting paid, or the ability of a non-citizen to set up a business (in many countries only a citizen can establish a business, or a local partner with a majority shareholding is required).

Figure 17 World Bank Doing Business in AICC Countries Enforcing Contracts Ranking (2011)



Source: World Bank / Doing Business http://www.doingbusiness.org/rankings/

Corruption Perceptions Index

The 2011 Transparency International Corruption Perceptions Index is summarised in Table 14 overleaf. It indicates that, while the majority of the countries in the Gulf are perceived to be more corrupt than western countries, they are less corrupt than the BRIC countries (Brazil, China, India and Russia). Qatar and UAE stand out as the least corrupt, not far behind Ireland. Figure 18 presents the results of the index graphically, for Europe, MENA and Asia.

Index of Economic Freedom

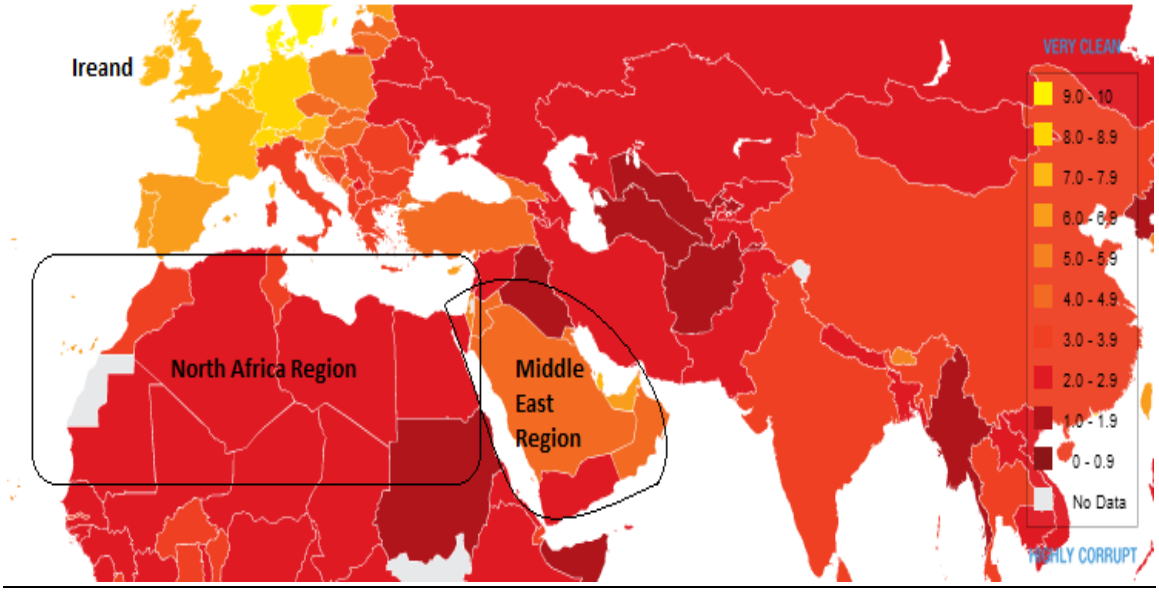
The Heritage Foundation/Wall Street Journal Index of Economic Freedom scores and ranks countries around the world in terms of various measures of economic freedom, including trade, property rights, corruption and labour market. Figure 19 and Table 15 overleaf summarise the 2012 scores.

Table 14 Corruption Perceptions Index 2011

Country Ranking		Score (out of 10)
16	UK	7.8
19	Ireland	7.5
22	Qatar	7.2
24	USA	7.1
28	UAE	6.8
46	Bahrain	5.1
50	Oman	4.8
54	Kuwait	4.6
56	Jordan	4.5
57	Saudi Arabia	4.4
73	Tunisia	3.8
73	Brazil	3.8
75	China	3.6
80	Morocco	3.4
95	India	3.1
100	Djibouti	3.0
112	Algeria	2.9
112	Egypt	2.9
129	Syria	2.6
134	Lebanon	2.5
143	Mauritania	2.4
143	Russia	2.4
164	Yemen	2.1
168	Libya	2.0
175	Iraq	1.8
177	Sudan	1.6
182	Somalia	1.0

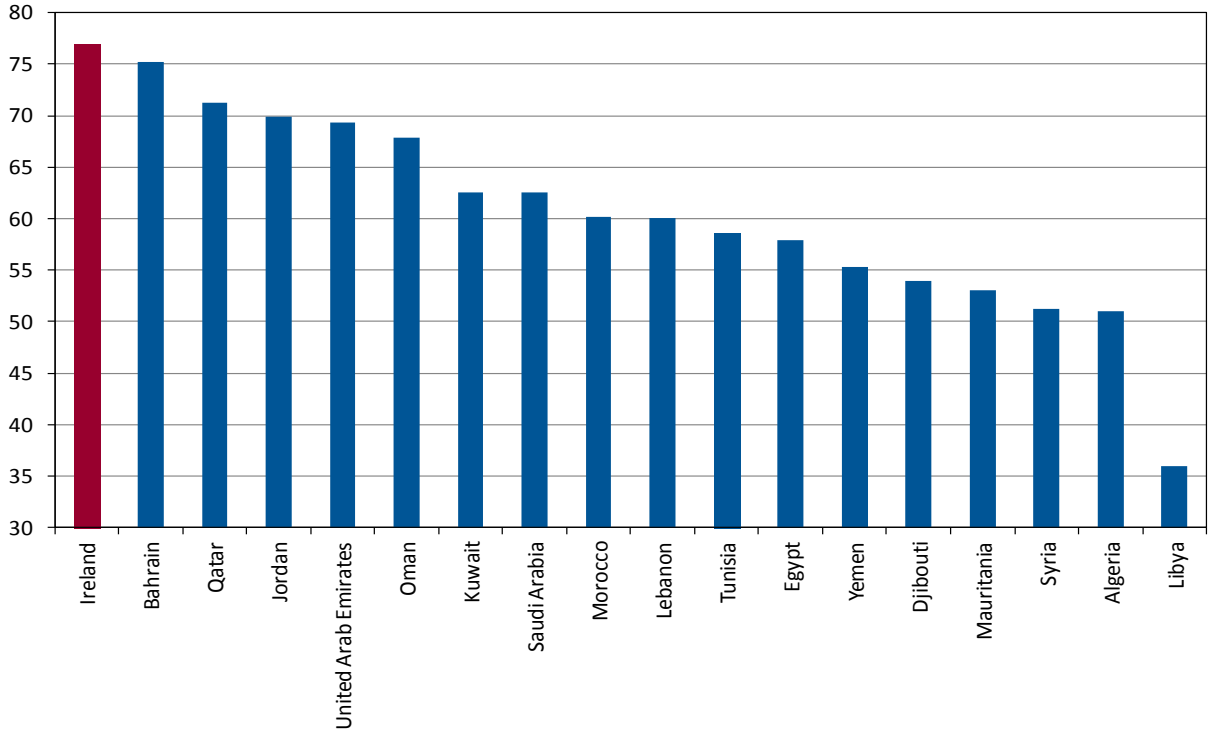
Source: Transparency International

Figure 18 Transparency International Corruption Perceptions Index 2011



Source: Transparency International Corruption Perceptions Index 2011

Figure 19 Index of Economic Freedom, 2012



Source: Index of Economic Freedom, http://www.heritage.org/index/default

Once again, the Gulf States and Saudi Arabia score reasonably well, although there are weaknesses, and it is noteworthy that the AICC countries in general score better than the BRIC countries, albeit there are exceptions[13].

[13] It is worth keeping in mind that this index does carry a certain liberal ideological slant, reflected in the fact that Government expenditure is scored as a negative. This is somewhat simplistic without an assessment of the direction and quality of that expenditure, and biases against resource-rich developing States where much of the national income inevitably flows through the public sector in the form of resource royalties.

Table 15 Ranked Index of Economic Freedom 2012

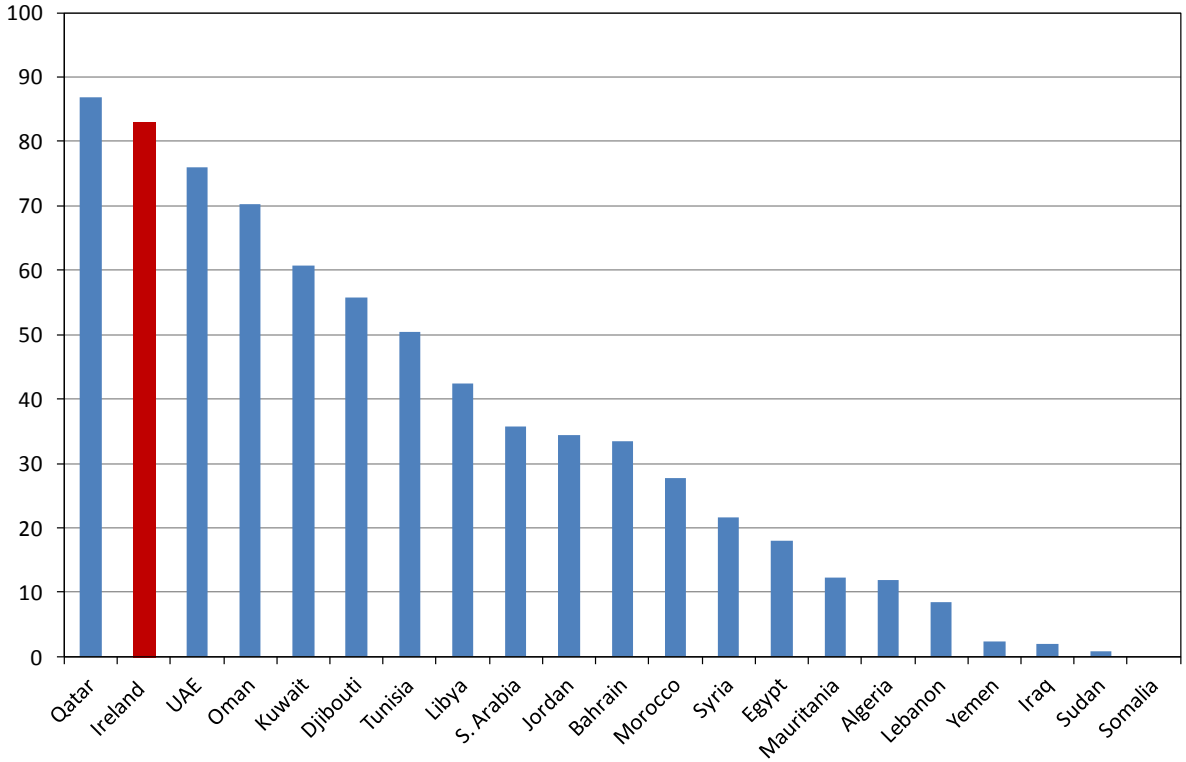
	Rank	Overall Score	Business Freedom	Trade Freedom	Fiscal Freedom	Government Spending	Monetary Freedom	Investment Freedom	Financial Freedom	Property Rights	Freedom from Corruption	Labour Freedom
Ireland	9	76.9	92.8	87.1	73.9	30.4	76.7	90	70	90	80	78.4
US	10	76.3	91.1	86.4	69.8	46.7	77.2	70	70	85	71	95.8
Bahrain	12	75.2	76.5	82.8	99.9	72.2	70.4	75	80	55	49	91.1
UK	14	74.1	94.7	87.1	56.4	21.5	73.9	90	80	90	76	71.5
Qatar	25	71.3	69.7	82.5	99.7	73.6	77.1	45	50	70	77	67.9
Jordan	32	69.9	69.5	79.6	93.5	67	81.2	70	60	55	47	75.7
UAE	35	69.3	68	82.6	99.9	80.1	80.9	35	50	55	63	78.8
Oman	47	67.9	68.2	83.7	98.4	53.6	72.1	55	60	50	53	85.1
Kuwait	71	62.5	61.8	81.6	99.9	47.2	71.3	55	50	50	45	63.5
Saudi Arabia	74	62.5	87.5	82.3	99.6	37.3	64.9	40	50	45	47	71.1
Morocco	87	60.2	77.2	75.7	69.7	74.8	77.9	65	60	40	34	27.6
Lebanon	90	60.1	53.9	80.4	90.8	68.2	76.9	60	60	25	25	60.6
Tunisia	95	58.6	82.9	58.1	74.8	71.5	76.9	35	30	40	43	74.1
Brazil	99	57.9	53.7	69.7	69.1	54.8	75.8	50	60	50	37	59.1
Egypt	100	57.9	63.8	74	89.7	64.1	62.3	65	40	35	31	53.7
Yemen	121	55.3	71.5	81.5	83.1	62.8	69.3	45	30	30	22	57.3
India	123	54.6	35.5	64.1	76.1	74.8	62.9	35	40	50	33	74.2
Djibouti	127	53.9	30.5	59.6	80.3	42.4	77.2	65	60	30	32	61.6
Mauritania	131	53.0	51.3	69.9	80.5	71.9	75.5	40	40	25	23	53.2
China	138	51.2	46.4	71.6	70.4	84.1	74.2	25	30	20	35	55.4
Syria	139	51.2	60.1	72.8	84.4	78.5	70.9	20	20	30	25	50
Algeria	140	51.0	66.3	72.8	82.9	47.9	76.3	20	30	30	29	54.4
Russia	144	50.5	65.1	68.2	82.5	48.6	66.3	25	40	25	21	63.5
Libya	176	35.9	20	85	80.2	17.9	73.6	10	20	10	22	20

Note: Iraq, Sudan and Somalia are not ranked. Source: Index of Economic Freedom, http://www.heritage.org/index/default

2.5.2 Political Stability

This is an important consideration for doing business in any region of the world, and the Middle East and North Africa in particular have been beset by instability recently. The World Bank produces a political stability/absence of violence indicator, as presented in Figure 20. The data relate to 2010, so in the case of Libya for instance is now somewhat out of date. However, it gives a useful over-view of perceptions of stability in the region. As can be seen, the smaller GCC States are seen as being as the most stable, with Qatar actually more stable than Ireland as of 2010.

Figure 20 World Bank Political Stability Indicator, 2010 (scoring 0-100, max = 100)



Source: World Bank Worldwide Governance Indicators - Political Stability/Absence of Violence indicator
http://info.worldbank.org/governance/wgi/mc_chart.asp

2.5.3 Creditworthiness

A key issue in international trading is the question of creditworthiness, in particular with regard to the public sector. We have picked two indicators of this - debt to GDP ratio and the Moody's Rating – as they relate to the AICC countries.

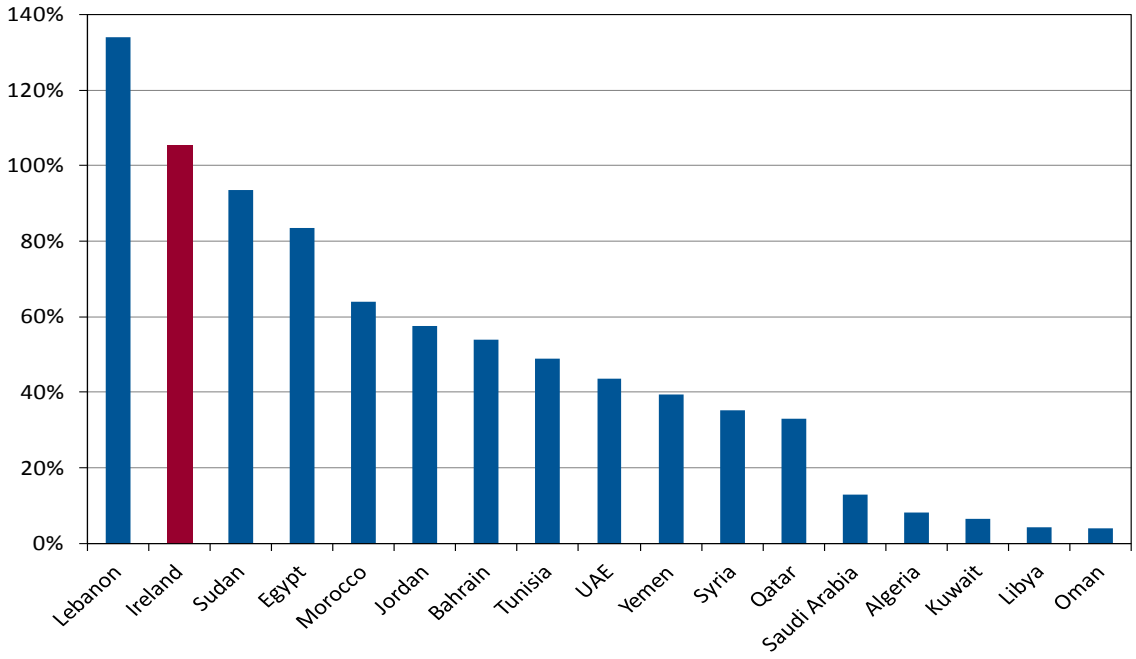
Debt-to-GDP Ratio

A country's debt-to-GDP ratio - the amount of national debt as a percentage of GDP – is a good indicator of the general health of its public sector and the calls on its future revenues.

Table 16 Public Debt-as %age of GDP (2011)	
Algeria	8%
Bahrain	54%
Egypt	83%
Jordan	58%
Kuwait	7%
Lebanon	134%
Libya	4%
Morocco	64%
Oman	4%
Qatar	33%
Saudi Arabia	13%
Sudan	94%
Syria	35%
Tunisia	49%
United Arab Emirates	44%
Yemen	39%
Ireland	*105%*

Source: CIA World Factbook

Figure 21 Public Debt as a % of GDP



Source: CIA World Factbook

The ratio varies greatly across countries. The oil-exporting Gulf States and Saudi Arabia have low to medium levels of debt, while at the other extreme Lebanon, Sudan and Egypt are quite heavily indebted. Perhaps surprisingly, Algeria and Libya have very low public debt levels, which point to significant future capacity for public investment.

Moody's Sovereign Credit Rating

Moody's international sovereign credit ratings[14] provide an assessment of the perceived strength of the State as a borrower. The ratings and outlook as of July 2012 are presented in Table 16 and Figure 22.

Kuwait, Qatar, UAE and Saudi Arabia are all described as "High Grade" and "Stable". Oman is "Upper Medium Grade, Stable", while Bahrain is somewhat weaker, at "Lower Medium Grade", along with Tunisia and Algeria. All the other rated countries are non-investment grade or lower.

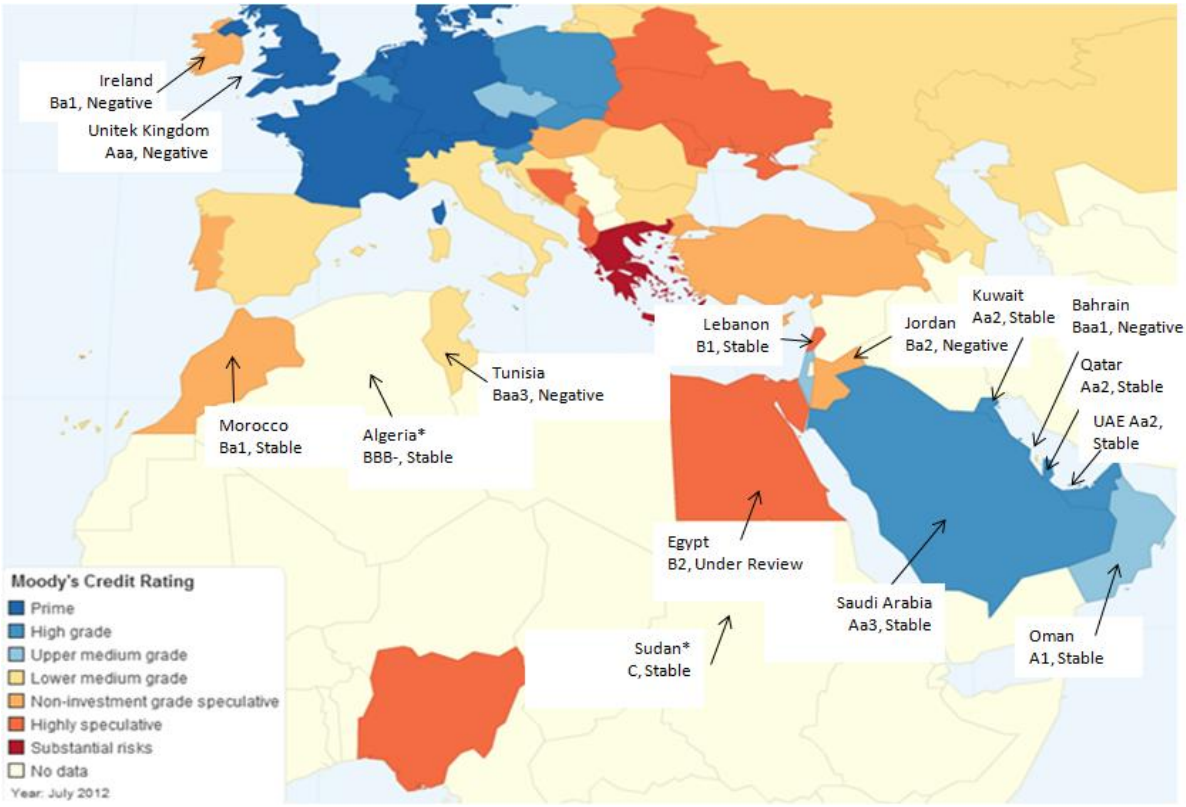
Table 17 Moody's Credit Ratings (Ranked) for AICC Countries 2012

Country	Rating		Outlook
Kuwait	Aa2	High grade	Stable
Qatar	Aa2	High grade	Stable
UAE	Aa2	High grade	Stable
Saudi Arabia	Aa3	High grade	Stable
Oman	A1	Upper medium grade	Stable
Bahrain	Baa1	Lower medium grade	Negative
Tunisia	Baa3	Lower medium grade	Negative
Algeria	BBB-	Lower medium grade	Stable
Morocco	Ba1	Non-investment Grade Speculative	Stable
Jordan	Ba2	Non-investment Grade Speculative	Negative
Lebanon	B1	Highly speculative	Stable
Egypt	B2	Highly speculative	Under Review
Sudan	C	Highest risk of default	Stable
Libya	Not Rated		
Yemen	Not Rated		
Iraq	Not Rated		
Syria	Not Rated		
Mauritania	Not Rated		
Somalia	Not Rated		
Djibouti	Not Rated		
Ireland	*Ba1*	*Non-investment Grade Speculative*	*Negative*

Source: Moody's, July 2012, except Algeria and Sudan, Dagong, Jan 2012 (http://bit.ly/UHtIbO)

[14] Moody's http://bit.ly/S6jX13

Figure 22 Moody's Credit Rating for available AICC countries (and UK)



Source: Moody's, July 2012, *Dagong, Jan 2012. http://bit.ly/PZ7opK

2.5.4 Visa Requirements

Visas are a twofold issue: (i) Irish people travelling to the AICC countries and (ii) AICC citizens traveling to Ireland[15]. Visas also broadly come in two types – (i) single/multiple entry business visas and (ii) work/residence visas.

Irish Citizens Travelling to the AICC Countries

With regard to **single/multiple entry business visas**, the following AICC countries issue visas to Irish/EU passport-holders upon arrival at the airport:

- Bahrain
- Jordan
- Lebanon
- Morocco
- Oman
- Qatar
- Tunisia
- UAE

For most other countries various additional documentation is required such as invitations, letters from sponsor companies, letters of employment, certificates of incorporation and so on.

[15] Visa requirements vary from country to country and over time; the above represents our understanding of the current position at the time of writing, but those wishing to travel between Ireland and the region should confirm requirements in advance with the relevant embassy. The AICC can assist with obtaining single or multiple entry business visas for countries with embassies in either Dublin or London.

Work/residence visa requirements vary greatly but are generally more complex, and can take several weeks or longer to process. In general the individual must be sponsored by a locally-based firm or by a citizen of the country, and there are often requirements for police clearance, medical reports, No Objection Certificates (NOCs), and so on.

Usually the process must be completed before arrival, but in the UAE it is possible to obtain a 30-day visa and then apply for the residence visa. With the increasing popularity of localisation policies (Saudisation, Bahrainisation, etc.), work visas for some countries are becoming more difficult, and there is often a requirement to demonstrate that a suitably qualified local employee cannot be found.

AICC Country Citizens Travelling to Ireland

The processing of visas for AICC country citizens has been streamlined significantly in recent years, including:

(i) The Visa Waiver Scheme[16], which allows citizens of Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the UAE (among others) who have already entered the UK on foot of a UK 'C' General visa to freely enter and stay in Ireland for up to 90 days. This was put in place as part of the Government's Jobs Initiative with a view to promoting tourism from emerging markets. This programme commenced on 1st July 2011 and is scheduled to run until 31st October 2016.

(ii) The opening of the embassy in Abu Dhabi, UAE, with Department of Justice officials in situ, processing visa applications from Abu Dhabi itself as well as Algeria, Bahrain, Jordan, Kuwait, Lebanon, Libya, Morocco, Qatar, Oman, Sudan, Syria and Tunisia. An additional Dubai Visa Facilitation Office has also been opened, which processes applications from Dubai and the other Emirates apart from Abu Dhabi[17].

Applications for **short stay 'C' visas** are usually processed within 1-5 working days provided all documentation is in order. **Long stay visas (D Visas)** such as Study, Employment, Join Spouse/Parent of Irish National and Join Spouse/Parent of EEA National and EU Treaty Rights visas aim to be processed within **15 working days**

[16] www.inis.gov.ie : http://bit.ly/PjBEe2
[17] www.dfa.ie : http://bit.ly/PDfHHR

2.6 Infrastructure Endowment and Public Investment Programmes

While many countries in the Arab world are well-resourced, in most cases their physical capital endowments are less well-developed, and require significant investment if they are to be brought up to the standards of the developed world, and if diversification policies are to be successful.

The World Bank gathers comparative regional statistics on a wide range of infrastructure endowments[18]. A number of the key ones are summarised in Table 18 overleaf. While there is a clear gap between the Gulf energy exporters and the other AICC countries in the quality of their infrastructure, even in the Gulf States there are a number of areas where infrastructure is not at the levels found in the developed world. These include:

- Road density;
- Hospital beds;
- Telephone lines; and
- Internet access (in some cases).

In this context, it is also worthwhile considering the current and expected levels of investment in the coming years. The IMF produces estimates of total investment in each country out to 2017, which are summarised in Table 19 and Figure 23 overleaf.

[18] World Bank World development Indicators & Global development Finance http://data.worldbank.org/topic/infrastructure.

Table 18 World Bank Infrastructure Endowment, AICC Countries (2010 or latest available)

Country	Access to electricity (% of population)	Access to Improved water facilities (% pop)	Access to Improved Sanitation source (% pop)	Paved Road density (km road /100 sq. km land)	Paved Road density (km road per 1,000 pop)	Hospital beds (per 1,000 pop	Telephone lines (per 100 people)	Internet users (per 100 people)
Algeria	99	83	95	4	2.3	1.7	8	13
Bahrain	99	90	na	472	2.8	1.8	18	55
Djibouti	na	88	50	6	1.7	1.4	2	7
Egypt	100	99	95	9	1.1	1.7	12	27
Iraq	86	79	73	8	1.1	1.3	5	2
Jordan	100	97	98	9	1.2	1.8	8	39
Kuwait	100	99	100	31	2.1	2.0	21	38
Lebanon	100	100	98	57	1.4	3.5	21	31
Libya	100	54	97	3	7.1	3.7	19	14
Mauritania	na	50	26	0	0.9	0.4	2	3
Morocco	97	83	70	9	1.3	1.1	12	49
Oman	98	89	99	8	8.4	1.8	10	62
Qatar	99	100	100	60	3.5	1.2	17	82
Saudi Arabia	99	na	na	2	1.8	2.2	15	41
Somalia	na	29	23	0	0.3	na	1	1
Sudan	36	58	26	0	0.1	0.7	1	10
Syria	93	90	95	33	2.7	1.5	20	21
Tunisia	100	94	85	9	1.4	2.1	12	37
UAE	100	100	98	5	0.8	1.9	20	78
Yemen	40	55	53	1	0.3	0.7	4	12
Ireland	*100*	*100*	*99*	*137*	*21.0*	*4.9*	*46*	*70*
OECD	*100*	*99*	*98*	*34*	*na*	*5.2*	*41*	*68*
World	*74*	*88*	*63*	*20*	*na*	*2.9*	*17*	*30*

Source: World Bank World development Indicators & Global development Finance http://data.worldbank.org/topic/infrastructure.

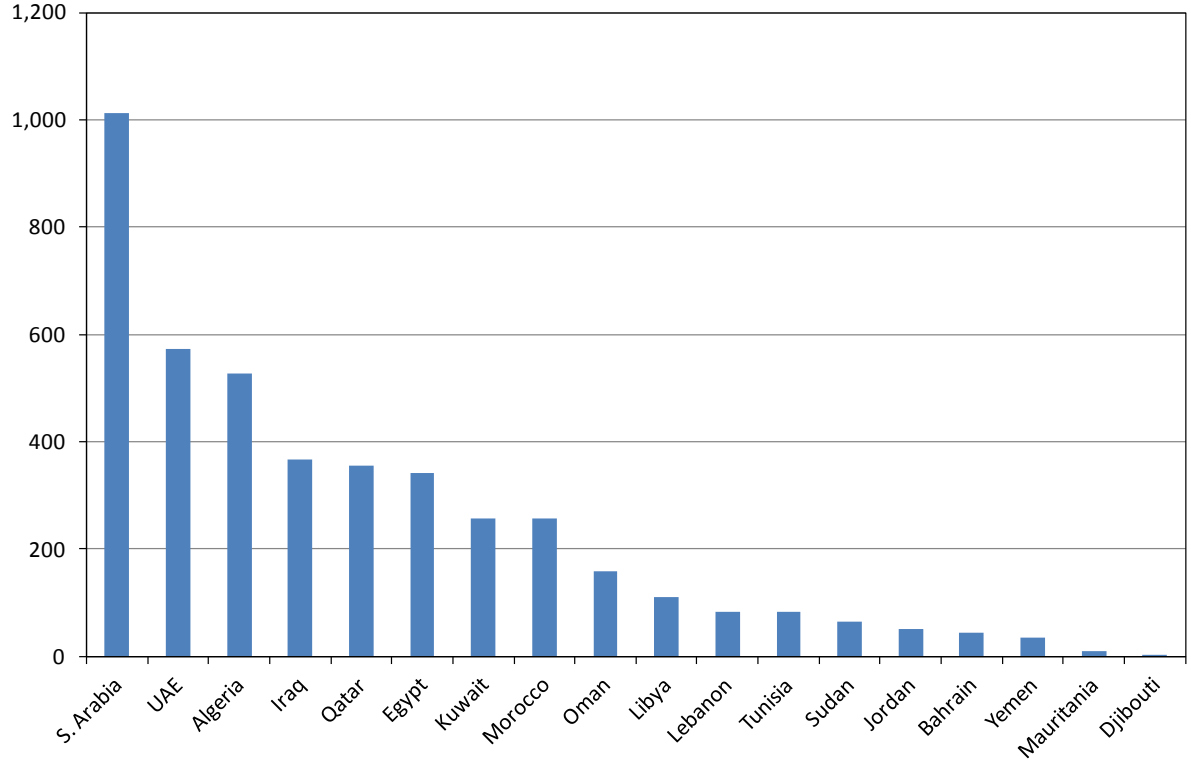
Table 19 Forecast Total Investment in AICC Countries, 2012-2017

	USD Billion	USD/capita
Algeria	528	14,900
Bahrain	45	36,000
Djibouti	3	3,700
Egypt	341	4,200
Iraq	368	11,500
Jordan	51	8,400
Kuwait	258	94,300
Lebanon	83	19,500
Libya	111	17,500
Mauritania	9	2,500
Morocco	258	8,100
Oman	159	57,200
Qatar	354	201,600
Saudi Arabia	1,014	36,900
Somalia	n/a	n/a
Sudan	65	1,500
Syria	n/a	n/a
Tunisia	82	7,800
UAE	574	76,400
Yemen	35	1,500

n/a .. not available

Source: IMF, except Iraq: Middle East Economic Digest, estimated current and planned infrastructure projects.

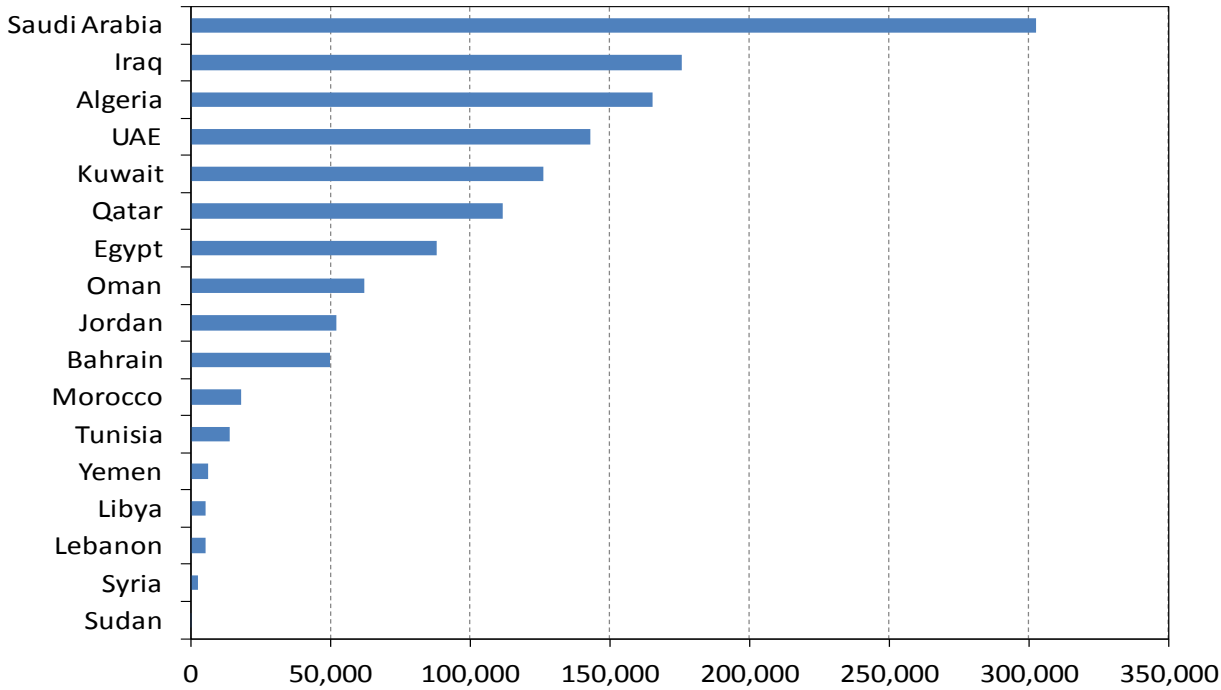
Figure 23 Total Investments in AICC Countries, 2012-2017 (USD Billion)



Source: IMF, Middle East Economic Digest

The Middle East Economic Digest (MEED) also maintains a detailed database of current public sector projects. The total budget value of current projects by country is summarised in Figure 24.

Figure 24 MEED Projects Market Forecast by Country (Budget Value, USD million)



Source: MEED Projects Database, September 2012

In a similar vein, the Governments of many of the countries have adopted ambitious medium to long term development programmes. They will inevitably generate substantial demand for outside expertise, which will generate market opportunities for firms from outside the region.

Below is a brief summary of some of the more notable programmes[19]. More details are included in Appendix A.

Algeria

The Government's *Five Year Plan 2010-2014*[20] is the third public investment programme since 2001, and involves a financial commitment of USD286 billion, which will focus on economic infrastructure (**rail, road and water**) as well as **electricity generation** (**powergen)** and **renewables**, **housing** (two million units) and **health** and **education**, and on reducing dependence on hydrocarbons. The Government is also planning the new city/"technopole" of Sidi Abdallah, 30km south-west of the capital Algiers. This is planned to cover 1,870 hectares, to accommodate 30,000 people and include four large techno/industrial parks, focussing on high tech industries[21].

[19] This discussion draws extensively on various publications by the Arab-German Chamber of Commerce & Industry (www.ghorfa.de) and the Arab-Belgium-Luxembourg Chamber of Commerce (www.ccbla.org), among other sources, as well as our consultations, particularly with Enterprise Ireland.
[20] www.vastervikframat.se ; http://bit.ly/NQllrN, http://www.algerianembassy.org : http://bit.ly/UHaQdg
[21] http://www.unido.org : http://bit.ly/Sl8SZu

Bahrain

The Bahrain Economic development Board's *Economic Vision 2030*[22] sets out the Government's aims to develop a globally competitive economy. Rapid progress is planned in **education** and **training** as part of a process of "Bahrainisation", as well as **healthcare** and increasing **infrastructure** capacity. Some USD13 billion is planned to be spent on the **rail** network and USD 4.8 billion on **airports**. Other areas of investment include **road building, power and water and sanitation projects, tourism** and **retail infrastructure,** and **housing**.

The development of **Salman Industrial City**[23] is a key element of *Vision 2030*, and is expected to involve an investment of USD7 billion, and be the location for 34,000 jobs[24] [25].

Egypt

Egypt plans to **invest USD110 billion in its energy sector** out to 2027, including a significant **renewable energy** element. It is planned that renewable energy will comprise 20% of electricity production (12% wind, 8% hydropower) by 2020[26]. Wind energy investment is being aided by the EU among others.[27]

Water is a key issue for Egypt, given its large population and limited supply. Over the period to 2037, some USD16.25 billion is to be invested in the sector, USD10.3 billion of which will be invested in developing the **waste water infrastructure**.

[22] www.bahrainedb.com : http://bit.ly/9R9Oy9
[23] www.bahrainedb.com : http://bit.ly/SyX5wr
[24] www.gulf-daily-news.com : http://bit.ly/P4AFgm
[25] Image: www.arabianbusiness.com : http://bit.ly/rDjNSm
[26] http://www.wto.org : http://bit.ly/PnkOLb
[27] Image: http://bit.ly/HDmZKe

Iraq

Reconstruction remains the major priority in Iraq. Economic policy is focussed on **reforming the hydrocarbon sector** and **upgrading national infrastructure**. Government plans foresee crude oil production increasing to 12 million barrels per day by 2017 compared to 3 million barrels per day at present. Gas production is also expected to increase.

The National Investment Commission plans to invest **USD150 billion in infrastructures** by 2025. **Electricity and transport** are prioritised, along with **housing** to meet the needs of a rapidly growing population (see Chapter 3). There are also plans to invest several USD billions on existing and new **airports, ports and a metro** in Baghdad over the next ten years.

The Middle East Economic Digest reports that Iraq is now the fastest growing projects market in the region with roughly **USD363 billion worth of projects** planned or under way across all sectors currently[28].

Kuwait

Kuwait Vision 2035[29] is a long term development plan which has the strategic objectives of reviving the role of the Kuwaiti private sector and restoring Kuwait's role as a regional **commercial and financial centre, as a means of diversifying away from oil dependence**.

In 2010 the government unveiled a USD125 billion economic development plan, calling for increased spending on "**mega projects"**[30] and a renewed focus on the delivery of public services through Public Private Partnerships, including a USD10 billion **metro system**, a major **container port** and major **healthcare** and **education** programmes. Other developments include the expansion of **road** networks, the implementation of a public transport system. Social **housing, water** and **power generation** have also been prioritised[31] [32].

[28] www.meed.com : http://bit.ly/Q9oWxS
[29] http://bit.ly/OU9dr2
[30] http://kuwait-embassy.or.jp : http://bit.ly/OU9dr2
[31] It must be noted however that the delivery of this and other plans has been slowed down by political disputes between the Government and the General Assembly. This has been an ongoing problem in Kuwait over the years.
http://bit.ly/MWXvbN ; http://bit.ly/SkYeBT
[32] Image: http://bit.ly/NQtV9S

Oman

The Government of Oman has a long term goal of diversifying the economy. In its 1995 strategy document *Vision 2020*[33], the Government prioritised diversifying the economic base and the private sector as one of the most important goals for future economic development. The country is now on its 8th *Five-Year-Plan (2011-2015),* which includes public capital investment of USD31 billion.

The **petrochemicals** and **metals** sectors are receiving particular attention with plans for development at a number of new industrial sites. The expanding urban population (see Chapter 3) will result in an increase in energy demand, and it is planned to privatise the country's **electrical utilities**. **Tourism** is another important sector that is seen as having strong potential. The Government is also committed to the expansion of a high quality **transport network**.

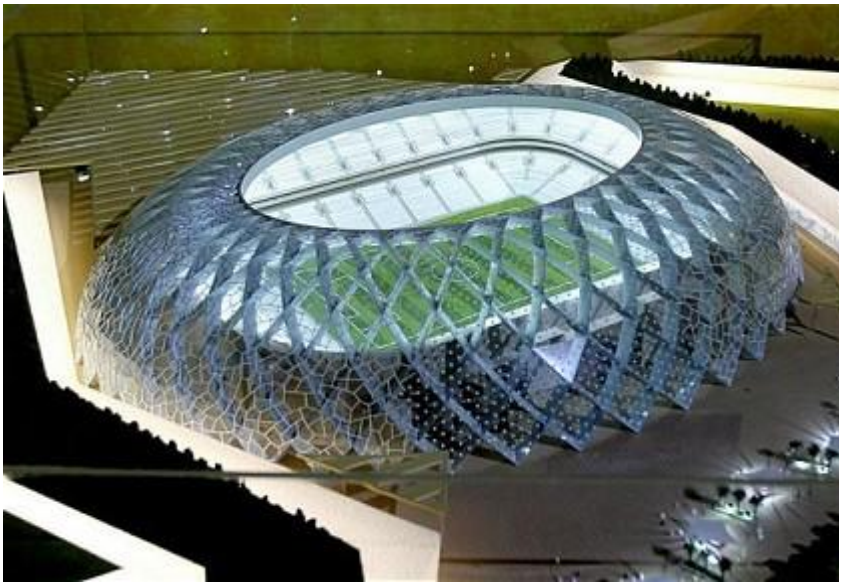
Along with an ambitious economic diversification programme the Government is actively promoting the "Omanisation" of its labour market, i.e. replacing expatriates with trained Omani personnel, with specific targets for various sectors. This is generating significant **education and training** opportunities.

Qatar

The Qatari Government has a target of **increasing the non-energy sector's contribution** to the economy to 80% by 2015. Oil and gas revenues are being invested in **infrastructure, health, education and petrochemicals**. The **cement, metals and chemicals** industries are also receiving considerable investment.

The **transport network** continues to rapidly expand, with planned spending on infrastructure of around USD46 billion. Qatar is also investing heavily in **education** with initiatives to expand its skills base and build a knowledge-based economy. **Education City** was established on ten square kilometres in Doha and is still expanding, with investment of USD6 billion to date.

Qatar is also promoting itself as a prime venue for specialised **tourism activities**, with conferences, sporting events and cultural tourism seen as having the greatest potential. The **World Cup** in 2022 stands out as a key project, estimated by some to cost over USD200 billion[34].



[33] www.omaninfo.com/oman/business.asp.
[34] www.telegraph.co.uk : http://bit.ly/pBRWY8

Saudi Arabia

Saudi Arabia is the largest country in the Gulf with a population of more than 27 million, and is the **largest economy in the Arab world**. As the world's second largest oil exporter, economic diversification is seen as a particular challenge. Several projects in **power generation**, **desalination**, and **transport** infrastructure are of strategic importance. The **petrochemicals sector** is a cornerstone of the country's economic diversification strategy, with ambitions to make it a leading international sector by 2015.

Saudi Arabia is set to host some of the largest construction projects in the world in the coming years, including six new **economic cities** which are designed to house 4-5 million people and provide some 1.3 million jobs[35], at an investment cost of USD60 billion. These are expected to generate direct GDP of USD150 billion per annum once fully operational[36 37].

Transport and logistics infrastructure and the maintenance of existing infrastructure have been prioritised under the Kingdom's *9th Development Plan 2010-2014*[38]. **Education and healthcare** have also been prioritised.

United Arab Emirates

The UAE is the world's third largest oil exporter, and holds the sixth largest oil reserves and the fifth largest natural gas reserves in the world. The Abu Dhabi National Oil Company plans to invest roughly USD60 billion in projects in the **oil, gas** and **petrochemical** sectors over the next decade.

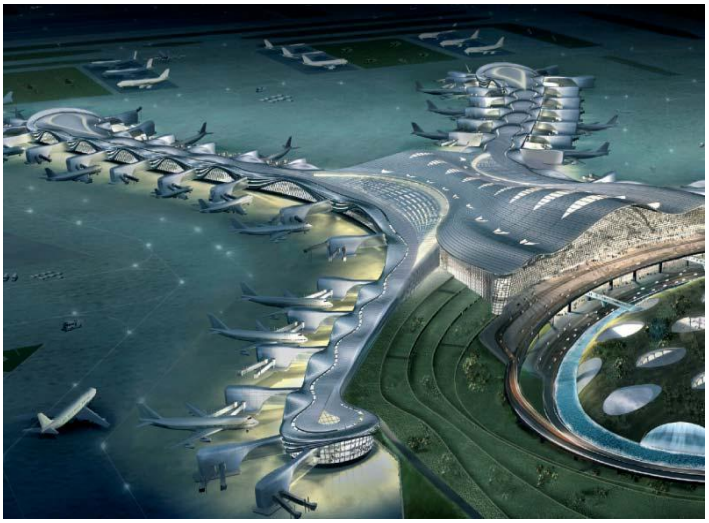
The Emirates are characterised by an open, low-tax economy, ease of doing business and a transparent regulatory system. The economy has successfully diversified away from dependence on hydrocarbons, having established a strong services sector and industrial base. As a result, the non-oil sector accounts for 70% of the UAE's GDP. A key element of GDP is investment, including largescale infrastructure investment in **transport** (notably a USD11 billion **railway** project), **trade, tourism and the powergen (conventional, renewables and nuclear) and water** sectors. The UAE remains one of the **largest construction markets** in the GCC with USD985 billion worth of projects in progress or at planning stages.

In line with the *UAE Economic Vision 2021*[39] and *Abu Dhabi Vision 2030*[40] economic strategies, the UAE is currently focusing its efforts on investments which directly influence the standard of living of

[35] http://www.oecd.org/mena/investment/38906206.pdf
[36] http://bit.ly/P4BO7H
[37] Image: http://bit.ly/SQUGYK
[38] http://www.mep.gov.sa : http://bit.ly/UumAv1
[39] www.vision2021.ae : http://bit.ly/NQiXRN
[40] Which sees Ireland as one of a number of models for economic development.

UAE residents, such as **renewable energy, aircraft components and manufacturing, technology, tourism, healthcare** and **education**, in line with a policy of "Emiratisation".

The UAE, as part of its diversification strategy, is establishing itself as a **global aviation hub**, with plans to spend over USD130 billion on **airports, aircraft** and related investments over the current decade. Enterprise Ireland report that Middle East airlines will invest some **USD115 billion in aircraft** over the next 20 years; Etihad and Emirates alone are expected to add 1-2 aircraft per month to their fleets over the next five years to meet their growth strategies.[41]



http://bit.ly/PYKrTG : http://bit.ly/ri9ymd : http://bit.ly/N7NFUm

[41] Image: www.aviationnews.eu http://bit.ly/2oV53C

3. The AICC Countries – Future Economic and Demographic Prospects

The previous chapter outlined the current demographic, trade and socio-economic policy environment in the AICC countries. In this chapter we look to the future prospects for these countries. Two factors will above all drive the future in the AICC countries –

- population growth and structure, and
- the supply and price of hydrocarbons.

3.1 Future Demographics

3.1.1 Population Growth and Demographic Structure

Table 20 overleaf summarises the UN's population forecasts for the AICC countries to 2025 and 2050. The numbers are remarkable: they envisage the population growing by almost 114 million to 461 million persons by 2025, and by a cumulative 274 million to 621 million by 2050. This equates to a population increase of roughly 80% over the next 40 years, **twice the projected global population growth rate**. Over the period 2012 to 2050, the AICC countries grow from 5% of the world's population to 6.7%.

A number of countries expect to see their **populations more than double** by the middle of the century. By 2050 there will be a number of countries in the region with very substantial populations, particularly:

- Egypt (124 million),
- Iraq (83 million),
- Sudan (91 million) and
- Yemen (62 million).

Notable also is the UAE, whose population is expected to grow by 130%, Kuwait whose population is expected to double and Saudi Arabia, whose population is expected to grow by 70% by 2050.

These population growth rates will represent a significant challenge, even for the oil-rich Gulf States and Saudi Arabia. However, this also represents a market opportunity, as these economies can be expected to grow and diversify if the various national development plans and investment programmes in place (discussed in previous chapter) are successful. These incorporate largescale investment in productive and social infrastructure (transport, water, energy; housing, schools and hospitals), and in human capital (education and training).

Table 20 Population Projections for AICC Countries 2025, 2050 (millions)

	Population			2012-2025			2012-2050		
	2012	2025	2050	change	%change	aagr*	change	% change	aagr*
Algeria	35.4	42	46.5	6.6	18.6%	1.3%	11.1	31.4%	0.7%
Bahrain	1.2	1.6	1.8	0.4	33.3%	2.2%	0.6	50.0%	1.1%
Djibouti	0.8	1.2	1.6	0.4	50.0%	3.2%	0.8	100.0%	1.8%
Egypt	83.7	100.9	123.5	17.2	20.5%	1.4%	39.8	47.6%	1.0%
Iraq	31.1	48.9	83.4	17.8	57.2%	3.5%	52.3	168.2%	2.6%
Jordan	6.5	7.9	9.9	1.4	21.5%	1.5%	3.4	52.3%	1.1%
Kuwait	2.6	3.7	5.2	1.1	42.3%	2.8%	2.6	100.0%	1.8%
Lebanon	4.1	4.6	4.7	0.5	12.2%	0.9%	0.6	14.6%	0.4%
Libya	6.7	7.5	8.8	0.8	11.9%	0.9%	2.1	31.3%	0.7%
Mauritania	3.4	4.7	7.1	1.3	38.2%	2.5%	3.7	108.8%	2.0%
Morocco	32.3	36.4	39.2	4.1	12.7%	0.9%	6.9	21.4%	0.5%
Oman	3.1	3.5	3.7	0.4	12.9%	0.9%	0.6	19.4%	0.5%
Qatar	2	2.3	2.6	0.3	15.0%	1.1%	0.6	30.0%	0.7%
S. Arabia	26.5	36.2	44.9	9.7	36.6%	2.4%	18.4	69.4%	1.4%
Somalia	10.1	14.2	28.2	4.1	40.6%	2.7%	18.1	179.2%	2.7%
Sudan	34.2	60.8	91	26.6	77.8%	4.5%	56.8	166.1%	2.6%
Syria	22.5	26	33.1	3.5	15.6%	1.1%	10.6	47.1%	1.0%
Tunisia	10.7	11.9	12.6	1.2	11.2%	0.8%	1.9	17.8%	0.4%
UAE	5.3	9.9	12.2	4.6	86.8%	4.9%	6.9	130.2%	2.2%
Yemen	24.8	36.7	61.6	11.9	48.0%	3.1%	36.8	148.4%	2.4%
Total AICC	**347**	**460.9**	**621.6**	**113.9**	**32.8%**	**2.2%**	**274.6**	**79.1%**	**1.5%**
Total BRIC	**2890.1**	**3209.4**	**3336.5**	**319.3**	**11.0%**	**0.8%**	**446.4**	**15.4%**	**0.1%**
Brazil	199.3	216.2	222.8	16.9	8.5%	0.6%	23.5	11.8%	0.1%
Russia	142.5	139.0	126.1	-3.5	-2.5%	-0.2%	-16.4	-11.5%	-0.3%
India	1205.1	1,459.0	1,692.00	253.9	21.1%	1.5%	486.9	40.4%	0.4%
China	1,343.2	1,395.2	1,295.60	52.0	3.9%	0.3%	-47.6	-3.5%	-0.2%
World Total	**7,022**	**8,003**	**9,306**	**981**	**14.0%**	**1.0%**	**2284**	**32.5%**	**0.7%**
AICC as % of World Total	*5.0*	*5.8*	*6.7*						

*aagr .. annual average growth rate. Source: 2012 population: CIA World Factbook. Population Projections: UN Department of Economic & Social Affairs http://bit.ly/g4xIiR

Relevant also is the **demographic structure** of the population. Table 21 and Figures 25, 26 and 27 summarise the evolution in child, old-age and total dependency ratios in the AICC countries out to 2050. The child dependency ratio is the ratio of population 5-19 (i.e. school-going) per 100 population aged 20-64 (i.e. working age), while the old age dependency ratio is the ratio of population 65+ (i.e. retired) per 100 population 20-64; the total dependency ratio is the sum of the child and old age dependency ratios. The equivalent data for Ireland, Europe and the entire world are added in the tables for comparison.

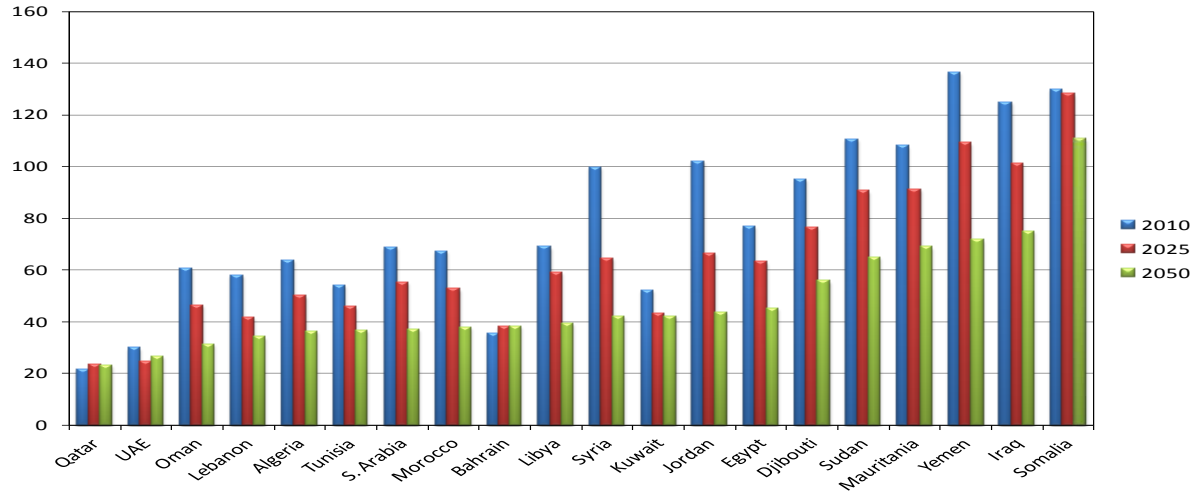
Figure 28 also presents the absolute numbers in key age groups, for the Gulf States/Saudi Arabia and for the non-Gulf AICC countries. Appendix C presents detailed graphics for each AICC country, showing how the population evolves in ten-year bands (they also capture a gender imbalance in the working age population in certain countries, reflecting strong inward migration).

Table 21 Current and Future Dependency Ratios, AICC Countries

	Child dependency ratio				Old Age Dependency Ratio				Total Dependency Ratio			
	2010	2025	2050	Change 2010-2050	2010	2025	2050	Change 2010-2050	2010	2025	2050	Change 2010-2050
Algeria	63.7	49.9	36.3	-27.4	7.9	11.7	32.1	24.2	71.6	61.6	68.3	-3.2
Bahrain	35.1	38.1	38.0	2.9	2.8	9.2	46.9	44.1	37.9	47.3	84.9	47.0
Djibouti	95.1	76.5	55.6	-39.5	6.7	8.0	13.6	6.9	101.8	84.5	69.1	-32.6
Egypt	76.7	62.8	44.9	-31.8	9.4	13.6	24.0	14.7	86.0	76.4	68.9	-17.1
Iraq	124.7	101.0	74.9	-49.8	7.6	7.3	12.8	5.2	132.3	108.3	87.8	-44.5
Jordan	101.7	66.3	43.6	-58.1	8.2	8.3	21.0	12.8	109.9	74.6	64.6	-45.3
Kuwait	52.1	43.1	41.9	-10.1	3.9	6.1	27.2	23.3	56.0	49.2	69.2	13.2
Lebanon	57.7	41.5	34.1	-23.6	12.4	16.1	35.7	23.3	70.1	57.7	69.8	-0.3
Libya	68.7	58.9	39.2	-29.5	7.6	11.6	29.4	21.8	76.3	70.5	68.6	-7.7
Mauritania	107.8	90.9	68.8	-39.1	5.8	6.8	12.0	6.2	113.6	97.7	80.7	-32.9
Morocco	66.9	52.6	37.8	-29.1	9.7	15.0	29.6	19.9	76.6	67.5	67.4	-9.2
Oman	60.6	46.2	31.3	-29.3	4.2	9.7	38.1	33.9	64.8	55.9	69.4	4.6
Qatar	21.3	23.3	23.0	1.7	1.3	3.1	33.1	31.8	22.6	26.4	56.1	33.5
S. Arabia	68.5	54.9	36.9	-31.5	5.1	9.2	24.3	19.2	73.6	64.1	61.2	-12.4
Somalia	129.7	127.9	110.7	-19.1	6.4	7.2	8.3	1.9	136.1	135.1	119.0	-17.1
Sudan	110.4	90.5	65.0	-45.4	7.8	8.6	13.3	5.5	118.2	99.1	78.2	-39.9
Syria	99.6	64.4	41.8	-57.8	8.2	11.2	20.9	12.7	107.8	75.5	62.7	-45.0
Tunisia	53.8	45.5	36.4	-17.4	11.5	16.7	37.1	25.6	65.2	62.2	73.4	8.2
UAE	29.6	24.6	26.5	-3.1	0.6	4.7	49.3	48.7	30.2	29.3	75.8	45.6
Yemen	136.1	109.2	71.4	-64.7	6.2	6.3	10.1	4.0	142.3	115.5	81.5	-60.7
Ireland	*45.1*	*48.1*	*47.1*	*2.0*	*19.2*	*28.0*	*45.1*	*25.9*	*64.2*	*76.1*	*92.2*	*27.9*
Europe	*33.9*	*36.5*	*40.3*	*6.5*	*25.8*	*35.4*	*51.7*	*25.9*	*59.7*	*71.9*	*92.0*	*32.3*
World	*62.6*	*54.8*	*48.2*	*-14.4*	*13.4*	*18.2*	*28.7*	*15.3*	*76.0*	*72.9*	*76.9*	*1.0*

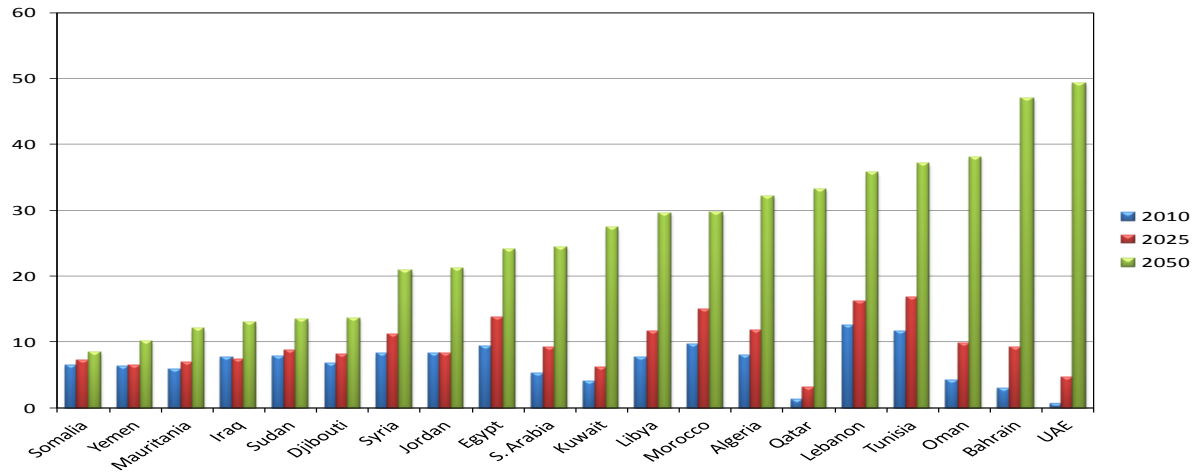
Source: United Nations, Department of Economic and Social Affairs, Population Division (2011). World Population Prospects: The 2010 Revision, CD-ROM edition.

Figure 25 Child Dependency Ratios, 2010, 2025 & 2050



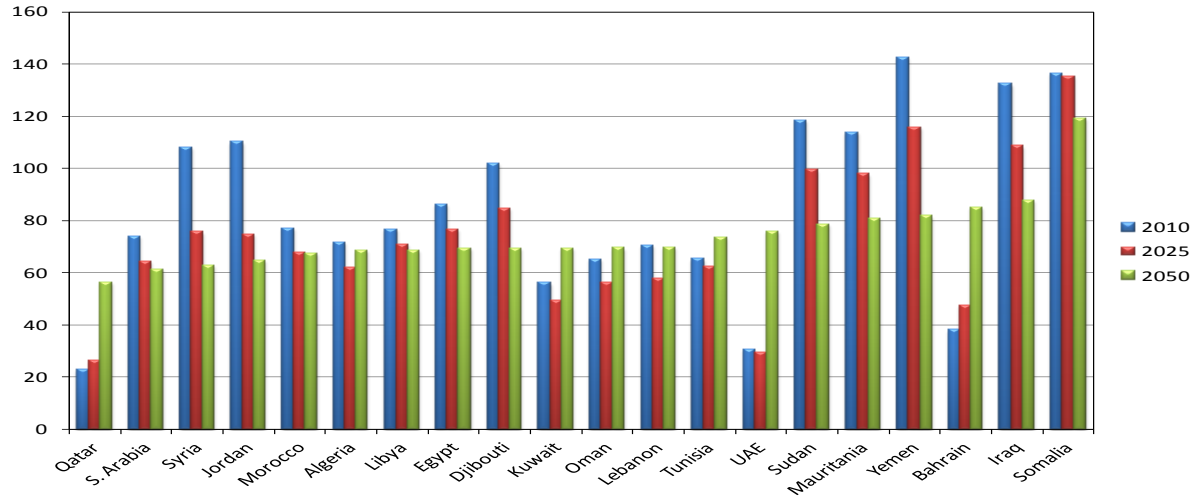
Source: UN Department of Economic and Social Affairs Population Division

Figure 26 Old Age Dependency Ratios, 2010, 2025 & 2050



Source: UN Department of Economic and Social Affairs Population Division

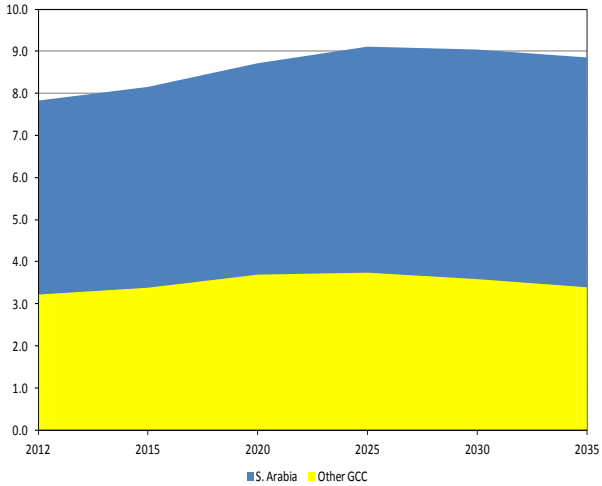
Figure 27 Total Dependency Ratios, 2010, 2025 & 2050



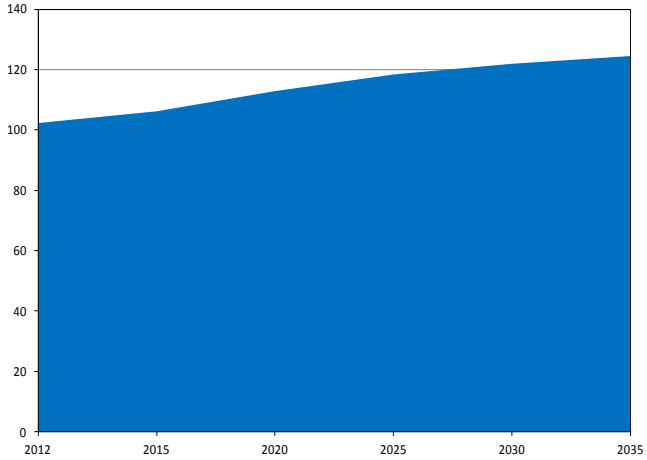
Source: UN Department of Economic and Social Affairs Population Division

Figure 28 Population Cohorts, AICC Countries, 2012-2035 (million)

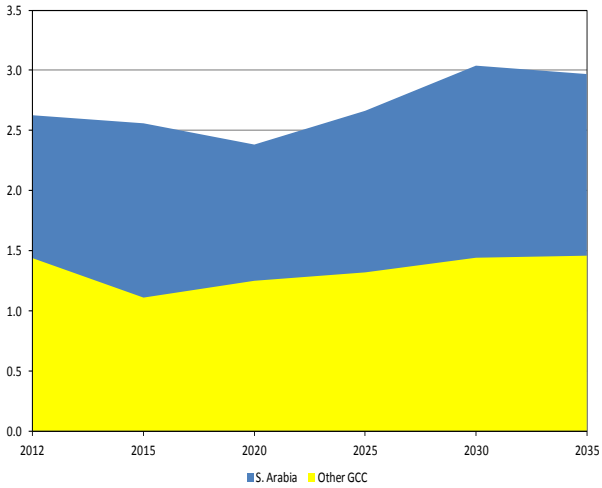
5-19 (School-going), GCC States



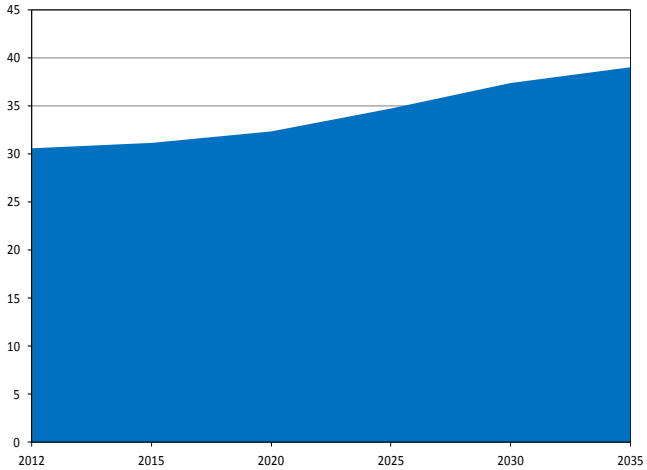
5-19 (School-going), non-GCC States



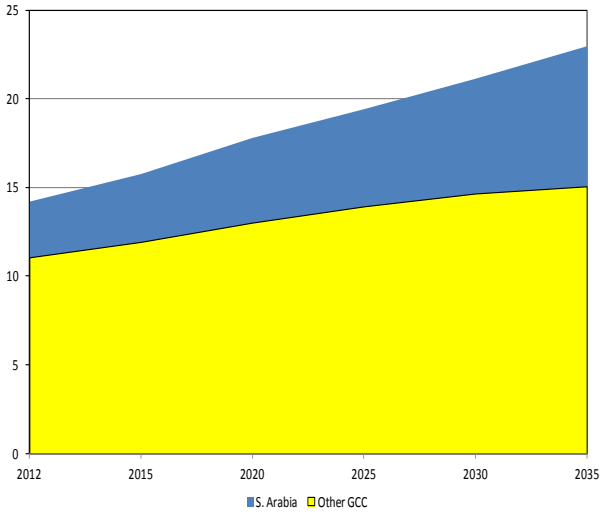
20-24 (College-going) GCC States



20-24 (College-going) non-GCC States



25-64 (Working Age) GCC States



25-64 (Working Age) non-GCC States

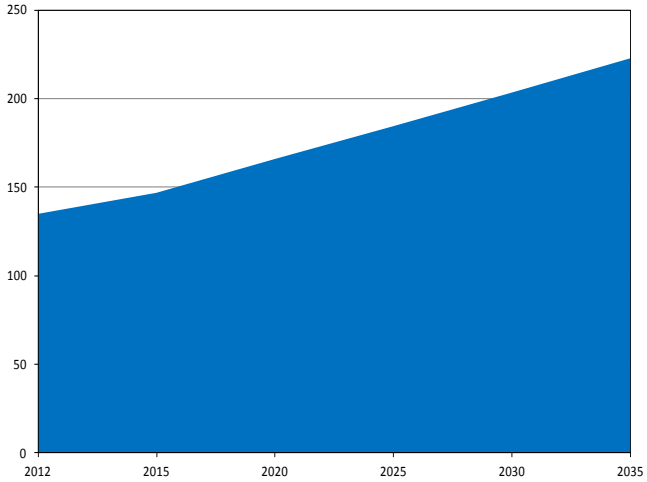
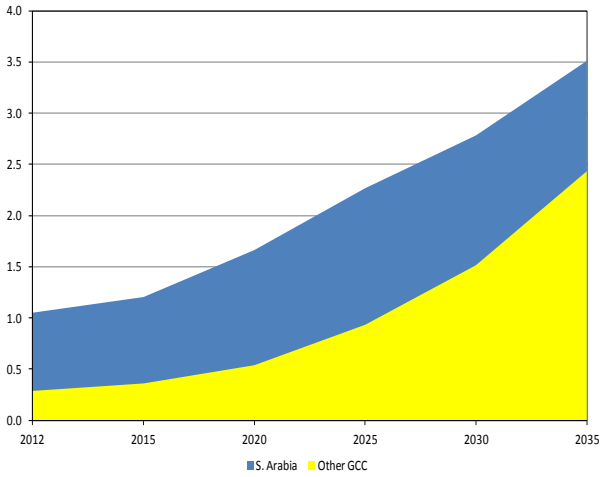
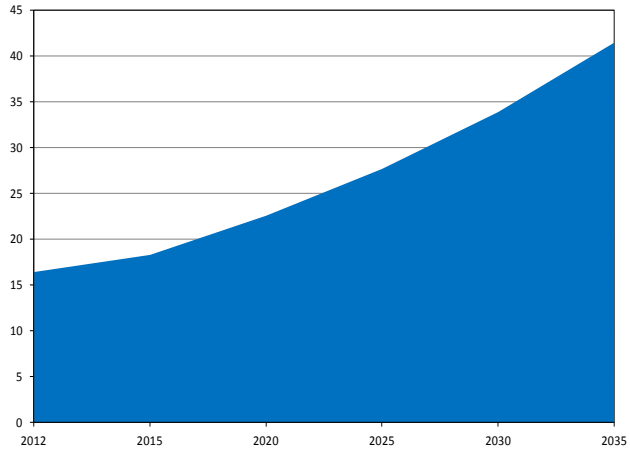


Figure 28 (cont'd) Population Cohorts, AICC Countries, 2012-2035 (million)

65+ (Retirees) GCC States



65+ (Retirees) non-GCC States



Source: UN Department of Economic and Social Affairs Population Division

Quite apart from the increase in population, the demographic structure of most AICC countries is expected to change dramatically over the coming decades.

With regard to child dependency:

- The child dependency ratio currently varies greatly, from just over 20 in Qatar and UAE to over 100 in a number of countries.
- Most of the oil exporters currently have modest ratios, with the exception of Saudi Arabia, whose ratio is currently just under 70.
- With a few exceptions, child dependency is expected to fall substantially over the timeframe – by 2050 most countries have a dependency ratio of around 40 or less.
- The population under 20 (i.e. school-going) is expected to start falling in the GCC States from 2025, but will see continuous growth in the non-GCC States.
- The college-going age cohort (20-24) exhibits a similar pattern, with growth until 2030 in the GCC States followed by decline, but continuous growth in the non-GCC States.

By contrast, there is a strong growth pattern in the working age population (24-65), which by 2035 is expected to grow by almost two-thirds in Saudi Arabia and the non-GCC States, and by over one-third in the other GCC States.

A phenomenal increase is expected in the old age dependency ratio of most countries, particularly post 2025 and particularly in the GCC States. The non-GCC States are expected to see a 150% increase, Saudi Arabia is expected to see a 250% increase, but the other GCC States are expected to experience a **750% increase** in the population of 65 and over. At the extreme, in the UAE less than 1% of the population is currently over 65; by 2050 it is expected to be almost 50%. Oman, Bahrain and Qatar are expected to experience changes of a similar order of magnitude.

By and large, the child dependency ratios and the old age dependency ratios will move in opposite directions over the period. Most countries, including Saudi Arabia, see a net reduction in dependency. However UAE, Qatar, and Bahrain will see their overall dependency ratios double.

3.1.1 Implications of Future Demographic Structure

The above analysis points to some striking demographic trends in the AICC countries. It should be noted that these relate to the resident population as opposed to the native population.

There are several implications, most importantly:

- A high child dependency ratio indicates a high requirement for education and training investment in the short to medium term, but if this is delivered properly it will translate into higher human capital and increased earnings potential in the medium to long term. It also requires investment in maternity services, and childcare facilities and workers depending on female labour participation rates.

- A high old age dependency ratio indicates a large requirement for health/medical services, in terms of healthcare workers and facilities, and pharmaceuticals expenditure

- A low overall dependency ratio indicates a relatively high proportion of the population of working age, which, subject to the education status of this population, translates into high earnings potential. The direction of macroeconomic policies then determines the degree to which that potential is delivered on. A high working age population also translates into a lower relative burden in terms of providing for the young and old age cohorts. However, if economic aspirations cannot be delivered on, in terms of employment and material well-being, then there is a higher risk of social unrest, as has already been seen in recent years in the AICC countries.

3.2 Future Energy Production and Prices

Table 5 in the last chapter highlighted the degree to which export earnings in the AICC countries were dependent on "Fuel and Mining products", the bulk of which is hydrocarbons. Of the 20 countries listed, eleven of them derive at least 70% of their exports from this sector, while four derive over 90% of exports from it.

Hence the future paths of production and prices are critical to the future prospects of the region. Table 21 overleaf sets out the production rate, estimated reserves and implied remaining years of output, for the main oil- and gas-producing AICC countries. The AICC countries produce one third of the world's oil and 15% of the world's natural gas, but hold significantly higher proportions of global reserves (48% and 28% respectively). Figure 29 gives a detailed breakdown of reserves.

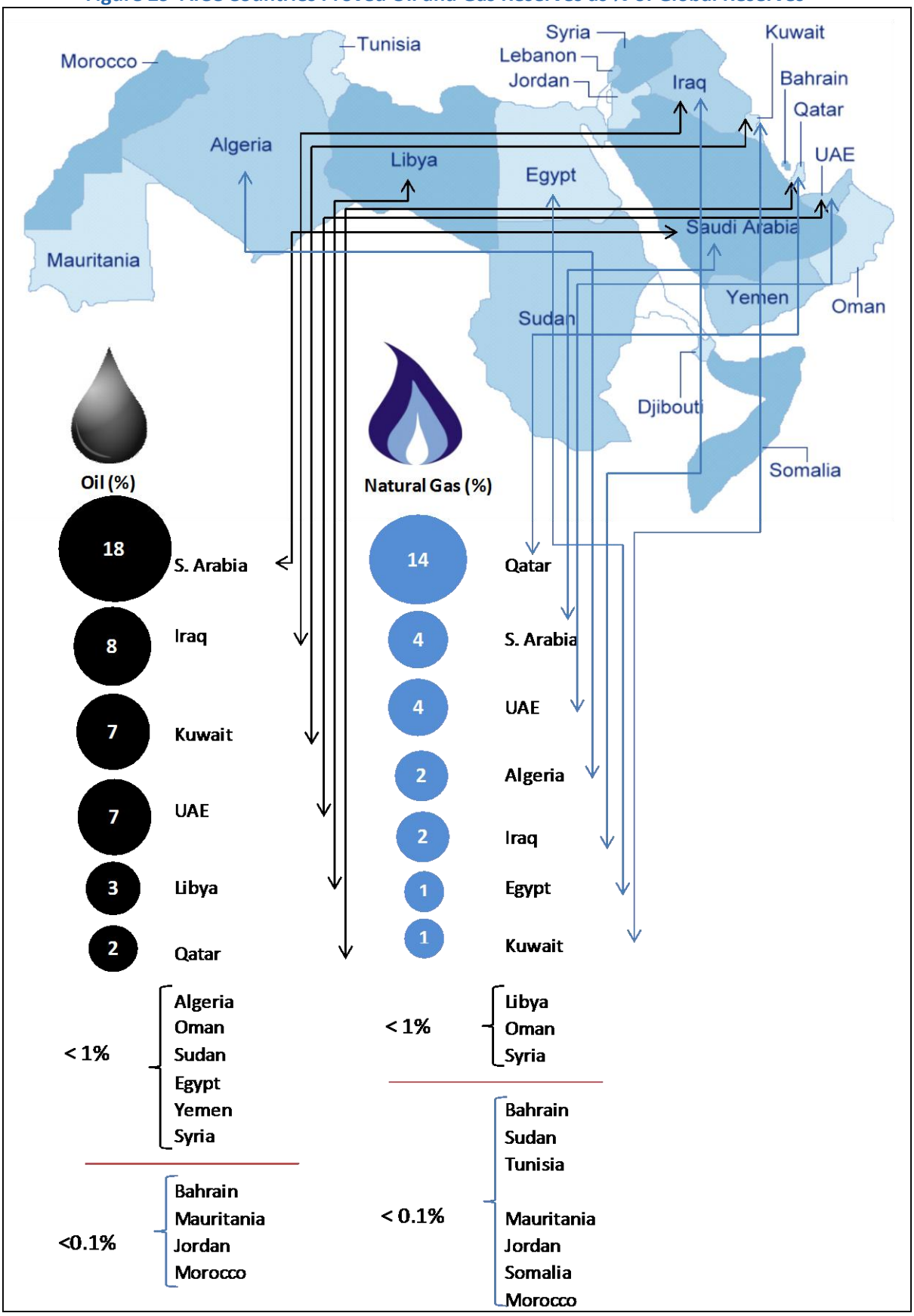
Table 22 Energy Production & Reserves

	Oil			Natural Gas			
	Annual Production	Reserves		Annual Production (marketed)	Reserves		
	million tonnes	million tonnes	Years @ current production levels	bcm*	bcm*	Years @ current production levels***	Fuel & Mining products as %age of total Exports
Algeria	57.8	1,664.4	29	82.8	4,504.0	44	98.6
Bahrain	9.4	110.0	12	12.7	640.0	50	80.2
Egypt	26.4	613.9	23	59.8	2,210.0	37	34.5
Iraq	132.1	19,283.8	146	0.9	3,158.0	178	99.9
Kuwait	132.4	13,847.2	105	13.5	1,784.0	130	92.3
Libya**	74.0	6,549.8	88	16.8	1,547.0	58	89.4
Oman	38.8	750.3	19	28.7	610.0	21	73.1
Qatar	36.5	3,462.5	95	116.7	25,110.0	201	84.9
S. Arabia	463.6	36,208.7	78	92.3	8,151.0	80	84.2
Sudan	21.3	1,218.7	57	0.0	85.0	n/a	88.0
Syria	16.7	341.1	20	7.1	257.7	36	42.4
UAE	127.7	13,342.4	104	52.3	6,091.0	104	35.0
Yemen	10.2	409.3	40	6.9	478.5	69	90.8
Total AICC	**1,147.1**	**97,802.1**	**85**	**490.5**	**54,626.2**	**97**	**69.1**
Global	**3,507.4**	**202,118.1**	**58**	**3,338.1**	**196,163.0**	**59**	
AICC as %age of global	**33%**	**48%**		**15%**	**28%**		

*bcm – Billion cubic metres. **Libyan values are for 2010. ***For the OPEC countries equals reserves divided by marketed production plus flaring plus shrinkage.

Source: OECD/IEA 2011, OPEC

Figure 29 AICC Countries Proved Oil and Gas Reserves as % of Global Reserves



Source: CIA Factbook

The estimates indicate over 80 years of production at today's proven reserves and production levels. These vary greatly from country to country, with some having only modest remaining reserves[42]. A case in point is Bahrain, which was the first Middle Eastern country to discover oil, but whose reserves are rapidly depleting.

The spot price of oil as of early August 2012 is approximately USD100 per barrel[43]. Long term forecasts of commodity prices are fraught with difficulty, none more so perhaps than energy prices. Thus what follows needs to be treated with some caution. Table 23 presents US Energy Information Administration's long term forecasts, giving a base (reference), high and low price scenario[44].

The data are presented in nominal prices and in constant 2010 prices (i.e. with inflation stripped out). From an analysis point of view, the constant prices are more relevant, since they represent the "real" change in prices going forward, in today's money.

[42] It is worth keeping in mind that:

- Proven reserves refer to deposits that are commercially recoverable at today's prices. As energy prices vary, so do proven reserves.
- A number of countries have only been partially explored, and potentially have significant as yet undiscovered reserves.
- The pattern of production is generally not linear, reaching a peak a number of years after start of production, and tailing off gradually as reserves are exhausted.
- The numbers quoted do not deduct domestic consumption, which in many countries is subsidised and is increasing rapidly in line with economic and population growth. There is a growing tension in a number of countries between on the one hand satisfying domestic demand for cheap energy and on the other hand "protecting" energy (particularly oil) production for export.

[43] As of 10/08/12, West Texas Intermediate (WTI) crude is USD92 while Brent crude is USD113 per barrel. http://www.oil-price.net/

[44] Numerous other forecasts exist (see for example U.S. Energy Information Administration – Annual Energy Outlook 2012 page 105). The USEIA forecasts are close to the International Energy Agency forecasts, and as such would carry significant credibility.

Table 23 Crude Oil Price (USD per Barrel, Low Sulphur Light) Forecasts to 2035

	2010	2015	2020	2025	2030	2035	Cumulative growth 2010-2035	Annual avg Growth 2010-2035
Base Case								
Nominal USD	79.39	125.97	148.87	170.09	197.10	229.55	189%	4.3%
2010 USD	79.39	116.91	126.68	132.56	138.49	144.98	83%	2.4%
High Case								
Nominal USD	79.39	195.67		245.37		314.93	297%	5.7%
2010 USD	79.39	182.10		193.48		200.36	152%	3.8%
Low Case								
Nominal USD	79.39	62.81		77.32		98.91	25%	0.9%
2010 USD	79.39	58.36		59.41		62.38	-21%	-1.0%

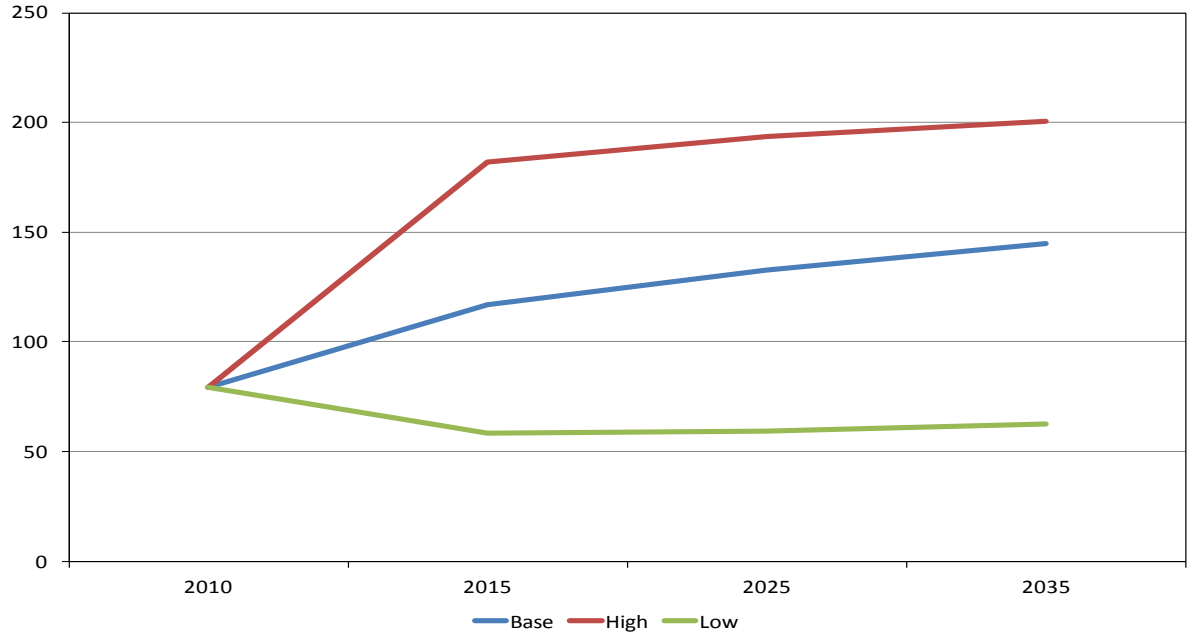
Notes on table overleaf:

1. Price is the weighted average price to US refiners.
2. The base or reference case foresees a continuation of today's trends into the medium term future, in particular modest growth in the OECD countries and more robust growth in the BRIC countries.
3. The high price scenario foresees stronger economic growth combined with constrained supply.
4. The Low oil price scenario reflects a combination of lower economic growth, leading to lower demand, and increased supply.

Source: U.S. Energy Information Administration – Annual Energy Outlook 2012
http://www.eia.gov/forecasts/aeo/pdf/0383(2012).pdf

Figure 30 sets out the forecasts graphically, in constant 2010 USD.

Figure 30 Future Oil Prices (2010 USD per Barrel)



Source: U.S. Energy Information Administration – Annual Energy Outlook 2012

The US Energy Information Administration (USEIA) also produces forecasts for natural gas prices, which are summarised in Table 24 and Figure 31[45].

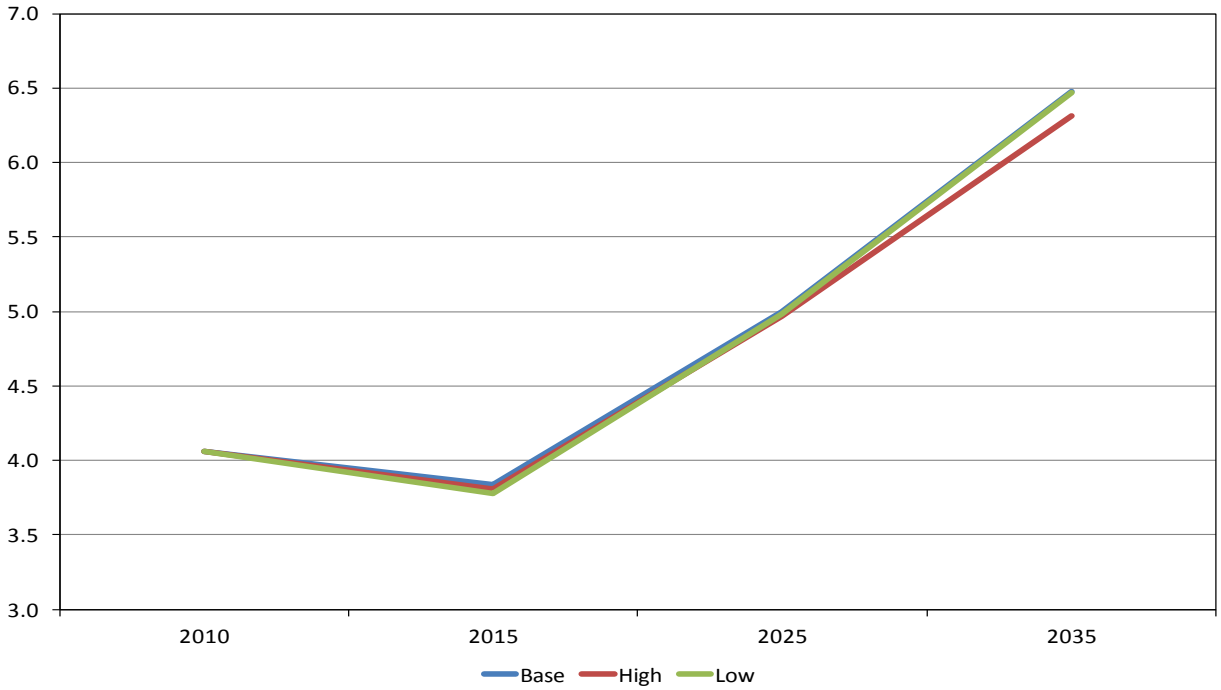
Table 24 Natural Gas Price* (USD per million BTU) Forecasts to 2035**

	2010	2015	2020	2025	2030	2035	Cumulative growth 2010-2035	Annual avg Growth 2010-2035
Base Oil Price case*								
Nominal USD	4.06	4.14	4.81	6.42	7.92	10.26	153%	3.8%
2010 USD	4.06	3.84	4.10	5.00	5.56	6.48	60%	1.9%
High Oil Price Case*								
Nominal USD	4.06	4.10		6.30		9.91	144%	3.6%
2010 USD	4.06	3.81		4.97		6.31	55%	1.8%
Low Oil Price Case*								
Nominal USD	4.06	4.07		6.48		10.26	153%	3.8%
2010 USD	4.06	3.78		4.98		6.47	59%	1.9%

*Price at the wellhead for US producers. The price of natural gas is more localised than for oil, because of limitations on global transportation (notwithstanding the increasing popularity of LNG). The base, high and low price scenarios refer to the base, high and low price of oil, as the price of natural gas is traditionally related to that of oil.
**British Thermal Units. One million BTU equals approximately 28m^3 of natural gas.

Source: U.S. Energy Information Administration – Annual Energy Outlook 2012

Figure 31 Future Natural Gas Prices (2010 USD per million BTU)



Source: U.S. Energy Information Administration – Annual Energy Outlook 2012

[45] The spot price of natural gas at the US wellhead as of May 2012 was USD1.99 per BTU, having averaged approximately USD4.00 during 2011. http://www.eia.gov/dnav/ng/ng_pri_sum_dcu_nus_m.htm

There is clearly a very wide range in the future forecasts of oil prices. The base case foresees that price will increase by a cumulative 83% over the next 25 years, but this varies from +150% to -20%. Gas prices are expected to fall over the coming years (in the US at least), but then to grow rapidly, increasing by a cumulative 150% over the coming 25 years. By contrast to oil, the range of forecasts is much tighter for gas, and there is no real difference in the three price scenarios.

Which of these scenarios comes to pass will have significant implications for the AICC countries, particularly for those that depend primarily on oil exports. The picture is more positive for gas producers, not only because expected prices are higher, but because there appears to be lower risk attached.

We can demonstrate simplistically the impact of these production forecasts and price scenarios on the various countries, by estimating the gross energy revenues generate by each country over the 25 years to 2035, as per Table 25 and Figure 32 overleaf.

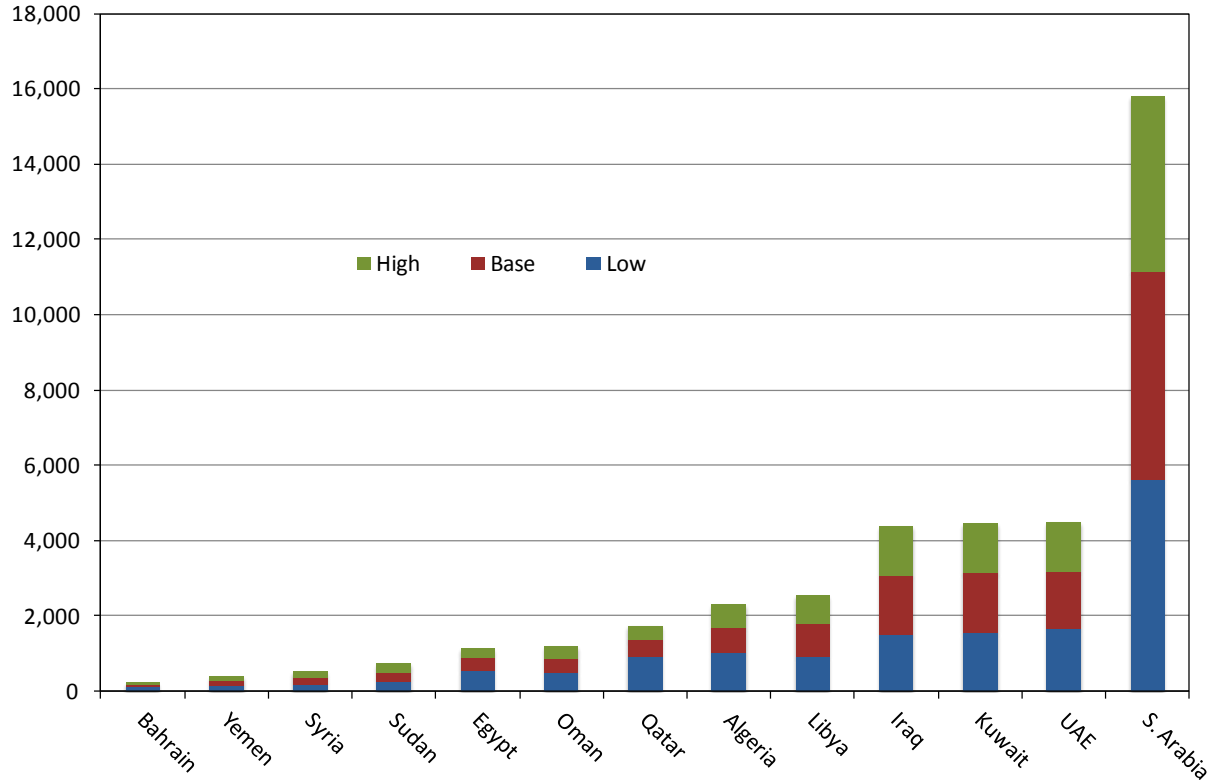
The variability is clear, reflecting in particular the variation in future oil price forecasts.

Table 25 Estimated Cumulative Gross Revenues from Oil and Gas, 2011 to 2035, (2010 USD Billion), AICC Countries

	Base case	High Case	Low Case
Algeria	1,699	2,280	1,012
Bahrain	168	219	115
Egypt	871	1,137	559
Iraq	3,064	4,387	1,486
Kuwait	3,126	4,452	1,545
Libya	1,788	2,530	904
Oman	848	1,174	478
Qatar	1,352	1,721	922
S. Arabia	11,141	15,787	5,607
Sudan	494	707	239
Syria	364	511	195
UAE	3,185	4,466	1,662
Yemen	267	369	145
Total	**28,367**	**39,739**	**14,870**

Sources: USEIA, UN, OPEC

Figure 32 Estimated Cumulative Gross Revenues from Oil & Gas 2011-2035, USD Billion



Sources: USEIA, UN, OPEC

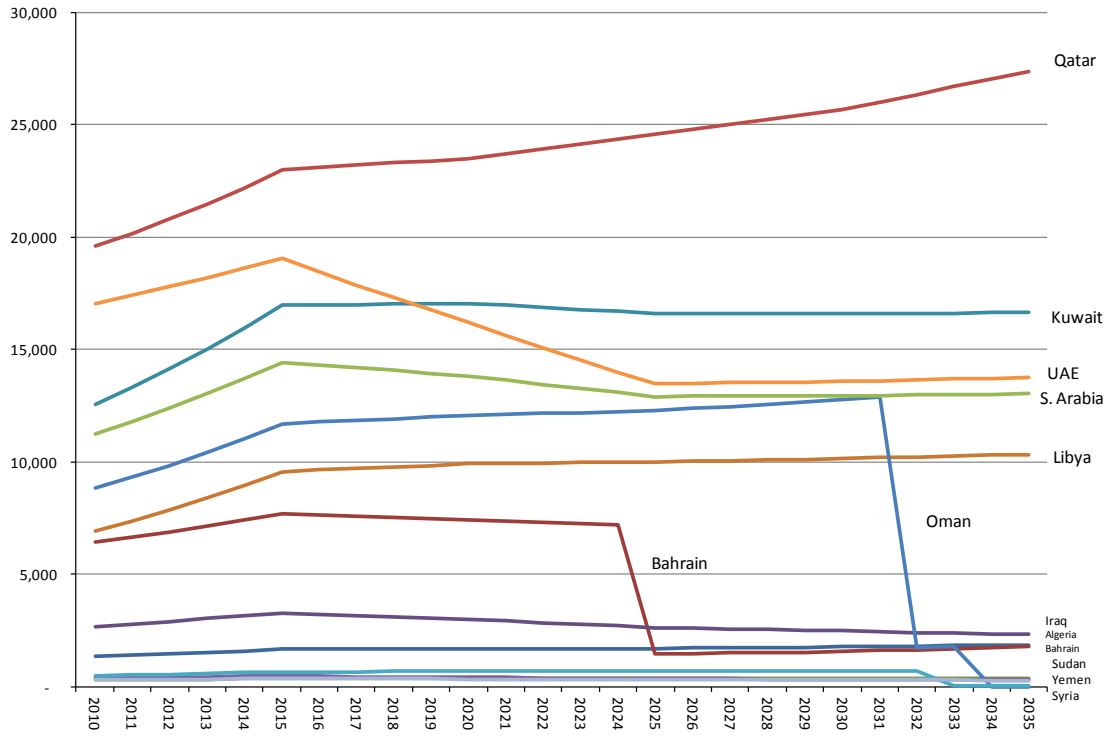
The data can also be presented in terms of revenues per capita. We have done this year by year for the base case, as per Figure 33 overleaf.

Revenues are expected to grow to the middle of the current decade across all countries, but to diverge thereafter, reflecting

- the mix of oil and gas in output,
- the evolution of prices,
- depletion of reserves, and importantly
- increasing population.

It is noticeable how gross earnings per capita are expected to gradually fall in Kuwait, UAE and Saudi Arabia post 2015. Libya on the other hand can expect to see gradually increasing earnings per capita. Oman and Bahrain will see their earnings trail off as reserves are depleted, while Qatar stands out as the only country that is expected to continue to see strong continued growth in per capita earnings.

Figure 33 Per Capita Gross Revenue from Hydrocarbons per annum, 2010-35, USD



Sources: USEIA, UN, OPEC

We would reiterate that this is based on a linear presentation of today's proven reserves divided by current production levels. There is substantial potential for new discoveries, which would change this scenario. The US Energy Information Administration for instance projects that petroleum liquids production in MENA will increase by approximately one-third between 2010 and 2035 (1.1% per annum), but that all that growth will occur in Middle East OPEC countries. Middle East non-OPEC and Northern Africa are expected to see falls in production (Table 26).

Table 26 Forecast Global Petroleum Liquids* Production (Base Case)

OPEC	2010	2015	2020	2025	2030	2035	Av. Ann. Growth 2010-35
Middle East**	23.4	25.5	27.2	29.8	32.1	33.9	1.5%
North Africa	3.9	3.6	3.4	3.4	3.3	3.3	-0.7%
Other	6.7	7.2	7.3	7.3	7.1	7.0	0.1%
Sub-total	**34.1**	**36.3**	**37.9**	**40.5**	**42.5**	**44.2**	**1.0%**
Non-OPEC							
Middle East	1.6	1.4	1.3	1.2	1.1	1.0	-1.9%
Africa***	2.4	2.4	2.5	2.7	2.7	2.7	0.4%
Rest of World	44.4	45.5	46.8	47.7	48.8	48.6	0.4%
Sub-total	**48.4**	**49.3**	**50.6**	**51.6**	**52.6**	**52.3**	**0.3%**
Grand Total	**82.4**	**85.6**	**88.5**	**92.0**	**95.1**	**96.5**	**0.6%**

*Includes production of crude oil (including lease condensate and shale oil/tight oil), natural gas plant liquids, other hydrogen and hydrocarbons for refinery feedstocks, and refinery gains.
** Includes Iran. ***Includes Egypt and Sudan.
Source: U.S. Energy Information Administration – Annual Energy Outlook 2012

Numerous other forecasts exist[46]; while the emphasis varies from source to source, common threads are:

- Energy demand continuing to increase over the medium to long term, but with a shift from oil to gas for efficiency (in electricity generation) and global warming impact reasons. Renewables will also feature to an increasing degree.
- There is also expected to be a shift to newer or non-conventional sources (e.g. shale deposits, deepwater) over time as production from conventional sources flatten.
- The bulk of increased demand is expected to come from non-OECD countries, notably China and India and the Middle East itself. Many Middle East energy exporters subsidise domestic consumption, but this is expected to be gradually unwound, in order to "protect" exports and as a result of international commitments made in this regard. However, increased population will underlie increasing demand notwithstanding this.
- A number of sources foresee OECD energy demand falling over the coming decades.

[46] For example OPEC's annual *World Oil Outlook* (http://bit.ly/v1fwLr), the International Energy Agency's annual *World Energy Outlook* (http://www.worldenergyoutlook.org/), Exxon Mobil's *2012 The Outlook for Energy: A View to 2040* (http://exxonmobil.co/ui5Ofa) and BP's *Energy Outlook 2030* (http://www.bp.com – http://bit.ly/ifswIK)

4. Ireland's Trade with AICC Countries

4.1 Ireland's Trade Profile

This chapter profiles Ireland's exports to the AICC countries, and places these in the context of Ireland's overall trade with the world. The aim is to identify:

(i) the relative importance of the MENA region for Ireland's trade;

(ii) the sectors in which Ireland's exports to the AICC countries currently perform well, and

(iii) where exports to the AICC countries are "less than average", and hence where there may be scope to increase trade.

Ireland is one of the most globalised economies in the world[47]: in 2011, this country's exports were valued at €166.8 billion, while imports were valued at €131.9 billion[48], compared to total GDP of €159 billion. Exports are divided 56% merchandise (i.e. goods) and 44% services.

With less than 0.07% of the world's population, Ireland accounts for approximately 1% of both global exports and imports (goods and services combined)[49]. By comparison, the AICC countries, with 4.9% of the world's population, account for approximately 5% of global trade.

Merchandise exports are summarised in Table 27, while services exports are summarised in Table 28[50].

What is clear is the dominance of pharmaceuticals and organic chemicals, much of which are ingredients for pharmaceuticals. These two between them account for 50% of Ireland's merchandise trade. On the services side, computer services (i.e. software) are similarly dominant, accounting for almost 40% of the total. Insurance and Financial services also feature, as does operational leasing, mostly of aircraft.

[47] www.idaireland.com : http://bit.ly/eXZKWM
[48] www.cso.ie : http://bit.ly/NnHNpq
[49] Ireland's population in April 2011 was 4.588 million per the CSO's Census of Population; World population in May 2012 was 7.027 billion, per the United States Census Bureau (www.census.gov). Ireland's share of world trade is merchandise and services combined, as per the World Trade Organisation Trade Profiles (http://stat.wto.org : http://bit.ly/8Z8bgE).
[50] Note the sum of merchandise and services exports per the CSO trade statistics does not match the total of exports per the National Accounts, as quoted above.

Table 27 Ireland's Merchandise Exports, 2011

	€ million	%age Breakdown
Medicinal & pharmaceutical products	26,389	28.4%
Organic chemicals	20,023	21.6%
Soft drink concentrates	5,787	6.2%
Miscellaneous manufactured articles, nes	5,686	6.1%
Computers, computer parts and storage devices	3,575	3.9%
Professional, scientific and controlling apparatus	3,379	3.6%
Chemical materials and products, nes	2,964	3.2%
Electrical machinery, appliances etc., nes	2,871	3.1%
Meat and meat preparations	2,760	3.0%
Dairy products and birds eggs	1,777	1.9%
Miscellaneous edible products and preparations	1,485	1.6%
General industrial machinery & parts, nes	1,339	1.4%
Petroleum, petroleum products and related materials	1,251	1.3%
Metalliferous ores and metal scrap	1,096	1.2%
Beverages	1,086	1.2%
Photographic apparatus, optical goods, watches & clocks	1,066	1.1%
Other	10,313	11.1%
Total	**92,847**	**100.0%**

Source: CSO Trade Statistics.

Table 28 Ireland's Services Exports, 2011

	€ million	%age Breakdown
Computer Services	31,819	39.1%
Insurance	8,138	10.0%
Operational Leasing	6,699	8.2%
Financial services	6,595	8.1%
Merchanting	6,247	7.7%
Transport	4,155	5.1%
Royalties/Licences	3,636	4.5%
Tourism & Travel	3,281	4.0%
R&D, Advertising & Market Research	1,652	2.0%
Management Services between Affiliates	1,226	1.5%
Communications	455	0.6%
Legal, Accounting & Professional	408	0.5%
Architectural, Engineering & Other Technical Services	370	0.5%
Other	6,767	8.3%
Total	**81,448**	**100.0%**

Source: CSO International Trade in Services 2011.
www.cso.ie : http://bit.ly/RUXzx4

4.2 Merchandise Exports to the AICC Countries

Both the AICC and the CSO provide detailed information on Ireland's merchandise trade with the AICC countries. The table below summarises Ireland's global merchandise exports in 2011, and places exports to the AICC countries in context[51].

Table 29 Ireland's Merchandise Exports by Region (€ million)

	2011 € million	%age Breakdown	Imports from Ireland per capita €
UK	14,494	15.6%	230
Belgium	13,531	14.6%	1,226
Rest of EU	25,295	27.2%	59
EU Total	**53,320**	**57.4%**	**106**
USA & Canada	22,238	24.0%	64
Switzerland	3,689	4.0%	464
Japan	1,769	1.9%	14
China	1,605	1.7%	1
AICC Countries	1,564	1.7%	5
ROW	8,660	9.3%	2
Total World	**92,847**	**100.0%**	**13**
Total excl EU, Switzerland & North America	*13,599*	*14.6%*	*2*

Sources: CSO trade statistics, Eurostat, CIA world Factbook.

Some 1.7% of Ireland's merchandise exports go to the AICC countries, an average of €5 per capita. The AICC countries are thus one of Ireland's most important trading blocs outside Europe and North America, and are on a comparable level with Japan and China. As discussed later, for the indigenous sector, the AICC countries are of even greater significance.

Table 30 overleaf summarises Ireland's merchandise exports by individual AICC country. While 1.7% of Ireland's merchandise exports go to the AICC countries, Ireland accounts for 0.33% of total merchandise imports by the AICC countries. The comparable figure for Ireland's share of global merchandise trade is 0.6%, but this includes the EU and North America, where one would expect Ireland's trade links to be stronger.

[51] A proviso applies to all trade data with regard to particular countries: the official trade statistics record the country of first landing for Irish exports, rather than their ultimate destination. A proportion of Ireland's exports, particularly from the FDI sector, first goes to "hub" countries (notably Belgium and Switzerland) before on-shipping. To the degree that the ultimate destination of such exports is in the AICC countries, Ireland's' trade with these countries is under-stated. Likewise, Ireland has substantial exports to the UAE, which acts as a hub for the Gulf. A proportion of these exports are likely therefore to be ultimately destined for the other Gulf States, notably Saudi Arabia.

By the same token, Ireland's imports are recorded as coming from the country of last shipping. Therefore, most obviously, petroleum products originating in the Middle East, but refined in a third country before on-shipping to Ireland, will be recorded as an import from that third country. For instance, two-thirds of Ireland's petroleum imports and over 90% of our natural gas imports are recorded as coming from the UK, while less than 2% are recorded as coming from a AICC country. However, in 2010 9% of the UK's crude oil imports and 30% of its natural gas imports (all in the form of LNG) came from the AICC countries (http://www.decc.gov.uk : http://bit.ly/p8dJQR).

The data can be looked at in aggregate or per capita terms. In aggregate terms, there are a number of "above average" importers of Irish goods, including Bahrain, Jordan, Kuwait and Saudi Arabia, all of whom receive significantly more than 0.33% of their imports from Ireland. Four countries import more than €100 million worth of goods each year from Ireland – UAE, Saudi Arabia, Kuwait and Egypt - the last of these being most populous of the AICC countries.

Table 30 Ireland's Merchandise Exports to the AICC Countries

	Irish Exports (2011)			Total Imports By AICC Countries (2010)		Imports from Ireland as a %age of total imports
	€ million	%age Breakdown	per capita €	€ million	per capita €	
Algeria	57	0.06%	1.62	31,164	880.35	0.18%
Bahrain	48	0.05%	39.61	7,546	6,288.36	0.63%
Djibouti	0	0.00%	0.45	280	350.35	0.13%
Egypt	136	0.15%	1.63	40,751	486.87	0.33%
Iraq	39	0.04%	1.26	33,815	1,087.29	0.12%
Jordan	57	0.06%	8.80	11,984	1,843.74	0.48%
Kuwait	101	0.11%	38.75	17,283	6,647.49	0.58%
Lebanon	54	0.06%	13.23	14,214	3,466.89	0.38%
Libya	5	0.01%	0.72	8,085	1,206.72	0.06%
Mauritania	1	0.00%	0.41	1,490	438.22	0.09%
Morocco	58	0.06%	1.78	27,243	843.45	0.21%
Oman	40	0.04%	13.01	15,379	4,961.05	0.26%
Palestine	1	0.00%	0.26	na	na	na
Qatar	45	0.05%	22.66	17,895	8,947.43	0.25%
Saudi Arabia	528	0.57%	19.92	82,285	3,105.09	0.64%
Somalia*	1	0.00%	0.06	614	60.84	0.10%
Sudan	14	0.01%	0.40	7,735	226.16	0.18%
Syria	26	0.03%	1.16	13,450	597.76	0.19%
Tunisia	16	0.02%	1.46	17,106	1,598.66	0.09%
UAE	308	0.33%	58.06	123,200	23,245.36	0.25%
Yemen	30	0.03%	1.20	7,093	286.02	0.42%
Total AICC	**1,564**	**1.68%**	**4.51**	**478,614**	**1,379.29**	**0.33%**
Non-AICC	91,283	98.32%	13.69	14,976,486	2,245.35	0.61%
Total Global	**92,847**	**100.00%**	**13.23**	**15,455,100**	**2,202.52**	**0.60%**

*Somalia imports relate to 2006

Sources: CSO, AICC, WTO;

On a per capita basis, the oil-rich Gulf countries feature strongly, importing between €20 and €60 of Irish goods per capita. The UAE is particularly noteworthy:

- Its merchandise imports per capita are over €23,000, well in excess of the other countries in the region (however, UAE acts as a trade hub for the Gulf and beyond).

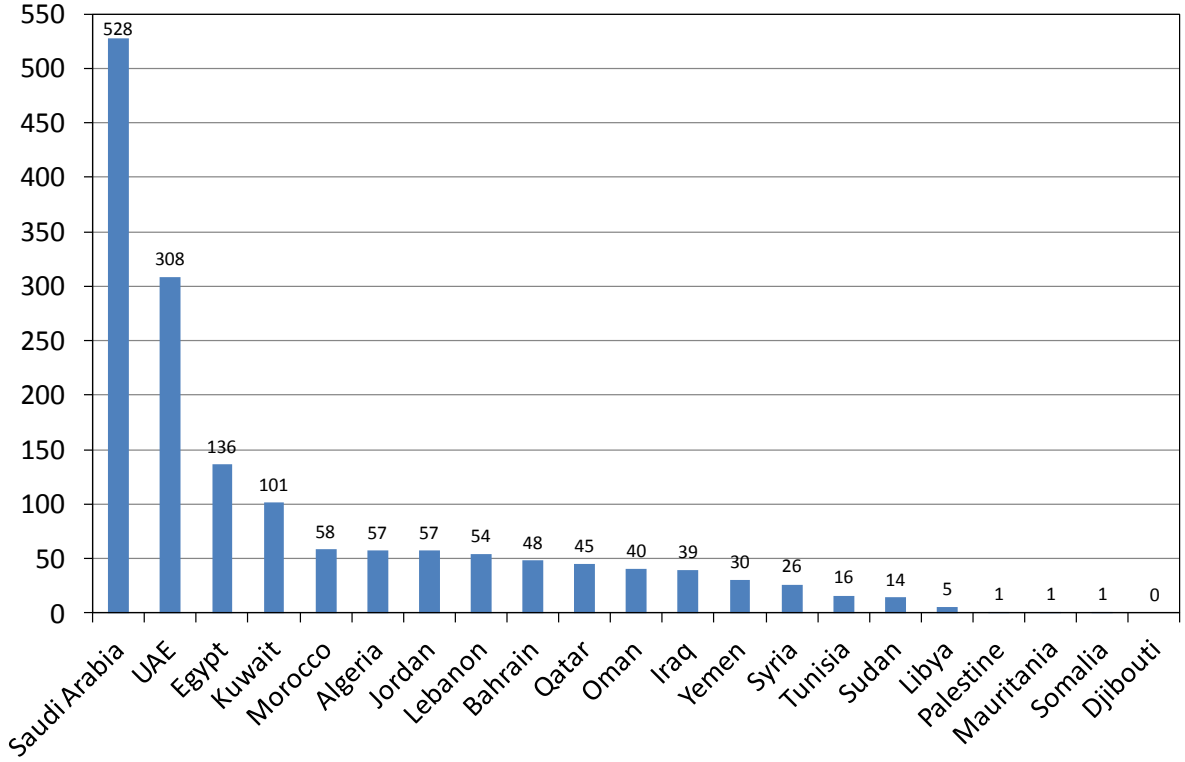
- It is also the highest importer of Irish goods per capita in the region, at almost €60 per annum, comparable to Ireland's exports to North America and the EU (excluding the UK).

Notably, in percentage terms it imports less than average from Ireland: 0.25% of its total imports come from Ireland, compared to an overall AICC average of 0.33%.

Qatar and Oman are similarly high income countries who are "below average" importers of Irish goods. So there may be scope to export more to these countries. From a longer term perspective, Libya and Iraq are two high potential countries (in terms of energy export revenues) in the region whose imports from Ireland are well below average (0.06% and 0.12% respectively).

Focussing in on Ireland's main export markets in the region, there are four countries to which Ireland exported more than €100 million worth of goods in 2011: Saudi Arabia, UAE, Kuwait and Egypt.[52] Between them, these four account for almost 70% of Ireland's merchandise exports to the region.

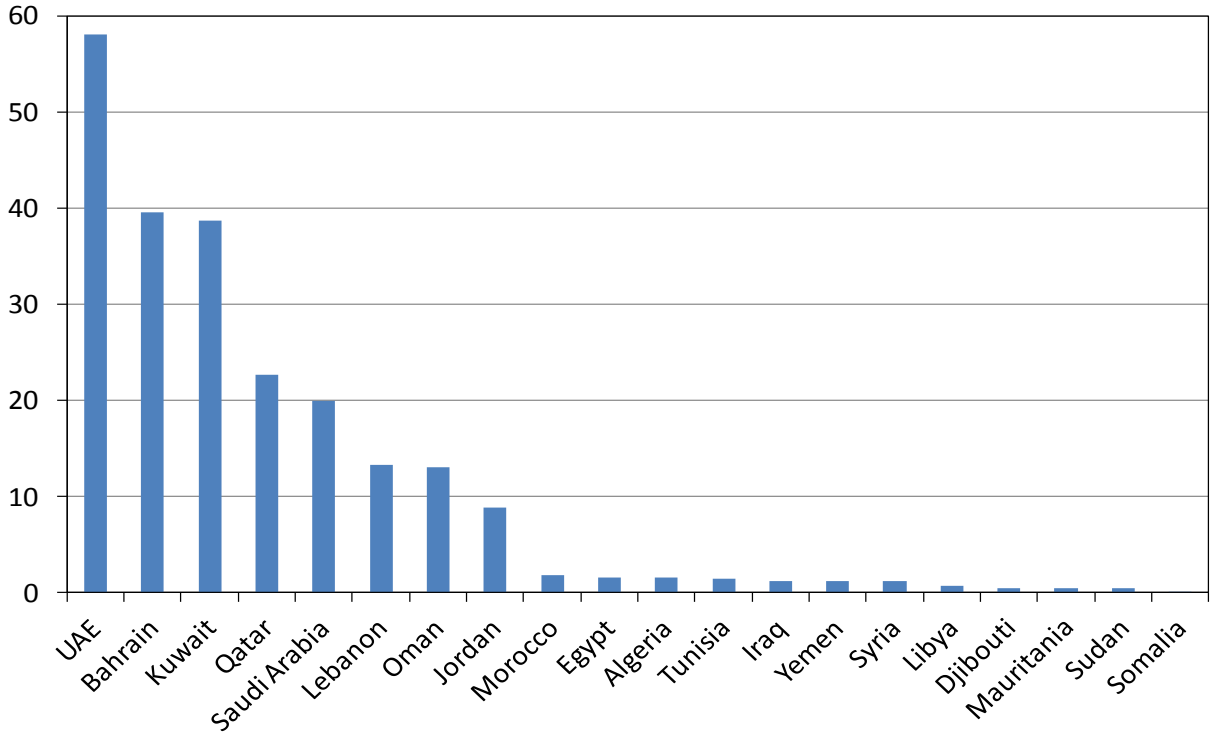
Figure 34 Ireland's Merchandise Exports to the AICC Countries (€ million), 2011



Source: CSO, AICC

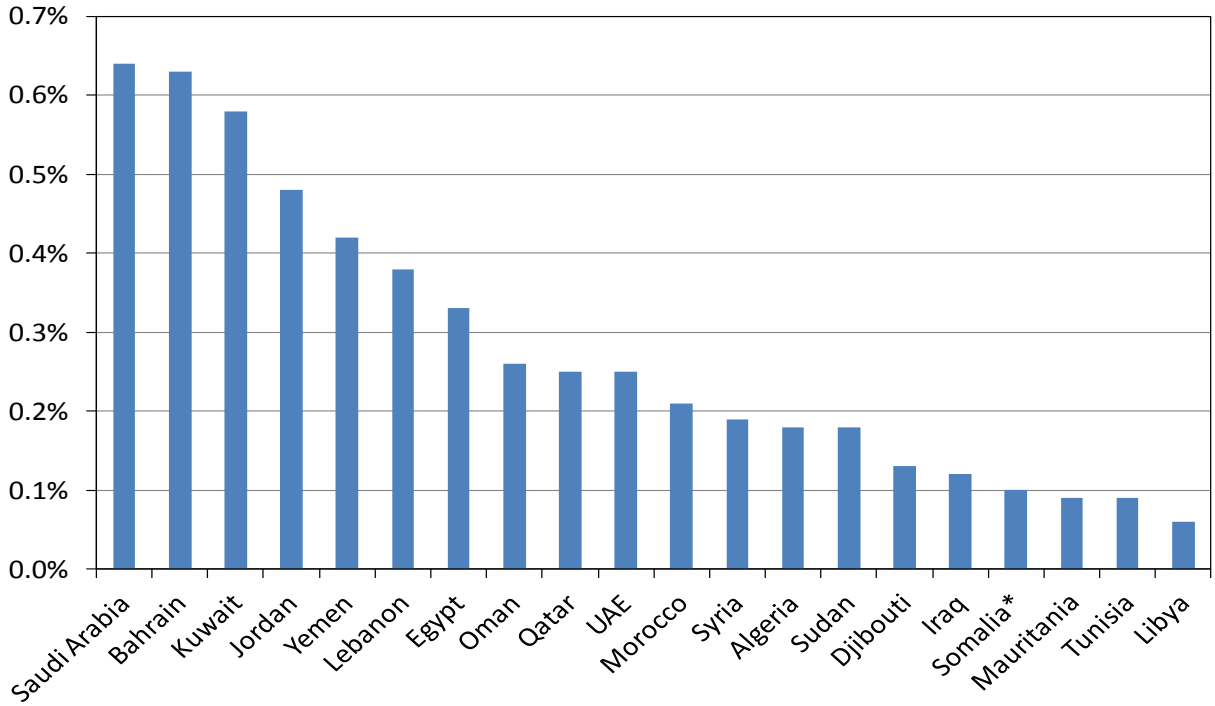
[52] In terms of documents processed by the AICC, the UAE is the most prominent. Kuwait also features alongside Saudi Arabia and Egypt.

Figure 35 Ireland's Merchandise Exports to AICC Countries (per capita) €, 2011



Source: AICC, CSO

Figure 36 Merchandise Imports from Ireland as a %age of Total AICC country Imports



Source: CSO, AICC

We can also consider the types of goods exported to the main AICC countries, as summarised in Table 31 overleaf and Figure 39. We have also included Bahrain, Oman and Qatar in this table as countries exhibiting high imports per capita from Ireland.

It is clear that, just as Ireland's exports to the MENA are highly concentrated by country, they are also concentrated by sector. The top six categories, each of which represents exports of over €100 million, account for over 80% of Ireland's merchandise exports to the region. These are as follows:

1. Soft drink concentrates,
2. Baby formula,
3. Medical & pharmaceutical products,
4. Computers, computer parts and storage devices,
5. General industrial machinery & equipment & parts, and
6. Dairy.

Merchandise exports from Ireland to the AICC countries have been growing strongly in recent years, up 38% in nominal terms over the last decade (Table 31, Figure 37).

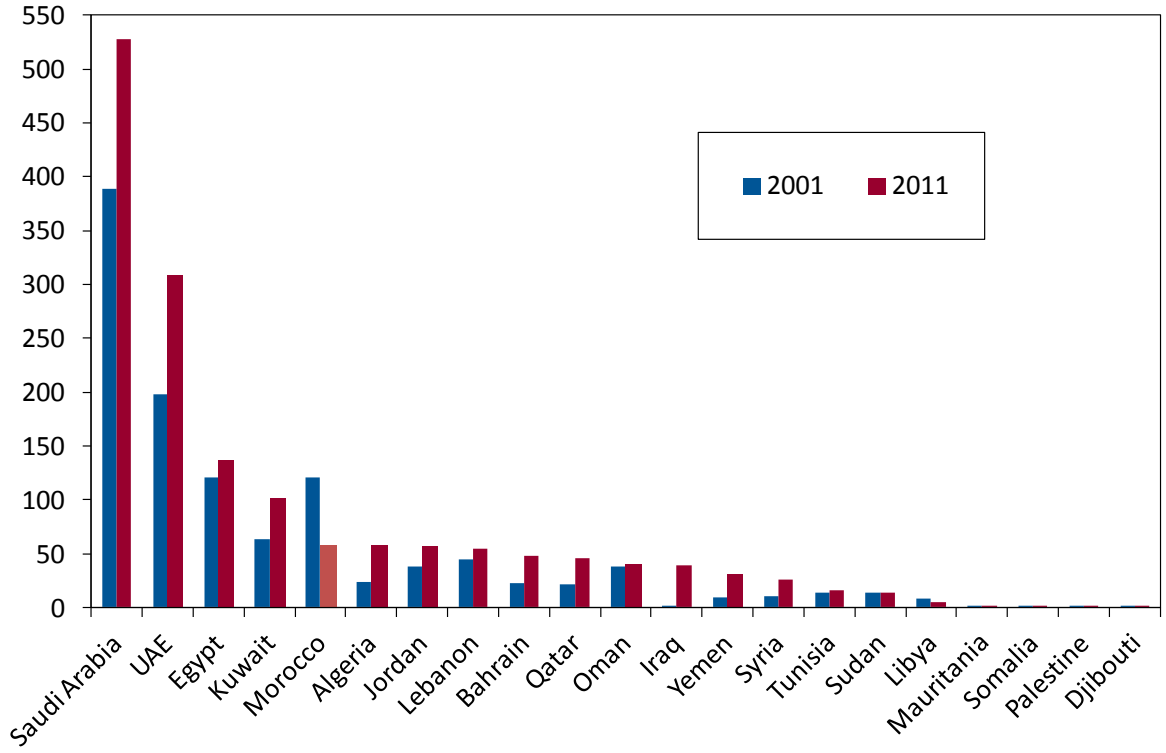
Table 31 Ireland's Merchandise Exports to AICC Countries (€m) 2001 & 2011

	2001	2011	% Growth
Saudi Arabia	388	528	36%
UAE	198	308	56%
Egypt	121	136	13%
Kuwait	64	101	58%
Morocco	121	58	-52%
Algeria	24	57	143%
Jordan	38	57	53%
Lebanon	44	54	23%
Bahrain	23	48	107%
Qatar	21	45	111%
Oman	38	40	7%
Iraq	0	39	-
Yemen	10	30	208%
Syria	10	26	165%
Tunisia	13	16	19%
Sudan	14	14	0%
Libya	8	5	-39%
Mauritania	2	1	-
Somalia	0	1	-
Palestine	0	1	-
Djibouti	0	0	-
Total	**1,135**	**1,565**	**38%**

Source: CSO

Irish merchandise exports to most AICC countries have grown over the last decade, an exception being Morocco. This decline was concentrated in Textiles & Fabrics and Clothing Accessories. Exports of these to Morocco between them fell by approximately €150 million (in nominal terms) over the decade.

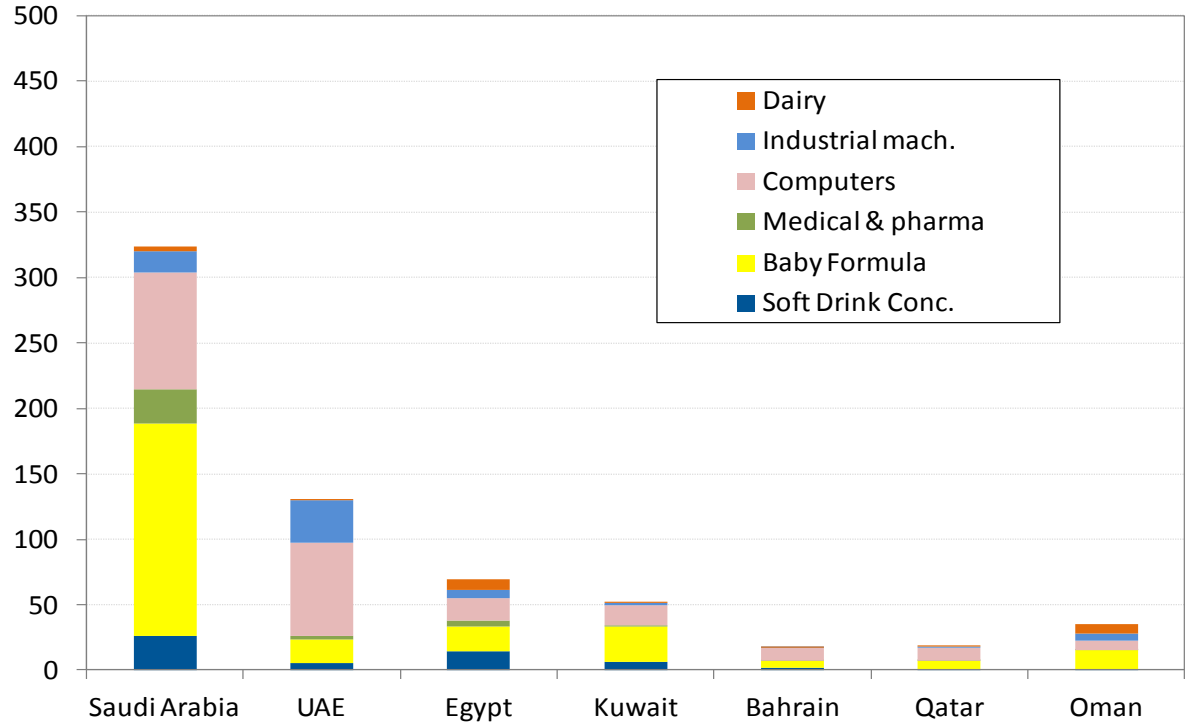
Figure 37 Ireland's Merchandise Exports to AICC Countries (€ million), 2001 & 2011



Source: CSO

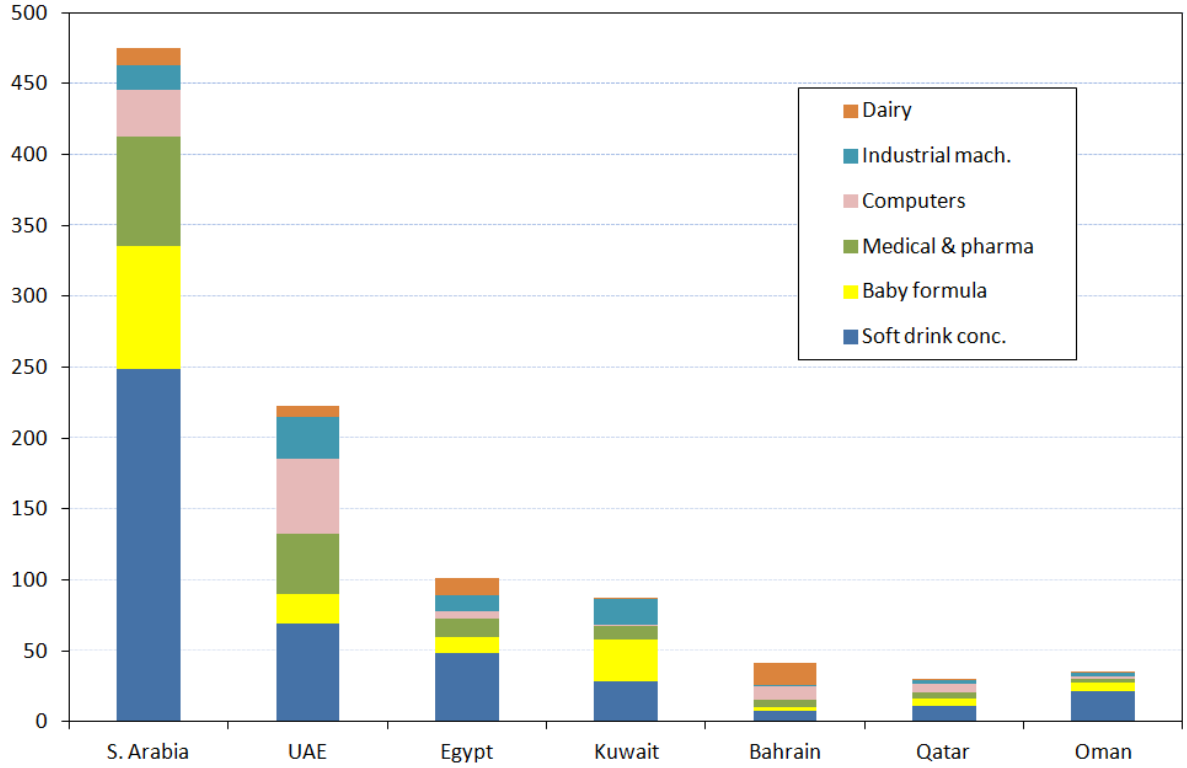
Sectorally, the strongest growth has been experienced in soft drink concentrates (+642%), medical & pharma (+231%), industrial machinery (+65%) and dairy (+234%). On the other hand, computers and infant formula have declined, by 62% and 29% respectively, compared to a decade earlier (Figures 38 and 39).

Figure 38 Ireland's Main Merchandise Exports to AICC Countries by sector (€ million), 2001



Source: CSO

Figure 39 Main Exports to AICC Countries, by Sector and Country, 2011 (€ million)



Source: CSO, AICC

Table 32 Ireland's Merchandise Exports to the AICC Countries by Sector, 2011 (€'000)

Sectors\Country	Saudi Arabia	UAE	Egypt	Kuwait	Bahrain	Qatar	Oman	Other	Total	%age breakdown	*Cumulative %age Breakdown*
Soft drink concentrates (1)	248,411	69,274	48,674	28,068	7,309	10,993	21,669	101,375	**535,773**	34.3%	*34.3%*
Baby formula (2)	86,481	20,743	10,900	29,625	2,778	4,955	6,035	55,157	**216,674**	13.9%	*48.1%*
Medical & pharmaceutical products	77,179	42,371	13,065	9,348	5,072	4,418	2,640	38,568	**192,661**	12.3%	*60.4%*
Computers, computer parts and storage devices (3)	32,935	52,764	5,289	1,398	10,031	6,409	1,267	8,350	**118,443**	7.6%	*68.0%*
General industrial machinery & equipment nes & parts	17,601	29,710	11,309	18,086	664	2,241	3,007	27,536	**110,154**	7.0%	*75.0%*
Dairy (4)	12,085	8,072	11,744	961	15,711	334	150	53,737	**102,794**	6.6%	*81.6%*
Telecommunications & sound equipment	2,032	26,974	1,066	6,210	1,729	263	49	3,047	**41,370**	2.6%	*84.3%*
Miscellaneous manufactured articles nes	9,776	11,793	2,085	2,068	1,124	4,186	440	4,174	**35,646**	2.3%	*86.5%*
Chemical materials & products nes	2,097	824	5,013	189	39	58	27	26,192	**34,439**	2.2%	*88.7%*
Professional, scientific & controlling apparatus nes	9,978	5,590	1,048	1,531	1,071	841	2,399	7,128	**29,586**	1.9%	*90.6%*
Other	29,412	39,613	26,052	3,263	2,006	10,619	2,637	32,935	**146,537**	9.4%	*100.0%*
Total	**527,987**	**307,728**	**136,245**	**100,747**	**47,534**	**45,317**	**40,320**	**358,199**	**1,564,077**	**100.0%**	
%age breakdown	33.8%	19.7%	8.7%	6.4%	3.0%	2.9%	2.6%	22.9%			
Cumulative %age Breakdown	*33.8%*	*53.4%*	*62.1%*	*68.6%*	*71.6%*	*74.5%*	*77.1%*	*100.0%*			

Notes:

1. Categorised as Essential oils, perfume materials; toilet & cleansing preparations in the trade statistics. There may be other small elements of exports here also.
2. Categorised as Miscellaneous edible products and preparations in the trade statistics. There may be small elements of other exports here also.
3. Categorised as Office machines & automatic data processing machines in the trade statistics.
4. Categorised as Dairy products & birds eggs in the trade statistics.

Nes. not elsewhere specified.

Source: CSO, AICC, Department of Jobs Enterprise and Innovation.

We can also compare the sectoral breakdown of Ireland's **global** merchandise exports, with those to the AICC countries. Table 33 lists the sectors of Irish merchandise exports where the value of exports was at least €1 billion in 2011.

The final column in the table sets out the sectors where the AICC countries are over- or under-represented, in the sense that the percentage breakdown of Irish exports to the AICC countries differs from the overall average percentage.

Table 33 Ireland's Global Merchandise Exports and Exports to AICC Countries, 2011

	€ million	%age Breakdown	Cumulative %age Breakdown	AICC %age Breakdown	Sector over/ -under represented in exports to AICC countries
Medicinal & pharmaceutical products	26,389	28.4%	28.42%	12.3%	-16.1%
Organic chemicals	20,023	21.6%	49.99%	1.2%	-20.4%
Soft drink concentrates	5,787	6.2%	56.22%	34.3%	28.0%
Miscellaneous manufactured articles, nes	5,686	6.1%	62.34%	2.3%	-3.8%
Computers, computer parts and storage devices	3,575	3.9%	66.20%	7.6%	3.7%
Professional, scientific and controlling apparatus	3,379	3.6%	69.83%	1.9%	-1.7%
Chemical materials and products, nes	2,964	3.2%	73.03%	2.2%	-1.0%
Electrical machinery, appliances etc., nes	2,871	3.1%	76.12%	1.2%	-1.9%
Meat and meat preparations	2,760	3.0%	79.09%	0.1%	-2.8%
Dairy products and birds eggs	1,777	1.9%	81.01%	6.6%	4.7%
Miscellaneous edible products and preparations	1,485	1.6%	82.61%	13.9%	12.3%
General industrial machinery & parts, nes	1,339	1.4%	84.05%	7.0%	5.6%
Petroleum, petroleum products and related materials	1,251	1.3%	85.39%	0.0%	-1.3%
Metalliferous ores and metal scrap	1,096	1.2%	86.57%	0.1%	-1.1%
Beverages	1,086	1.2%	87.74%	0.4%	-0.8%
Photographic apparatus, optical goods, watches and clocks	1,066	1.1%	88.89%	1%	-0.5%
Other	10,313	11.1%	100.00%	8%	-2.7%
Total	**92,847**	**100.0%**		**100%**	

Nes. not elsewhere specified.
Source: CSO

Five categories stand out as being "over-represented" in Irish exports to the AICC countries:

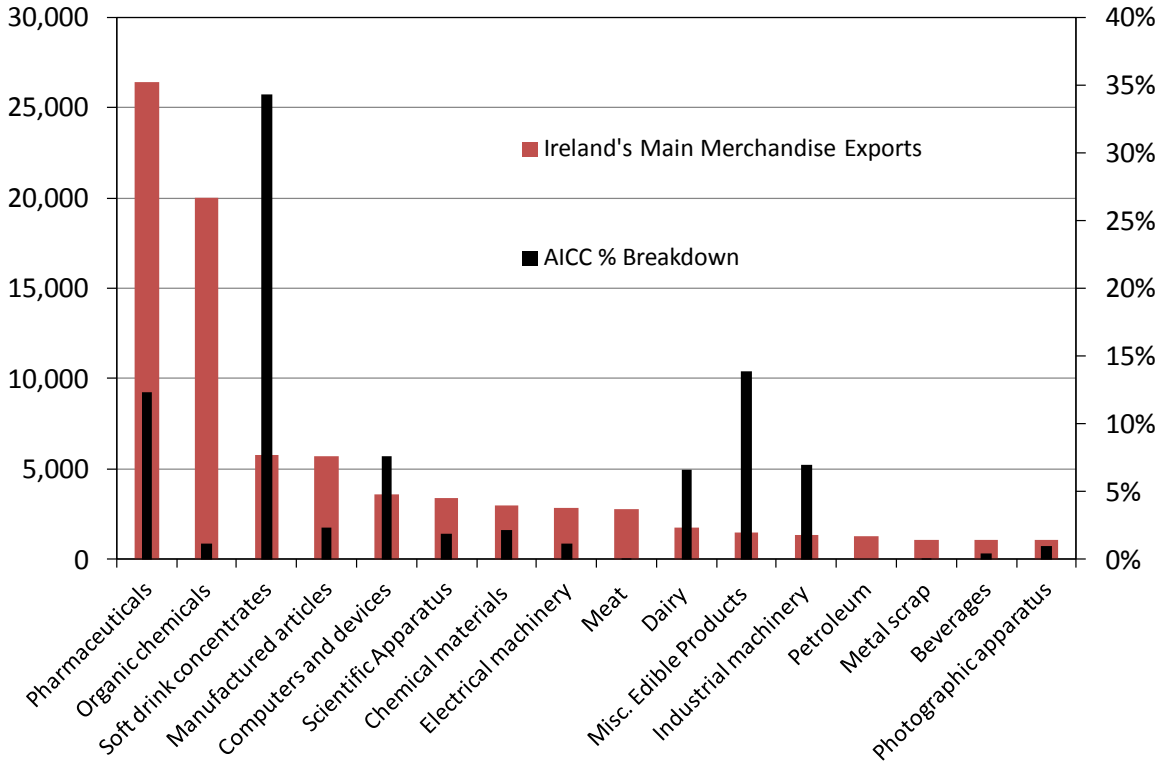
- Soft drink concentrates
- Baby formula
- General industrial machinery & equipment nes & parts
- Dairy, and
- Computers and Storage Devices.

On the other hand, some important sectors are "under-represented", notably:

- Medicinal and pharmaceutical products.
- Organic chemicals.
- Meat and Meat Preparations.

Medicinal/pharmaceutical products do feature strongly in Ireland's exports to the region, and represent a lower percentage largely as a result of the dominance of soft drink concentrates and baby formula. Organic chemicals are largely used as inputs to the pharmaceutical sector, and if this industry is not majorly present in the region, it is not surprising that they do not feature strongly.

Figure 40 Ireland's Main Merchandise Exports (and AICC % Breakdown) €m, 2010



Source: AICC / CSO

4.3 Services Exports to the AICC Countries

A similar exercise can be undertaken for service exports, as per the table overleaf, which presents values for 2010. Services data are not as detailed as merchandise data. Neither a full sectoral breakdown nor country level breakdown of services exports to the region is available, for confidentiality reasons.

Overall, the value of Irish services exports to the region is of a similar order of magnitude to that of merchandise exports, but they are even more concentrated, with three countries – UAE, Saudi Arabia and Egypt – accounting for over 80% of the total (Table 34).

We can also consider growth in services exports over time. The earliest year for which we have data is 2003, and this is compared with 2010 in Table 35 and Figure 41.

Table 34 Ireland's Services Exports to the AICC Countries

	Irish Exports (2010)			Total Imports By AICC Countries (2010)		Imports from Ireland as a %age of total imports
	€ million	%age Breakdown	per capita €	€ million	per capita €	
Algeria	12	0.02%	0.34	8,893	251.21	0.13%
Bahrain	34	0.05%	28.33	1,467	1,222.38	2.32%
Djibouti	**	na	na	80	100.10	na
Egypt	361	0.49%	4.31	10,003	119.51	3.61%
Iraq	**	na	na	6,378	205.08	na
Jordan	*	na	na	3,206	493.28	na
Kuwait	*	na	na	9,440	3,630.86	na
Lebanon	36	0.05%	8.78	10,212	2,490.68	0.35%
Libya	13	0.02%	1.94	4,043	603.48	0.32%
Mauritania	**	na	na	437	128.64	na
Morocco	44	0.06%	1.36	4,407	136.45	1.00%
Oman	**	na	na	5,024	1,620.73	0.00%
Qatar	49	0.07%	24.50	5,903	2,951.42	0.83%
Saudi Arabia	235	0.32%	8.87	39,267	1,481.78	0.60%
Somalia	**	na	na	na	na	na
Sudan	**	na	na	1,690	49.42	na
Syria	**	na	na	2,600	115.57	na
Tunisia	27	0.04%	2.52	2,437	227.76	1.11%
UAE	514	0.70%	96.98	31,499	5,943.26	1.63%
Yemen	**	na	na	1,743	70.26	na
Total AICC* **	**1,325**	**1.79%**	3.82	**148,731**	428.62	**0.89%**
Non-AICC Imports	72,512	98.21%	10.87	3,592,731	538.64	2.02%
Total Global Imports	**73,837**	**100.00%**	10.52	**3,741,462**	533.20	**1.97%**

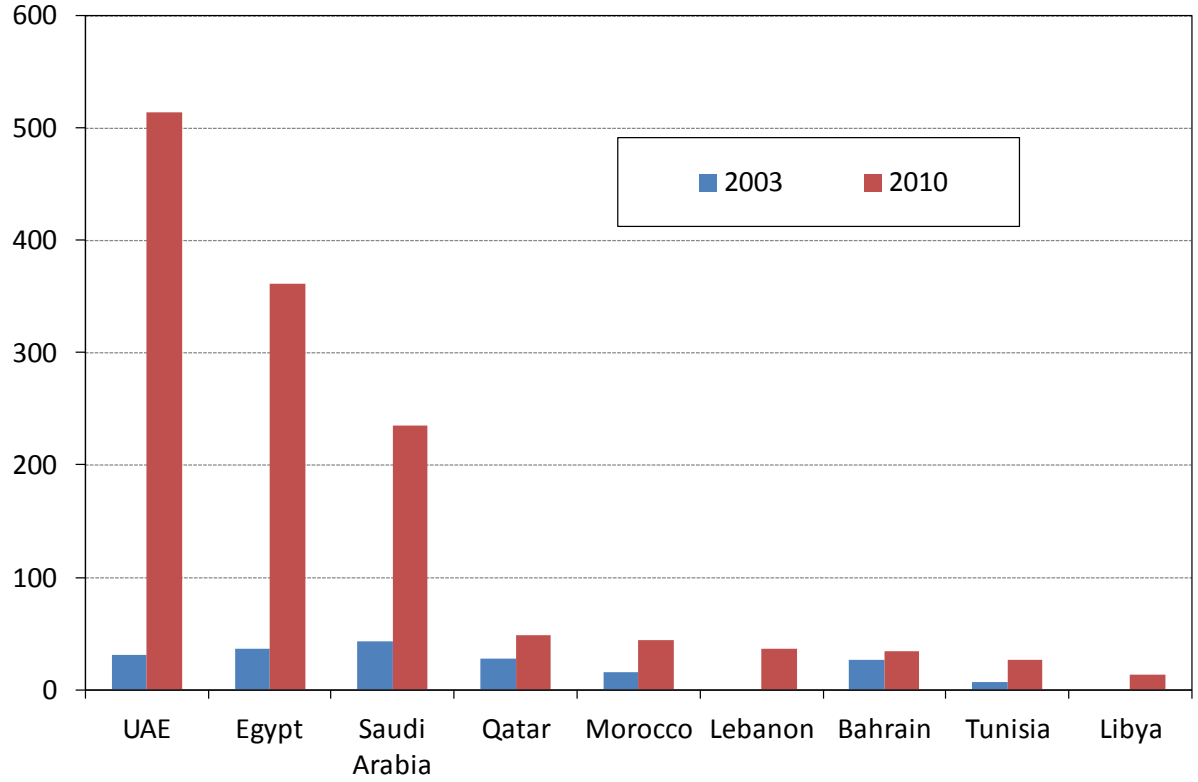
*not disclosed for confidentiality reasons; **less than €10 million; ***identified. na not available.
Sources: AICC, CSO, WTO;

Table 35 Ireland's Services Exports to selected AICC Countries (€ million)

	2003	2010	change	% change
UAE	31	514	483	1,558%
Egypt	36	361	325	903%
Saudi Arabia	43	235	192	447%
Kuwait	4	*	-	-
Qatar	28	49	21	75%
Bahrain	26	34	8	31%
Morocco	16	44	28	175%
Jordan	18	*	-	-
Tunisia	7	27	20	286%
Lebanon	0	36	36	-
Libya	0	13	13	-
Algeria	7	*	-	-

*not disclosed for confidentiality reasons.
Note: Qatar and Tunisia (2005), Libya and Jordan (2004).
Source: CSO.

Figure 41 Ireland's Services Exports to selected AICC Countries (€ million), 2003 & 2010



Note: Qatar and Tunisia (2005), Libya (2004).
Source: CSO

Services exports have increased significantly between 2010 and 2003. For the AICC countries for which data is available, exports have grown from just over €200 million to over €1.3 billion.

The greatest absolute increase came from the United Arab Emirates, Egypt and Saudi Arabia which had aggregate growth of €1 billion over the period – an increase of over 1,000%. Almost half of this increase - €483 million - related to the United Arab alone.

4.4 Indigenous Exports to the AICC Countries

Another relevant issue is the split of indigenous and FDI exports. All else equal, indigenous exports are of greater benefit to the Irish economy, since the profits remain in Ireland and in general a higher proportion of the inputs are locally sourced. Table 37 summarises exports by Enterprise Ireland clients, which covers the indigenous sector but includes the food sector regardless of ownership[53]. The somewhat unusual sectoral combinations are to protect confidentiality.

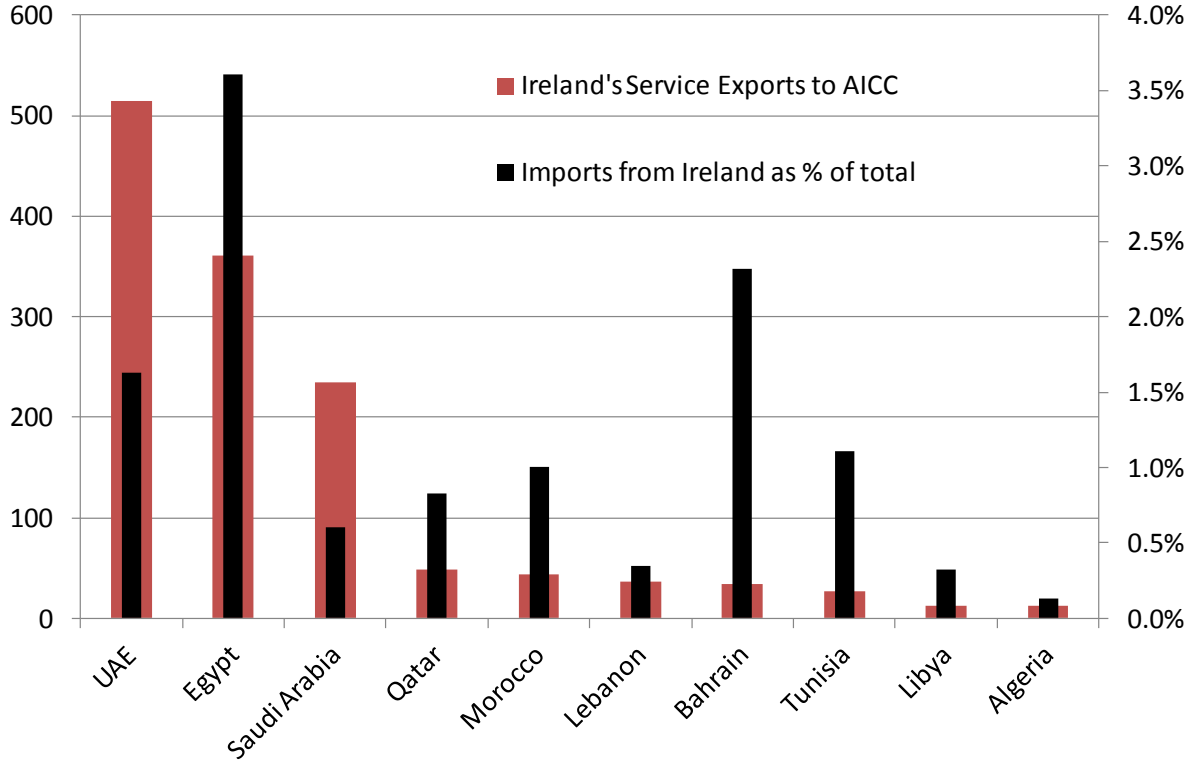
[53] Given the high level of local inputs; baby formula is included but drinks concentrates are not.

Table 36 Ireland's Indigenous Merchandise & Services Exports, 2010

	€ million	%age Breakdown
Construction/engineering and consumer	3,178	20.9%
Food and drinks	8,222	54.1%
Life Sciences, electronics and cleantech	1,151	7.6%
Internationally traded services	1,691	11.1%
Software & public sector	962	6.3%
Total	**15,204**	**100.0%**

Source: Enterprise Ireland Annual Report 2011

Figure 42 Ireland's Service Exports to AICC (& AICC Irish Imports) €m, 2010



Source: AICC / CSO

It is noticeable how Ireland's exports are dominated by the multinational sector. Comparing Tables 34 and 35 above with Table 36, FDI exports account for over 90% of the total.

That said, a relatively high proportion of Ireland's indigenous exports go to the AICC countries. Enterprise Ireland indicates that in 2011 some €341 million worth of indigenous exports went to the Gulf States and Saudi Arabia alone – well in excess of the €276 million worth exported to China. Meanwhile, Algeria is currently the second largest export market for Irish cheese[54]. Thus the MENA region is of significant importance to indigenous Irish businesses.

Irish businesses also have a long history of investment in the region, from the Masstock dairy and tillage operations in Saudi Arabia (now under the Almarai brand[55]), in place since the late 1970s to the Irish Dairy Board's packaging plant in Algeria, and the RCSI's campus in Bahrain.

[54] Irish Times http://bit.ly/nuC0ET
[55] http://almarai.com/

4.5 Employment Impacts of Trade with the Arab World

With annual merchandise exports valued at €1.56 billion, and services trade of €1.33 billion, economic relations with the Arab World clearly have a significant employment impact in Ireland. By applying sectoral labour productivity measures (turnover per employee) to the value of exports, we can estimate this impact.

The latest productivity data for Ireland relates to 2010, and is published in the CSO's *Census of Industrial Production 2010*[56], and *Annual Services Inquiry 2010*[57]. We've applied the data from this to the merchandise and services exports data, and the results indicate that approximately 8,000 jobs in Ireland are dependent on trade with the Arab World, split roughly 50:50 between merchandise and services trade.

[56] http://www.cso.ie/en/releasesandpublications/industry/
[57] http://www.cso.ie/en/releasesandpublications/services/

5. Market Opportunity for Ireland

The previous chapters have analysed the AICC countries across a range of dimensions, in order to identify the scope of the market opportunity for Irish businesses in the region over the next 25 years. In this chapter we discuss how these dimensions feed into short, medium and long term market opportunities. We then analyse these opportunities at a sectoral level, and finally consider size of market and the share Ireland could reasonably be expected to achieve.

5.1 Scope of the Opportunity

The key dimensions that we have identified and analysed for the AICC countries are:

- Population and demographic structure;
- Income levels, size of economy, hydrocarbon reserves;
- Exports and imports;
- Food security;
- Access and ease of doing business;
- Level of development; and
- Development policy.

The AICC countries are currently home to 350 million people, 5% of the world's **population**, but that population is growing at twice the global average rate. Many countries in the region are expected to see their populations more than double by the middle of the century, at which point they will have an aggregate population of 622 million, or 6.7% of the global total.

Demographic structure is also important:

- A high birth rate means high child dependency rates in the short to medium term, with increased demand for medical and educational capacity.
- In the medium term this feeds through to an increased working age population, which is a challenge to provide employment for but also an opportunity in terms of the capacity to generate wealth, and through that increased demand for goods and services.
- In the long run, the population of older people starts to rise, increasing the dependency ratio again, and generating demand for medical services.

The level of non-native populations is also relevant. In many of the Gulf States there is a very significant expatriate presence, and in some countries they are the large majority. This has implications for Government spending and investment programmes

Income levels vary greatly among the AICC countries. At one extreme are the major oil and gas exporters in the Gulf, generating very high per capita incomes and in some cases large economies in

aggregate terms (e.g. Saudi Arabia and UAE). At the other are countries that are not major energy exporters but have large populations, and in general low per capita incomes.

Long term forecasts of income levels are fraught, but one key deciding factor in the AICC countries is **hydrocarbon reserves**. A number of currently wealthy countries are facing diminishing reserves over the timeframe under consideration here, and are vulnerable unless they can diversify their economies. Even countries that have longer term reserves are mindful that they will not last forever, and in the context of increasing populations it will be important to diversify and upskill their workforce. A number of countries are also exploring the potential of renewables (notably wind and solar).

The countries of the Gulf in particular live by **trade**, dominated as they are by energy exports and high import dependency. Even in countries not usually considered major hydrocarbon producers, energy exports dominate trade. The dependence on imports represents the market opportunity for Irish firms, backed up by the security provided by the energy exports (in the major exporters at least). The AICC countries are a major market for Irish-based businesses, comparable with China and Japan. From the point of view of indigenous Irish firms, they are considerably more important than China.

Food security – both in terms of self-sufficiency and coverage of food imports by exports – is a key regional concern, given growing populations and constrained agricultural resources. Two opportunities arise – exporting food to these countries, and exporting agrifood expertise. Irish firms are well placed to exploit both.

Ease of doing business, creditworthiness, etc. are a key consideration for businesses, particularly Irish firms which may lack the resources of their international competitors and hence have to be selective in targeting export markets. Some countries, particularly in the Gulf, have well-developed outward-looking economic structures, while others represent more challenging environments.

Access has improved in recent years, with direct daily flights from Ireland to Abu Dhabi and Dubai.[58] A weakness in the network is that there are currently no direct flights to Saudi Arabia, the largest economy in the region. There are also no direct scheduled flights to the AICC countries outside the Gulf[59].

Stage of development varies across the region, but in all cases (including the richest Gulf States/Saudi Arabia), the level of development is lower than one would find in Western Europe, both in terms of physical infrastructure and human capital (level of education and training).

A number of countries in the region have substantial **public investment programmes** in place, aimed at addressing the various weaknesses in the current infrastructure endowment, and diversifying their economies. Investment in Saudi Arabia alone over the next five years is expected to exceed USD 1 trillion. Physical investment is being accompanied by education and training programmes for citizens, with active policies of "Saudisation", "Bahrainisation", "Omanisation", etc., which generally include quotas for local staff.

[58] It is apparent that demand for these flights has been boosted by travel between Ireland and Australia reflecting difficult economic conditions in Ireland. Projected future demand for such flights is unclear.
[59] Charter connections are available to Agadir in Morocco, Enfidha in Tunisia and Sharm El Sheikh in Egypt, for at least part of the year.

Looked at from a temporal point of view, we can consider the short (1-5 years), medium (6-15 years) and long term (16-25 years) perspectives.

The **short term** environment will be dominated by a number of factors, notably:

- High energy prices will underpin Exchequer revenues in the oil and gas exporters.
- Political disturbance in a number of countries will cause uncertainty and risk, acting as a constraint on investment and reconstruction.
- National development programmes will drive investment.
- Demographic structures point to a strong requirement for education and training.

In the **medium term**:

- It is assumed that political difficulties will be resolved, which will widen the opportunities, notably in Iraq and Libya. The latter in particular has potential to match the income levels of the Gulf States and Saudi Arabia, given its hydrocarbon reserves and modest population.
- There will be pressure for the investment and diversification programmes to deliver in terms of employment opportunities for the growing working age populations.

Moving into the **longer term**:

- Some countries will see a tailing off of their hydrocarbon reserves, which will force economic change.
- There is more uncertainty regarding the future path of energy prices and hence export earnings; from today's perspective it appears that there will be less risk around gas prices and demand than oil, which will favour certain countries, e.g. Qatar.
- Population pressures will mount in all countries, driving the need for continued economic diversification and development. They will be most pressing in countries such as Egypt, will limited energy exports, rapidly rising populations and food security issues.
- The populations will also age considerably, which will put pressure on health services and the general exchequer budget through its draw on pensions.

Running through the short, medium and long term will be the course of general socio-economic development, as the region continues to "catch up" on the more developed parts of the world. While it is not guaranteed, and is subject to some political risk, this should drive changes in the demand for goods and services among the population.

These drivers of the future represent both challenges and opportunities. In the following table we attempt to weigh them for each country, based on a range of criteria identified in the earlier chapters of this report. Criteria are scored from zero stars, representing minimal opportunity, to five stars, representing greatest market opportunity. Our focus is specifically on the market opportunity from the point of view of the Irish economy and Irish firms.

Table 37 Matrix of Market Opportunity for Ireland in the AICC Countries

Country	Population	Per Capita GDP	Imports	Food imports	Large Infrastructure Plans	Political Stability	Ease of Doing Business	Credit-worthiness	Hydrocarbon Reserves	Overall Assessment	Tier
Algeria	****	*	**	**	**			***	*	**	2
Bahrain		***					***	***		*	1
Djibouti						**					3
Egypt	*****	*	***	***	*			*	*	**	2
Iraq	****		**		*				****	*	2
Jordan	*	*		*			*	**			2
Kuwait		*****	*	*	*	***	**	*****	***	****	1
Lebanon		**	*	*				*			2
Libya	*	**							**		2
Mauritania											3
Morocco	****	*	**	**	*		*	**		**	2
Oman		***	*	*		****	***	****	*	***	1
Palestine	*	*									3
Qatar		*****	*		*	*****	***	*****	****	****	1
Saudi Arabia	***	***	*****	*****	*****			****	*****	*****	1
Somalia	**										3
Sudan	****								*		3
Syria	***	*		*							3
Tunisia	**	*	*	*		**	***	***		**	2
UAE	*	*****	*****	***	**	****	***	*****	***	*****	1
Yemen	***			*			*				3

Source: DKM analysis of various sources presented in previous chapters.

Based on the analysis in this study (summarised in Table 37), the AICC countries have been divided into Tier 1, 2 and 3.

Tier 1: Saudi Arabia and the Gulf States (Bahrain, Kuwait, Oman, Qatar, UAE)

- Consolidate, grow and deepen market involvement

There is already a significant presence by Irish companies and an established flow of trade and investment. The focus needs to be on consolidating and deepening Ireland's commercial presence and on building the Irish brand. These are also good markets for companies looking to establish themselves in the Arab region.

Tier 2: Algeria, Egypt, Jordan, Lebanon, Libya, Iraq, Morocco, Tunisia.

- These offer potential for Ireland
- Exploratory / Developmental

These markets offer significant medium to long-term potential where the focus should be on getting started and establishing a presence by experienced Irish companies with a track record elsewhere in the region. They will require a different set of supports in the early years focussed around market entry and development activities.

Tier 3: Djibouti, Mauritania, Palestine, Somalia, Sudan, Syria.

- Niche sectors
- Approach is to establish contacts locally and to have a network in which opportunities can be exploited as they arise

There are, and will continue to be, ad hoc opportunities for Irish exporters in these markets. However, for a variety of economic and market reasons they should be addressed in a more reactive manner on a case-by-case basis and do not in general offer the same level of business opportunity as the Tier 1 and 2 countries.

A couple of points are worth keeping in mind with respect to this scoring:

- Some countries with low aggregate scores may score highly on particular criteria, notably population and hydrocarbon reserves, which may be of specific interest to particular firms.
- The scoring is undertaken from today's point of view, and is affected by, among other things, the political stability in a number of countries at the moment. In the medium to long term this can be expected to be resolved, which could see countries such as **Egypt, Algeria, Libya and Iraq** becoming more important markets.

5.2 Sectoral Perspective

The sectors considered in this section are chosen as they featured most prominently in our consultations and analysis as being the ones where Ireland has the greatest market opportunity. They are as follows:

- Agrifood
- Pharmaceuticals/medical devices/medical technology
- Human capital formation
- Aviation
- IT/telecoms/software
- Energy and renewable energy
- Construction
- Financial services
- Tourism
- Equine
- Luxury brands & crafts

There are many overlaps between these sectors, most obviously in terms of construction, but also for instance between ICT and finance. Consultancy and technical assistance represents a large opportunity that arises under many of the headings.

5.2.1 Agrifood

The food sector is a key socio-economic consideration for the AICC countries now and into the future, for a number of reasons:

- The AICC countries are already significant food importers; imports totalled USD74 billion in 2008.
- Rapid population growth and the expected economic development over the coming decades will drive demand (Table 20).
- Most countries in the region have limited agricultural resources (Table 10), often combined with challenging climatic and environmental conditions.
- On the other hand, some countries (notably Tunisia, Morocco and Syria) have significant arable land resources. It will be of key importance over time that the productivity of this land is optimised.

Given the increasing global population, climate change, energy prices (a key input to commercial agriculture) and competing pressures on land usage from for example urbanisation and bio-energy crops, the likelihood is that food prices are on a long term upward trajectory.

Furthermore, as societies become more developed, the nature of demand for food changes[60]. Consumers become less price sensitive, focus more on quality, and increase their demand for more expensive non-traditional and imported foods. Demand for higher quality meat, cereals and seafood, as well as for luxury foods, grows strongly. This points to two areas of market opportunity for Ireland: (i) food exports and (ii) agrifood services/advice/investment.

[60] See for instance www.oecd-ilibrary.org : http://bit.ly/UTSCDC

Food & Beverage Exports

The food and agriculture sector is a major export earner for Ireland, particularly for the indigenous sector. Even where the FDI sector is concerned (e.g. baby formula), the degree of indigenous sourcing of inputs is usually high. The *Food Harvest 2020*[61] strategy foresees increasing food exports very significantly in the coming years.

Table 32 highlighted three elements in the agrifood sector that between them currently account for over 50% of Irish merchandise exports to the AICC countries: soft drink concentrates, baby formula, and dairy.

Ireland's food exports to the AICC counties in 2011 amounted to €880 million, of which over €500 million was represented by soft drink concentrates. Excluding concentrates, Ireland accounts for less than 0.6% of the AICC countries' food imports. For a major food exporter, there would appear to be significant scope for increasing this.

Soft drinks concentrates, which alone represent over one-third of Ireland's merchandise exports to the region, are a specialised sub-sector, dominated by a small number of major multi-nationals and with limited linkages to the wider Irish economy. While increasing population in the AICC countries will drive demand, it is perhaps not a sector that represents a major opportunity for Irish firms in general, or where Irish policymakers can have a large impact.

Baby formula and dairy are the other major element of Irish food exports to the region, valued at €217 million and €103 million respectively in 2011. They are closely related, since dairy products (whey, casein and lactose) are among the key ingredients of baby formula. Demand for these is likely to grow strongly in the AICC countries, given the increasing young population.

Ireland has a natural competitive advantage in dairy, given our grass-based production, and the removal of EU milk quotas in 2015 will enable Irish producers to fully exploit this advantage[62]. The *Food Harvest 2020* strategy foresees dairy production increasing by 50% from 2008 to 2020, and the AICC countries can play a key role in achieving this (although it must be noted that the Middle East is barely mentioned in the strategy). Importantly, the potential is not confined to the Gulf – Algeria is Ireland's second largest export market for cheese[63].

Another area of potential is satisfying the demand for "local" dairy products, such as laban, zabadi, etc. Ireland's expertise in producing consumer dairy products should be transferable to the production of these products and indeed product innovation based on them, whether in Ireland or locally.

Beef is a major Irish export – an oft-quoted statistic is that Ireland produces enough beef to feed 30 million people[64]. The Middle East and North Africa (notably Egypt and Libya) have traditionally been a key export market for this sector; however the BSE crisis closed most markets to Irish beef, and these restrictions are only gradually being unravelled.

[61] www.agriculture.gov.ie/ : http://bit.ly/8ZpvyM
[62] www.agriculture.gov.ie : http://bit.ly/Pn1vBQ
[63] www.irishexaminer.com : http://bit.ly/QTNvzV
[64] www.dfa.ie : http://bit.ly/QEnW5p

The market dynamic of the global meat industry has changed significantly in the interim: the removal of EU export subsidies, and competition from Brazilian and Australian imports have closed off all but the premium end of the market to Irish produce. Meanwhile increasing demand from Western Europe and Russia now takes up much of Ireland's output. The requirement to slaughter according to Halal principles presents a complication in servicing the market. However, high incomes and sophisticated supermarket and tourism sectors in the Gulf at least point to significant market potential.

The MENA region (including Iran) is the world's largest meat importing region. Beef imports totalled 1.8 million tonnes in 2012, doubling since 2008, of which over 50% is sourced from Brazil[65]. Ireland's Meat exports to the region currently are very small, just over 1,000 tonnes in 2011, or 0.06% of the total market. While Irish exports are unlikely to return to the levels achieved in previous decades, for reasons set out above, there is clearly potential for them to grow significantly from current levels.

Other food exports also have potential, including convenience processed foods (snacks, confectionery, prepared meals, etc.), which can target the large expatriate population in the Gulf States as well as the local population. Luxury foods (discussed later) also have potential. As the local food industry expands, the food ingredients sector is likely to present opportunities. High end fresh and chilled food exports (e.g. fish) can benefit from the availability of frequent direct flights to Dubai and Abu Dhabi.

Agrifood Services/Advice/Investment

Ireland has a strong industrial, regulatory and educational base in food processing, and a reputation as a producer of high quality "green" food. A number of Irish firms have also been active in the region over the years[66].

Given the challenge facing the AICC countries in terms of food security going forward (rapidly growing population, limited arable land, high import dependence), and their plans to diversify their economies, there is a large opportunity to export food technology and know-how. This would include:

- Construction of specialised food processing plants;
- Direct investments/Joint ventures;
- Project/facilities management;
- Education and training in food science/technology;
- Technical assistance/regulatory advice and training.

The key factor here is expertise, which resides in Ireland's private and public sector, the cooperative sector and in academia.

5.2.2 Pharmaceuticals & Medical Devices/Medical Technology

This is the single biggest category of exports from Ireland, accounting for almost 30% of total merchandise exports (Table 32). It is dominated by the multinational sector, but involves a wide range of activities, firms, employment and business locations around Ireland

[65] www.bordbia.ie : http://bit.ly/QwZcig and www.supports.ch : http://bit.ly/UH6Xoo
[66] Notably the Masstock dairy farms in Saudi Arabia www.saudiaramcoworld.com : http://bit.ly/RXnTXt

Improving the standard of healthcare is seen as a priority for many of the countries in the AICC, particularly in the Gulf. This, along with the rapidly increasing population, points to continuing growing demand for the output of this sector. Population growth is being driven in both the younger age groups (particularly in the short term) and by an increasing aging population (in the medium to long term). Both will have implications for the types of products and services being demanded.

Another development is that the population of the Gulf and elsewhere in the region is increasingly exhibiting the same lifestyle-related health challenges as in the developed world, in particular obesity, type 2 diabetes, blood pressure and heart disease[67]. These point to particular areas of increasing demand. The countries of the Gulf are well aware of the challenges they face in this regard, and many have ambitious plans to expand their healthcare sectors. For instance, a recent report for the UAE Government, *UAE Healthcare Sector Forecast to 2014*[68], foresees a requirement for almost 13,000 more doctors by 2014[69]. Medical tourism is a growing sector in the region, with Jordan and UAE the predominant destinations[70].

Similarly to the agrifood services sector, healthcare will present opportunities for Ireland in the education and construction sectors (see further discussion below), as well as in technical assistance.

5.2.3 Human Capital Formation – Education, Training & Advice

There are two aspects to this sector – (i) training students locally and (ii) bringing them to Ireland to study. The latter is considerably more beneficial to the Irish economy, as a greater proportion of the money involved remains in Ireland, notably the teachers' salaries and the students' (and often family members') living expenses.

Enterprise Ireland estimates that there are approximately 32,000 international students studying in higher education institutions in Ireland, of whom approximately 2,500 are from the Gulf States and Saudi Arabia (mostly Saudi Arabia and Bahrain)[71]. In addition, some 100,000 English language students study in Ireland each year. In 2010 it was estimated that the total direct and indirect economic benefit to the Irish economy of education of foreign students was some €900 million, including approximately €330 million for English language training[72]. This was based on student numbers at that time of 26,000 higher level students and 96,000 language students, implying an average annual impact per student of €21,900 and €3,400 respectively.

Government policy is to increase the number of higher level students to 50,000 by 2016, targeting in particular India, China, and the Middle East[73], and the number of language students to 120,000 by 2015.

---

[67] See for example www.ncbi.nlm.nih.gov http://1.usa.gov/S5XDER, http://1.usa.gov/SyAvDY and http://bit.ly/QCdonw

[68] www.rncos.com : http://bit.ly/NQjXoY

[69] www..wn.com : http://bit.ly/OU6Cxk

[70] www.ameinfo.com : http://bit.ly/QemPaL

[71] Enterprise Ireland personnel, personal communication.

[72] 2010 *Investing in Global Relations* report www.merrionstreet.ie : http://bit.ly/Pn2r9b

[73] This is set out in the current Programme for Government (Irish Times) http://bit.ly/fWe1So , and is based on doubling the number of students by 2016 compared to 2010. It represents an advance on the target of 38,000 to be achieved by 2015 in the *Investing in Global Relations* report.

The scope of the market opportunity for professional, vocational and language training of residents of the Middle East, whether locally or in Ireland, is huge. This is driven by the realisation in the Gulf countries[74] that they are facing major challenges from:

- growing populations,
- high unemployment,
- a lack of marketable skills and dependence on foreign expertise, and
- the limited window of opportunity represented by their dependence on energy revenues.

The result has been the adoption in many countries of a policy variously described as "Saudisation", "Omanisation", etc., whereby sectors and companies have specific targets to meet for local employment shares, and where locals are being provided with training in a range of sectors to enable them to meet the demands of the labour market. This points to a need not only for training of students but also for teacher training, at all levels.

Saudi Arabia is most advanced among the Gulf States in terms of scholarship programmes for its citizens studying and training abroad, and it is where the main market opportunity lies at the moment, although the smaller Gulf States are developing their own programmes.
It is apparent that there are several hundred Saudi students currently studying in Ireland, but the potential is much larger. In the UK there are currently 20,000 Saudi citizens studying[75] (out of a total of 400,000 foreign students)[76], while New Zealand currently hosts some 7,000 Saudi students, as well as large numbers from China and India, apparently attracted by among other things the ease of obtaining visas[77].

The Irish third level sector, including both the universities and the Institutes of Technology (ITs), is well-placed to capture a share of this market. While Ireland may lack the cachet of London or the US for students from the Arab World, it has a number of advantages:

i. It is English speaking, and
ii. A number of Arab countries (notably Saudi Arabia) are resistant to sending too many students to the same location, to avoid "ghettoisation"; this can create issues for UK-based institutions which already have large numbers of students.

The Irish universities and ITs are already active in marketing themselves and are currently hosting several hundred students from Arab countries around Ireland, including in Waterford, Athlone and Sligo. The distribution of these students throughout the country helps to spread the economic benefits also.

The main sectors for education and training are considered below:

Medical & Healthcare Advice

Ireland has a strong record and reputation in medical education and training in the Middle East, as exemplified by the Royal College of Surgeons in Ireland – Medical University of Bahrain

[74] The opportunity is not confined to the Gulf, however. For instance, in recent years International Development Ireland Ltd (IDI) have provided training for several thousand local hotel management trainees in Egypt www.idi.ie :http://bit.ly/UH8dId
[75] The Guardian http://bit.ly/sdCqe2
[76] Financial Times http://on.ft.com/UulqQc
[77] NZ Herald http://bit.ly/IaKwUv

(http://www.rcsi-mub.com), which since 2004 has been providing medical and nursing training to students from throughout the Gulf States and beyond.

The RCSI also trains considerable numbers of students from the Middle East in Ireland, as do a number of other universities.

It is also worth considering the potential for healthcare advice. A number of countries in the Gulf have ambitious plans to rapidly expand the scope of their public health services. This will challenge local capacity, and will create opportunities for advice and management services in terms of planning, delivering and operationalising these services.

Other Professional/Technical/Vocational Training

A key element of the localisation strategies in Saudi Arabia and many of the Gulf States is, as stated, to replace foreign skilled staff across a wide range of sectors in the economy. This includes such diverse vocational sectors as car mechanics, air-conditioning engineers, etc. Gulf Governments, notably Saudi Arabia, are providing scholarships for students to travel overseas for training in these sectors.

Language Training

English language training is a major industry in Ireland: each year some 100,000 overseas students travel to Ireland to learn English, staying for varying lengths of time, paying both fees and living expenses. Among these are significant numbers of students from the AICC countries, mainly the Gulf States and Saudi Arabia. Many students coming to Ireland for professional education must first undertake English language training to achieve a certain minimum standard, while others come for shorter courses. Apart from general language training, there is a market for vocational language training, often as part of wider vocational training, for example in aviation, ICT and tourism. The provision of language training locally as opposed to in Ireland is also an area of potential.

As well as the direct economic benefits of training overseas students, it is widely recognised that longer term dynamic benefits accrue – returning students bring friendships and loyalties home with them that can later become trade links and cultural and diplomatic ties[78]. Also, returning students increase the awareness and reputation of Ireland among local businesses and future generations in the Arab World. Many current business relationships between Ireland and the countries in the region have been built on educational experiences in previous generations.

5.2.4 Aviation

Ireland is a major supplier of aviation services, based around leasing, IT, maintenance and training, and Irish-based firms are already active in the Gulf[79]. While data on services exports is not as detailed as for merchandise exports, the 2011 Services Trade release from the CSO indicates the following export values:

Operational Leasing (mostly aircraft)	6,699
Transport	4,155
Tourism & Travel	3,281
Total Transport related service exports	**14,135**

[78] Financial Times http://on.ft.com/UulqQc
[79] Enterprise Ireland http://bit.ly/RXoMiL

The Middle East is expected to be the fastest growing aviation market in the world over the first half of this decade[80]. The UAE, as part of its diversification strategy, is establishing itself as a global aviation hub, linking Europe with Africa and Asia. Two major airports – Dubai and Abu Dhabi – and two airlines – Etihad and Emirates – have emerged as among the fastest growing in the world. Daily direct flights are now in place between Dublin and these two locations. UAE has plans to spend over USD130 billion on airports, aircraft and related investments over the current decade.

Enterprise Ireland estimates that Middle East airlines will invest some USD115 billion in aircraft over the next 20 years; Etihad and Emirates on their own expect to add 1-2 aircraft per month to their fleets over the next five years to cater for their growth strategies. Etihad is also seen as a potential buyer of Aer Lingus (it already owns 3%), and might possibly in that context develop Dublin as a hub; if this were to come to pass it would greatly cement Ireland's aviation links with the Gulf, as well as underpinning growth at Dublin airport.

This is generating significant opportunities for firms in aircraft finance, fleet maintenance/parts, operations management, etc., as well as in various training activities.

5.2.5 IT/Telecoms/Software

IT, telecoms and software play a key and growing role in all sectors of activity, from education and healthcare to aviation, finance and so on. Ireland's exports of Computer Services (mostly software) in 2011 amounted to €31.8 billion, of which €138 million went to Saudi Arabia and €145 million went to Egypt. Communications services exports totalled €455 million. Exports of Telecommunications & Sound Equipment in 2011 totalled €738 million, of which €41 million worth went to the AICC countries.

These sectors are a particular focus in the Gulf States, not only in their own right but also as a catalyst for general modernisation and diversification. In many AICC countries, even in the Gulf, for instance, the numbers of landlines per capita and indicators such as internet access lag behind the Western World.

The development strategies of these countries depend on high quality IT and telecoms, and the availability of high quality software. Data centres are seen as a key area of demand in a number of countries, but other IT-related activities are being planned; the UAE for instance has ambitious plans to establish wafer fabrication facilities[81]. Ireland's expertise in all these areas is well-established, including for instance construction of specialised facilities (see below), and thus Irish firms should be well-placed to take advantage of the opportunities.

5.2.6 Energy and Renewable Energy

The Middle East is the global centre of the hydrocarbons industry as well as the related petrochemical sector, and there is a high degree of expertise already in place. Other sectors of relevance are electricity generation (powergen) and renewable energy.

With regard to powergen, increasing population, development and diversification will drive demand growth over the coming decades. Electricity is also important because of the reliance on desalination for drinking water (a heavy user of electricity) in a number of countries.

[80] Irish Aviation Authority http://bit.ly/UH8I56
[81] http://bit.ly/jRTJKk

Anecdotally, the powergen sector in the region is somewhat inefficient, reflecting among other things plentiful energy supplies and low prices. Over time, there is likely to be a drive to improve efficiency and move to natural gas as a feedstock, in order to *inter alia* 'protect' oil exports. This is leading to increased interest in renewables and nuclear also[82].

The Middle East and North Africa is a prime location for renewable energy, both photovoltaic and wind-powered. The development plans of many of the countries highlight this sector, but some are more advanced than others in their implementation. Perhaps understandably, the non-major energy exporters such as Egypt have taken significant steps in the regard (see previous chapter), but even the energy exporters see renewables as a means of 'protecting' their oil exports in the longer run.

In a similar vein, Saudi Arabia plans a "Green City"[83], while Bahrain is planning the construction of a "Green Island"[84], which would use renewables as their primary energy source. In Abu Dhabi an ambitious project called Masdar City is currently under construction. This new city is designed to rely entirely on solar energy and other renewable energy sources, with a sustainable, zero carbon, zero waste ecology, and to be car free.

As well as the construction, operation and maintenance of power plants, other activities will also provide opportunities, including interconnection, regulation, carbon trading and so on. A number of Irish firms are well-established in these sectors, (for example ESBI and Airtricity) and should be in a position to take advantage of the growing opportunities over time.

5.2.7 Construction

Under this heading we include the range of building and civil engineering, infrastructure provision, and construction-related services such as architecture, project management, etc.

While the Celtic Tiger era and the subsequent crash has left the sector in a difficult position at home, it did generate a major expansion of size, scope and capacity, not only in residential, commercial and institutional construction, but also in civil engineering (roads, energy, water and waste treatment, etc.), and in high-end specialised manufacturing facilities and services. All these areas now represent an opportunity in the AICC countries, particularly in the Gulf, where major Government investment plans are in place. Indeed, many major Irish firms are already active in these sectors.

Generally this does not involve Irish workers directly engaging in construction of facilities in the AICC countries. Irish firms who undertake construction in the AICC countries generally utilise locally-based labour from third countries (mostly Asian), for cost reasons. The potential lies in the higher end value-added professional expertise in areas such as engineering, project management, architecture and so on, as well as in subsequent facilities management.

As discussed already, many AICC countries have large infrastructure programmes in place, covering the entire gamut of sectors but in particular energy (hydrocarbons, powergen generation and networks and renewables), transport (air, roads, rail), healthcare, education, water, waste and ICT. Irish firms have been involved in similar infrastructure expansions in Ireland and are well-placed to bring their expertise to similar developments in the Gulf.

---

[82] http://www.nuclearenergyinsider.com/mena/index.php
[83] http://bit.ly/JpG1B4
[84] www.gulf-daily-news.com : http://bit.ly/cbR35P

Of importance also, for the next number of years, will be the 2022 Qatar World Cup, which will require the construction of twelve stadia, and an investment cost which by some estimates will exceed USD200 billion[85]. The international engineering sector is already gearing up for this opportunity[86].

Much of the development will be driven by the public sectors of these countries. As for the private sector, one area of market opportunity lies with data centres, the number of which is expanding rapidly in the Gulf, notably in the UAE which is positioning itself as the commercial hub of the region, but also in Saudi Arabia. Again Irish expertise is well positioned to capture a share of this market.

5.2.8 Financial Services

The Gulf represents one of the greatest concentrations of wealth in the world, and hence there is strong demand for financial services. Wealth is held by individuals but also by Governments, some of it in the form of Sovereign Wealth Funds which invest globally, including in Ireland (see Appendix D).

Many of the countries have well-established financial sectors, and the UAE has ambitions to become a major global financial sector. Opportunities therefore lie in the provision of financial expertise, as well as in terms of related training and related IT.

An important market opportunity lies with Islamic finance[87]. A 2010 Department of Finance paper quoted estimates that the global Islamic finance market was valued at USD700 billion in 2007, but it is estimated that it could potentially grow to a value of USD4 trillion[88]. This creates market opportunities at a number of levels:

(i) The development of Sharia compliant financial and investment instruments by Irish-based institutions, notably in the International Financial Services Centre (IFSC)[89]. Ireland has already taken a number of steps in this direction, including budgetary and regulatory changes[90]. This could also include the issuance of Sharia compliant Government debt.

(ii) Islamic financial institutions can be attracted to the IFSC.

(iii) Translating Islamic financial principles into a modern banking infrastructure. Islamic finance involves more complex transactions than conventional finance, and reflecting these in banking structures is not straightforward; this will have strong financial, tax and ICT elements, as well as potential for training.

Ireland has already established itself as a significant centre for Islamic finance. The Department of Finance report referred to above estimated that 20% of the market outside the Middle East was already based in Dublin. The Irish Funds industry Association recently indicated that Ireland is "the leading regulated centre for Islamic Finance outside the Middle East"[91], although others would make

[85] The Telegraph http://bit.ly/pBRWY8
[86] Financial Times: http://on.ft.com/QTPd4a
[87] http://en.wikipedia.org/wiki/Islamic_banking.
[88] www.lawsociety.ie : http://bit.ly/SloaBW
[89] KPMG : http://bit.ly/S5Ztpa
[90] KPMG : http://bit.ly/UH9gYI
[91] www.irishfunds.ie : http://bit.ly/OumGAw

similar claims: to date some USD34 billion worth of Sukuk (Sharia compliant bonds) have been issued on the London Stock Exchange[92].

Another area of potential is the issuance of Sharia compliant Government bonds, once the Irish State returns to the international markets. These must be backed by assets that deliver an income stream, out of which the return on the bonds can be paid, so they are not straightforward instruments, and they place some limitations of the issuer. We understand that to date no Islamic compliant Sovereign Bonds have been issued in Europe, although some German federal States have issued them[93]. Ireland could thus become a pioneer in Europe for this type of finance, and they could become a very welcome source of finance for the Irish Exchequer going forward.

5.2.9 Tourism & Tourism Advice

As with the agrifoods sector, there are two aspects to the opportunities in tourism: attraction of tourists to Ireland and provision of tourism advice to the industry in the AICC.

AICC Tourism to Ireland

It is estimated that 30,000 visitors per annum currently visit Ireland from the Gulf States and Saudi Arabia[94], including business, students and tourists from both the expatriate and native communities. This compares to a total number of visitors in 2011 of 6.6 million[95]. However, out of this 6.6 million, only 358,000 came from outside Europe and North America, so the Gulf States and Saudi Arabia represent slightly over 8% of this market segment.

The population of potential tourists to Ireland from the Gulf States and Saudi Arabia is not large. However, the typical spend of tourists from the Gulf is high, up to four times the spend by the average tourist to Ireland[96]. Native Gulf tourists often travel in family groups, and often prefer to self-cater, even where they stay in hotels. This points to the potential for serviced apartments and self-catering accommodation in general for use by these tourists. It is estimated that the primary purpose for travel from Saudi Arabia and UAE is 44 percent VFR, 27 percent Holiday and 20 percent Business[97].

Ireland does face a number of challenges when it comes to attracting tourists from the Middle East. Outdoors activity-based holidays are not a major attractor for tourists from the Gulf, and Ireland lacks the familiarity, cachet and high end shopping of more popular destinations. On the other hand, the presence of direct flights from the Gulf is an important prerequisite. Steps that can be taken to encourage visitors from the region include literature in Arabic, signs in hotels pointing to Mecca, and the provision of Halal food and prayer mats.

Medical tourism is one possible area of potential. Currently, significant numbers travel outside the Gulf for medical purposes, notably to Thailand. There may be some scope for attracting some of these tourists to Ireland, given the high reputation and historic links of Irish medicine in the Gulf, but

---

[92] www.londonstockexchange.com : http://bit.ly/hjVjRy

[93] In early 2011 the UK cancelled what would have been the first issuance of a Sharia compliant Sovereign bond, as it was "judged not to provide good value for money". http://bit.ly/SyCvfE

[94] Tourism Ireland personnel, personal communication.

[95] CSO : http://bit.ly/RZTnqr

[96] Tourism Ireland personnel personal communication. This phenomenon is also recognised elsewhere: http://bit.ly/PFf14H

[97] Irish Tourist Industry Confederation http://bit.ly/VH0Gr3

it will be necessary to specialise in areas where Ireland can demonstrate world class facilities and expertise.

Tourism from the non-Gulf AICC countries to Ireland is likely to be a long term prospect, and will await significant economic development and increases in personal incomes in the countries in question.

Tourism Advice

Many AICC countries have well-developed tourism sectors, while others (e.g. Libya) have the potential to develop them. Irish firms and individuals have been prominent in the sector, including for instance Dubai Duty Free and the Jumeirah Group. Unemployment is a significant and growing challenge throughout most of the region, and tourism presents an opportunity to develop a sustainable labour-intensive sector employing people at a range of skill levels. In this context, there is scope for Irish firms, institutions and State bodies to provide advice and training on developing tourism. As indicated, this has already been ongoing in Egypt[98]. Language training for the tourism sector to be delivered locally is also an area of market opportunity[99].

5.2.10 Equine

There are strong links between the thoroughbred industry in Ireland and the Gulf, via for instance:

- Ownership by a number of the Royal Families of Irish stud farms[100],
- purchase and training of thoroughbreds in Ireland, and
- sponsorship of events such as the Irish Guineas Festival (which includes races for Arabian horses as opposed to thoroughbreds). and the Irish Derby (sponsored by Dubai Duty Free).

Recent reports indicate that Middle Eastern Sovereign Wealth Funds have been investigating the purchase of hotels with large grounds from NAMA, with a view to converting them to stud farms. This points to further potential links[101].

In the Gulf itself, the thoroughbred industry is concentrated in Dubai, and centred around the Dubai Carnival which attracts top international racers during the first three months of the year[102]. This is a key conduit for increasing the industry's profile in the Middle East. Outside of Dubai, we understand the local equine industry is mainly focussed on Arabian horses, but there have been moves to introduce thoroughbreds in Abu Dhabi and Qatar.

As in most sectors, there is a high degree of competition in providing equines services, most notably from the British industry, which for instance hosts more Arabian horse races than does Ireland.

5.2.11 Luxury Brands & Crafts

There is a strong market in the Gulf States and Saudi Arabia for high end luxury brands[103], and wealthy residents of the Gulf also regularly travel to major cities (notably London and Paris) for luxury shopping. Consultations with those in the sector indicate that wealthy Arab consumers are

[98] www.idi.ie : http://bit.ly/UH8dId
[99] www.amideast.org : http://bit.ly/OprU68
[100] Financial Times : http://on.ft.com/PYPSSm
[101] Financial Times : http://on.ft.com/Qx09Hg
[102] http://www.drf.com/events/2012-dubai-carnival-meydan.
[103] www.ledburyresearch.com : http://bit.ly/SyCVCH

highly brand driven. Ireland has few brands in this category, and Dublin lacks the shops to compete with other major cities.
More potential may lie in the sale of luxury foods and beverage brands (e.g. alcohol, chocolates) in the Middle East. A recent article in *The Economist* indicated that alcohol sales in the Middle East grew by 72% in the last decade compared to a global average of 30%[104]. The example of Scotch whisky and of Johnnie Walker in particular[105] points to the potential. Irish connections with the duty-free sector in the Gulf[106] may present a market opportunity in this regard.

In addition to the Arab population, the large number of expatriates resident in the Gulf, as well as of Asians and other nationalities that pass through the Duty Free shops at the air hubs developing in Dubai and Abu Dhabi also represent a market opportunity. History and age confer status on brands, particularly for Asian consumers, and this is an angle that Irish brands can exploit. In addition, there may be scope to develop the reputation of a small number of high quality Irish brands over time[107], and the Craft Council has been active in the region in recent years.

One further area of potential may be in providing help and advice to develop the local craft industry. Ireland has significant experience in this sector, via the Craft Council, Kilkenny Design, and so on. The sector gels well with tourism, which is strong in many of the AICC countries.

5.3 Future Targets

Based on the foregoing analysis, we can consider what might be reasonable targets for Irish businesses to achieve over the short, medium and long term. Earlier analysis has indicated that Irish exports – and in particular services exports - to the Arab World have grown strongly over the past decade.

There is a large degree of uncertainty and subjectivity in the exercise, but we have strived to produce a set of targets that reflects reality and prospects on the ground both in Ireland and in the AICC countries. We have developed targets/forecasts for a number of sectors where it has been possible to determine starting data and a basis for growth. These are:

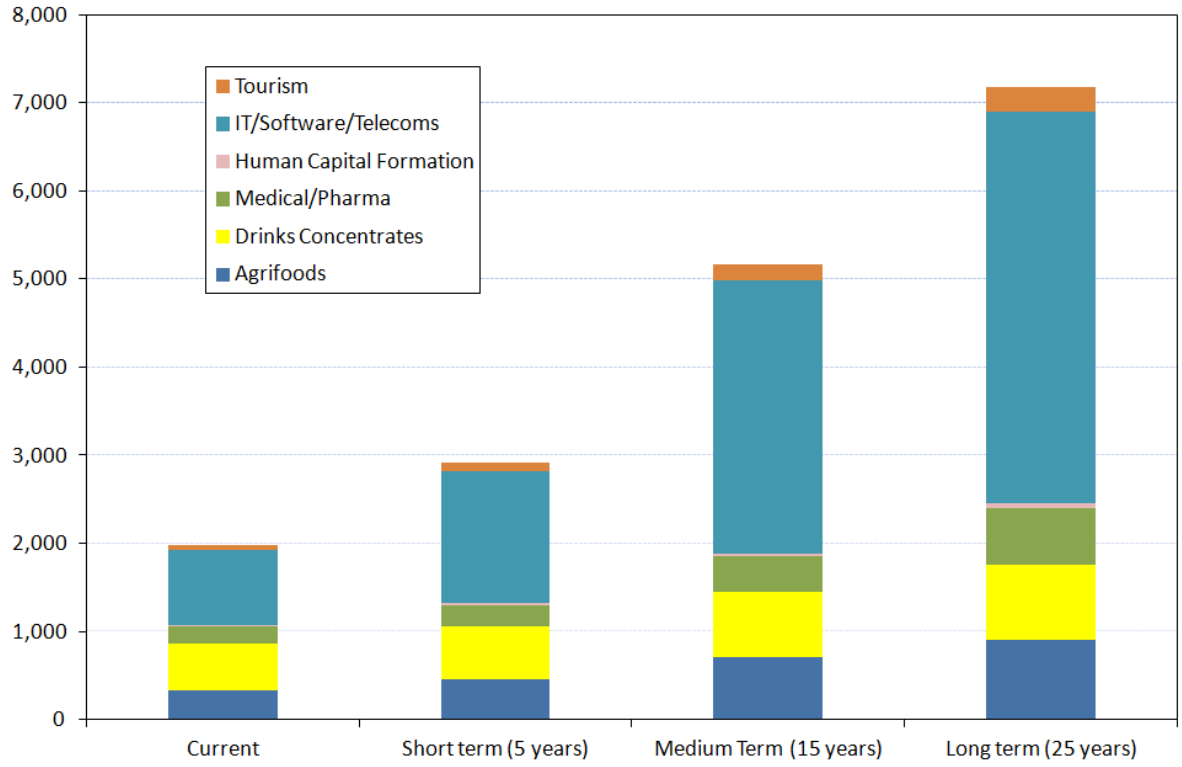
- Agrifoods (excl concentrates)
- Soft Drinks Concentrates
- Pharmaceuticals & Medical Devices/Medical Technology
- Human capital formation (AICC country students studying in Ireland)
- Computers, ICT, Telecoms
- Tourism

The results are presented in Table 38 and Figure 43 below. The other sectors and sub-sectors equally present growth potential, but we are not in a position to generate estimates of current or forecasts of future performance.

[104] *The Economist*, August 18th 2012, page 48.
[105] Owned by Diageo, as are Bushmills, Baileys and Guinness. http://bit.ly/Qx07iC
[106] http://www.dubaidutyfree.com/about/ddf_people
[107] For example www.josephwalshstudio.com : http://bit.ly/QEpNqZ

We estimate that the six sectors and sub-sectors currently generate just under €2 billion worth of economic activity, and that over the next 25 years this could grow to over €7 billion, based on growth in the populations and the economies of the AICC countries, as well as Ireland's market share. This represents overall growth of over 5% per annum over the period (8% growth in the short term).

Figure 43 Sectoral Targets for Ireland in the AICC Countries (€ Million 2012 money)



Source: DKM analysis of various sources.

The sectors we have not been able to measure – aviation, construction and financial services – are of comparable if not greater potential, which would indicate an overall growth potential to more than €9 billion. Construction warrants a particular mention given the level of infrastructure development planned in the Gulf in particular over the coming decade. Sharia compliant Government bonds (Sukuk) also have potential to be a source of funding to the Irish Government when it returns to the financial markets, albeit they impose some restrictions on issuers.

This also points to a significant future impact on employment in Ireland. We have estimated that currently some 8,000 jobs in Ireland are dependent on trade with the Arab World. Given the above forecast of growth in trade, employment can also be expected to increase significantly over the coming years. Even allowing for labour productivity developments, we estimate that future trade with the Arab World could support in excess of 20,000 jobs in Ireland.

Table 38 Sectoral Targets for Ireland in the AICC Countries (€ Million 2012 money)

Sector	Current Status	Target Short Term (-> 5 Years)	Target Medium Term (-> 15 Years)	Target Long Term (-> 25 Years)	Comments
Agrifoods (excl concentrates)	Exports from Ireland = €330 million (2011)	450	700	900	• Total AICC food imports = €57 billion (Ireland holds 0.6% of market). • Removal of milk quotas; • recovery of reasonable share of meat market (largest meat import market in the world); • population growth rate of 2.2% per annum to 2025 (1.2% per annum thereafter)
Soft Drinks Concentrates	Exports from Ireland = €536 million (2011)	600	750	850	• Grow in line with population growth; • Vulnerabilities – continued popularity of carbonated soft drinks? Location of concentrate plants in Ireland?
Pharmaceuticals & Medical Devices/Medical Technology	Exports from Ireland = €193 million (2011)	250	400	650	• Population increase, aging, expansion of healthcare and increased prosperity should drive strong growth. • Assumes modest increase in exports of organic chemicals on emergence of a local pharmaceuticals industry.
Human capital formation (AICC country students studying in Ireland	Economic impact = €50 million per annum (2,500 students)	80	160	230	• Meet Government targets in short term. • Match New Zealand's current performance in medium term. • More modest growth thereafter.
Computers, Software, ICT, Telecoms	Exports from Ireland = c. €850 million (2011)	1,500	3,100	4,450	Reflecting population growth plus market growth of 10% per annum in short term, 5% per annum in medium term and 2.5% per annum in long term.
Tourism	Spend by visitors from AICC countries (2011) = €60 million	90	190	270	Reflecting population growth plus market growth of 5% per annum in short to medium term and 2.5% per annum in long term.

Source: DKM analysis of various sources.

6 Conclusions & Recommendations

6.1 Conclusions

- The Arab World represents a major international market, characterised by:
  - proximity,
  - high import demand,
  - high incomes in many countries,
  - rapid population growth, and
  - Significant infrastructure deficits and large scale plans in many countries to tackle these.

  These characteristics make the region highly attractive for firms throughout the world, including Ireland. Direct air links between Ireland and the Gulf are a major benefit which has eased market access considerably.
- The AICC countries combined are as important an export market for Ireland as China, and for indigenous companies they are more important.
- Irish exports – and in particular services exports – have been growing strongly over the last decade.
- Ireland has a very positive image and "brand" in the Arab World, born of the long term business links that have been developed, identification with a common historical experience, and a perception that, among Western countries, Ireland is sympathetic to Arab causes.
- A weakness however, is that many Irish firms lack the scale needed for the investment required to create a presence in the Arab market. Developing a presence in the Arab World is a long term process, which requires spending time in situ to build up relationships. Local partners are a necessity (if not a legal requirements) in most cases. Irish firms need to be aware of this and be prepared for the investment in resources required.
- The market in the Gulf States and Saudi Arabia is very competitive, and it is difficult for Irish firms to compete on price. Irish firms need to concentrate on their specialisms and quality.
- At the moment, the main focus of Irish firms and economic promotion agencies is on the Gulf, as opposed to North Africa, and our analysis by-and-large confirms the appropriateness of this approach in the short term.
- The planned investment in infrastructure and in human capital development in Saudi Arabia and the Gulf States over the next decade or so is enormous, and warrants serious consideration by any substantial Irish firms or institutions in the construction, education, health and ICT sectors.
- Of these countries, Saudi Arabia is the most lucrative, having both a critical mass of wealth and population. It is notable among the AICC countries in having a sizeable middle class, which is likely to expand over time with population growth and economic development. However, it is a challenging environment in which to do business.

- The other Gulf States are more open, but represent smaller and more crowded markets.
- The long term economic importance of the Gulf is assured by large energy reserves, population growth, and the local realisation that development and economic diversification are a priority.
- Irish firms and institutions have been active in a number of non-Gulf countries in the past, and in time countries such as Egypt, Libya, Iraq and Algeria will become increasingly important markets, once political stability is established. Libya and Iraq in particular have the advantage of large energy reserves.
- A full sectoral analysis of the future potential of the Arab World for Irish firms and institutions is beyond the scope of this report. However, we have identified a number of sectors that appear to have the most potential, namely:
    - Agrifood*
    - Pharmaceuticals/medical devices/medical technology*
    - Human capital formation*
    - Aviation
    - IT/telecoms/software*
    - Energy and renewable energy
    - Construction
    - Financial services
    - Tourism*.
- We have not been able to place a value on the potential of all of these sectors, but of the sectors that we have been able to measure (those with the asterisk), we tentatively estimate that the value to the Irish economy of trade with the AICC countries is currently approximately €2 billion, and is capable of growing at 8% per annum in the short term and could grow at 5% per annum over the medium and long term. This would see the value of trade treble over the next 25 years (in constant money terms).
- The sectors we have not been able to measure – aviation, construction and financial services – are of comparable if not greater potential which would indicate an overall growth potential to more than €9 billion over the period. Construction warrants a particular mention given the level of infrastructure development planned in the Gulf in particular over the coming decade. Sharia compliant Government bonds (Sukuk) also have potential to be a source of funding to the Irish Government when it returns to the financial markets, albeit they impose some restrictions on issuers.
- We estimate that at the moment some 8,000 jobs in Ireland are dependent on trade with the Arab World, split roughly 50:50 between merchandise and services exports. In the long run, we estimate that this figure could grow to in excess of 20,000.

6.2 Recommendations

During the course of our analysis, a number of issues have arisen where action can be taken to enable "Ireland Inc." to capitalise on the short, medium and long term opportunities in the AICC countries. These are summarised overleaf.

- Ireland already has a strong brand in the Arab World, built on business and personal relationships, and perceptions of the role played by Ireland on the global stage, but scale is a challenge for many Irish firms and institutions considering the region. Ways of leveraging the beneficial potential of the brand to the maximum degree should be explored by the Irish private and public sector. Much work has already been done in this area. Existing links such as embassies, economic promotion agencies, chambers of commerce and business networks, firms and institutions operating in the region can be the conduit for this. An agency such as Enterprise Ireland is probably the most appropriate support mechanism.
- Over the past number of decades, the Irish public sector has built up a significant body of human capital in the general field of governance, including *inter alia*:
    - economic regulation (energy, financial services, transport, etc.),
    - quality regulation (The Irish Medicines Board, HIQA, etc.),
    - public service training (e.g. the Institute of Public Administration),
    - economic promotion (e.g. Enterprise Ireland, IDA Ireland, Bord Bia, BIM).

  Given that power structures tend to be quite centralised in Arab countries, the proportion of the economy that flows through the public sector (reflecting among other things energy royalty revenues), and the push to develop and diversify their economies, there would appear to be a large opportunity for Irish public sector bodies to "mentor" their Arab counterparts in the broad task of socio-economic development. The structures through which this would happen would need to be identified, but the World Bank and the EU as well as individual Governments have programmes that fund education and training of public servants. This would further enhance Irelands' brand in the region in the medium to long term.
- The Middle East and North Africa region is particularly dependent on food imports, reflecting in many cases limited resources of arable land and water. Ireland can benefit significantly from this particularly in relation to food technologies where it has a proven track record and reputation.
- Formal processes and linkages count for much in the Arab World. More frequent visits by high profile, well-briefed Government figures (President, Taoiseach, Tánaiste, senior ministers) would be beneficial in this context, including for instance easing the removal of remaining restrictions on beef exports. It is noteworthy that Prime Minister David Cameron, ex-President Sarkozy and Chancellor Merkel have all visited the Gulf region at various times during their time in office.
- In a similar vein, Joint Economic Commissions, Memoranda of Understanding, etc. are part of the way of doing business in the Arab World, and can facilitate business linkages. Double taxation agreements exist with most of the Gulf States, but many are yet to be activated (not yet ratified by the Gulf State Governments). Any steps that can be taken to facilitate this will be helpful.

- Given the importance of the AICC countries for Irish exports and for indigenous exports in particular, the region warrants more resourcing of the activities of the Irish enterprise and economic promotion agencies. It is notable, for instance, that the Middle East, one of the largest food-importing regions in the world, barely receives a mention in the *Food Harvest 2020* report.
- The simplification of the visa process for visitors to Ireland from the Gulf States has been beneficial and should continue to facilitate movement of people between the Gulf and Ireland. The Visa Waiver system, which includes a number of Arab countries, appears to be working well and should be maintained beyond its 2016 timeframe.
- The Arab countries are collectively a very important market outside of the EU. They're also particularly important for multinational companies based in Ireland. There is a need to develop medium and long-term strategies and plans for the key sectors offering most opportunities for Ireland in the region. By doing this in a planned way there will be the benefit of ensuring that resources are focussed in the right areas and their impact is maximised. This approach should involve the private sector in addition to government agencies.

Based on the analysis in this study the AICC countries have been divided into Tier 1, 2 and 3, in terms of the level of opportunity for Ireland.

Tier 1: Saudi Arabia and the Gulf States (Bahrain, Kuwait, Oman, Qatar, UAE)

- Consolidate, grow and deepen market involvement

There is already a significant presence by Irish companies and an established flow of trade and investment. The focus needs to be on consolidating and deepening Ireland's commercial presence and on building the Irish brand. These are also good markets for companies looking to establish themselves in the Arab region.

Tier 2: Algeria, Egypt, Jordan, Lebanon, Libya, Iraq, Morocco, Tunisia.

- These offer potential for Ireland
- Exploratory / Developmental

These markets offer significant medium to long-term potential where the focus should be on getting started and establishing a presence by experienced Irish companies with a track record elsewhere in the region. They will require a different set of supports in the early years focussed around market entry and development activities.

Tier 3: Djibouti, Mauritania, Palestine, Somalia, Sudan, Syria.

- Niche sectors
- Approach is to establish contacts locally and to have a network in which opportunities can be exploited as they arise

There are, and will continue to be, ad hoc opportunities for Irish exporters in these markets. However, for a variety of economic and market reasons they should be addressed in a more reactive

manner on a case-by-case basis and do not in general offer the same level of business opportunity as the Tier 1 and 2 countries.

- The government and public agencies have made considerable progress in recent years in promoting the Ireland brand in Saudi Arabia and the Gulf. The opening of a new embassy in the UAE, a regional H.Q. of Enterprise Ireland, visits by the President, Taoiseach and ministers have all played a significant role. This type of "Ireland" brand building should be continued, and intensified.

  In addition, there should be a well planned programme of top level visits to Ireland by heads of state and leaders and ministers of the governments of the Tier 1 countries, and also of the Tier 2 countries when the circumstances are right.

- New ways should be explored to encourage Irish companies to increase their on-the-ground presence in their key Arab markets. Ideas such as "market development incubators" in the key markets, trading companies or marketing co-operatives, and tax incentives to spend more time on the ground in the markets should be considered. Such initiatives will help to tackle the high start-up costs involved in entering the Arab markets.

- New Irish business networks have been established recently in the Gulf area and these initiatives should be actively encouraged and supported. They are an effective way of harnessing the latent potential of knowledgable and experienced Irish business people who are resident in the region.

  Similarly, a means should be found to harness the potential of Arab nationals who have studied in Ireland and who now hold positions of influence in their home country. The academic institutions for instance can play a crucial role in encouraging and facilitating ways and means for these graduates to stay connected through a so-called 'diaspora mobilisation' approach.

- Third level business college programmes should be developed in partnerships between Irish and Arab institutions, plus private sector companies, with the objective of increasing the number and quality of graduates to support the growth of Arab-Irish trade and commerce.

Appendix A: Economic & Trade Profile of AICC Countries

This appendix presents:

1. Brief "pen pictures" of current economic conditions in the main AICC economies, based on a literature and media review and our consultations. It draws extensively on various publications by the Arab-German Chamber of Commerce & Industry (www.ghorfa.de) and the Arab-Belgium-Luxembourg Chamber of Commerce (www.ccbla.org), among other sources, as well as our consultations, particularly with Enterprise Ireland.

   Also included are trade tables on each of the AICC countries, from the World Trade Organisation's (WTO) website in July 2012 - http://bit.ly/8Z8bgE

2. A description of the legislative and policy structures of trade in the AICC countries.

A1 Current Economic Conditions and Trade Profile in the AICC Economies

Algeria

Algeria is the second largest country in Africa by size and the 10th largest in the world. GDP amounted to approximately USD160 billion in 2010, following sustained economic growth in the previous decade. The World Bank indicates economic growth of 3.5% in 2010 and almost 4% in 2011, and is projected to grow further at a rate of 3.6% in 2012.

Unemployment levels have also been improving having fallen to 10% in 2010 compared to 18% in 2004. The country has about **USD155 billion in foreign currency reserves and its external debt is very low** at about 1% of GDP.

Hydrocarbons are key to the Algerian economy and account for approximately 62% of budget revenues, 55% of GDP, and over 95% of export earnings:

- Algeria holds the **8th largest reserves of natural gas** in the world and is the fourth largest gas exporter. Proven natural gas reserves equate to 4,504 billion cu.m., according to OPEC.
- The country ranks **15th in oil reserves** and has proved crude oil reserves totalling 12.2 billion barrels, according to OPEC,
- It also has substantial deposits of **gold, uranium, zinc, iron** and other minerals.

While the **mining sector is poorly developed** in Algeria, it is seen as having great potential and as such the **Government has recently committed to developing** this by modernising the gold, zinc, iron ore and phosphate industries.

The Government's *Five Year Plan 2010-2014*[108] is their third public investment programme since 2001, and involves a financial commitment of USD286 billion, which will focus on infrastructure (rail, road and water) as well as housing (two million units) and health and education, and on reducing

[108] www.vastervikframat.se : http://bit.ly/NQllrN and www.algerianembassy.org : http://bit.ly/UHaQdg

dependence on hydrocarbons. The **construction sector is the fastest growing sector in Algeria**, employing 18% of the labour force.

Table 39 Trade Profile 2010: Algeria

Merchandise Trade	*Value* 2010		*Value* 2010
Merchandise *exports*, f.o.b. (million USUSD)	57 053	Merchandise *imports*, c.i.f. (million USUSD)	40 473
Share in world total exports	0.37	**Share in world total imports**	0.26
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	0.6	Agricultural products	18.3
Fuels and mining products	98.6	Fuels and mining products	3.7
Manufactures	0.8	Manufactures	78.0
By main destination		**By main origin**	
1. European Union (27)	49.1	1. European Union (27)	50.3
2. United States	24.2	2. China	11.2
3. Canada	5.2	3. United States	5.2
4. Turkey	4.7	4. Korea, Republic of	4.8
5. Brazil	4.2	5. Japan	3.8

Commercial Services Trade	*Value* 2010		*Value* 2010
Commercial services *exports* (million USUSD)	3 519	Commercial services *imports* (million USUSD)	11 549
Share in world total exports	0.09	**Share in world total imports**	0.33
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By principal services item		By principal services item	
Transportation	20.8	Transportation	26.5
Travel	6.2	Travel	5.0
Other commercial services	72.9	Other commercial services	68.5

Bahrain

Bahrain's oil wealth has enabled the creation of modern infrastructure, excellent roads, luxurious hotels and a thriving port. **Petroleum production and refining** account for over 60% of Bahrain's export receipts and 11% of GDP (exclusive of related industries), underpinning Bahrain's strong economic growth in recent years.

That said, oil **reserves are small compared to its neighbours**. Consequently, Bahrain has a much more **diversified economy**, with highly developed **communications, financial services and transport** sectors. The relatively liberal social climate has stimulated **tourism**, attracting Saudi Arabia residents in particular.

Aluminium is the second major export after oil. Bahrain is home to one of the world's largest aluminium smelters which produce the highest grade material, thereby creating significant opportunities in downstream **aluminium manufacturing**. Bahrain has also developed production of **petrochemicals and iron and steel**.

The economy has become more competitive as a result of a series of reforms designed to **ease trade restrictions and liberalise the business environment**. The Bahrain Economic development Board's *Economic Vision 2030*[109] sets out the Government's aims to develop a globally competitive economy.

Rapid progress is planned in the following areas:

- Enhancements to primary, secondary and tertiary **education**, as well as training.
- Improved **healthcare**.
- A large and growing **infrastructure** capacity.

Some USD13 billion is planned to be spent on the **rail** network and USD 4.8 billion on **airports**. Other areas of investment include **road building, power and water projects, tourism** and **retail infrastructure,** and **housing**.

The development of **Salman Industrial City**[110] is a key element of Vision 2030, expected to involve an investment of USD7 billion, and accommodate 34,000 jobs[111].

[109] www.bahrainedb.com : http://bit.ly/9R9Oy9
[110] www.bahrainedb.com : http://bit.ly/SyX5wr
[111] www.gulf-daily-news.com : http://bit.ly/P4AFgm

Table 40 Trade Profile 2010: Bahrain

Merchandise Trade	Value 2010		Value 2010
Merchandise *exports*, f.o.b. (million USUSD)	14 971	Merchandise *imports*, c.i.f. (million USUSD)	9 800
Share in world total exports	0.10	**Share in world total imports**	0.06
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	2.0	Agricultural products	10.2
Fuels and mining products	80.2	Fuels and mining products	26.8
Manufactures	9.1	Manufactures	63.0
By main destination		**By main origin**	
1. Saudi Arabia, Kingdom of	25.5	1. European Union (27)	19.2
2. Qatar	13.6	2. Brazil	18.0
3. India	8.8	3. China	11.6
4. United Arab Emirates	8.1	4. Japan	7.4
5. European Union (27)	7.9	5. United States	7.1

Commercial Services Trade	Value 2010		Value 2010
Commercial services *exports* (million USUSD)	4 047	Commercial services *imports* (million USUSD)	1 905
Share in world total exports	0.11	**Share in world total imports**	0.05
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By principal services item		By principal services item	
Transportation	19.8	Transportation	39.8
Travel	33.6	Travel	26.5
Other commercial services	46.6	Other commercial services	33.7

Egypt

With more than 80 million inhabitants, Egypt is by far the most populous country in the Arab World. It has the **third largest economy**, after Saudi Arabia and the UAE. It is less dependent on energy exports than most of the AICC countries and has a more diversified economy. Key sources of foreign exchange include:

- export of **oil and gas**,
- **Tourism**,
- **Transfers** from expatriates,
- Revenues from the **Suez Channel.**

Egypt's **oil and gas production has increased** in recent years with new exploration and drilling programmes in place. Egypt has gas reserves of 2.2 billion cubic metres and oil reserves of 4.5 billion barrels. In 2010, production totalled 736,000 barrels per day. **Further reserves have been recently discovered** and the revenue from production of **gas has significant growth potential**.

Egypt plans to **invest USD110 billion in its energy sector** out to 2027, including a significant **renewable energy** element. The plan is that renewable energy will comprise 20% of electricity production (12% wind, 8% hydropower) by 2020.

Water is a key issue for Egypt, given its large population. Over the period to 2037, some USD16.25 billion is to be invested into the sector, USD10.3 billion of which will be invested in developing the **waste water system**.

Tourism employs 20% of Egypt's labour force with revenues of almost USD14 billion in 2010.

The **information and communication technology (ICT)** sector has been the most dynamic in Egypt in recent years with 80% of the population mobile phone users. The number of internet users is also rising and reached 22 million users in 2010. The non-traded services sector is another dynamic sector, reflected in an expansion of **supermarkets and large shopping centres** in recent years.

The ongoing political uncertainty facing Egypt is having a negative impact in the short term. Egypt's Ministry of Economic Development predicts that robust growth is not expected to return until 2017. Foreign Direct Investment (FDI), tourism and Suez Canal receipts are the areas expected to be most affected.

Table 41 Trade Profile 2010: Egypt

Merchandise Trade	*Value* 2010		*Value* 2010
Merchandise *exports*, f.o.b. (million USUSD)	26 438	Merchandise *imports*, c.i.f. (million USUSD)	52 923
Share in world total exports	0.17	**Share in world total imports**	0.34
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	19.4	Agricultural products	22.4
Fuels and mining products	34.5	Fuels and mining products	17.7
Manufactures	41.5	Manufactures	59.9
By main destination		**By main origin**	
1. European Union (27)	30.3	1. European Union (27)	32.3
2. Saudi Arabia, Kingdom of	5.9	2. United States	9.4
3. United States	5.9	3. China	9.2
4. India	4.7	4. Saudi Arabia, Kingdom of	4.0
5. Libya	4.6	5. Korea, Republic of	3.6

Commercial Services Trade	*Value* 2010		*Value* 2010
Commercial services *exports* (million USUSD)	23 618	Commercial services *imports* (million USUSD)	12 991
Share in world total exports	0.63	**Share in world total imports**	0.37
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By principal services item		By principal services item	
Transportation	33.5	Transportation	50.6
Travel	53.0	Travel	17.2
Other commercial services	13.4	Other commercial services	32.1

Iraq

Notwithstanding the conflicts of the last three decade and on-going difficulties, Iraq remains a **major oil-producing** country, and has experienced **strong growth** since implementing a series of structural reforms in recent years. GDP growth is projected by the IMF to exceed 12% in 2012, following growth of almost 10% in 2011, on the back of growing oil revenues.

Iraq ranks **third in terms of oil reserves** (after Saudi Arabia and Venezuela) with an estimated 143 billion barrels. Revenues from oil reached USD83 billion in 2011 and are projected to reach USD100 billion in 2012. Oil revenue accounts for approximately 99% of total export earnings and over 75% of budget revenue.

Economic policy is focussed on **reforming the hydrocarbon sector** and **upgrading national infrastructure**. Government plans foresee crude oil production increasing to 12 million barrels per day by 2017 compared to 3 million barrels per day at present. Gas production is also expected to increase – the country has estimate natural gas reserves of more than 2,800 billion cubic metres.

The National Investment Commission plans to invest **USD150 billion in infrastructure** by 2025. **Electricity and transport** is set to be prioritised in major construction work along with **housing** to meet the needs of a rapidly growing population. There are also plans to invest several USD billions on existing and new **airports, ports and a metro** over the next ten years.

The **agri-food** sector requires considerable investment, particularly in the food supply chain as Iraq imports roughly 80% of its food requirements at present.

The long term prospects for **foreign investment** in Iraq are positive. The Middle East Economic Digest reports that Iraq is now the fastest growing projects market in the region with roughly **USD363 billion worth of projects** planned or under way across all socio-economic sectors currently[112]. **Training** systems and consultancy services geared to the needs of the economic restructuring are in high demand.

[112] www.meed.com : http://bit.ly/Q9oWxS

Table 42 Trade Profile 2010: Iraq

Merchandise Trade	Value 2010		Value 2010
Merchandise *exports*, f.o.b. (million USUSD)	52 483	Merchandise *imports*, c.i.f. (million USUSD)	43 915
Share in world total exports	0.34	**Share in world total imports**	0.28
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	0.1	Agricultural products	20.8
Fuels and mining products	99.9	Fuels and mining products	2.0
Manufactures	0.0	Manufactures	76.1
By main destination		**By main origin**	
1. Syrian Arab Republic	0.2	-	-
2. Jordan	0.1	-	-
3. Iran	0.0	-	-
4. Turkey	0.0	-	-
5. Morocco	0.0	-	-
Unspecified destinations	99.7	-	-
Commercial Services Trade	*Value* 2010		*Value* 2010
Commercial services *exports* (million USUSD)	2 293	Commercial services *imports* (million USUSD)	8 283
Share in world total exports	0.07	**Share in world total imports**	0.26
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By principal services item		By principal services item	
Transportation	44.7	Transportation	58.5
Travel	49.1	Travel	10.5
Other commercial services	6.3	Other commercial services	31.0

Jordan

Economic reform has been in train in Jordan since 1999, and while considerable progress has been achieved significant socio-economic problems remain. The Arab Spring has led to a new constitution with elements of democracy introduced, albeit disturbances have had an impact on tourism receipts and foreign direct investment in 2011. Notwithstanding this the IMF foresees GDP growing by 4-5% in 2012 and 2013.

Unlike most countries in the region, Jordan has relatively little fossil energy resources, and currently imports 96% of its energy requirements. The Kingdom aims to reduce its dependence on oil from 60% to 40% by 2025. The national *Energy Master Plan 2007-2020* envisages that **renewable energy** will account for 7% of the electricity generation capacity by 2015 and 10% by 2020.

Mining and a diversified **manufacturing** base are the main drivers of Jordan's industry, together accounting for almost one-quarter of national GDP in 2011, and aided by a skilled labour force and strong regulatory environment. Jordan possesses **significant mineral resources** that are the basis for several **chemical industry** clusters, such as phosphate, potash, silica, uranium, and copper. A number of economic zones have been created in the country.

Notwithstanding difficulties in 2011, **tourism** remains a major sector of the economy, accounting for 14% of GDP, and is the second largest employer and the second largest foreign currency source. "**Medical tourism**" is another important sector.

Table 43 Trade Profile 2010: Jordan

Merchandise Trade	*Value* 2010		*Value* 2010
Merchandise *exports*, f.o.b. (million USUSD)	7 028	Merchandise *imports*, c.i.f. (million USUSD)	15 564
Share in world total exports	0.05	**Share in world total imports**	0.10
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	16.2	Agricultural products	17.4
Fuels and mining products	8.2	Fuels and mining products	24.2
Manufactures	72.6	Manufactures	55.8
By main destination		**By main origin**	
1. Iraq	16.0	1. European Union (27)	19.9
2. United States	13.2	2. Saudi Arabia, Kingdom of	19.8
3. India	11.1	3. China	10.8
4. Saudi Arabia, Kingdom of	9.4	4. United States	5.6
5. United Arab Emirates	4.2	5. Egypt	4.5
Unspecified destinations	8.7	Unspecified origins	0.2
Commercial Services Trade	*Value* 2010		*Value* 2010
Commercial services *exports* (million USUSD)	4 782	Commercial services *imports* (million USUSD)	4 164
Share in world total exports	0.13	**Share in world total imports**	0.12
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By principal services item		By principal services item	
Transportation	17.8	Transportation	50.9
Travel	71.4	Travel	34.4
Other commercial services	10.8	Other commercial services	14.7

Kuwait

Kuwait is one of the top five **largest oil exporters** in the world and sits on approximately one tenth of global oil reserves. Revenue from this sector is expected to grow given that it has plans to boost output to 4 million barrels per day by 2020, from approximately 2.5 million currently. The country is also rich in **natural gas** resources, with almost 1% of global reserves. Both export earnings and the State coffers are highly dependent on oil revenues.

The oil industry is the main driving force of the economy, but dependence on the sector is seen as a challenge for future development. *Kuwait Vision 2035*[113] is a long term development plan which has the strategic objectives of reviving the role of the Kuwaiti private sector (currently over 80% of the workforce is employed in the public sector) and restoring the regional role of the Kuwaiti state as a commercial and financial centre (The country has one of the most robust banking sectors in the region):

> "The transformation of Kuwait into a financial and trade hub for investment, in which the private sector leads economic activity, fueled by the spirit of competition, and raising the efficiency of production in under a supporting institutional State agency, establishes values, preserves the social identity, achieves balanced human development and provides appropriate infrastructure, improved legislation and encouraging business environment."

In response to a growing population, Kuwait is focussing on the country's **healthcare system** by expanding and upgrading its hospitals and has plans to construct eight new hospitals over the next seven years**. Education** is a central part of the government's strategy, while the **electricity and water** transmission networks are being strengthened.

In 2010 the government unveiled a USD125 billion economic development plan, calling for increased spending on **mega projects**[114] and a renewed focus in the delivery of public services through Public Private Partnerships such as a USD10 billion **metro system**, a major **container port** and multibillion USD healthcare and education programmes. Other key developments include the expansion of the road network, and the implementation of a public transport system. Social **housing, hospitals, education facilities and power generation** have also been prioritised.

It must be noted however that the delivery of this and other plans has been slowed down by political disputes between the Government and the General Assembly[115]. This has been an ongoing problem in Kuwait over the years.

[113] http://info.worldbank.org : http://bit.ly/OU9dr2
[114] Kuwait Embassy : http://bit.ly/TzVI1K
[115] www.kippreport.com : http://bit.ly/MWXvbN
www.capstandards.com : http://bit.ly/SkYeBT

Table 44 Trade Profile 2010: Kuwait

Merchandise Trade	Value 2010		Value 2010
Merchandise *exports*, f.o.b. (million USUSD)	67 118	Merchandise *imports*, c.i.f. (million USUSD)	22 446
Share in world total exports	0.44	**Share in world total imports**	0.15
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	0.5	Agricultural products	13.7
Fuels and mining products	92.3	Fuels and mining products	2.5
Manufactures	7.2	Manufactures	81.5
By main destination		**By main origin**	
1. China	2.2	-	-
2. United Arab Emirates	1.1	-	-
3. Saudi Arabia, Kingdom of	0.9	-	-
4. European Union (27)	0.7	-	-
5. India	0.6	-	-
Unspecified destinations	90.3	-	-
Commercial Services Trade	*Value* 2010		*Value* 2010
Commercial services *exports* (million USUSD)	7 137	Commercial services *imports* (million USUSD)	12 260
Share in world total exports	0.19	**Share in world total imports**	0.35
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By principal services item		By principal services item	
Transportation	44.7	Transportation	39.8
Travel	3.2	Travel	55.0
Other commercial services	52.1	Other commercial services	5.1

Libya

The Libyan economy is dominated by the **oil and gas sector**. It depends heavily on revenues from the oil sector, which account for 95% of export earnings, and 70% of GDP. Output in 2011 averaged one million barrels per day, compared to pre-revolution levels of 1.6 million. Proven oil reserves total 47.1 billion barrels, and the sector offers **huge potential for growth** with only one-quarter of the country's surface area explored.

The country is also beginning to exploit its huge **natural gas reserves**, estimated at 1.55 trillion cubic metres. Output is currently 12 billion cubic metres per annum. A gas pipeline constructed in 2004 has significantly increased Libyan gas exports to Europe.

The recent political turmoil has had a significant impact on the economy and the oil sector, with GDP contracting by 19% in 2011. However, the economy is expected to rebound strongly, growing by 16% in 2012.

Libya has potential to offer opportunities across a wide range of sectors including oil and gas, **agriculture**, **telecommunications**, **education**, **medical equipment**, **services** and **tourism**, once the political situation has stabilised. In this context **Construction** in particular is likely to experience rapid growth over the coming decade.

Table 45 Trade Profile 2010: Libya

Merchandise Trade	*Value* 2010		*Value* 2010
Merchandise *exports*, f.o.b. (million USUSD)	48 900	Merchandise *imports*, c.i.f. (million USUSD)	10 500
Share in world total exports	0.32	**Share in world total imports**	0.07
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	0.1	Agricultural products	17.3
Fuels and mining products	89.4	Fuels and mining products	1.6
Manufactures	2.5	Manufactures	80.9
By main destination		**By main origin**	
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-

Commercial Services Trade	*Value* 2010		*Value* 2010
Commercial services *exports* (million USUSD)	410	Commercial services *imports* (million USUSD)	5 251
Share in world total exports	0.01	**Share in world total imports**	0.15
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By principal services item		By principal services item	
Transportation	64.0	Transportation	44.6
Travel	14.6	Travel	39.0
Other commercial services	21.4	Other commercial services	16.5

Oman

While oil and gas still account for 75% of the country's export earnings and 50% of GDP, the Government of Oman has a long term goal of diversifying the economy. In its 1995 document *Vision 2020*[116], the Omani Government prioritised diversifying the economic base and the private sector as one of the most important goals for future economic development. The stated aims of the *Vision* are:

> "1. To develop and upgrade Omani human resources in order to cope with technological progress and attain international competitiveness.
>
> 2. To develop a private sector capable of optimum use of human and natural resources in an efficient and ecologically- sound way, in close collaboration with the government.
>
> 3. To utilise the geo-strategic location of the Sultanate, optimize the use of its natural resources and promote economic diversification.
>
> 4. To distribute the fruits of development among all regions and all citizens.
>
> 5. To preserve, safeguard and develop the achievements accomplished in the past twenty-five years."

The country is now on its 8th *Five-Year-Plan (2011-2015)* which includes public capital investment of USD31 billion.

Along with an ambitious economic diversification programme Government is actively promoting the "Omanisation" of its labour market, i.e. replacing expatriates with trained Omani personnel, with specific targets for various sectors. This is generating significant **training** opportunities.

The **petrochemicals** and **metals** sectors are receiving particular attention with plans for development at a number of new industrial sites. The expanding urban population will result in an increase in energy demand, and it is planned to privatise the country's electrical utilities. **Tourism** is another important sector that is seen as having strong growth potential. The Government is committed to the expansion of a high quality **transport network** as a driver of economic growth.

[116] http://www.omaninfo.com/oman/business.asp.

Table 46 Trade Profile 2010: Oman

Merchandise Trade	*Value* 2010		*Value* 2010
Merchandise *exports*, f.o.b. (million USUSD)	36 601	Merchandise *imports*, c.i.f. (million USUSD)	19 973
Share in world total exports	0.24	**Share in world total imports**	0.13
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	2.5	Agricultural products	11.8
Fuels and mining products	73.1	Fuels and mining products	10.4
Manufactures	10.8	Manufactures	71.4
By main destination		**By main origin**	
1. United Arab Emirates	4.7	1. United Arab Emirates	24.2
2. India	2.4	2. European Union (27)	12.3
3. China	1.3	3. China	4.4
4. European Union (27)	1.2	4. India	3.9
5. Saudi Arabia, Kingdom of	1.2	5. United States	3.4
Unspecified destinations	80.5	Unspecified origins	32.0
Commercial Services Trade	*Value* 2010		*Value* 2010
Commercial services *exports* (million USUSD)	1 761	Commercial services *imports* (million USUSD)	6 525
Share in world total exports	0.05	**Share in world total imports**	0.19
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By principal services item		By principal services item	
Transportation	36.0	Transportation	40.9
Travel	44.0	Travel	15.3
Other commercial services	19.9	Other commercial services	43.8

Qatar

Qatar has a population of 1.8 million, of whom fewer than 400,000 are Qatari nationals. Qatar is a major oil producer (0.8 million barrels per day) and has seen rapid growth in its natural gas industry. It has the **third largest gas reserves in the world** (13.5% of global reserves), and recorded economic growth of almost 20% in 2010, slowing to 13% in 2011, and is projected to be 6% in 2012.

Revenues generated by the energy sector have been invested in **infrastructure, health, education and petrochemicals**. The State is seeking to **increase the non-energy sector's contribution to the economy to 80% by 2015**. The **cement, metals and chemicals** industries are receiving considerable investment.

The **construction sector** boomed due to the increase in oil prices but has recently experienced a significant downturn. The **transport network** continues to rapidly expand, with planned spending on infrastructure of around USD46 billion. Qatar is also investing heavily in **education** with initiatives to expand its skills base and build a knowledge-based economy. Education City was established on ten square kilometres in Doha and is still expanding, with investment of USD6 billion to date.

Qatar is also promoting itself as a prime venue for specialised **tourism activities**, with conferences, sporting events (most notably the **World Cup** in 2022) and cultural tourism seen as having the greatest potential.

Real estate, petrochemicals, financial services (including Islamic banking), research and development, and IT are other sectors with considerable potential.

Table 47 Trade Profile 2010: Qatar

Merchandise Trade	*Value* 2010		*Value* 2010
Merchandise *exports*, f.o.b. (million USUSD)	62 000	Merchandise *imports*, c.i.f. (million USUSD)	23 240
Share in world total exports	0.41	**Share in world total imports**	0.15
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	0.1	Agricultural products	5.5
Fuels and mining products	84.9	Fuels and mining products	4.4
Manufactures	5.4	Manufactures	88.1
By main destination		**By main origin**	
1. Japan	22.4	-	-
2. Korea, Republic of	13.9	-	-
3. India	7.7	-	-
4. Singapore	6.8	-	-
5. European Union (27)	6.1	-	-
Unspecified destinations	18.9		
Commercial Services Trade	*Value* 2010		*Value* 2010
Commercial services *exports* (million USUSD)	2 826	Commercial services *imports* (million USUSD)	7 666
Share in world total exports	0.08	**Share in world total imports**	0.22
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By principal services item		By principal services item	
Transportation	62.0	Transportation	75.1
Travel	20.6	Travel	7.0
Other commercial services	17.4	Other commercial services	17.9

Saudi Arabia

Saudi Arabia is the largest country in the GCC with a population of more than 27 million, and it is the **largest economy in the Arab world** with GDP totalling USD560 billion in 2011. GDP grow was modest in 2009 but increased to 3.8% in 2010 and 6% in 2011 and is projected to grow by almost 7% in 2012 due to a continuation of the expansionary fiscal policy pursued by the government.

Saudi Arabia is the **world's second largest oil exporter**, exporting approximately 8 million barrels of crude oil daily – equivalent to almost 10% of total global consumption worldwide. The oil industry generates 40% of GDP, almost 90% of government revenues, and 91% of exports. Some USD100 billion has been allocated over the next 5 years for oil and gas exploration and refining.

Economic diversification is seen as a particular challenge given the decades-long dependence on oil revenues. Several projects in **power generation**, **desalination**, and **transport** infrastructure are of strategic importance.

The **petrochemicals sector** is a cornerstone of the country's economic diversification strategy, with ambitions to make it a leading international sector by 2015. **Construction** also plays a key role in the Kingdom's diversification process. Saudi Arabia looks set to host some of the largest real estate and construction projects in the world including six new **economic cities** which are estimated to house 4.5 million people and provide some 1.3 million jobs[117].

Transport and logistics infrastructure and the maintenance of existing infrastructure have been prioritised under the Kingdom's *9th Development Plan 2010-2014*[118]. **Education and healthcare** have also been prioritised, as many of the "lifestyle-related" diseases increasingly prevalent in the West (diabetes, heart disease, etc.) are also making inroads in the Gulf States and Saudi Arabia.

Despite a strong macroeconomic position, a key challenge facing Saudi Arabia is the creation of jobs. The **unemployment** rate rose to 10% in 2010, and the government has a target to reduce this to 5.5% by 2014.

[117] www.oecd.org : http://bit.ly/UuF1Qa
[118] www.mep.gov.sa : http://bit.ly/UumAv1

Table 48 Trade Profile 2010: Saudi Arabia

Merchandise Trade	Value 2010		Value 2010
Merchandise *exports*, f.o.b. (million USUSD)	251 143	Merchandise *imports*, c.i.f. (million USUSD)	106 863
Share in world total exports	1.65	**Share in world total imports**	0.69
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	0.5	Agricultural products	13.7
Fuels and mining products	84.2	Fuels and mining products	5.0
Manufactures	11.7	Manufactures	79.9
By main destination		**By main origin**	
1. Japan	26.8	1. European Union (27)	31.9
2. United States	17.5	2. United States	13.6
3. European Union (27)	7.1	3. China	9.7
4. United Arab Emirates	3.6	4. Japan	8.7
5. India	1.4	5. Korea, Republic of	4.5
Commercial Services Trade	*Value* 2010		*Value* 2010
Commercial services *exports* (million USUSD)	10 346	Commercial services *imports* (million USUSD)	50 996
Share in world total exports	0.28	**Share in world total imports**	1.46
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By principal services item		By principal services item	
Transportation	19.6	Transportation	24.9
Travel	64.9	Travel	41.4
Other commercial services	15.5	Other commercial services	33.6

United Arab Emirates

Consisting of a federation of seven different Emirates, UAE has a population of just over 5 million people, 4 million of whom are non-nationals. The Emirates are characterised by an open, low-tax economy, ease of doing business and a transparent regulatory system.

The UAE is the world's **third largest oil exporter,** with production of 2.5 million barrels per day in 2011. **Oil reserves are the sixth largest in the world,** amounting to almost 98 billion barrels. Abu Dhabi holds 94% of the UAE total reserves, as well as the **fifth largest natural gas reserves** in the world, totalling over 6 trillion m^3. The Abu Dhabi National Oil Co. plans to invest roughly USD60 billion in projects in the oil, gas and petrochemical sector over the next ten years.

The economy has successfully diversified away from dependence on hydrocarbons, having established a strong services sector and industrial base. As a result, the non-oil sector accounts for 70% of the UAE's GDP, including **largescale infrastructure investment** in transport (including a

USD11 billion **railway project**), **trade, tourism and the power (conventional, renewable and nuclear) and water** sectors. The UAE remains one of the largest construction markets in the GCC with USD985 billion worth of projects in progress or at planning stages.

The major industries in the UAE are as follows

- oil & gas,
- petrochemicals,
- aluminium, aeronautics,
- iron & steel,
- cement, ceramics
- ship repair,
- pharmaceuticals,
- tourism, transport,
- real estate, and
- financial services

The World Nuclear Association reports that the powergen sector at the moment in the UAE is almost entirely dependent on natural gas, and demand is growing at 9% per annum. It is planning to import electricity from Iran, and is also embarking on a nuclear power investment programme. It has recently commissioned a South Korean consortium to build four commercial nuclear power reactors, with a total capacity of 5.6 GWe, by 2020 (cost USD 20 billion)[119] [120]

In line with the *UAE Economic Vision 2021*[121] and *Abu Dhabi Vision 2030*[122] economic strategies, the UAE is currently focusing its efforts on investments which directly influence the standard of living of UAE residents, such as **renewable energy, aircraft components and manufacturing, technology, tourism and education**.

In the future the UAE is likely to sustain and broaden economic growth, with a rapid expansion of the capacity of public services such as **health and education**, while focusing on research and development, and **deepening trade ties** with a range of international partners.

The UAE, as part of its diversification strategy, is establishing itself as a **global aviation hub**, linking Europe with Africa and Asia. Two major airports – Dubai and Abu Dhabi – and two major airlines – Etihad and Emirates – have emerged as among the fastest growing in the world. UAE has plans to spend over USD130 billion on airports, aircraft and related investments over the current decade.

Enterprise Ireland report that Middle East airlines will invest some USD115 billion in aircraft over the next 20 years; Etihad and Emirates on their own expect to add 1-2 aircraft per month to their fleets over the next five years to meet their growth strategies.

[119] http://bit.ly/fuX6wR

[120] It is estimated that "over the next 15 years, as many as 37 new reactors could be built (in the MENA) at a cost of up to USD200 billion". http://www.nuclearenergyinsider.com/mena/index.php

[121] www.vision2021.ae : http://bit.ly/NQiXRN

[122] Which sees Ireland as one of a number of models for economic development. www.thenational.ae : http://bit.ly/PYKrTG, www.tdic.ae : http://bit.ly/ri9ymd, www.thenational.ae : http://bit.ly/N7NFUm

Table 49 Trade Profile 2010: United Arab Emirates

Merchandise Trade	*Value* 2010		*Value* 2010
Merchandise *exports*, f.o.b. (million USUSD)	220 000	Merchandise *imports*, c.i.f. (million USUSD)	160 000
Share in world total exports	1.44	**Share in world total imports**	1.04
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	1.7	Agricultural products	7.4
Fuels and mining products	35.0	Fuels and mining products	3.8
Manufactures	24.0	Manufactures	59.9
By main destination		**By main origin**	
1. India	11.0	1. European Union (27)	15.8
2. Iran	4.7	2. India	12.5
3. Iraq	2.3	3. China	7.5
4. Switzerland	2.2	4. United States	6.2
5. European Union (27)	1.9	5. Japan	4.3
Unspecified destinations	27.5	Unspecified origins	27.9

Commercial Services Trade	*Value* 2010		*Value* 2010
Commercial services *exports* (million USUSD)	11 028	Commercial services *imports* (million USUSD)	40 908
Share in world total exports	0.29	**Share in world total imports**	1.17
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By principal services item		By principal services item	
Transportation	22.2	Transportation	62.1
Travel	77.8	Travel	28.9
Other commercial services	0.0	Other commercial services	9.0

Trade profile of Other AICC Countries

Table 50 Trade Profile 2010: Djibouti

Merchandise Trade	Value 2010		Value 2010
Merchandise *exports*, f.o.b. (million USUSD)	85	Merchandise *imports*, c.i.f. (million USUSD)	364
Share in world total exports	0.00	**Share in world total imports**	0.00
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	-	Agricultural products	-
Fuels and mining products	-	Fuels and mining products	-
Manufactures	-	Manufactures	-
By main destination		**By main origin**	
1. Ethiopia	35.3	1. European Union (27)	37.3
2. European Union (27)	20.6	2. United Arab Emirates	18.5
3. Somalia	11.9	3. Saudi Arabia, Kingdom of	6.0
4. Brazil	8.7	4. Japan	5.5
5. Qatar	6.3	5. Ethiopia	5.0
Commercial Services Trade	*Value* 2010		*Value* 2010
Commercial services *exports* (million USUSD)	149	Commercial services *imports* (million USUSD)	104
Share in world total exports	0.00	**Share in world total imports**	0.00
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By principal services item		By principal services item	
Transportation	77.2	Transportation	67.1
Travel	12.1	Travel	8.3
Other commercial services	10.7	Other commercial services	24.6

Table 51 Trade Profile 2010: Lebanon

Merchandise Trade	*Value* 2010		*Value* 2010
Merchandise *exports*, f.o.b. (million USUSD)	5 021	Merchandise *imports*, c.i.f. (million USUSD)	18 460
Share in world total exports	0.03	**Share in world total imports**	0.12
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	11.0	Agricultural products	17.5
Fuels and mining products	8.9	Fuels and mining products	26.5
Manufactures	50.0	Manufactures	51.2
By main destination		**By main origin**	
1. European Union (27)	18.1	1. European Union (27)	35.8
2. Switzerland	11.8	2. United States	10.7
3. United Arab Emirates	9.8	3. China	9.1
4. South Africa	8.1	4. Turkey	3.8
5. Iraq	6.3	5. Japan	3.5
Commercial Services Trade	*Value* 2010		*Value* 2010
Commercial services *exports* (million USUSD)	15 706	Commercial services *imports* (million USUSD)	13 262
Share in world total exports	0.42	**Share in world total imports**	0.38
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By principal services item		By principal services item	
Transportation	4.1	Transportation	13.8
Travel	49.8	Travel	36.0
Other commercial services	46.1	Other commercial services	50.2

Table 52 Trade Profile 2010: Mauritania

Merchandise Trade	*Value* 2010		*Value* 2010
Merchandise *exports*, f.o.b. (million USUSD)	2 074	Merchandise *imports*, c.i.f. (million USUSD)	1 935
Share in world total exports	0.01	**Share in world total imports**	0.01
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	11.5	Agricultural products	28.8
Fuels and mining products	75.6	Fuels and mining products	35.2
Manufactures	0.0	Manufactures	36.0
By main destination		**By main origin**	
1. European Union (27)	20.7	1. European Union (27)	46.5
2. China	19.1	2. United Arab Emirates	12.1
3. Switzerland	18.6	3. China	6.8
4. Japan	16.2	4. Singapore	4.6
5. Swaziland	14.4	5. United States	3.7

Commercial Services Trade	*Value* 2010		*Value* 2010
Commercial services *exports* (million USUSD)	85	Commercial services *imports* (million USUSD)	568
Share in world total exports	0.00	**Share in world total imports**	0.02
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By principal services item		By principal services item	
-	-	-	-
-	-	-	-
-	-	-	-

Table 53 Trade Profile 2010: Morocco

Merchandise Trade	*Value* 2010		*Value* 2010
Merchandise *exports*, f.o.b. (million USUSD)	17 771	Merchandise *imports*, c.i.f. (million USUSD)	35 381
Share in world total exports	0.12	**Share in world total imports**	0.23
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	21.0	Agricultural products	14.0
Fuels and mining products	15.1	Fuels and mining products	28.9
Manufactures	63.3	Manufactures	54.6
By main destination		**By main origin**	
1. European Union (27)	59.7	1. European Union (27)	49.2
2. India	6.1	2. China	8.4
3. Brazil	3.8	3. United States	7.1
4. United States	3.8	4. Saudi Arabia, Kingdom of	6.0
5. Singapore	1.9	5. Russian Federation	3.8

Commercial Services Trade	*Value* 2010		*Value* 2010
Commercial services *exports* (million USUSD)	12 138	Commercial services *imports* (million USUSD)	5 724
Share in world total exports	0.32	**Share in world total imports**	0.16
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By principal services item		By principal services item	
Transportation	17.7	Transportation	46.1
Travel	55.2	Travel	21.0
Other commercial services	27.1	Other commercial services	32.9

Table 54 Trade Profile 2010: Sudan

Merchandise Trade	*Value* 2010		*Value* 2010
Merchandise *exports*, f.o.b. (million USUSD)	11 404	Merchandise *imports*, c.i.f. (million USUSD)	10 045
Share in world total exports	0.07	**Share in world total imports**	0.06
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	6.9	Agricultural products	16.0
Fuels and mining products	88.0	Fuels and mining products	4.9
Manufactures	0.8	Manufactures	77.6
By main destination		**By main origin**	
1. China	65.3	1. China	16.6
2. United Arab Emirates	10.5	2. European Union (27)	14.4
3. Canada	8.8	3. Japan	9.5
4. Saudi Arabia, Kingdom of	2.8	4. Saudi Arabia, Kingdom of	7.6
5. Japan	2.3	5. United Arab Emirates	7.4

Commercial Services Trade	*Value* 2010		*Value* 2010
Commercial services *exports* (million USUSD)	224	Commercial services *imports* (million USUSD)	2 195
Share in world total exports	0.01	**Share in world total imports**	0.06
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By principal services item		By principal services item	
Transportation	2.1	Transportation	45.8
Travel	42.1	Travel	50.9
Other commercial services	55.8	Other commercial services	3.4

Table 55 Trade Profile 2010: Syria

Merchandise Trade	Value 2010		Value 2010
Merchandise *exports*, f.o.b. (million USUSD)	12 741	Merchandise *imports*, c.i.f. (million USUSD)	17 467
Share in world total exports	0.08	**Share in world total imports**	0.11
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	22.2	Agricultural products	22.7
Fuels and mining products	42.4	Fuels and mining products	13.3
Manufactures	31.0	Manufactures	63.5
By main destination		**By main origin**	
1. European Union (27)	40.5	1. European Union (27)	25.3
2. Iraq	20.2	2. Turkey	9.5
3. Turkey	5.5	3. China	8.8
4. Saudi Arabia, Kingdom of	4.8	4. Ukraine	6.5
5. Lebanon	3.8	5. Russian Federation	6.3
Commercial Services Trade	*Value* 2010		*Value* 2010
Commercial services *exports* (million USUSD)	7 040	Commercial services *imports* (million USUSD)	3 377
Share in world total exports	0.19	**Share in world total imports**	0.10
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By principal services item		By principal services item	
Transportation	7.5	Transportation	47.2
Travel	87.9	Travel	44.7
Other commercial services	4.6	Other commercial services	8.1

Table 56 Trade Profile 2010: Tunisia

Merchandise Trade	*Value* 2010		*Value* 2010
Merchandise *exports*, f.o.b. (million USUSD)	16 427	Merchandise *imports*, c.i.f. (million USUSD)	22 215
Share in world total exports	0.11	**Share in world total imports**	0.14
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	8.6	Agricultural products	10.9
Fuels and mining products	16.2	Fuels and mining products	14.5
Manufactures	75.2	Manufactures	73.9
By main destination		**By main origin**	
1. European Union (27)	73.2	1. European Union (27)	61.2
2. Libya	4.5	2. China	6.1
3. Algeria	2.9	3. Russian Federation	4.7
4. United States	2.4	4. United States	4.1
5. India	1.9	5. Turkey	2.8
Unspecified destinations	3.5	Unspecified origins	1.3

Commercial Services Trade	*Value* 2010		*Value* 2010
Commercial services *exports* (million USUSD)	5 471	Commercial services *imports* (million USUSD)	3 165
Share in world total exports	0.15	**Share in world total imports**	0.09
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By principal services item		By principal services item	
Transportation	28.1	Transportation	50.4
Travel	48.3	Travel	17.3
Other commercial services	23.5	Other commercial services	32.3

Table 57 Trade Profile 2010: Yemen

Merchandise Trade	*Value* 2010		*Value* 2010
Merchandise *exports*, f.o.b. (million USUSD)	8 400	Merchandise *imports*, c.i.f. (million USUSD)	9 212
Share in world total exports	0.06	**Share in world total imports**	0.06
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By main commodity group (ITS)		By main commodity group (ITS)	
Agricultural products	5.6	Agricultural products	33.7
Fuels and mining products	90.8	Fuels and mining products	8.6
Manufactures	3.6	Manufactures	57.0
By main destination		**By main origin**	
1. China	25.2	1. European Union (27)	14.7
2. India	20.1	2. United Arab Emirates	9.9
3. Thailand	18.4	3. China	9.3
4. Singapore	6.9	4. United States	6.4
5. South Africa	6.3	5. Japan	5.6

Commercial Services Trade	*Value* 2010		*Value* 2010
Commercial services *exports* (million USUSD)	1 460	Commercial services *imports* (million USUSD)	2 263
Share in world total exports	0.04	**Share in world total imports**	0.06
Breakdown in economy's total exports		**Breakdown in economy's total imports**	
By principal services item		By principal services item	
Transportation	13.1	Transportation	47.1
Travel	79.5	Travel	8.1
Other commercial services	7.4	Other commercial services	44.9

A2 Legislative and Policy Structures of Trade

Over time, global trade has been increasingly liberalised, and a number of treaties, agreements, etc. have been entered into at multilateral (World Trade Organisation [WTO]) level. The structures of trade between Ireland and the AICC countries are well-established and are largely set by the treaties and agreements entered into between the EU with the countries in question. This has been of substantial benefit to Ireland in terms of negotiating the terms and conditions of trade, and means that Ireland stands on an equal footing with the other EU countries when trading with the AICC countries.

The following sets out the main elements of the multilateral and bilateral trade relationships that are in place.

A2.1 Multilateral

Association Agreements[123] [124]

Association Agreements are international agreements that the EU has concluded with third countries with the aim of setting up an all-embracing framework to conduct bilateral relations. These agreements normally provide for the progressive liberalisation of trade.

The European Neighbourhood Policy[125]

The European Neighbourhood Policy (ENP) was developed in 2004, with the objective of avoiding the emergence of new dividing lines between the enlarged EU and its neighbours and of strengthening the prosperity, stability and security of all.

The ENP framework applies to 16 of EU's closest neighbours to the east and south, including Egypt, Jordan, Lebanon, Libya, Morocco and Tunisia. Members benefit from its financial instrument, the European Neighbourhood & Partnership Instrument (ENPI). The regional approach with regard to North Africa is defined in the Euro-Mediterranean Partnership (see below).[126]

Central to the ENP are the bilateral Action Plans between the EU and each ENP partner (12 of them have been agreed, including Egypt, Jordan, Lebanon, Morocco and Tunisia).[127] These set out an agenda of political and economic reforms with short and medium-term priorities of 3 to 5 years.

Following the expiration of the first Action Plans succession documents are being adopted. The ENP is not yet fully 'activated' for Algeria, Libya and Syria since those have not agreed Action Plans.

Euro-Mediterranean Partnership (EUROMED)/Union for the Mediterranean [128]

The Euro-Mediterranean Partnership (EUROMED), relaunched in 2008 as the Union for the Mediterranean (UfM), incorporates 16 EU neighbour countries in the Middle East, North Africa and the Balkans. The Union has the aim of promoting stability and prosperity throughout the

[123] http://eeas.europa.eu/association/index_en.htm
[124] For a comprehensive list of Treaties by country see http://ec.europa.eu/world/agreements/searchByCountryAndContinent.do?id=4&letter=A
[125] http://ec.europa.eu/world/enp/policy_en.htm
[126] http://eeas.europa.eu/africa/subregional/index_en.htm
[127] http://ec.europa.eu/world/enp/documents_en.htm#2
[128] http://eeas.europa.eu/euromed/index_en.htm

Mediterranean region. Seven of these are members of AICC, namely Algeria, Egypt, Jordan, Lebanon, Mauritania, Syria and Tunisia.

Projects address areas such as economy, environment, energy, health, migration and culture. The Union has a number of key initiatives on its agenda, a selection of which are outlined below:

1) The establishment of maritime and land highways that connect ports and improve rail connections so as to facilitate movement of people and goods;
2) A Mediterranean solar energy plan that explores opportunities for developing alternative energy sources in the region;
3) A Euro-Mediterranean University, inaugurated in Slovenia in June 2008;
4) The Mediterranean Business Development Initiative, which supports small businesses operating in the region by first assessing their needs and then providing technical assistance and access to finance.

Relations with the Gulf Cooperation Council (GCC) [129]

The Cooperation Council for the Arab States of the Gulf (GCC) is a regional organisation consisting of six Gulf countries: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and United Arab Emirates (UAE). All the GCC member states are members of the Arab League[130], and Qatar, Saudi Arabia, Kuwait and the UAE are prominent members of Organization of the Petroleum Exporting Countries (OPEC)[131]. They all currently benefit from preferential access to the EU market under the EU's Generalised System of Preferences (GSP)[132].

The EU established bilateral relations with the GCC countries through a Cooperation Agreement signed in 1988. Its objective is to contribute to strengthening stability in a region of strategic importance and to facilitate political and economic relations. It aims at broadening economic and technical cooperation and also cooperation in energy, industry, trade and services, agriculture, fisheries, investment, science, technology and environment.

The 1988 Cooperation Agreement contained a commitment from both sides to enter into negotiations on a Free Trade Agreement. These negotiations have continued over the last two decades. The 1988 agreement also created a Joint Council and a Joint Co-operation Committee which meet annually. At the 2010 Joint Council, an EU-GCC Joint Action Programme for the years 2010-2013[133] was agreed.

The financing instrument for cooperation with industrialised and other high-income countries and territories (ICI)[134] entered into force on 1 January 2007. It is the framework for financial cooperation activities between the EU and the Gulf region (as well as other high-income countries).

There are also bilateral EU-relations with Iraq and Yemen[135].

[129] http://eeas.europa.eu/gulf_cooperation/index_en.htm
[130] http://www.arableagueonline.org : http://bit.ly/mV3k1I
[131] http://www.opec.org/opec_web/en/index.htm
[132] http://ec.europa.eu/trade/wider-agenda/development/generalised-system-of-preferences/
[133] http://eeas.europa.eu/gulf_cooperation/docs/joint_action_programme_en.pdf
[134] http://eeas.europa.eu/ici/index_en.htm
[135] http://eeas.europa.eu/yemen/index_en.htm

Trade Agreements among AICC Countries

Trade agreements between the countries of the Arab world have been developing over the last decade or so. For instance, a Customs Union has been in place for the GCC countries since 2003.

More widely, under the Auspices of the Social & Economic Council of the Arab league, the Greater Arab Free Trade Area (GAFTA) was established in 1998[136], including 17 members, namely:

1. Jordan
2. UAE
3. Bahrain
4. Saudi Arabia
5. Oman
6. Qatar
7. Morocco
8. Syria
9. Lebanon
10. Iraq
11. Egypt
12. Palestine
13. Kuwait
14. Tunisia
15. Libya
16. Sudan
17. Yemen

Full trade liberalisation between the countries came into force in 2005, with the exception of Yemen and Sudan (postponed to 2010).

A2.2 Bilateral

While most aspects of trade are now set at EU level, some remain at the national level, including Joint Economic Commissions, Memorandum of Understanding and double taxation agreements. Business level structures include Chambers of Commerce and Business Networks.

Joint Economic Commissions and Memoranda of Understanding

Joint Economic Commissions (JECs) are formal bilateral intergovernmental forums which deal with trade and economic links, at ministerial level. Ireland currently has five JECs in place: with Saudi Arabia, China, South Korea, Russia and Iran. A JEC was established with Libya in 2011 but according to the Department of Foreign Affairs & Trade is currently "in abeyance".

Memoranda of Understanding (MOUs) are less formal agreements, usually between Governments or public institutions for cooperation in specific areas. For instance, Ireland has recently signed MOUs with China on Science & Innovation Cooperation[137], and Health Cooperation[138]. Likewise, the RCSI Institute of Leadership & Healthcare Management has recently signed a Memorandum of Understanding with the Arab Administrative Development Organisation[139].

JECs and MOUs are an important part of trade policy in the developing world, and the main countries in Gulf for instance have JECs with several countries. These formal links carry weight with trade partners, and can be a useful conduit for promoting trade and dealing with specific issues, and there would be scope for Ireland to enter into more of them in the AICC countries.

[136] Ministry for Industry and Trade Jordan : http://bit.ly/mCIrEJ
[137] http://www.siliconrepublic.com : http://bit.ly/HhjzdQ
[138] http://www.publicaffairsireland.com : http://bit.ly/SyHg93
[139] http://www.rcsileadership.org/index.jsp?p=301&n=516&a=968

Double Taxation Agreements[140]

Ireland has signed double taxation agreements with 68 countries, of which 60 are in effect (agreements must be ratified by both Governments before they come into effect).
The agreements cover direct taxes, including income tax, corporation tax and capital gains tax. In essence, the agreements allow that once income or capital gains have been subject to taxation in one of the countries, they cannot be subject to further tax in the other. This is of importance for Irish firms and individuals operating an overseas country, that they are not doubly taxed on gains made in the country in question.

As of late July 2012, agreements have been entered into with the following AICC countries:

- Bahrain,
- Egypt (signed on 9 April 2012 but not yet in effect),
- Kuwait (signed on 23 November 2010 but not yet in effect),
- Qatar (signed 21 June 2012 but not yet in effect),
- Saudi Arabia (signed on the 19th October 2011 but not yet in effect),
- United Arab Emirates.

Thus, with the exception of Bahrain and UAE, agreements are either not in place or have not been ratified. While we understand that the delays are not on the Irish side, it would be important that they are ratified for business purposes going forward.

Chambers of Commerce and Business Networks

Cross-country chambers of commerce and business networks are common between countries with strong business/trade links. The AICC itself is a prime example, which provides invaluable assistance to Irish businesses wishing to do business in the region.

The recent establishment of an Ireland Saudi Arabia Business Council, at the behest of the Council of Saudi Chambers of Commerce and Industry[141], is a welcome development, reflecting the openness to increasing business links with Irish businesses.

In addition, there are a number of Irish business networks in the Gulf region, notably the Irish Business Network Dubai,[142] the Abu Dhabi Irish Business Network[143],the Irish Qatari Business Council and the Irish Business Network in Oman.

[140] Sometimes referred to as double taxation treaties. www.revenue.ie : http://bit.ly/PYUrMF
[141] The Irish Times : http://bit.ly/PFhAE3
[142] http://bit.ly/UunAPI
[143] LinkedIn : http://linkd.in/Pn7I0p

Appendix B: Bilateral & Multilateral Aid Programmes with MENA

Multilateral aid programmes are mainly though not exclusively focussed on the non-major energy exporting countries of the MENA region. They involve a mix of physical investment and technical assistance (advice, training, capacity building, etc.). Aid flows not only from the major multilateral agencies (World Bank, EU, etc.) but also from the richer countries in the region.

The following discussion is mainly drawn from the World Bank and the OECD.[144]

B.1 World Bank & European Union

World Bank relations with the European Commission and European Investment Bank (EIB) in the MENA are mainly structured around the **Strategic Partnership Agreement in the Middle East and North Africa Region.** Complimenting this is the **Luxembourg Group process,** which brings together the European Commission, EIB, World Bank, International Finance Corporation (IFC), and the International Monetary Fund (IMF) for high-level consultations twice per year to discuss common strategic and operational issues in the region.

As a result of these two initiatives, collaboration between the World Bank Group and EU on the Middle East and North African countries has expanded in terms of scope and depth and has become more structured and systematic. It is mainly driven by:

- Consultations on country and sector strategies to encourage consistency and harmonisation of donor approaches to policies and investments;
- Thematic coordination on regional challenges (e.g. Energy, Environment, Private Sector Development, and Human Development/Migration); and
- Parallel financing of projects.

The World Bank has recently stepped up its dialogue with the European Commission in two specific sectors – **solar energy** and **transport**. Co-financing opportunities are expected to further increase as both institutions seek to support inter-connectivity, regional infrastructure and sub-regional projects through programmes such as the **Concentrated Solar Program** and the European Commission's **EuroMed Transport Program**.

The World Bank and the EU collaborate extensively in the MENA, especially in sectors such as in **energy (including solar), water and private sector development**. In the framework of the EIB's Facility for Euro-Mediterranean Investment and Partnership (FEMIP), the World Bank has co-financed projects in **Morocco, Tunisia,** and **Egypt**. The IFC also collaborates with the EIB, co-financing projects in **Egypt** and **West Bank & Gaza**.

[144] World Bank - http://bit.ly/OUbGlr and http://bit.ly/S65W3o and OECD http://bit.ly/UunBTZ,

Middle East and North Africa Region Impact Evaluation Initiative (MNAIE)

The Middle East and North Africa Region Impact Evaluation Initiative (MNAIE) is a programme of the World Bank that:

- Coordinates rigorous impact evaluations of World Bank projects and country programs in the Middle East and North Africa Region
- Provides technical assistance to task teams and government agencies to design and implement impact evaluations through the entire project cycle.
- Supports capacity building for implementing agencies and policy makers for results-based policy making

As part of the Bank wide Development Impact Evaluation Initiative, MNAIE's overall objective is to generate knowledge to inform policy decisions and program design throughout the region, and to mainstream learning into the operational cycle. MNAIE is coordinated from the Middle East and North Africa Region's Social and Economic Development Group.

Their Focus Areas comprise on-going impact evaluations in the region focus on three major themes:

1. Inclusion
2. Finance and Private Sector Development, in particular, Youth Employment and Entrepreneurship
3. Human Development, in particular, Social Protection and Education

MNAIE has identified two focus areas for new impact evaluations:

1. Agriculture and Natural Resource Management
2. Fragility and Conflict

B.2 OECD MENA Initiative for Governance & Investment for Development

This is a broad programme by the OECD and the MENA countries to "promote broad reforms to enhance the investment climate, modernise governance structures and operations, strengthen regional and international partnerships, and promote sustainable economic growth throughout the MENA region". It comprises two pillars – a Governance Programme and an Investment Programme.

The Governance programme is jointly supported by the OECD and United Nations Development Programme's (UNDP) **Programme on Governance in the Arab Region**, the Initiative focusses on:

- Strengthening civil servants' capacity to design, implement and monitor public governance reforms,
- Creating networks for dialogue between policy makers from MENA and OECD countries,
- Designing innovative solutions, tailored to the specific policy environments of each MENA country,
- Assisting ministries and government agencies to co-operate and co-ordinate their work,
- Reinforcing development initiatives supported by international, regional and bilateral donors.

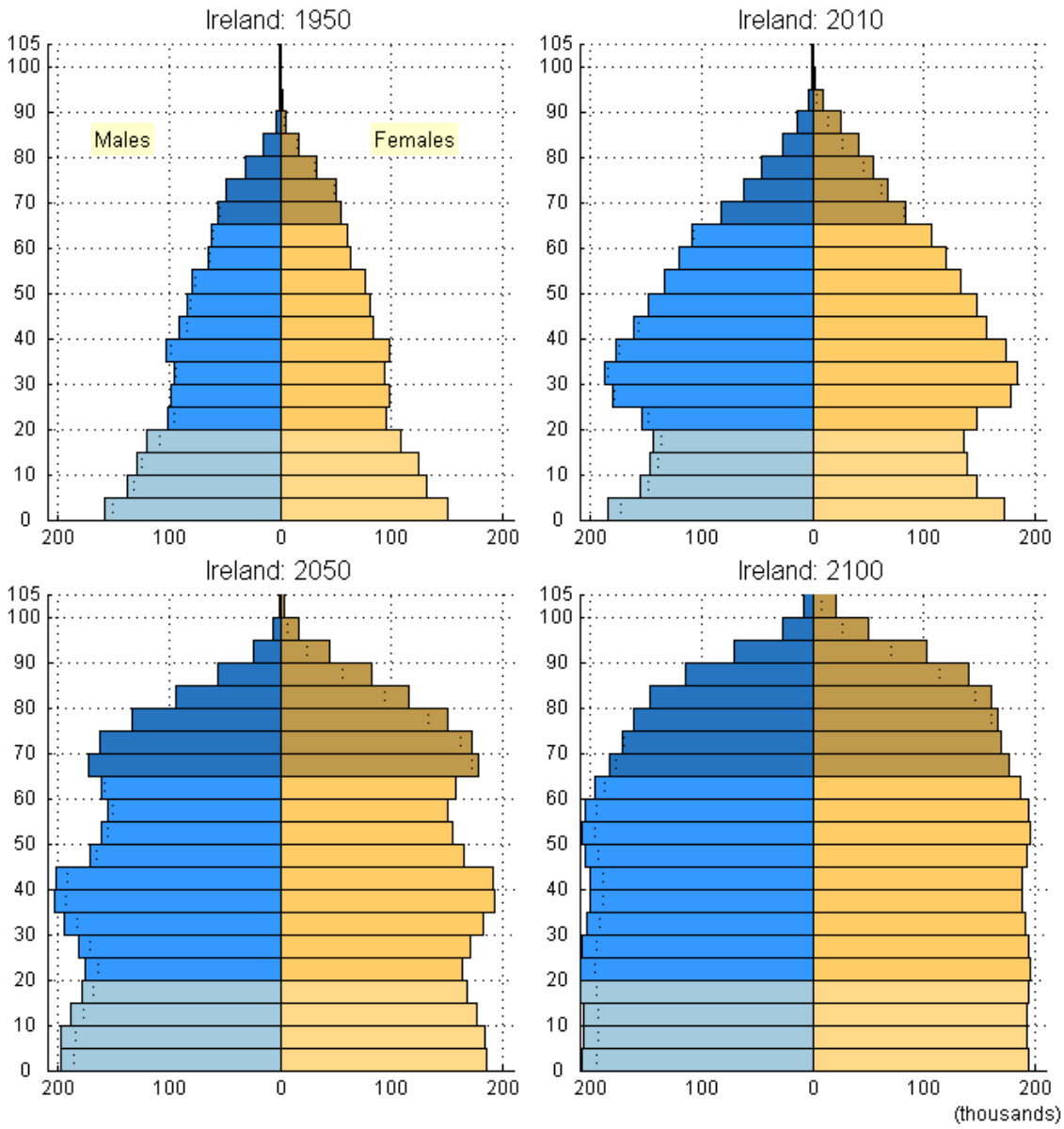
It also aims to improve the environment for entrepreneurs, investors and job creation.

The key objective of the MENA-OECD Investment Programme is to "mobilise investment — foreign, regional and domestic — to drive economic growth and employment" in the region.

Appendix C: Future Demographics of AICC Countries

This Appendix presents the projected future demographic structures for each of the AICC countries, based on UN projections[145] Ireland is presented also for comparison.

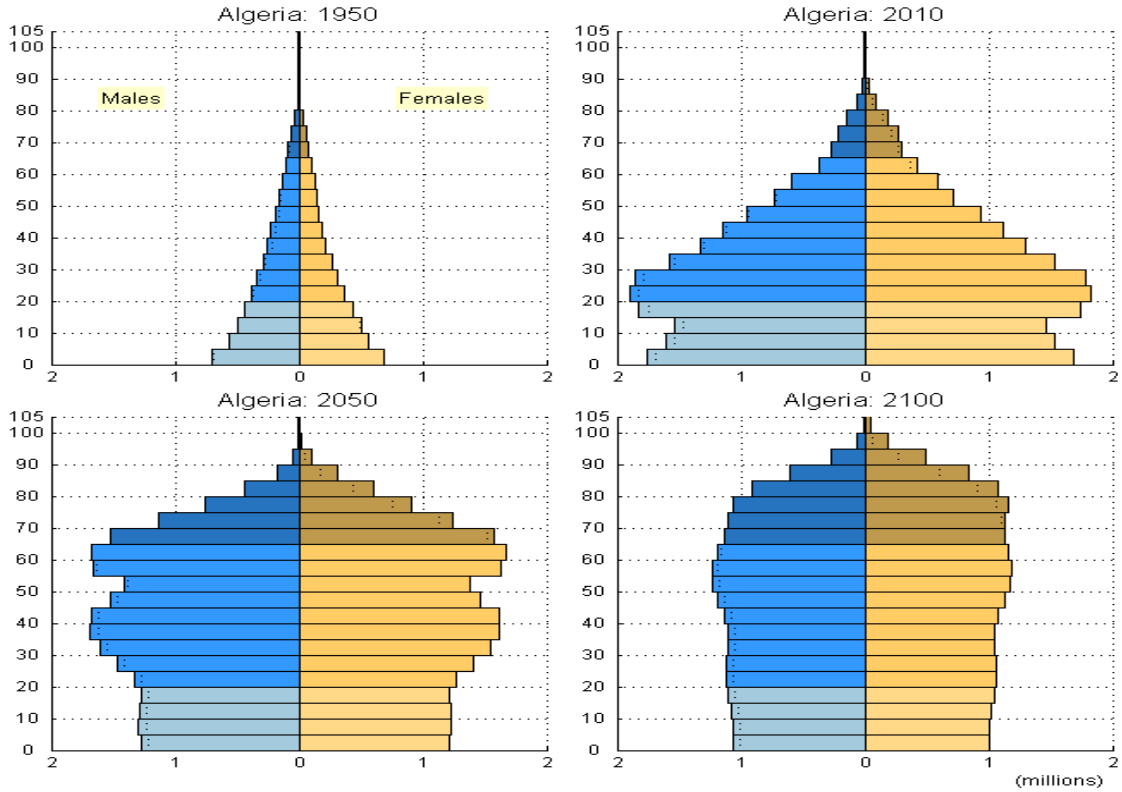
Figure 44 Future Demographic Profile of Ireland



Source: UN Department of Economic and Social Affairs Population Division

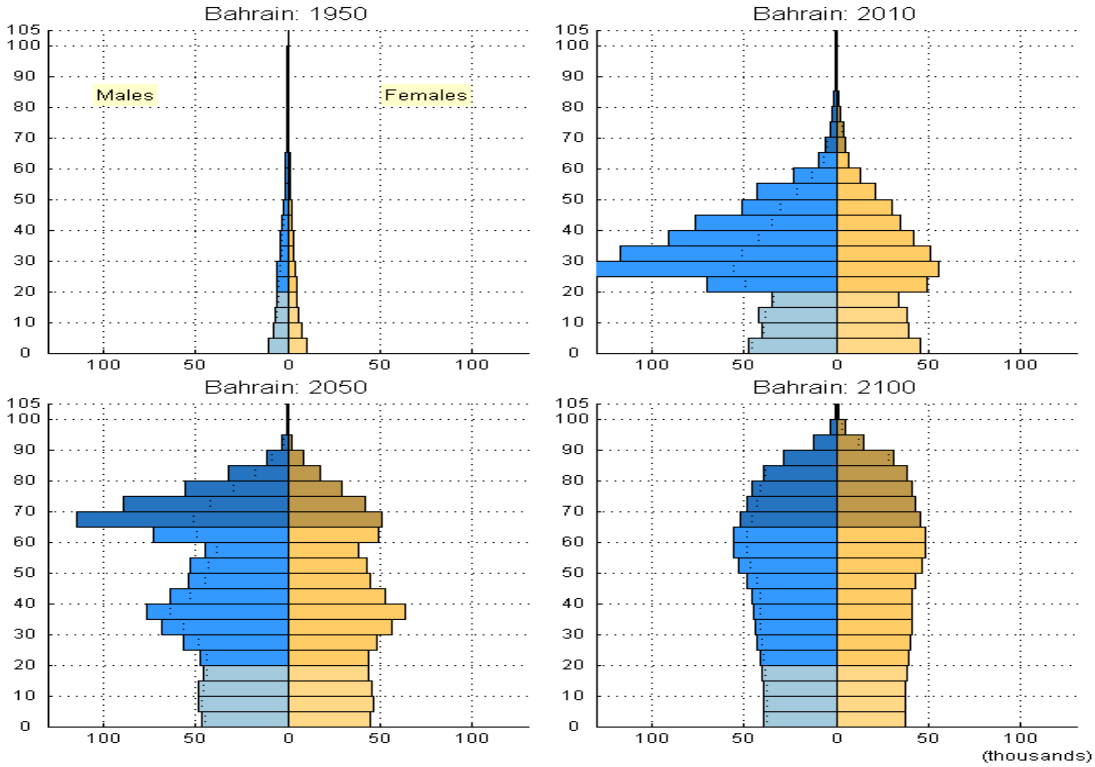
[145] http://esa.un.org/wpp/population-pyramids/population-pyramids_absolute.htm

Figure 45 Historic & Future Demographic Profile of Algeria



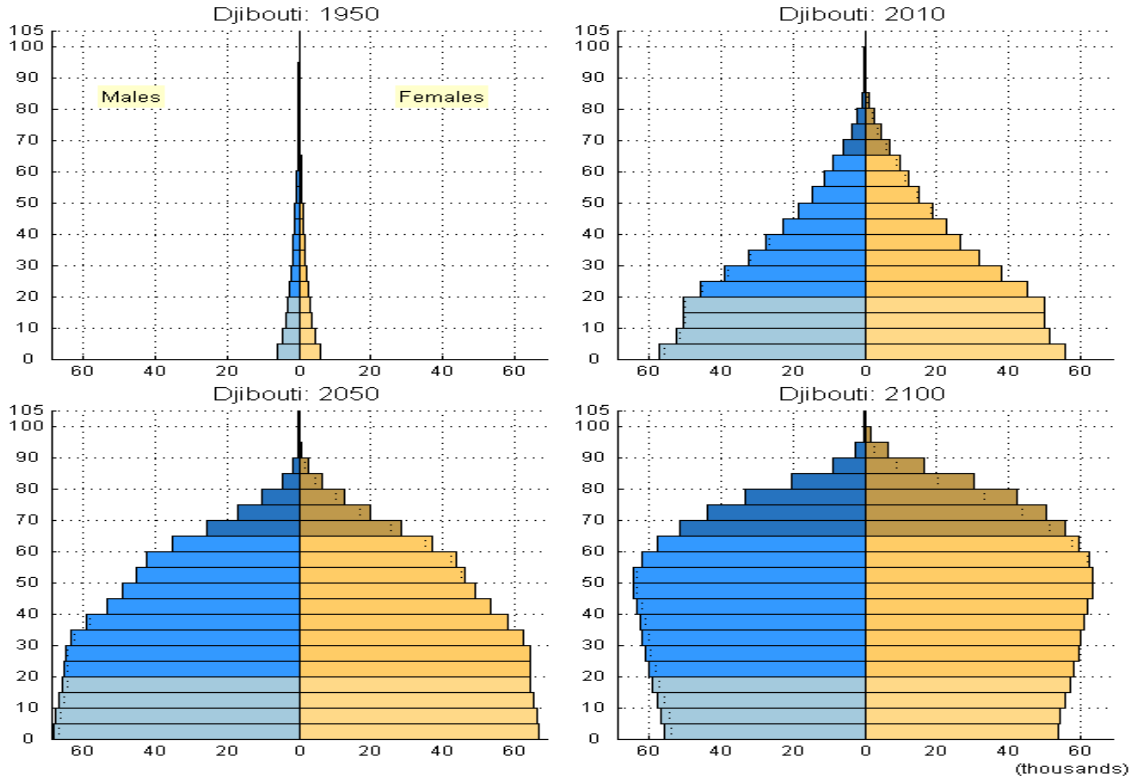
Source: UN Department of Economic and Social Affairs Population Division

Figure 46 Historic & Future Demographic Profile of Bahrain



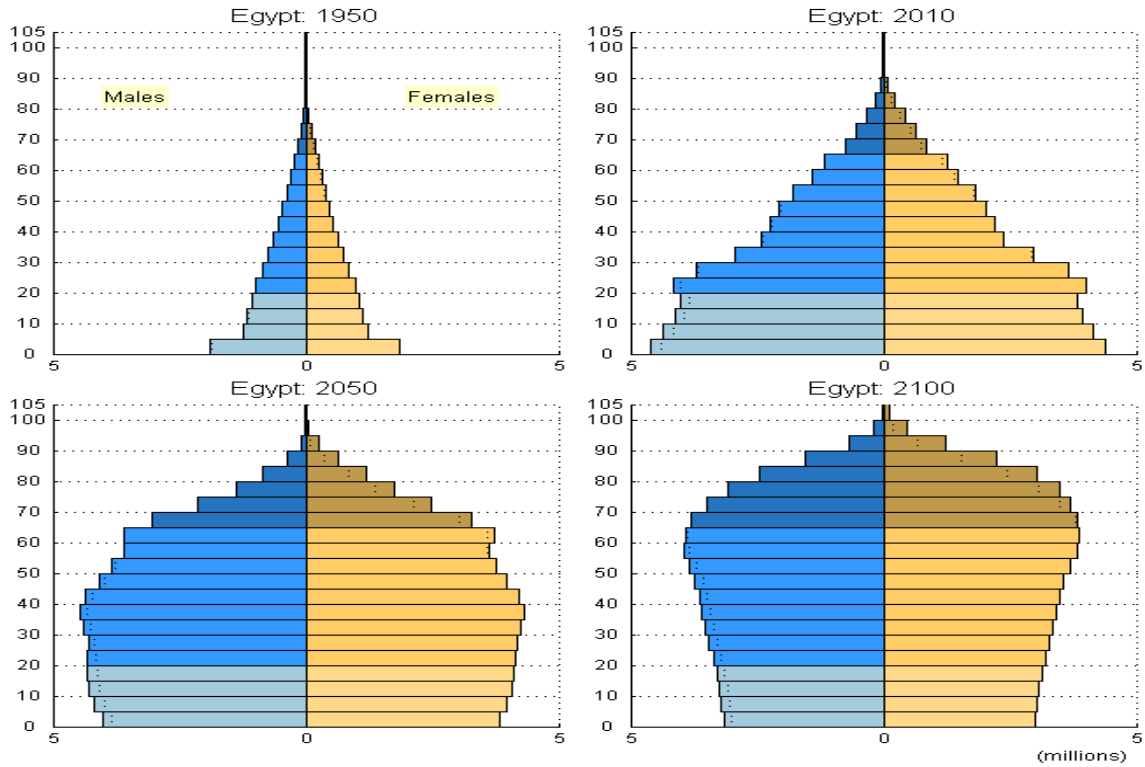
Source: UN Department of Economic and Social Affairs Population Division

Figure 47 Historic & Future Demographic Profile of Djibouti



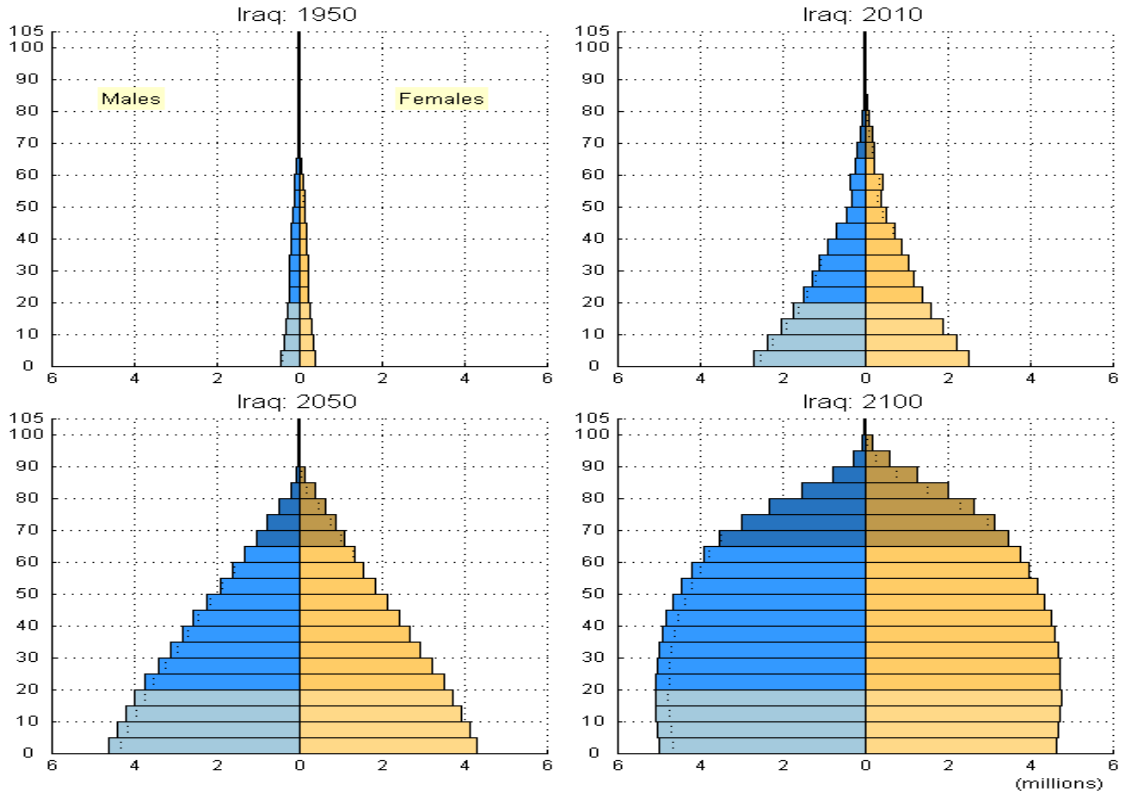
Source: UN Department of Economic and Social Affairs Population Division

Figure 48 Historic & Future Demographic Profile of Egypt



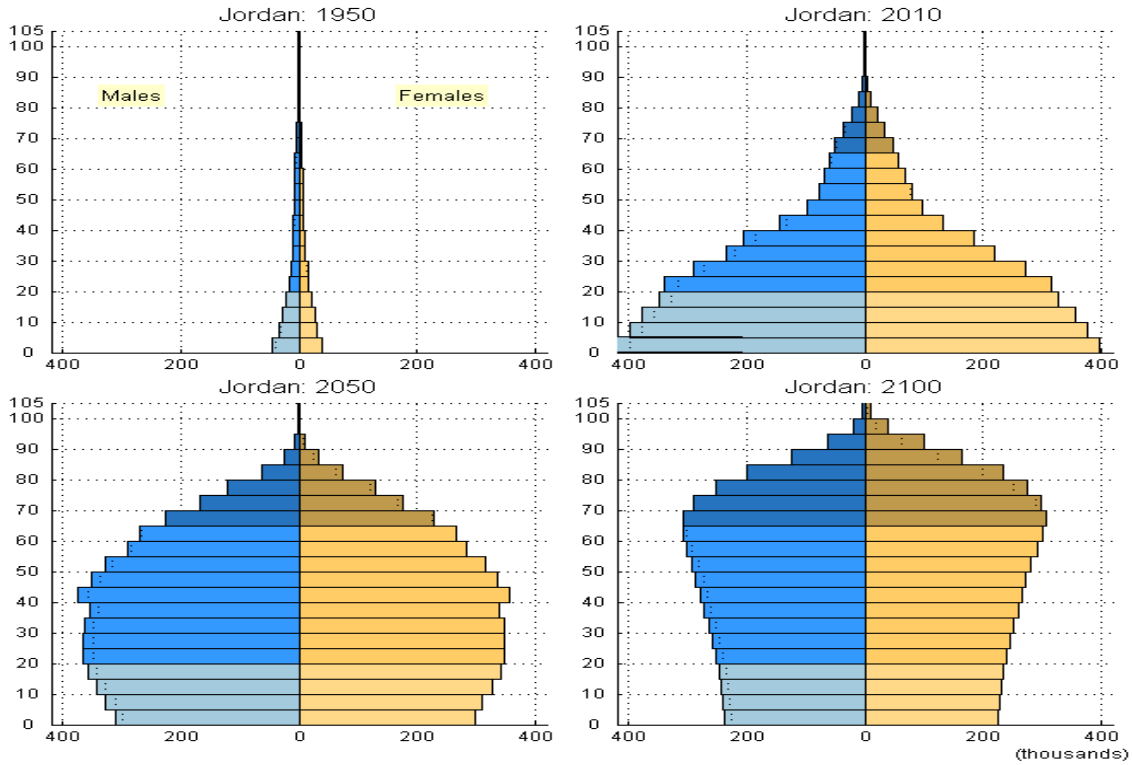
Source: UN Department of Economic and Social Affairs Population Division

Figure 49 Historic & Future Demographic Profile of Iraq



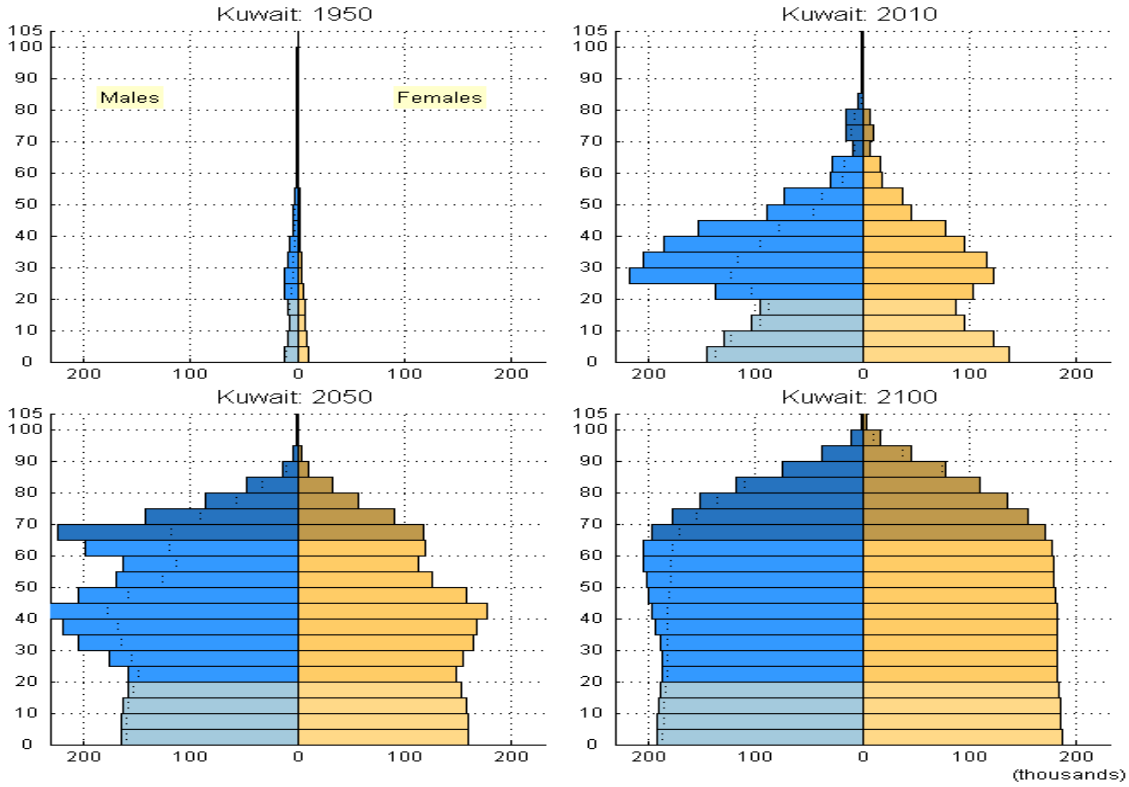
Source: UN Department of Economic and Social Affairs Population Division

Figure 50 Historic & Future Demographic Profile of Jordan



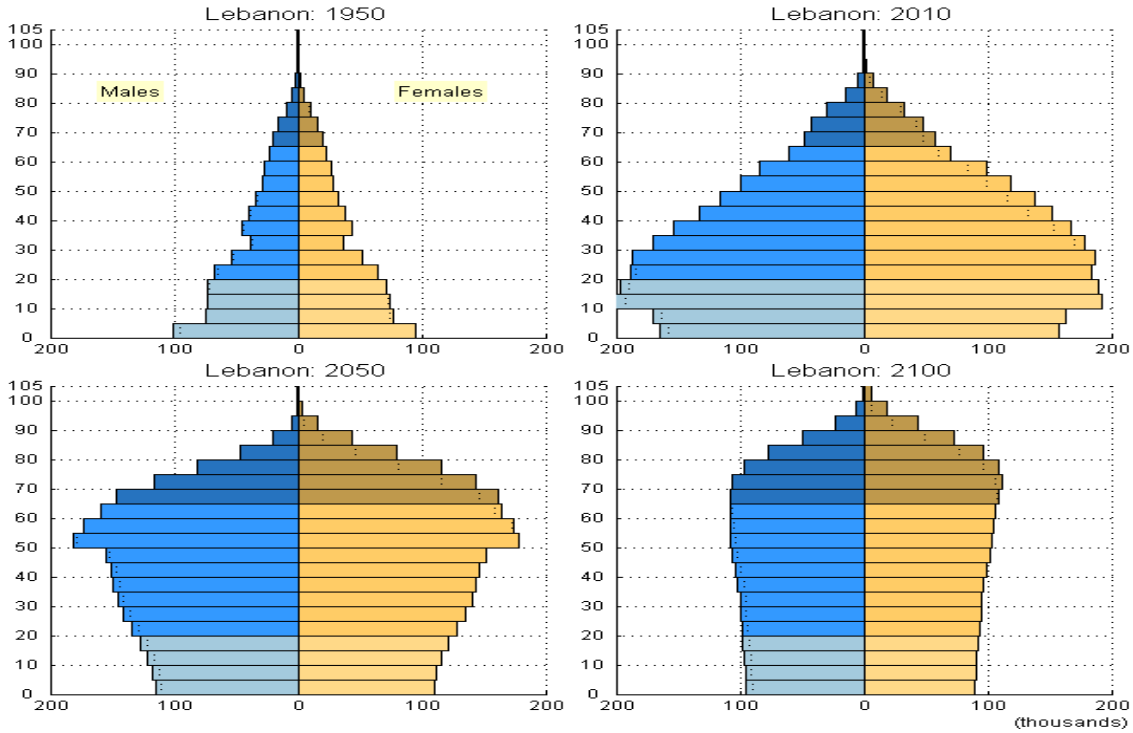
Source: UN Department of Economic and Social Affairs Population Division

Figure 51 Historic & Future Demographic Profile of Kuwait



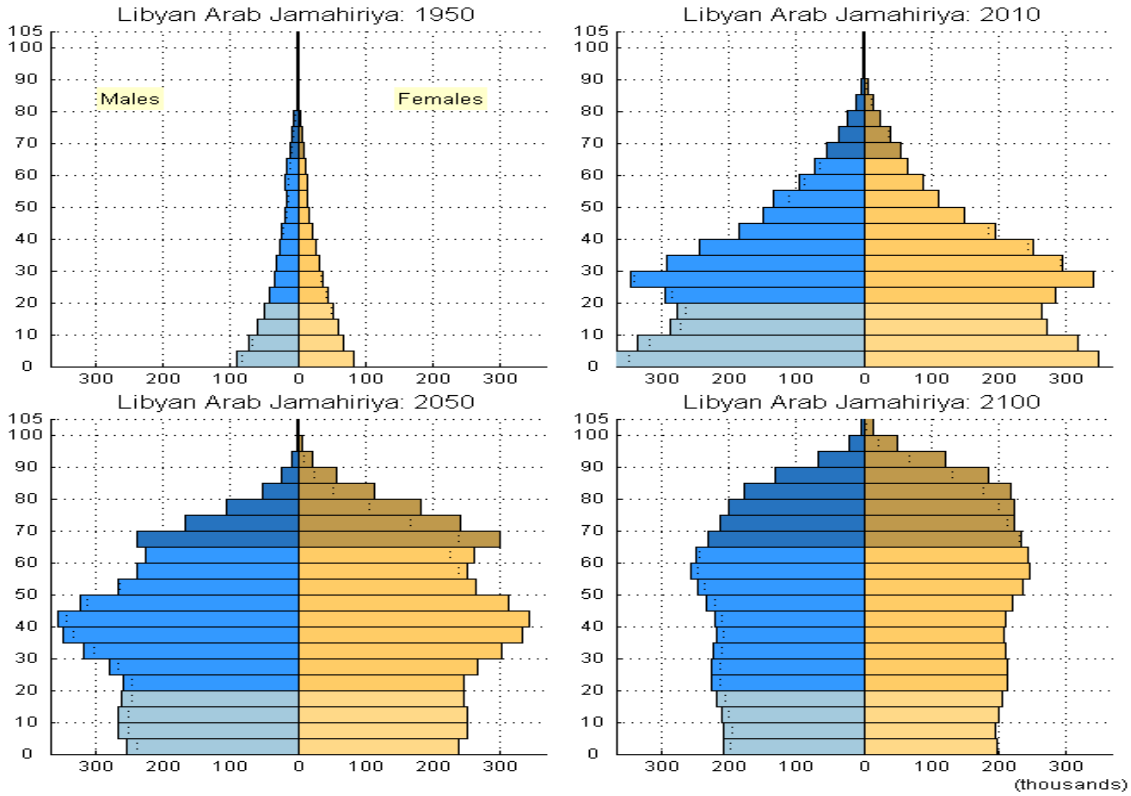
Source: UN Department of Economic and Social Affairs Population Division

Figure 52 Historic & Future Demographic Profile of Lebanon



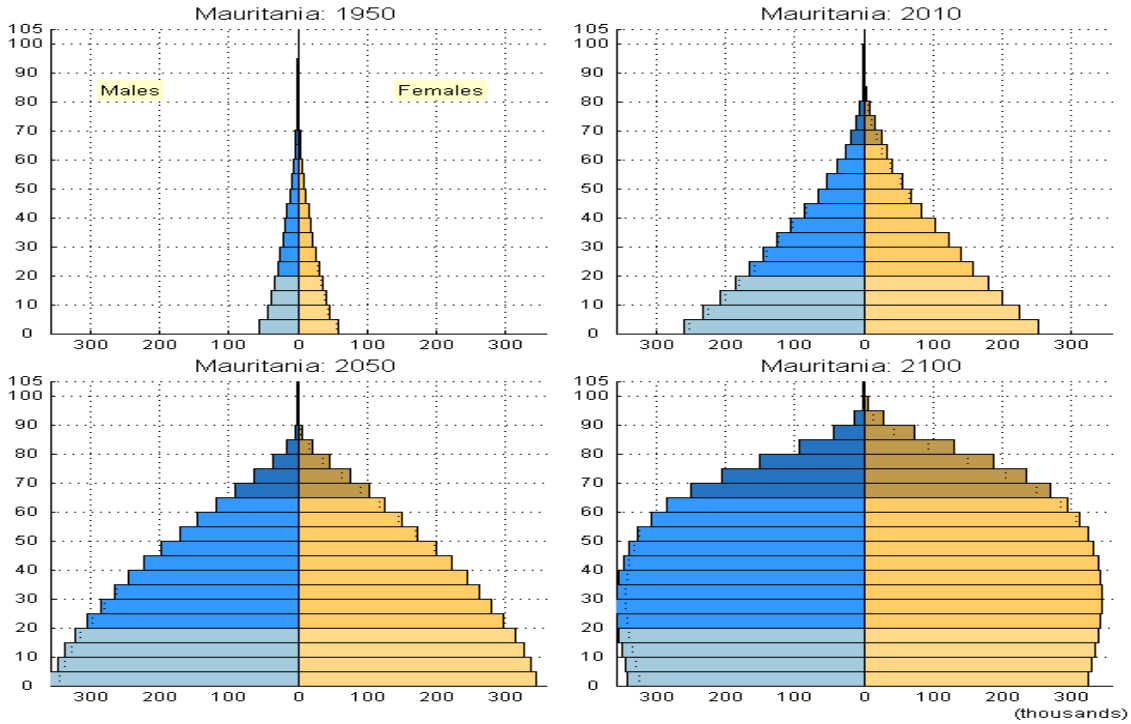
Source: UN Department of Economic and Social Affairs Population Division

Figure 53 Historic & Future Demographic Profile of Libya



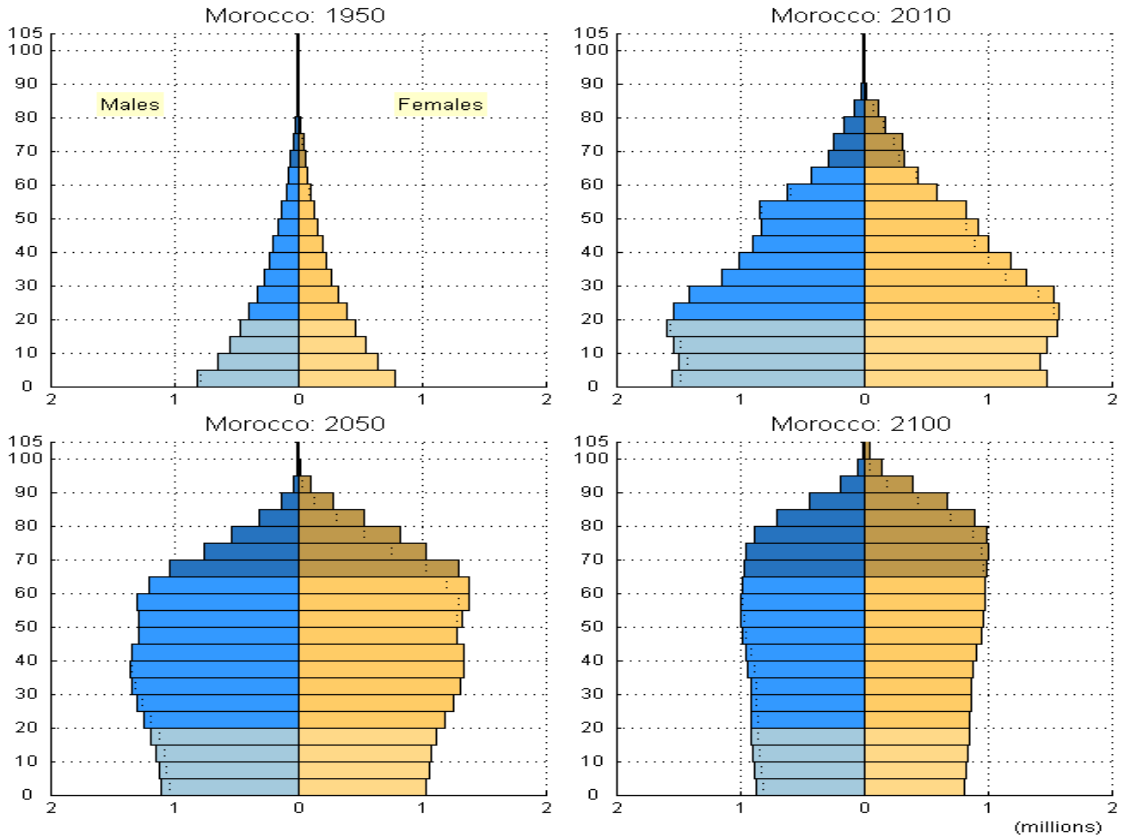
Source: UN Department of Economic and Social Affairs Population Division

Figure 54 Historic & Future Demographic Profile of Mauritania



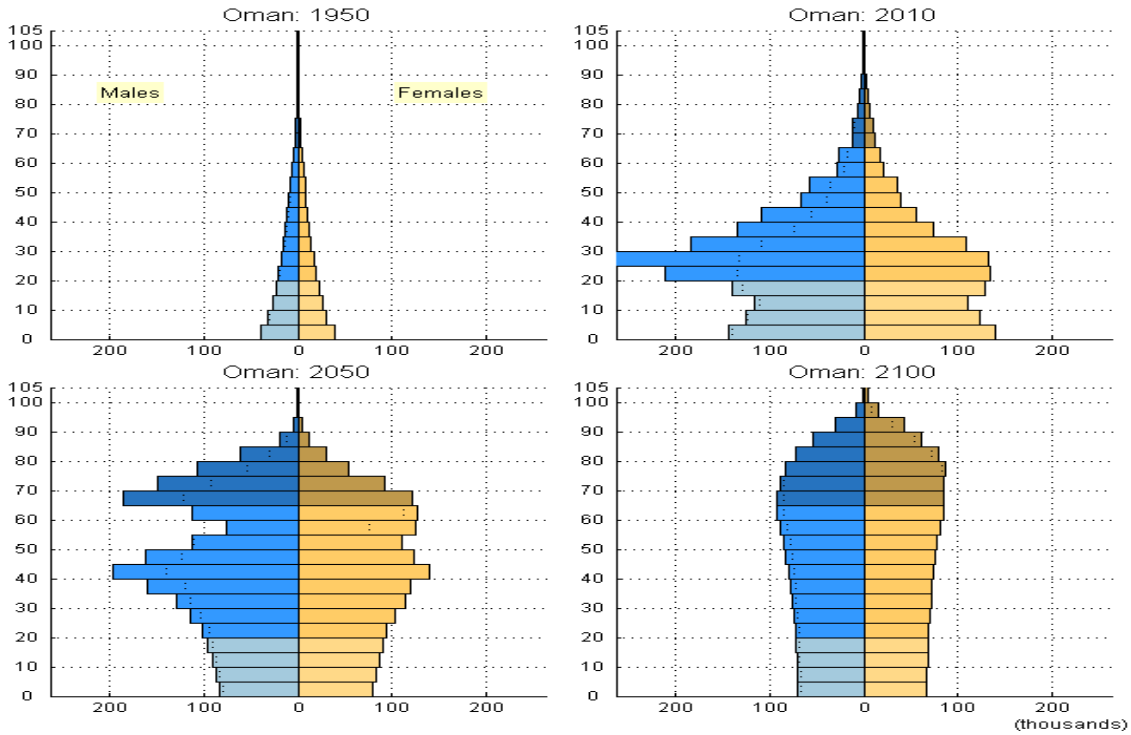
Source: UN Department of Economic and Social Affairs Population Division

Figure 55 Historic & Future Demographic Profile of Morocco



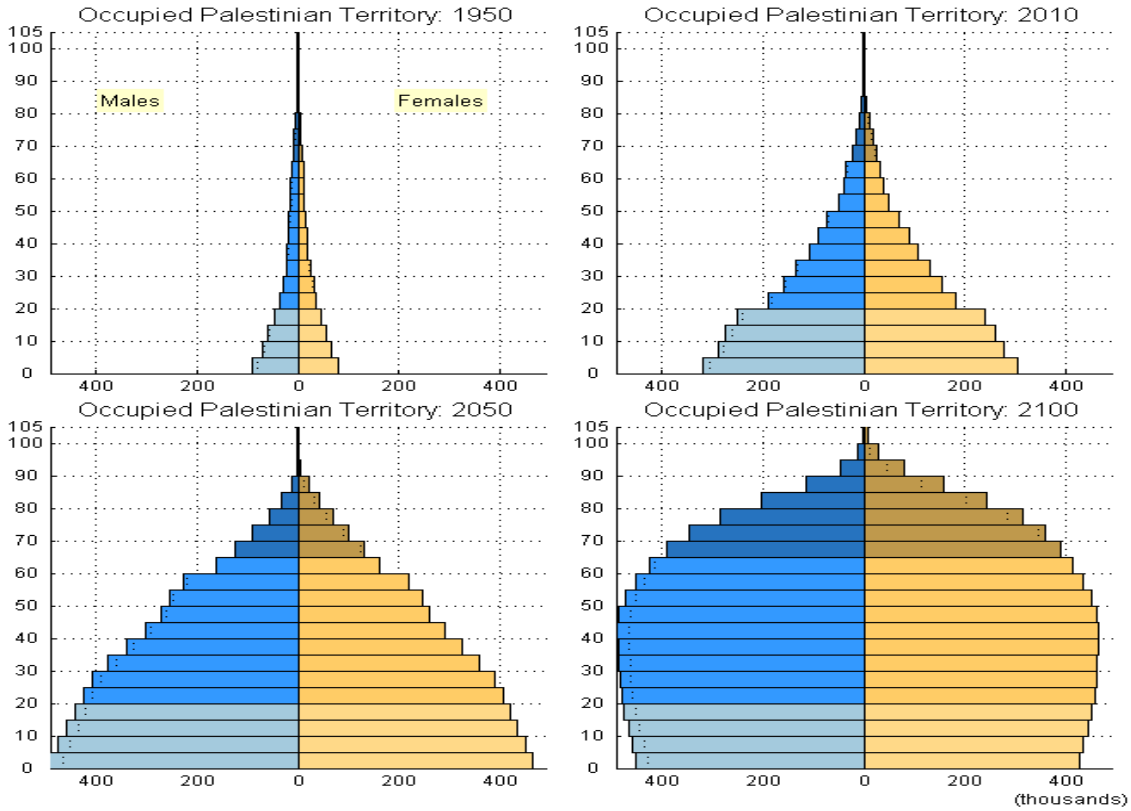
Source: UN Department of Economic and Social Affairs Population Division

Figure 56 Historic & Future Demographic Profile of Oman



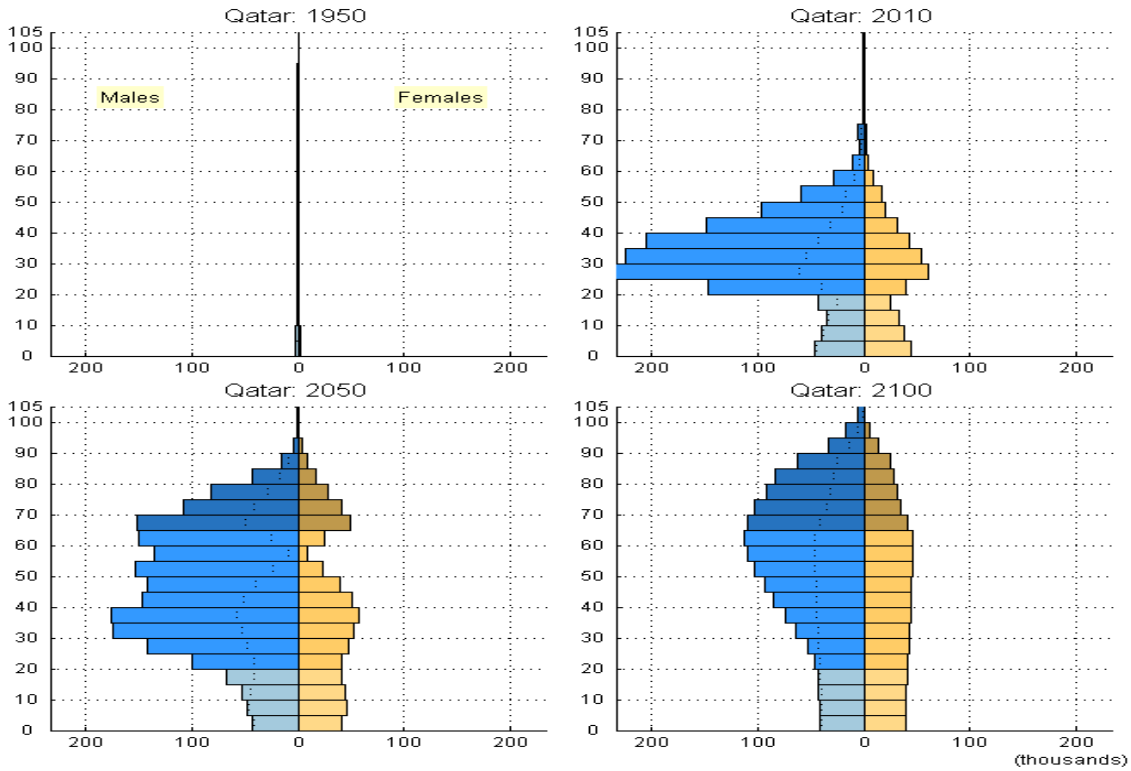
Source: UN Department of Economic and Social Affairs Population Division

Figure 57 Historic & Future Demographic Profile of Palestine



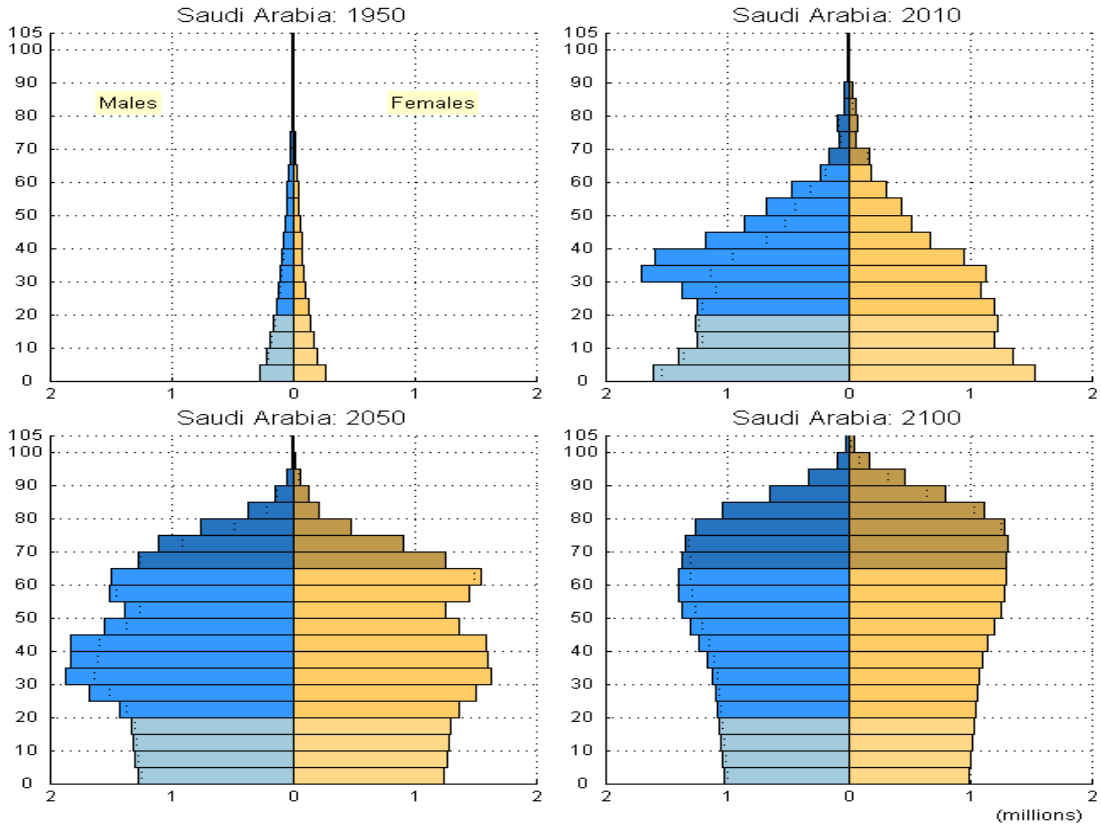
Source: UN Department of Economic and Social Affairs Population Division

Figure 58 Historic & Future Demographic Profile of Qatar



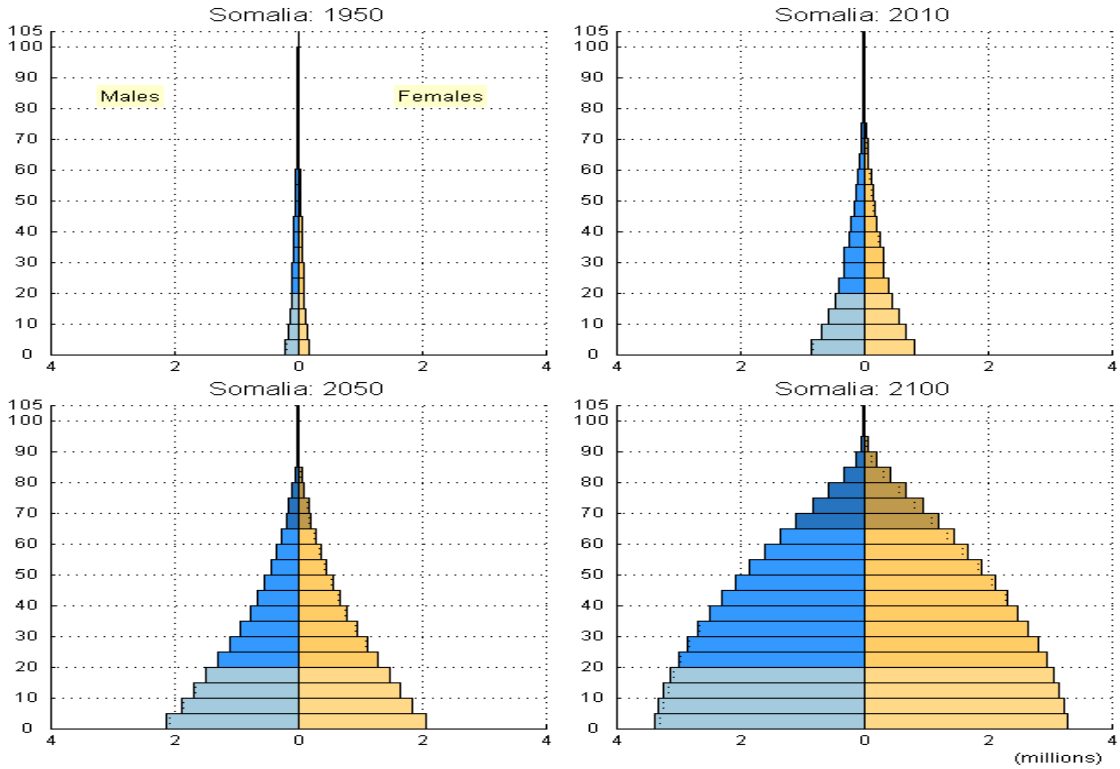
Source: UN Department of Economic and Social Affairs Population Division

Figure 59 Historic & Future Demographic Profile of Saudi Arabia



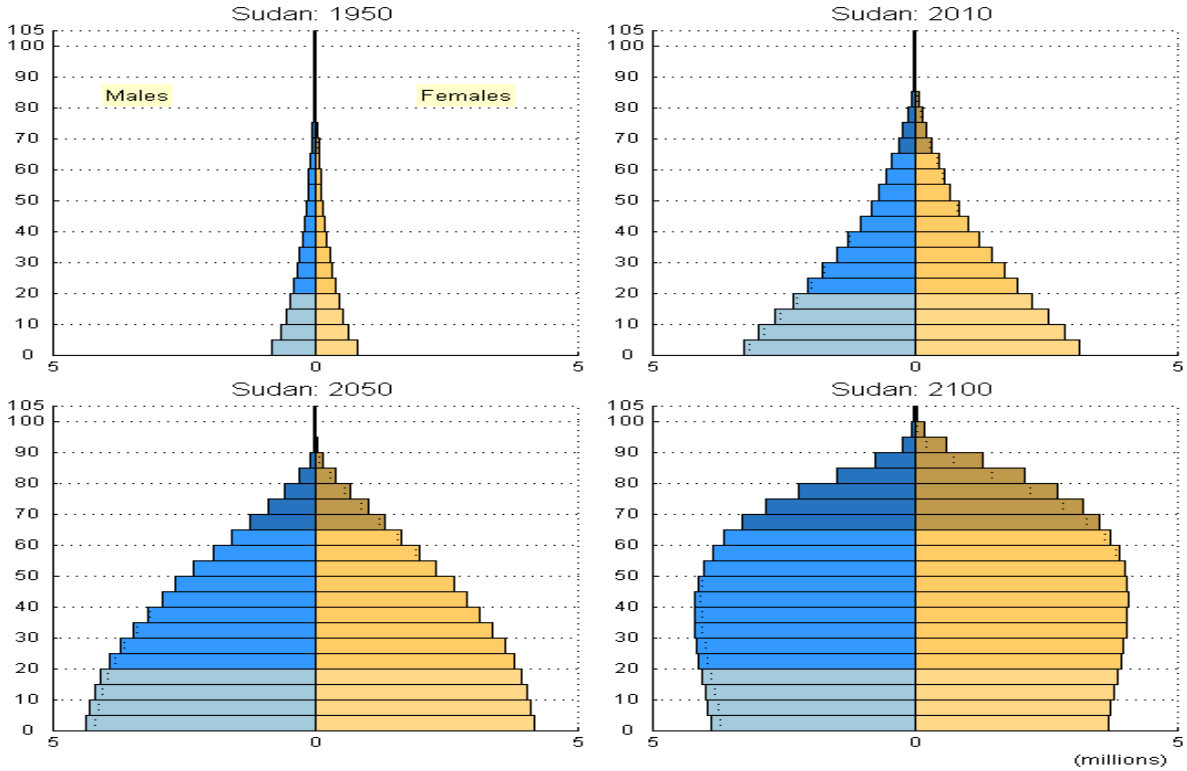
Source: UN Department of Economic and Social Affairs Population Division

Figure 60 Historic & Future Demographic Profile of Somalia



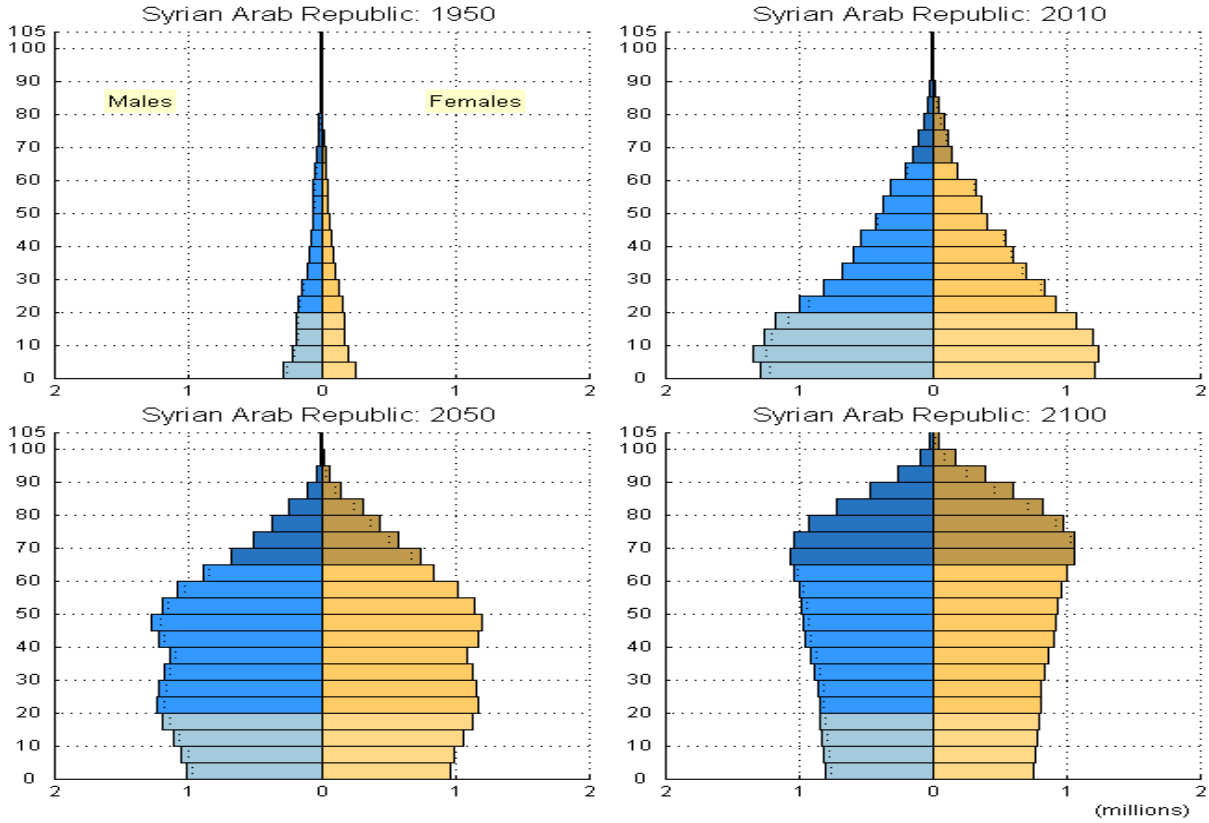
Source: UN Department of Economic and Social Affairs Population Division

Figure 61 Historic & Future Demographic Profile of Sudan



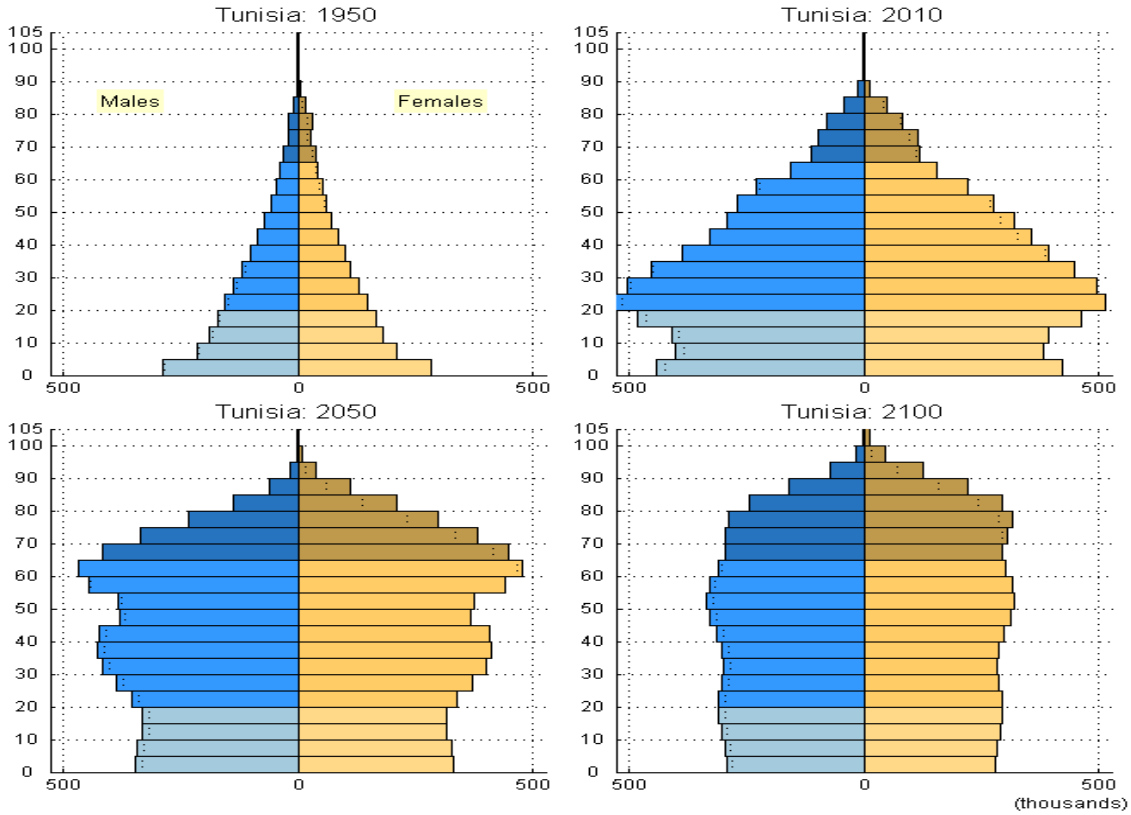
Source: UN Department of Economic and Social Affairs Population Division

Figure 62 Historic & Future Demographic Profile of Syria



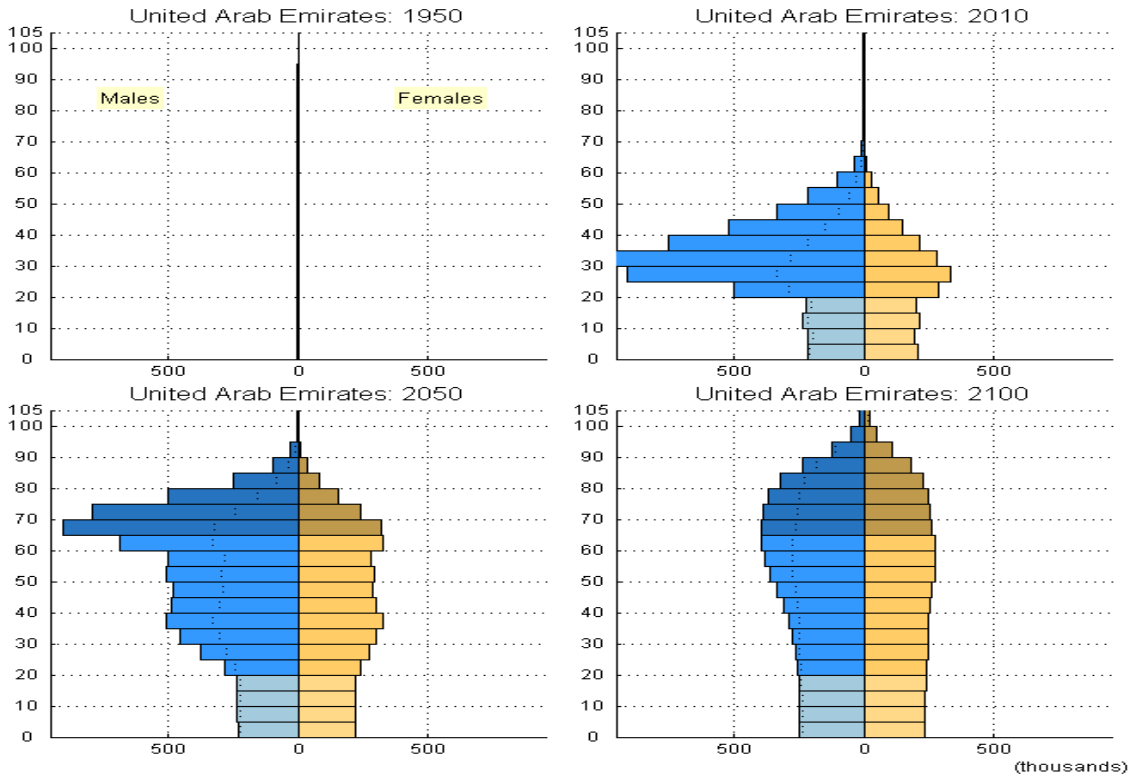
Source: UN Department of Economic and Social Affairs Population Division

Figure 63 Historic & Future Demographic Profile of Tunisia



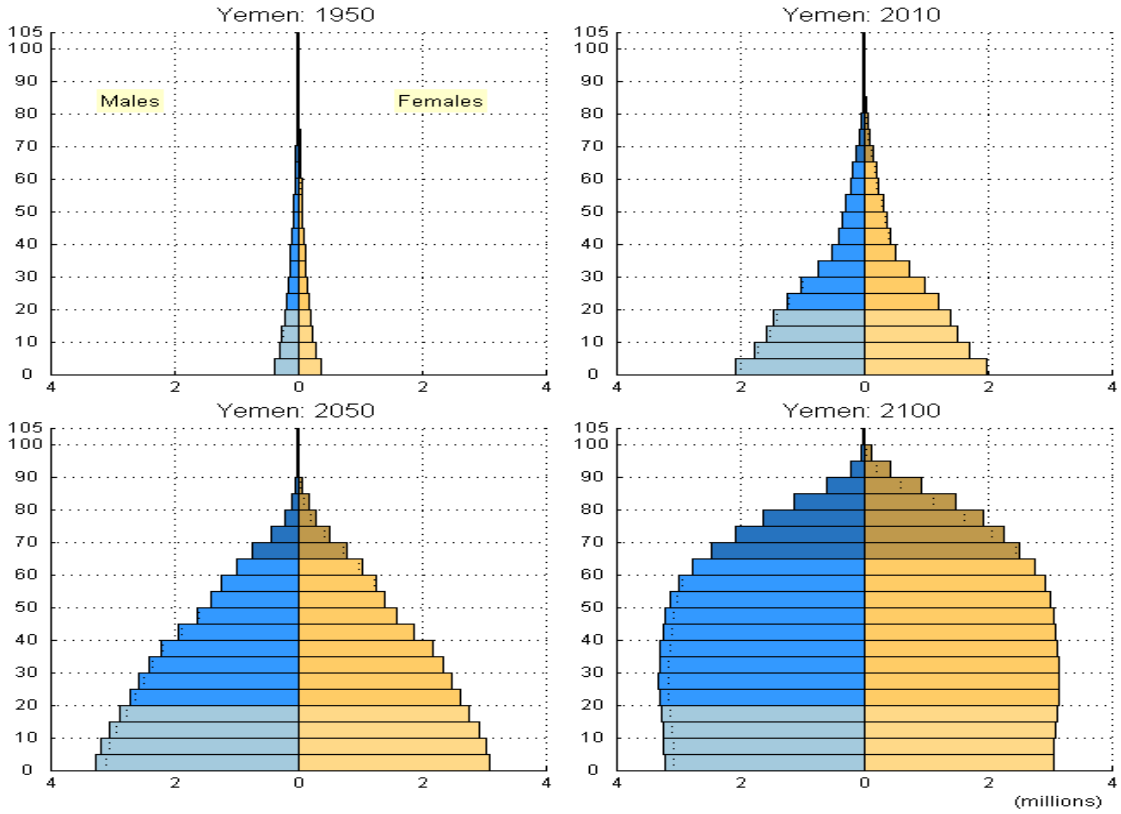
Source: UN Department of Economic and Social Affairs Population Division

Figure 64 Historic & Future Demographic Profile of United Arab Emirates



Source: UN Department of Economic and Social Affairs Population Division

Figure 65 Historic & Future Demographic Profile of Yemen



Source: UN Department of Economic and Social Affairs Population Division

Appendix D: Sovereign Wealth Funds

The following discussion is drawn mainly from The Financial Times and Forbes. [146]

Sovereign Wealth Funds (SWF) in the Middle East have been built up from large national budget surpluses derived from energy export earnings. The local economics lack the capacity to usefully absorb these surpluses, and the governments in question are also mindful of the need for a hedge against energy price volatility, as well as to build up a diversified portfolio of wealth in order to provide for the long term sustainability of living standards.

SWFs are also operated by other countries with large balance of payment surpluses, such as Norway (also based on energy exports) and China. Ireland's National Pension Reserve Fund is a SWF, which is currently valued at USD30 billion.

Given their size, the investment policies of these SWFs are of significant importance to the global economy. In recent years for instance, they have been investing considerably in banks and financial institutions worldwide. The table below summarises some of the major Middle East SWFs.

Table 58 Selected Sovereign Wealth Funds in Middle East

Country	Fund Name	Assets Under Management USD billion	Comments
UAE	Abu Dhabi Investment Authority (ADIA)	875	Recently bought a 4.9% stake in Citigroup for USD7.5 billion to become its largest shareholder, having previously bought a 9.9% of private equity fund Apollo Management.
Saudi Arabia		300	Saudi SWF is conservative in its investment strategy, with funds on deposit and in top rated Government bonds
Kuwait	Kuwait Investment Authority (KIA)	250	Recently took a stake in the Industrial and Commercial Bank of China, the country's largest commercial bank. Owns 7.2% of Daimler, (the automaker's largest shareholder). Also invests in Arab and international financial markets
Dubai (Private fund of Dubai ruler Sheikh Mohammed bin Rashid Al Maktoum)	Dubai Holding	Not known	Little is known about Dubai Holding, though its subsidiary Dubai International Capital has assets under management worth USD12 billion, with the ambition to grow to USD25 billion in two years. Recent investments include 9.9% of U.S. hedge fund Och Ziff Capital Management Group for USD1.1 billion; in May 2007, Dubai Holding bought a "substantial", stake in HSBC. It also recently bought large stakes in Nasdaq and the London Stock Exchange.
Qatar	Qatar Investment Authority (QIA)	100	Predominantly invests in international markets (United States, Europe and Asia) and within Qatar outside the energy sector.

Sources: Forbes http://onforb.es/VH9JZ4 ; http://bit.ly/nFCGGJ

[146] Financial Times : http://on.ft.com/PYPSSm Forbes http://onforb.es/VH9JZ4 and http://bit.ly/nFCGGJ

End.