

Jointly prepared by: New Zealand Embassy, Abu Dhabi and New Zealand Embassy, Riyadh

Summary

The impact of COVID-19 is being felt across the Gulf region, but some underlying fundamentals make it a market of importance to New Zealand.

With limited arable land and growing populations, Gulf Cooperation Council (GCC) countries import up to 90% of their food, making New Zealand a natural partner in boosting food security in the region through our safe, sustainable and halal food.

The six countries of the GCC - Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates - are already collectively New Zealand's 7th largest trading partner and continue to offer opportunities for New Zealand exporters. The GCC and Saudi Arabia and the UAE in particular, are expected to weather the impact of the global COVID-19 in a stronger position relative to many other export markets. With consistent and growing demand and interest in the high quality and safe products produced by New Zealand exporters, the GCC represents an important market for New Zealand exporters wishing to diversify their markets.

Underpinning this trade relationship are strong logistical connections through major port developments, links through Emirates and Qatar Airways (combined 28 weekly flights pre-COVID now down to 4 weekly freight flights) and a growing number of bilateral government agreements easing the way for New Zealand exporters to do business in the Gulf.

COVID-19: economic impact

The health situation in both Saudi Arabia and the UAE shows continuing growth in daily COVID cases, with the curve not yet flattened. The COVID-19 pandemic will continue to impact the region for 2020, given the unfolding negative long term impact on the airline, tourism, oil and financial sectors across the region. Projections of GDP figures for 2020 from the IMF are expected at -3.9% across the Gulf (-2.5% in Saudi Arabia and -3.5% in the UAE).

This regional double economic shock, with both COVID-19 and a significant reduction in oil prices, leave the Gulf States in search of ways to bolster their economies with the loss of oil revenue hitting 10s to the 100s of millions of US dollars a day.

However like New Zealand, many of the Gulf countries face the COVID-19 crisis from a position of strength. The Gulf is home to 6 of the top 13 of the world's largest Sovereign Wealth Funds according to the Sovereign Wealth Fund Institute, and many countries have responded quickly with economic stimulus packages to support both businesses and individuals affected by COVID-19. Saudi Arabia has

provided a total of \$NZ53.3 billion in stimulus measures, while the UAE continues to roll out over \$NZ118 billion in measures aimed at assisting business weather the COVID-19 storm. There has been commentary from Oxford Economics that despite the GCC being quick to provide fiscal stimulus packages; they are “too small and narrow” due to the lack of direct wage support and government guarantees for loans.

While restaurants and hotels are starting to re-open, both the tourism and hospitality sectors are likely to feel the biggest impact from the COVID restrictions, both sectors in which New Zealand food exports are sold. In retail, growth in e-commerce is at 300% in some instances. Footfall in stores has declined significantly. Physical retail will be hit hard due to the closures of malls, but the emerging strong shift to e-commerce has created opportunities for supermarkets as well as tech providers.

Currently sea ports and sea freight are operating as usual in the UAE and Saudi Arabia. However, air freight is where the biggest impact has been felt by New Zealand businesses exporting goods to the region, with costs per kg up to four times normal levels in some cases.

Opportunities

Saudi Arabia is the largest economy in the Middle East and the region’s only G20 member. New Zealand exports to Saudi Arabia were up 9.5% (to a total of NZD \$700 million) for the year ending Q1 2020. According to an APCO survey, over 80% of Saudi nationals believe that the Saudi economy will recover quicker from the COVID-19 crisis compared to other countries in the region.

The UAE is our 10th largest two-way trading partner and our number one export market in the Gulf. It is home to between 4-5,000 New Zealanders. New Zealand exports were up 7.2% (to a total of NZD \$798 million) for the year ending Q1 2020.

COVID-19 has forced many changes both in people’s day to day lives, but also in how business is conducted. Some of these changes have been positive for exporters. Across the region we have seen a general trend for the suspension of the need for consular/embassy authentication/legalisation of original export documents (e.g. official documents, including health and halal certificates; and commercial documents, including certificates of origin, customer invoices etc) and the acceptance of unauthenticated export documents for import clearance processes.

Similarly, we are also seeing a loosening of the need for export documents to be authenticated by a Chamber of Commerce in the exporting country and the acceptance of e-copies of Certificates of Origin in lieu of signed and stamped originals. Our posts across the region are working on ways to make this easing of import requirements permanent, allowing for quicker and smoother processes for our goods to be exported to the region.

New Zealand was very pleased to welcome signature by the UAE Minister of the Economy on the Joint Statement on Supply Chains, an initiative of New Zealand and Singapore to encourage supply chain connectivity amidst COVID19. Both New Zealand and the UAE have joined 40+ other WTO Members in a statement supporting the multilateral trading system and highlighting its role in

responding to COVID-19. While a GCC-NZ FTA is yet to be signed and ratified, NZ has an equivalence arrangement in place for our agricultural exports to the UAE which helps facilitate trade. A similar arrangement between the Ministry for Primary Industries and the Saudi Food & Drug Administration has been approved by the Royal Court and is awaiting signature. These arrangements are the first that the UAE and Saudi Arabia have entered into with any country and simplify import requirements for our goods.

The New Zealand-UAE partnership was further enabled with the recent New Zealand International Air Freight Capacity scheme adding capacity for high-value export cargo and trade links with key markets including in Europe and Africa, and in creating links for essential medical supplies. Emirates Airline has been accepted under this scheme to provide a key link for New Zealand, largely food and beverage exports, to enter the UAE and beyond, with 4 flights a week.

In terms of opportunities for growth in specific sectors, food and beverage remains a primary opportunity for New Zealand exporters, particularly in beef, lamb, chicken, apples, kiwifruit and honey.

There has been strong growth in the technology sector, with New Zealand companies being approached by UAE accelerators. Further opportunity exists in therapeutics, healthcare, ICT, remote technologies and New Zealand services. With governments in Saudi and the UAE both investing in domestic food production as part of their food security strategies, there are strong opportunities for New Zealand agritech and consulting service providers.

Expo 2020 Dubai postponement due to the impact of the Covid-19 pandemic will now be held from 1 October 2021 to 31 March 2022. The postponement will provide a much needed opportunity for New Zealand to re-engage in the wake of the pandemic. The world will come together with a strong sense of solidarity and optimism, looking to how we can collectively rebuild the global economy. New Zealand will be able to remind the world who we are, what our unique proposition is, that we are open for trade, tourism, education and investment.

How can we help you?

We have a network of posts in the Middle East and Africa, including the Embassy in Abu Dhabi (UAE) and Riyadh (Saudi Arabia). NZTE is located in Dubai and Riyadh.

The New Zealand Consulate in Dubai has been providing regular updates for markets around the world, including the Middle East on the New Zealand Trade and Enterprise (NZTE) website, see [here](#) for more information and for weekly podcasts. In market, NZTE also works directly with NZTE customers.

NZInc will continue to work together closely to seek the latest information and possible opportunities for New Zealand businesses.

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All trade statistics are sourced from Statistics New Zealand

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