

GCC remains an important Trade Partner

EXPORTS TO THE SIX ARAB STATES OF THE GULF COOPERATION COUNCIL (GCC) DECLINED BY 22% IN 2009. EXPORTS TO GERMANY'S MOST IMPORTANT TRADE PARTNER IN THE GULF REGION, THE UNITED ARAB EMIRATES (UAE), DECREASED EVEN BY 25%. EXCEEDING THE 19% DECLINE OF GERMANY'S WORLDWIDE EXPORTS, THE FINANCIAL CRISIS HAS AFFECTED TRADE FLOWS TO THE GULF MORE DRAMATICALLY. HOWEVER, A CLOSER LOOK AT THE REGION'S DEVELOPMENT WITHIN THE LAST DECADE PUTS LAST YEAR'S BUMP IN A DIFFERENT PERSPECTIVE.

In the period 2002 to 2008, the GCC region's economy has tripled in size. Hitting its peak in 2008, the combined gross domestic product (GDP) grew at an impressive rate of 33.9% to €794 billion in that year. The financial crisis affected the Gulf economies as it affected economies worldwide. But the abating demand for oil and gas, accounting for approximately 73% of the GCC's total export earnings, had less dramatic effects than one could have suspected. Despite the negative growth, 2009's combined GDP of the GCC States remained higher than 2007 and was more than twice as high as that of 2004. Moreover, the Gulf economies are expected to recover quickly. According to the British Economist Intelligence Unit (EIU), all GCC countries will increase their GDP in 2010. The Qatari economy sticks out, having a forecasted growth rate of 23.3%. Growth rates ranging between 3% and 4% are forecasted for the other Gulf States. Adding up to €740 billion, the combined GDP of the GCC-members will eventually come up to that of the boom year 2008.

Solely evaluating based on the downturn of 2008 to 2009 is as misleading for Gulf GDP as it is for German exports to the region. In 2008 exports to the GCC grew by 23% and exports to the UAE by 40%, compared to export growth of 3% worldwide. What comes up must come down, but the decline in 2009 only made up the exceptional and perhaps excessive developments in 2008. Compared to 2007, exports to the GCC only decreased by 3%, while Germany's worldwide exports declined by 16%. In spite of the financial problems Dubai is facing currently, exports to the UAE even grew by 5% in the same period.

On the midterm, the world economy will

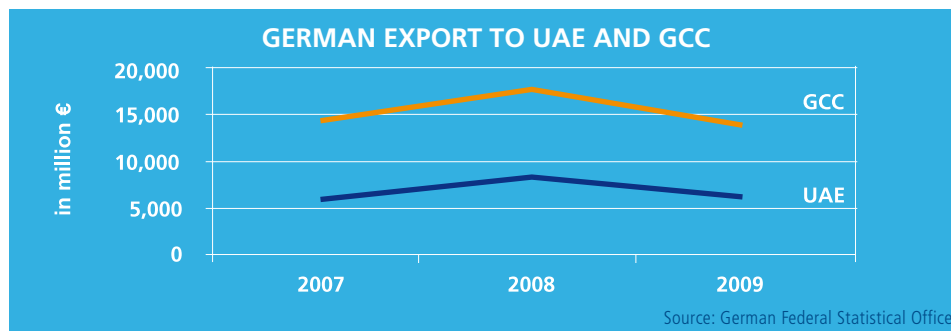
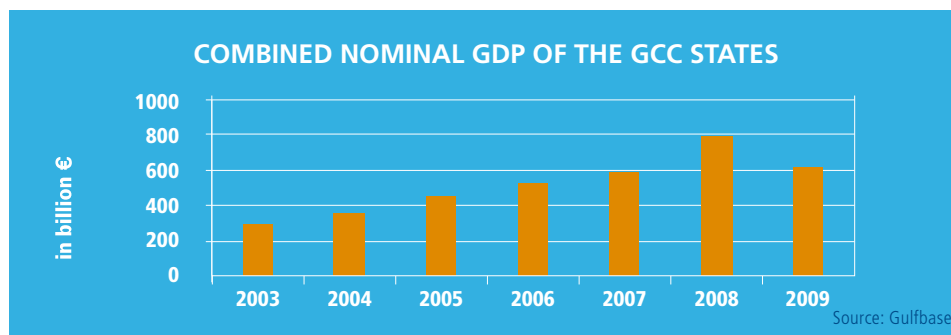
depend on oil and gas. The Gulf has the largest proven oil reserves in the world. Hence, in order to secure energy supply, it will remain strategically important for all industrial countries lacking own resources. Apart from that, the GCC States are using their petrodollars to enhance infrastructure as well as the living standard of their citizens. Since they import large parts of the technology and consumer goods from abroad, there are excellent opportunities for Germany's strong export industry. Following the US, China and Russia, the Gulf region has been the fourth largest overseas market for German industry and commerce in the past and is very likely to keep this relevance.

German goods have an excellent reputation in the region. However, as Asian competitors are on the rise, Germany's exports should not rest on its

laurels. This is becoming even more relevant, as maintaining good trade relations with the GCC goes beyond direct commercial interests in the region. Sparkling Gulf metropolises such as Doha, Abu Dhabi or Dubai are cutting-edge and thus inspire other countries of the Greater Middle East, India and East Africa. Hence participating in trade fairs and establishing networks in the region is becoming more and more important.



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CHANGES IN TWO YEAR PERIOD

| | 2007 | 2009 | Change |
|-----------|---------|---------|--------|
| UAE | 5,832 | 6,106 | +5% |
| GCC | 14,207 | 13,721 | -3% |
| WORLDWIDE | 956,236 | 808,721 | -16% |

Source: German Federal Statistical Office