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GCC

TRANSPORTATION AND LOGISTICS SECTOR OUTLOOK

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GCC

**TRANSPORTATION AND LOGISTICS
SECTOR OUTLOOK**

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1. Executive Summary

The diversification agendas of GCC economies have highlighted the significance of industrials and transportation & logistics sectors as key drivers of Foreign Direct Investments (FDI). The sector's growth is being propelled by several factors, including the expanding role of the non-oil sector in the economy, ongoing infrastructure development, the rise of free trade zones and industrial parks, and increased regional trade collaboration.

The GCC has emerged as a crucial hub in global commodity circulation. The growth of transportation & logistics infrastructure in the Gulf can be attributed to its strategic geographical positioning along the Asia-Europe trade route. This has led to substantial investments in mega transport infrastructure such as ports, airports, trains, and roads in various GCC states.

The GCC accounts for over 60% of the total spending on ports in the Middle East. This includes the construction of new mega ports and the expansion of existing ones. These state-of-the-art ports are designed to handle the largest container ships in the world and are equipped with advanced automation technology. These port projects are interconnected with the development of comprehensive logistics networks, which encompass passenger and freight railways, airports, special economic zones, and logistics cities. GCC maritime ports not only serve as major hubs for commodity transportation between Asia and Europe but also play a vital role as feeder ports for smaller ports in East Africa.

Saudi Arabia has established the National Industrial Development and Logistics Program (NIDLP) with the goal of transforming the country into a leading industrial and logistics hub. The program focuses on industry, mining, energy, and logistics sectors. The King Abdullah Economic City (KAEC) is a significant project within the program, featuring the largest port in the Red Sea region and a dedicated logistics and industrial area. Similarly, Kuwait's Mubarak Port aims to enhance its regional trade hub status, while Bahrain envisions becoming a regional manufacturing and logistics hub through its Vision 2030. Qatar's National Vision 2030 emphasizes the development of world-class infrastructure, and Oman aims to leverage its port locations to establish itself as a regional logistics hub. Both Oman and Qatar seek to create integrated logistics spaces that connect maritime ports, airports, rail, and road, along with free zones that facilitate commodity assembly, labeling, and re-export. These efforts are supported by incentives for international firms to relocate their operations to these new logistics spaces.



2. GCC Region

2.1 Introduction

GCC Countries are working to enhance their transport infrastructure for public transport, implementing concept of shared mobility, promoting soft modes of transport and others. To improve these transportation modes, GCC countries are implementing digital technologies which is helping to move towards sustainable mobility.

Within GCC, **UAE** is developing its public transportation means and have set a target of 2040 named as "Dubai 2040 Urban Master Plan". Under this strategy, country has planned to upgrade urban areas of Dubai, efficiently utilization of resources, increasing green and leisure areas extension of public beaches, providing healthy environment to residents and travelers and to promote sustainable mobility concept with aim of 20-minute city where residents can reach their destinations within a 20-minute timeframe on foot or by bicycle.

Saudi Arabia has also outlined its vision 2030 which focuses on safe, sustainable and resilient transportation infrastructure. Riyadh is KSA's capital and financial hub has implemented smart city initiatives to help in achieving Saudi Arabia's Vision 2030. The 176 km Metro project in the city is equipped with automatic electrification, Wi-Fi services, LED lighting, and surveillance cameras. Furthermore, a central traffic monitoring and control system was installed to provide sustainable management solutions for high traffic volume often experienced in the city.

Similarly, **Qatar** has also made strategy for Qatar National vision 2030 within which country has considered improvement of public transportation as one of the major objective. The investment in transportation infrastructure has already been started in the country during the preparation of FIFA World Cup 2022. The sea and air ports are enlarging their handling capacity, in terms of passengers and cargo. A clear focus on sustainability to improve urban transport connections have shifted focus to bus and rail transit which has proved important for the country with the rising tourism sector.

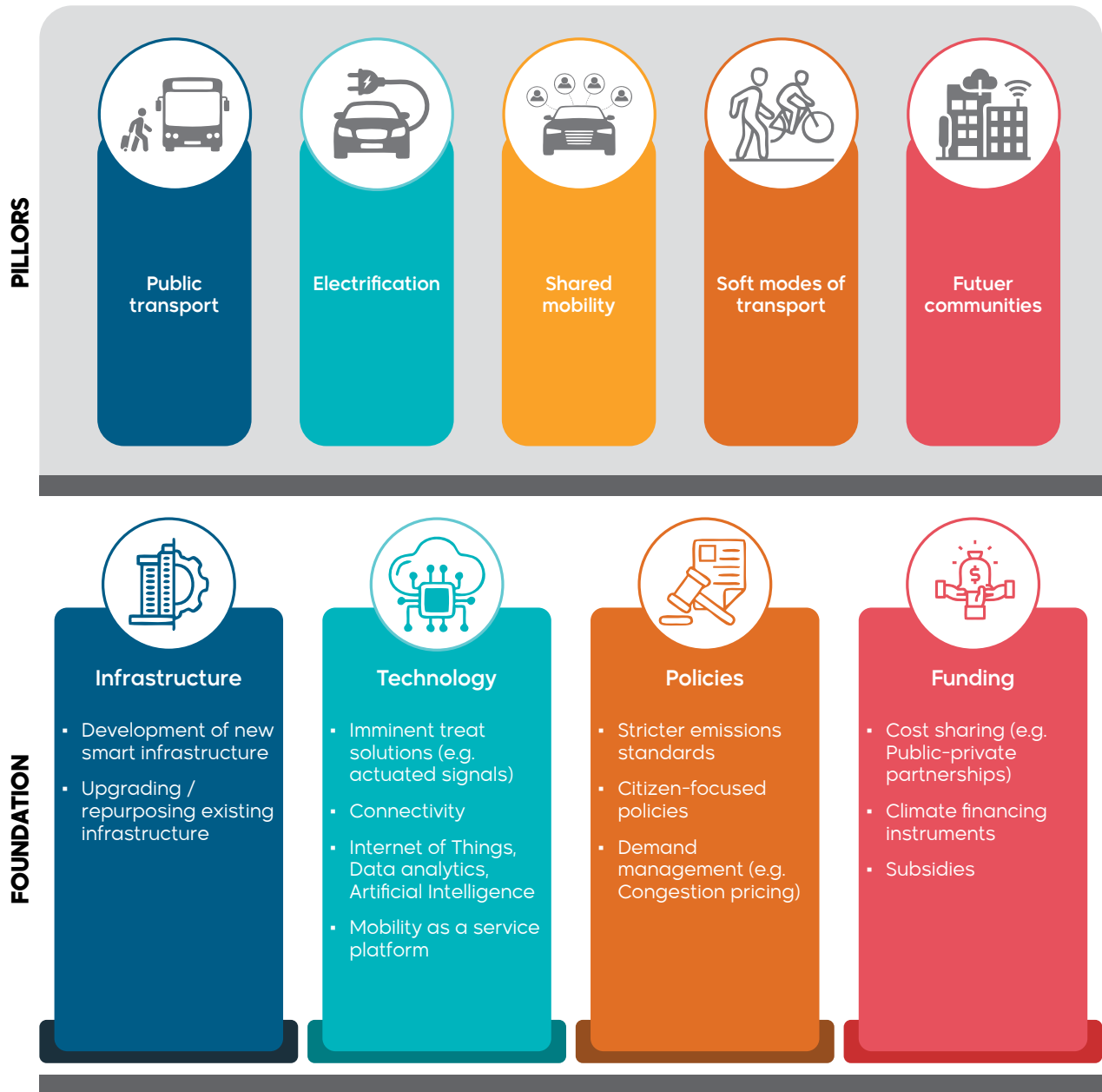
Following other GCC countries, **Kuwait** has is also developing its transport infrastructure with a budget of US\$16.3 billion for 15 years plan. This plan includes key projects related to the development of road transportation and rail transportation within the country.

Bahrain has planned infrastructure development worth over US\$134 billion. In all 22 projects are planned, of which eight will be for road works, and a further six for general construction. Bahrain, as a part of development strategy, is working to construct wide metro network with the help of public-private partnerships.

As a part of development strategy, **Oman** has planned to develop itself as a major logistics hub by the end of 2040. The country has 7 commercial ports, focused by government to increase logistics and warehousing activities. Apart from logisitcis, country also emphasis on developnmet of roads with the help of public private partnership. Oman has an ongoing drive to expand its bus and private taxi systems.



Framework for action on sustainable mobility



Source: Invest.gov

Since the GCC countries are centrally located at the global circulation of commodities, their advantageous location has become an extremely important trade route, especially between Asia and Europe. Therefore, heavy investments in transport infrastructure, including ports, airports, railways, and roads, are being made. More than 60% of investments are directed toward expanding the existing ports and constructing the automated ports, as well as developing a wider logistics network, special economic zones, freight railway schemes, etc.



2.1.1 Logistics Performance Index 2023

Country	Logistics Performance Index Ranking 2023
UAE	07
Qatar	34
Bahrain	34
Saudi Arabia	38
Oman	43
Kuwait	51

Source: Logistics Performance Index 2023

Logistics industry has gained momentum in the GCC countries with increasing cross-border activities, partnerships, and warehousing activities. GCC countries are located in the middle of Europe and Asian countries due to which for logistics industry, GCC countries holds special position which can be witnessed with the logistics index ranking of GCC countries such as UAE, Qatar, Bahrain and others.

2.2 Potential Future Outlook of GCC

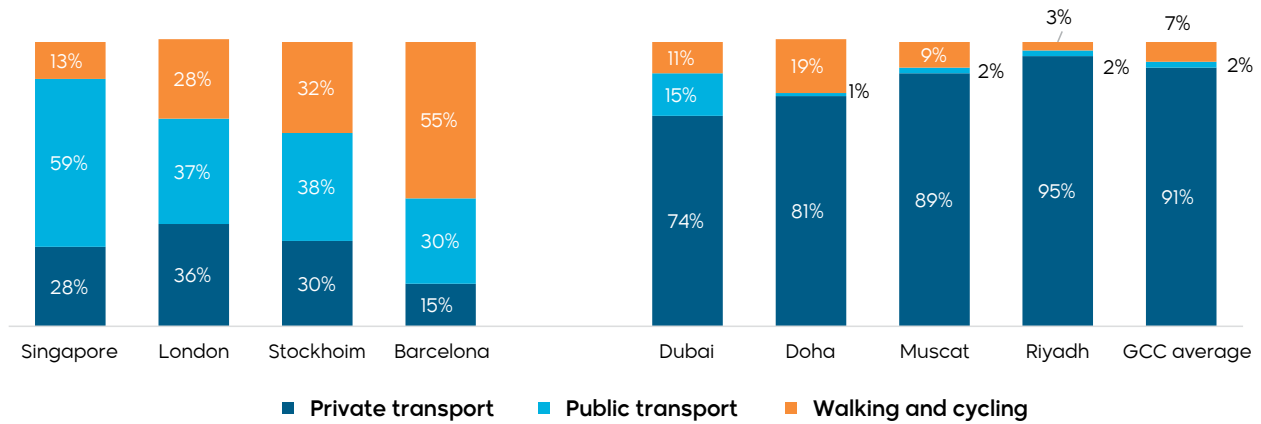
GCC economies are reducing their dependency on revenues earned from fossil fuels. As an alternative, the GCC countries are working toward creating sectors that can contribute to the non-oil economy growth and opportunities. The GCC countries are developing the logistics sector by developing free zones, dry ports, and subsidies to increase foreign investments.

For instance, in August 2021, Sohar Port and Freezone and Hormuz Marine signed a bunkering agreement that led to the launch of bunkering services at Sohar Port. This caters to the growing need for offshore refueling in the region and increases the interest in global shipping lines at the port. This development is encouraging large transshipment cargo at the port.

GCC countries are also incorporating smart mobility solutions in urban planning and city development by investing in transport facilities and deploying advanced solutions related to data and technology, governance and regulations, and others. GCC countries, such as the UAE and Qatar, have better private transport facilities than Asian countries, such as Singapore. However, with the rising tourism, these GCC countries focus on improving public transport and shared mobility services.



Share of transport modes in the GCC compared to cities in Asia and Europe



Source: Ministry of Transport and Infrastructure

In comparison to Asia and European countries, GCC countries are having dependency on private transportation modes. To reduce this dependency GCC countries are investing heavily on public transportation mode such as Metro network expansion, Road and highway constructions, public busses and ferries and other soft mode of transportation. Further the GCC countries are also planning 10-15 years of development strategies that includes development of parks, sidewalksways, green mobility and shared mobility infrastructure.

2.2.1 Goals and Targets

The GCC countries need to focus on three key areas:



Infrastructure poses a major challenge as well as a vital opportunity for GCC countries. According to the World Bank, GCC countries must invest 5% of their GDP in infrastructure development. Various governments have initiated several road transportation projects, and many projects are in the pipeline to develop roads, highways, and bridges. GCC countries are also among the major economies poised to become the major economies by 2030 for energy and trade.



With the advantage of cordial relations, GCC countries can generate intra-GCC trade opportunities by boosting the e-commerce sector through cross-borders across MENA. Technology implementation is another major factor creating potential opportunities for GCC countries.

Digitization and automation are transforming the Middle East region, as GCC countries have started streamlining their road transport and air freights with technologies such as Big Data, analytics, and on-demand mobility to improve operational efficiencies and reduce operational risk and cost up to 70%.

2.3 GCC Countries Transportation and Logistics Sector Overview

The GCC countries are a good transit location for international trade due to their strategic location between Europe, Asia, and Africa. Due to its favorable geographic location, the area is now a significant air, marine, and land transportation hub. The GCC nations have significantly invested in creating top-notch infrastructure to assist the shipping and logistics industries, including up-to-date seaports, rail networks, roads, and airports. Projects such as the King Abdullah Port in Saudi Arabia, Dubai World Central Airport, and the New Doha Port in Qatar are among the significant infrastructure developments in the region.

Abu Dhabi International Airport, Hamad Airport in Doha, and Dubai International Airport are among the busiest and most technologically advanced airports in the world located in the GCC. These airports act as significant centers for both passenger and freight traffic, linking the GCC region to locations across the world. The GCC is home to a number of significant seaports that manage a sizable amount of cargo shipments. Among the region's major maritime entry points are the ports of Jebel Ali in Dubai, Khalifa in Abu Dhabi, and Port of Salalah in Oman. These ports serve as hubs for shipments and facilitate trade. The GCC countries have built vast road networks that link major cities and make cross-border travel easier. The Sheikh Zayed Road in Dubai and the King Fahad Causeway that connects Bahrain and Saudi Arabia are two examples of the GCC's well-kept roads. Road transportation is crucial for domestic transportation and trade. Although the GCC's rail infrastructure is still being developed, ambitious plans exist to improve connectivity through rail projects such as extending the UAE's rail network.

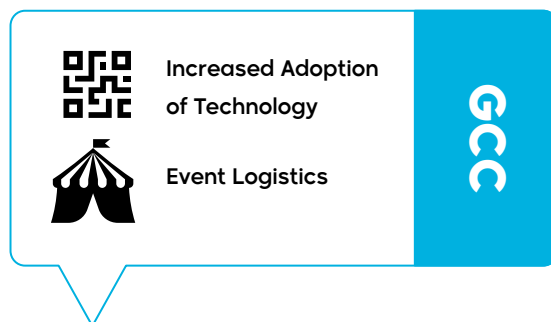
Due to rising e-commerce and the need for effective supply chain solutions, the logistics industry in the GCC nations has experienced tremendous expansion. When it comes to providing services such as distribution, warehousing, and customs clearance, third-party logistics providers (3PLs) are essential. The transportation & logistics sector has developed sophisticated delivery systems and technology-driven procedures to respond to the increased demand for online retail. The GCC countries are actively diversifying their economies to lessen their dependency on oil and gas. Increased attention is being paid to industries such as manufacturing, tourism, and trade as a result of diversification.

The Kingdom's Ministry of Transport has pledged to make significant improvements in the logistics industry to support its Vision 2030 program of social and economic development. As of 2022, the transportation & logistics sector in Saudi Arabia was amounted US\$ 30.9 billion, ranking among the GCC's most alluring emerging industries. The establishment of joint ventures and strategic



alliances is crucial to the growth plan of the region. Major logistics companies will join forces to establish a new logistics hub. Etihad Rail, the creator and operator of the UAE National Rail Network, has also signed a 20-year collaboration agreement with major logistics Global Forwarding to establish a joint venture as part of the country's efforts to expand its freighter network.

2.4 GCC Region Key Industry Trends



2.4.1 Increased Adoption of Technology

Incorporating technology to improve operations is crucial for the growth of the transportation & logistics industry. GCC countries offer opportunities for companies to leverage technologies such as the Internet of Things (IoT), blockchain, artificial intelligence, and automation to optimize operations, improve supply chain visibility, and enhance customer service. These technologies are incorporated in various applications, including shipment tracking through connected IoT devices integrated into parcels and container management powered by IoT. Blockchain enables carriers and shippers to share sensitive data, improve efficiency in global trade by significantly reducing bureaucracy and paperwork, and increase the usage of smart contracts to automate commercial processes. The use of artificial intelligence optimizes intelligent transportation, route planning, and demand planning. Digitalization has scope in road transport, including the deployment of roadside and in-vehicle sensors integrated with big data analytics, allowing real-time and fine-grained tracking. It is also enhancing digital freight brokerage services. In maritime transport, Digitalization is optimized for online booking and online cargo management, tracking and tracing of shipments, and optimization of routes. In rail transport, Digitalization is used for signaling and traffic management, digital train control, digital platforms for predictive maintenance and repair, and e-ticketing.

2.4.2 Event Logistics

The GCC hosts various global events, such as trade fairs, exhibitions, conferences, and sports tournaments, including Bahrain International Circuit, Abu Dhabi Grand Prix, Mixed Martial Arts, Jiu-jitsu World Championship, and FIFA World Cup 2022. Further, Logistics & Transport Management 2023, Future Urbanism Smart City & Expo 2023, Urban Design & Landscaping Expo 2023, Facilities Management Solutions 2023, and Gulf Traffic 2023 are a few of the upcoming logistics and transportation events in Dubai. These occasions necessitate extensive logistics solutions for transportation, customs clearance, storage, and on-site logistics management, which will in turn drive the transportation and logistics industry.



2.5 Transportation and logistics Market Size and Forecasts (2019 – 2028)

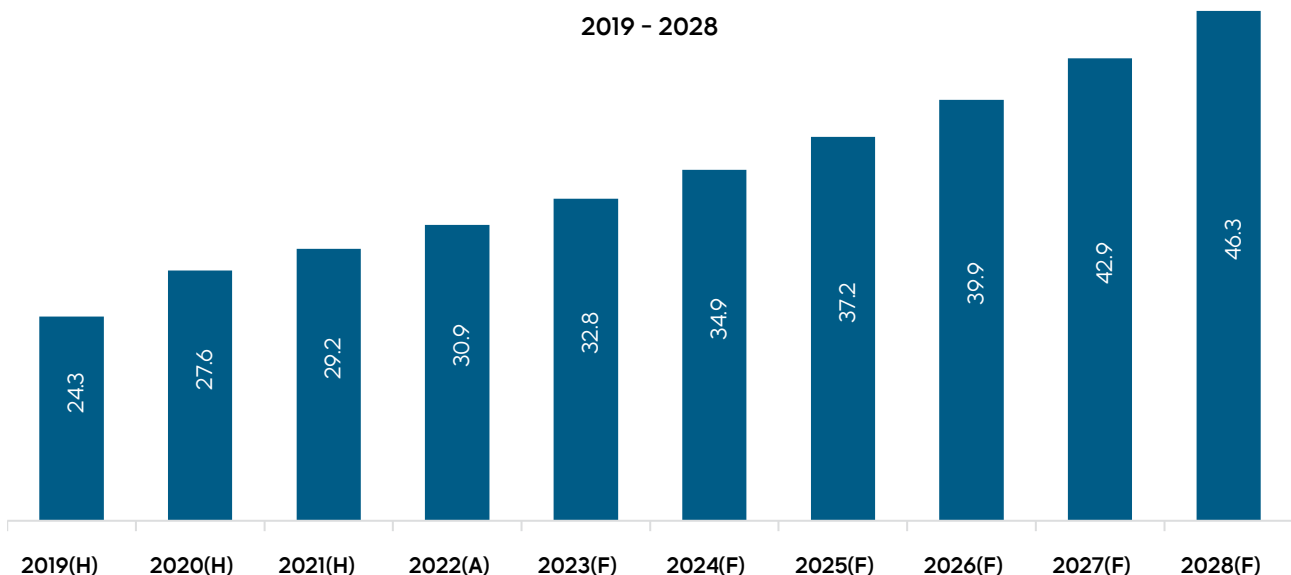
2.5.1 Saudi Arabia Market

2.5.1.1 Overview

There is a growing demand for logistics services such as freight, customs, storage, and distribution due to rising domestic consumption and expanding industrial activity. The Saudi Ministry of Transport and Logistics Services (MOTLS) has announced an ambitious plan to increase the Kingdom's logistics industry and position it as a worldwide logistics hub. Saudi Arabia has been working hard to diversify its economy and create a more varied and holistic economic ecology. The logistics sector contributed 6% of KSA GDP in 2022 and is expected to contribute 10% by 2030. Saudi Arabia has several important ports, including the King Abdulaziz Port, the Islamic Port of Jeddah, the King Fahad Industrial Port, the Jubail Commercial Port, and the Jizan Port.

Saudi Arabia Railways is the Kingdom of Saudi Arabia's national leader in railway development and operations. Connectivity and logistics are critical components of Vision 2030, and the Kingdom is eager to develop in these areas for the benefit of all economic sectors. Aside from constructing modern operational systems and opening a number of logistics zones, the strategy also includes establishing and strengthening effective collaborations between the government and the private sector.

Figure 1. Saudi Arabia Transportation & Logistics Market Size (in US\$ Bn), 2019-2028



Source: YCP Solidiance, SIDF.gov, Analyst Team



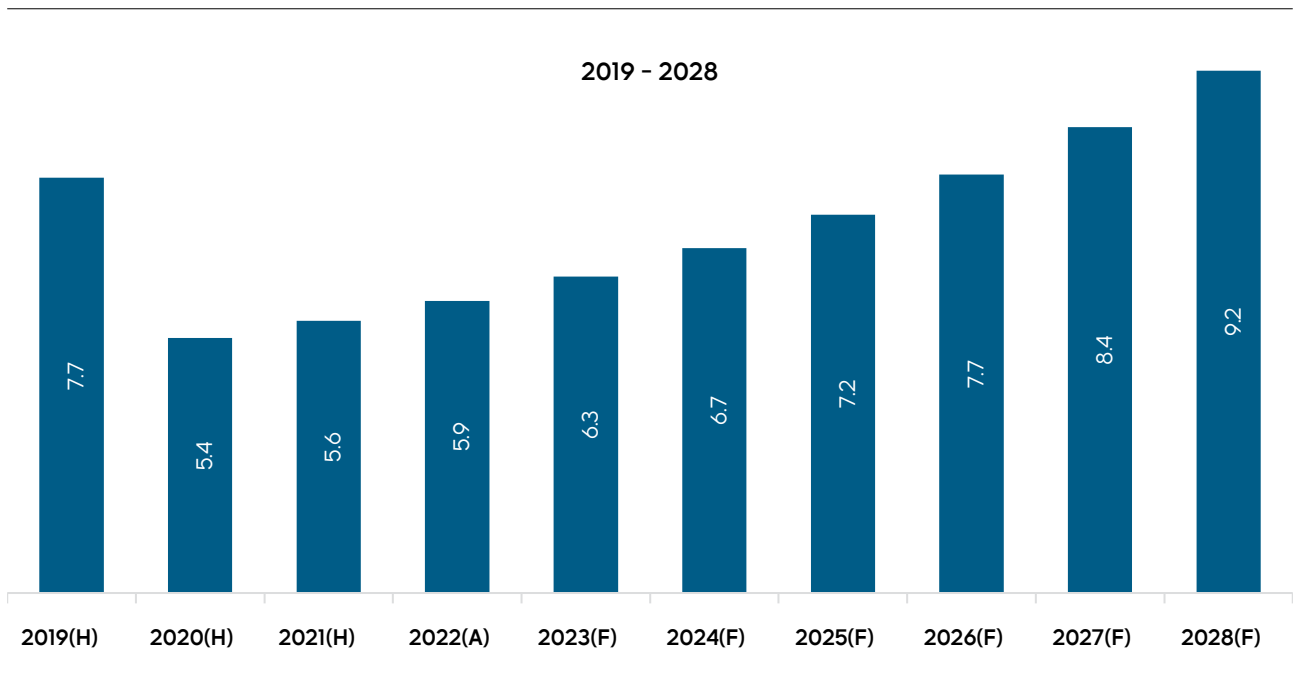
2.5.2 Qatar Market

2.5.2.1 Overview

In Qatar, the logistics sector includes a wide range of operations, including shipping, warehousing, inventory control, supply chain management, and freight forwarding. There are several domestic and foreign logistics providers in this market and an increasing number of e-commerce and 4PL businesses. One of the primary drivers of Qatar’s industrial insights is the economy’s accelerating growth. Qatar’s GDP is projected to be driven by strong outcomes in the non-hydrocarbon sector. Logistics services are projected to benefit from the increase in economic activities.

The strategic position of Qatar is a major driver of the logistics sector in the country. As an ideal center for international trade and business, Qatar is situated at the intersection of important trade routes linking Asia, Europe, and Africa. The nation’s superior airport and seaport facilities further bolster its logistical advantages. Due to advances in technology and shifting consumer demands, the logistics sector in Qatar is growing quickly.

Figure 2. Qatar Transportation & Logistics Market Size (in US\$ Bn), 2019-2028



Source: YCP Solidiance, Analyst Team

2.5.3 Kuwait Market

2.5.3.1 Overview

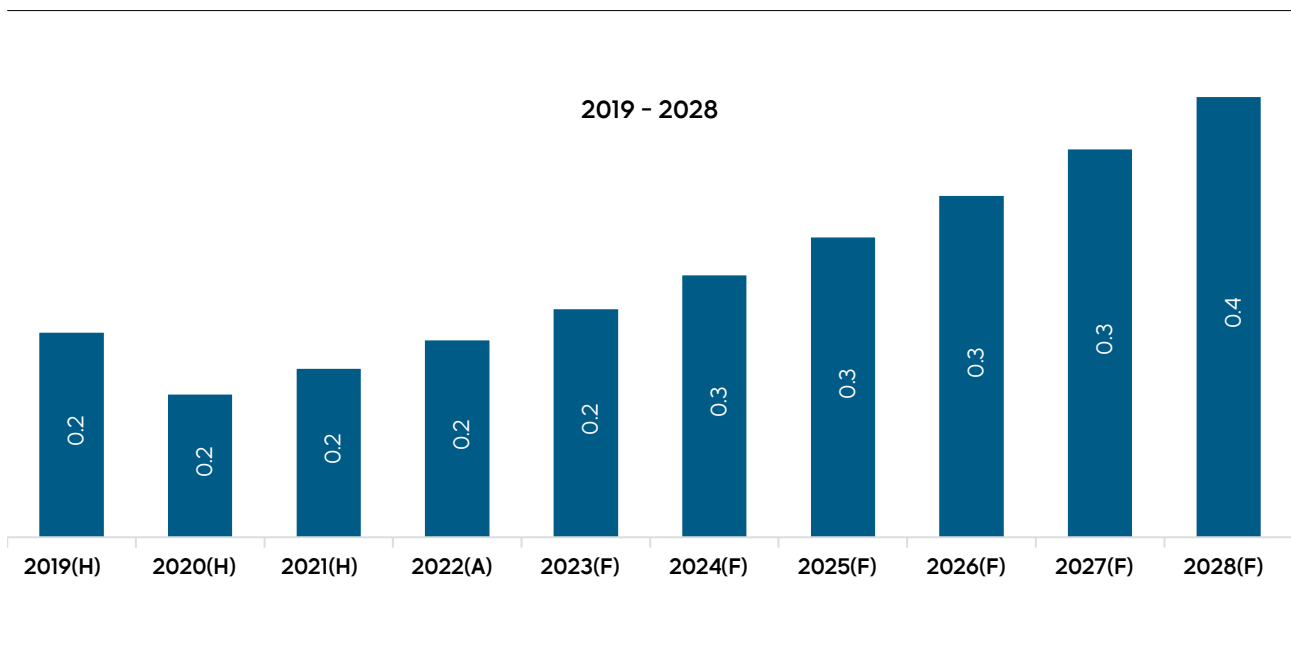
The transportation & logistics business is critical to the country’s economic success; it enables domestic and international trade. Kuwait has an advanced infrastructure, which includes railways, ports, highways, and airports. The development and expansion of seaports, as well as the expansion of the airport, have resulted in the creation of various logistics and warehousing



projects throughout the country. Commercial goods movement in Kuwait is accomplished via marine, air, and ground transportation, with marine remaining the primary form of transit. Shuwaikh Port and Shuaiba Port are two of the biggest ports.

Kuwait's e-commerce industry has seen a remarkable expansion in recent years, with a wide range of goods arriving in Kuwait reflecting changing consumer preferences and their acceptance of purchasing electronically. The development of new ports and the expansion of existing ones, as well as the construction of the GCC railway system, are expected to increase the quantity of regional trade, necessitating additional logistical support to meet the increased trade momentum.

Figure 3. Kuwait Transportation & Logistics Market Size (in US\$ Bn), 2019-2028



Source: YCP Solidiance, Analyst Team

2.5.4 United Arab Emirates Market

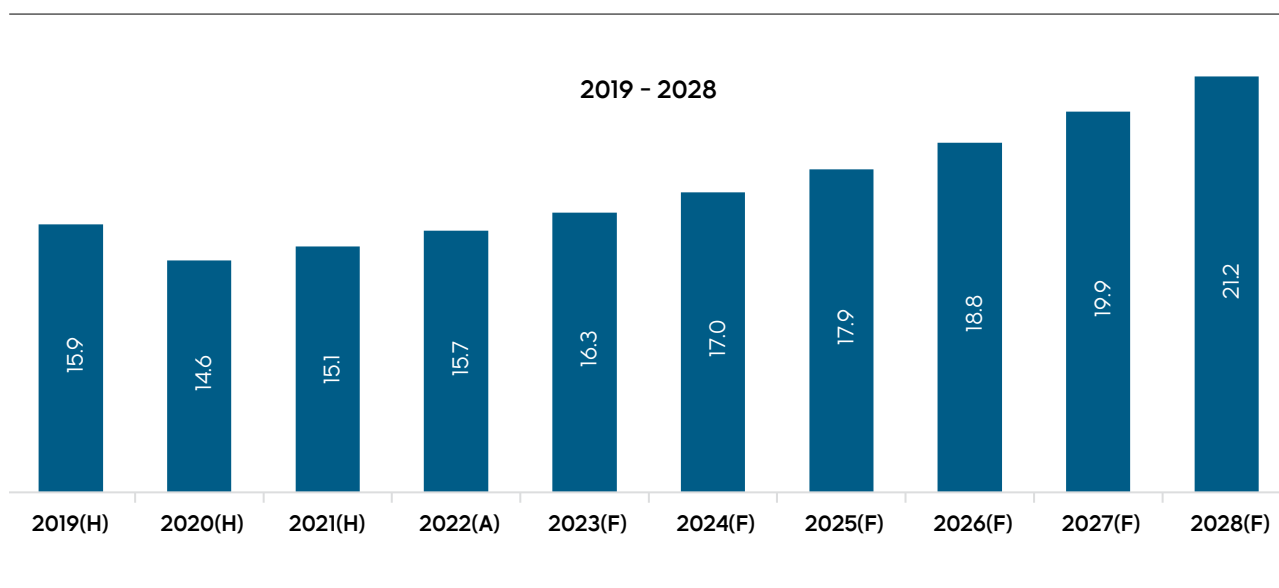
2.5.4.1 Overview

The UAE is home to a diverse range of logistics service providers, including freight forwarders, custom brokers, and third-party logistics companies. The UAE has a well-developed road network that connects its major cities. The country's road system is well-maintained and efficient, serving local and foreign trade. To encourage international investment and promote trade, the UAE has established free zones such as Jebel Ali Free Zone and Dubai South.

The UAE has world-class airports, including Dubai International Airport and Abu Dhabi International Airport. These airports handle significant air cargo traffic and offer considerable cargo handling and logistics services. The UAE is home to some of the world's busiest ports, including the Port of Jebel Ali and the Port of Khalifa. These ports serve as key transshipment hubs, facilitating trade between Asia, Europe, and Africa by handling large cargo volumes.



Figure 4. UAE Transportation & Logistics Market Size (in US\$ Bn), 2019-2028



Source: YCP Solidiance, MOEC.gov, Analyst Team

2.5.5 Oman Market

2.5.5.1 Overview

Oman imports automobiles for both internal consumption and re-export to other regions. Along with continuing to have a demand for passenger cars, Oman is also importing various pieces of construction, airport, and port equipment, such as buses, aircraft, X-ray security screening tools, cranes, and rubber gantries, as well as software for port access control and security, engineering, project management, cold storage supply chains, and consultancy services. Oman is assessing the viability of a rail connection between Sohar Port and Khazaen and expects to restart its rail project to connect to the planned GCC rail line.

The Oman Logistics Strategy outlines long-term goals for raising the logistics sector's share of GDP. Over the past few years, Oman has invested in infrastructure and technology for new ports and road links as well as increased routes for domestic airline carriers to reduce congestion and increase capacity.

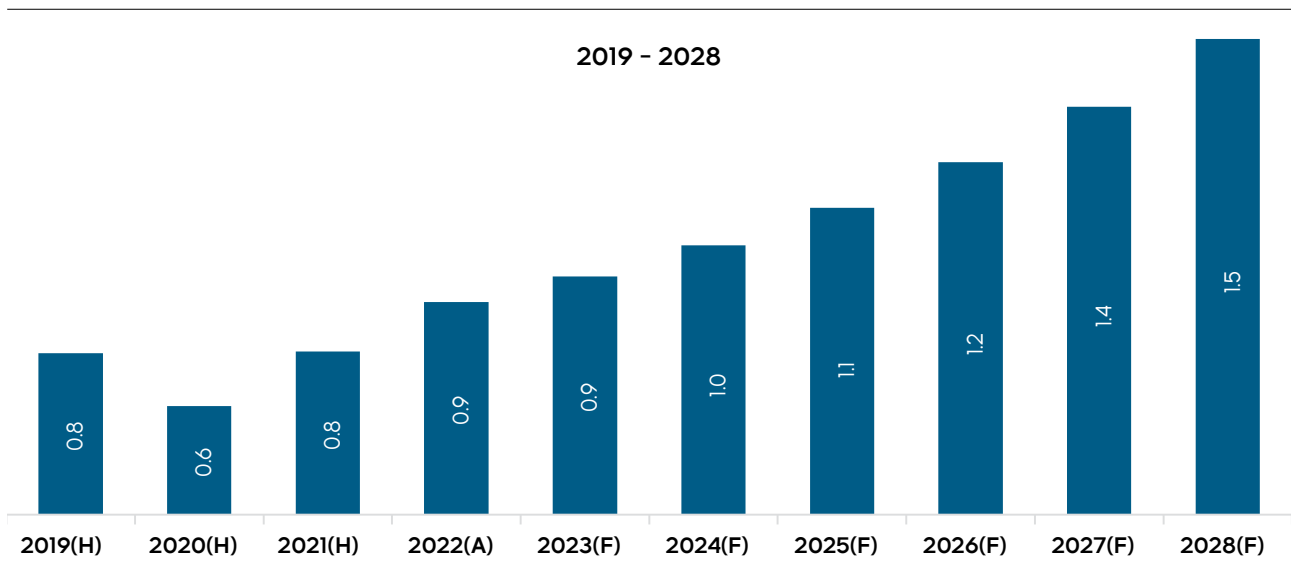
Oman's seven commercial ports are all owned by the government. Sohar in the north, Duqm in the country's geographic center, and Salalah in the south are all deep-water ports. All three deep-water ports are connected to 86 ports in 40 countries and run under concessions through joint ventures between the government and foreign private enterprises. The centerpiece development endeavor in Oman is the strategic port city of Duqm. Duqm has a new port, a naval station, a dry dock, an oil tank storage facility, a fisheries hub, an industrial free zone, hotels, electricity and desalination facilities, and a nearly completed refinery.

Another important area of attention for local and regional development is road construction. The government inaugurated a new route through the Empty Quarter in December 2021, linking Riyadh to Muscat and other significant Omani cities, including Duqm and other Omani ports. The



development of Oman's bus and private taxi networks is underway. At Khazaen Economic City, a 20-square-mile logistics-driven development south of Muscat with a free zone, an auto market, and factories, Oman opened a dry port in December 2021. According to the government, the national ferry and bus networks may also be privatized.

Figure 5. Oman Transportation & Logistics Market Size (in US\$ Bn), 2019-2028



Source: YCP Solidiance, Analyst Team

2.5.6 Bahrain Market

2.5.6.1 Overview

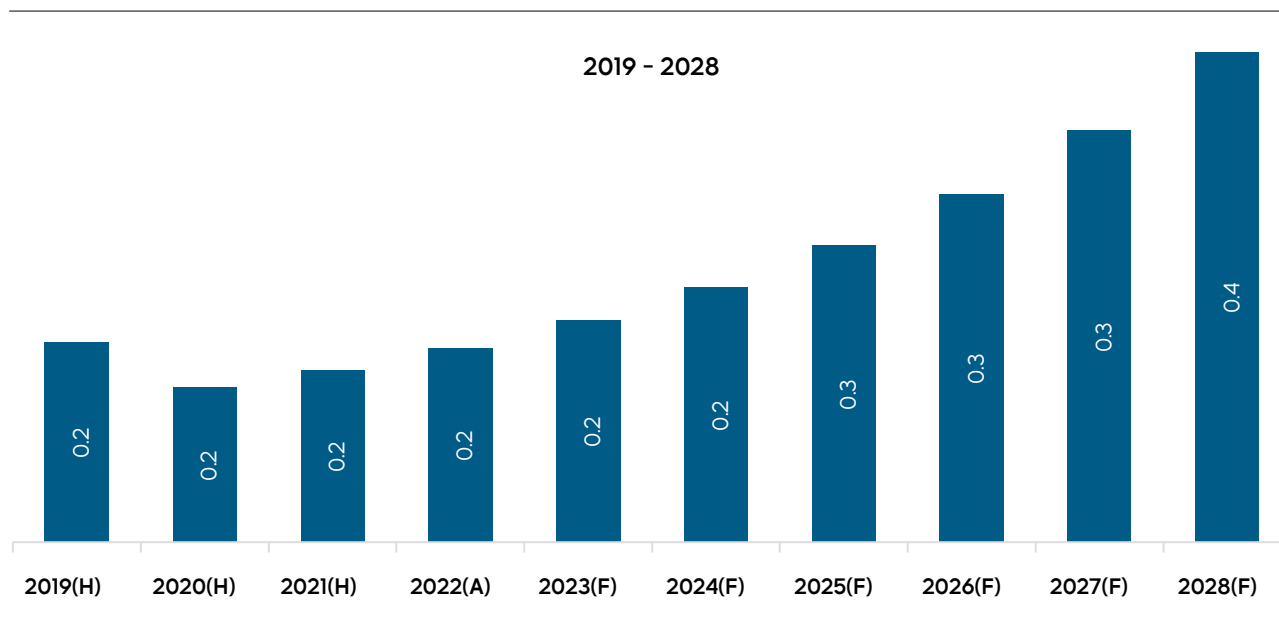
Bahrain's prime location in the Gulf provides transport and logistics companies with unmatched access to a growing regional clientele across the Middle East. Bahrain provides the GCC's quickest transit times between harbor, airport, and industrial zones, enabling faster turnaround times and processes for goods.

Bahrain International Airport's new terminal, which is four times bigger than its forerunner, is intended to give visitors a more authentic Bahraini experience. It raises the airport's capacity to 14 million passengers and 130,000 air traffic movements annually due to cutting-edge technology and supportive infrastructure. Khalifa Bin Salman Port (KBSP) is the only commercial port in the Kingdom that serves Bahrain and the rest of the region as a key transportation center. It continues to power the Kingdom's marine trade and industrial sectors and has established technology milestones in digitalizing and simplifying logistics and port services.

The Bahrain Logistics Zone (BLZ) is the first boutique logistics park in the area and provides users with a cutting-edge entrance to the GCC market. The BLZ provides tenants with the quickest transit times in the area and easy access to neighboring markets, notably the region's largest economy, the Kingdom of Saudi Arabia, which is located close to the Kingdom's principal sea, air, and land transport hubs.



Figure 6. Bahrain Transportation & Logistics Market Size (in US\$ Bn), 2019-2028



Source: YCP Solidiance, Analyst Team

2.6 GCC Region COVID-19 Impact on Transport & Logistics Sector

The transportation & logistics business significantly relies on efficient supply chains to transfer goods and products across borders. Due to restrictions, lockdowns, and reduced air and sea freight capacities, the pandemic caused disruptions in the supply chain worldwide. As a result, there were delays in the transit of goods and a shortage of supplies. The GCC countries, particularly the UAE and Qatar, are significant aviation centers that rely largely on tourism and travel. The pandemic significantly reduced air traffic and tourism, with borders closing, flights grounded, and people avoiding non-essential travel. As a result, the aviation industry, airports, and related logistics industries were severely impacted.

Due to lockdowns and restrictions, the demand fell across several industries, including retail, hotel, and construction. Logistics service providers were impacted largely because of reduced requirement for the transportation of products and services. The pandemic resulted in labor shortages and logistical difficulties in attracting and retaining workers in sectors that significantly rely on migrant laborers. The movement of employees was impacted by travel restrictions and lockdowns, which affected transportation & logistics business operations.

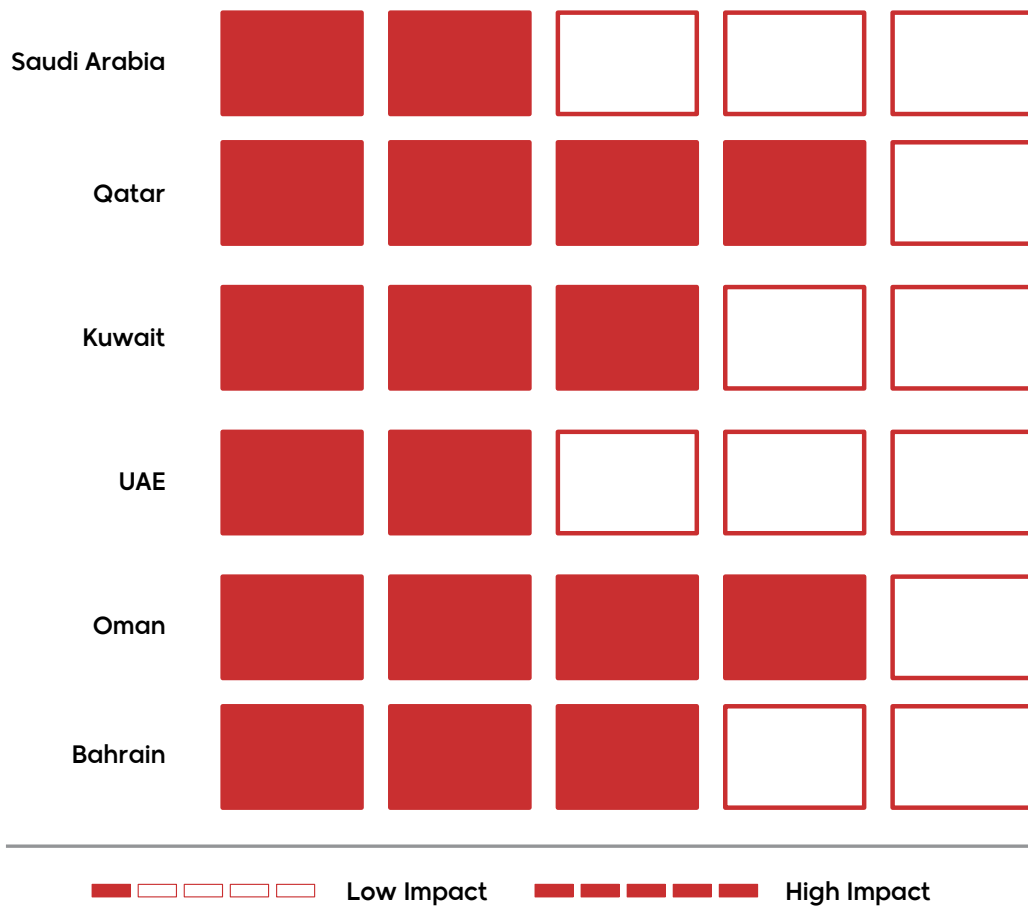
However, the GCC transport & logistics sector is gradually recovering as immunization programs continue and constraints ease. International and domestic travel has resumed. According to Airports Council International Dubai International Airport remained the busiest airport for international travelers in 2022, with 66 million passengers, a 127% increase over 2021. According to the General Authority for Statistics, 88 million passengers passed through Saudi Arabian airports in 2022, an 82% increase from 2021. E-commerce and internet purchasing increased



due to consumers remaining at home and the temporary closure of physical stores. As the GCC countries recover from the pandemic, there is a greater emphasis on strengthening resilience in the transportation & logistics sector.

Figure 7. Impact of COVID-19 in GCC Countries Transportation & Logistics Sector

Assessment of GCC Region COVID-19's Impact



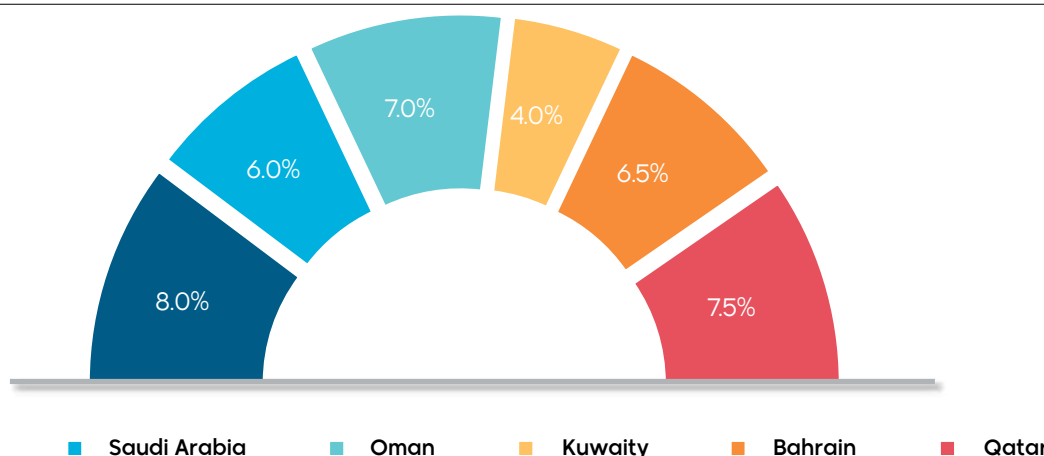
Analysis based on overall industry performance in 2020 & 2021

2.7 Transportation & Logistics in GCC

Transportation and logistics in GCC is one of the growing sector and contributes approximately 8-10% in the region's GDP. With the advantage of trade route between Asia, Europe and Africa the GCC countries are investing to improve their infrastructure, ports, roads and airports in order to increase ranking in global logistics hub. The transportation and logistics industry has benefited from government initiatives, including setting up of freezones with in-built logistics infrastructure and providing incentives for using the air and seaports as stopovers for the transportation of goods globally.



Transportation and Logistics Sector Share in GCC Country's GDP (in 2022):



Source: MICE, Qatar Invest, Saudi Invest, Oman Invest, trage.gov

2.8 Type of Transportation and Logistics Infrastructure in GCC

2.8.1 Transportation

In UAE, all the transportation modes are available such as public transport, roadways, railways, waterways and airways. Starting with public transport, the country offers various public transportation facilities such as public buses, taxis, metro, tram, smart renting option, carpooling and others. For using public buses, smart card facility has been provided. Taxis can be hailed from the roadside or can be booked in advance. There are special taxis for women and children, families and for people of determination. Metro facility is available in Abu Dhabi and Dubai with facility of Nol card or ticket. These Nol cards are being designed to use in all the major public transports, which helps tourist and travelers in using public transportation in UAE.

In Saudi Arabia, transportation includes the roads sector, the land transport sector, the air transport sector, the maritime transport sector, and the logistic services sector. The total length of the road network is more than 75,000 km of roads. The total length of operating highways is more than 5,000 km. The government is developing 49,000 kilometers of secondary roads to become double roads. Land transportation in the country includes cargo transports, truck rentals on road, rental cars, public taxis and bus facilities. Apart from the public transport, private and smart transportation facilities are also available in the country. Rail and Air transport networks plays crucial role in transportation and logistics sector with its wider network.

Oman provides transportation modes by air, road and waterways. Public transports in Oman includes minibuses and long distance coaches at cheap cost that are used by general public and tourists as well. Along with these, public taxis are also available in the Oman for traveling.

Qatar as a GCC country provides various modes of transport such as rail, road, flights, taxis and buses. Public buses smart card or tickets facility is generally used. Further, in taxi services, public and private taxi, both option are available for travellers. Rail network in Qatar is limited, however, with the foreign partnerships, country is expanding it in to various cities.



Kuwait has well developed road network for public limited to buses and taxis. However, the country is planning to develop its rail network in coming years. The local buses in Kuwait are extensive and are air-conditioned, with fares of approximately 250 fils per ride, depending on distance travelled. Further, majority of expatriates depend on taxis for getting around on daily basis. In Kuwait, taxis are reliable, and prices are usually reasonable. Kuwait Airways, the national carrier of Kuwait operates flights from here to several destinations including Western Europe and across the Atlantic to New York City.

Bahrain having strong road network, uses buses and taxis as a prominent form of public transport. Busses are cheap and used by migrant workers and general public. The buses are air conditioned and comfortable for travel and the bus routes can be accessed on line. These buses are operated by Bahrain Public Transport Company, Bahrain's bus network with more than 500 bus stops and 29 bus routes that are served by 141 buses daily and that connect various areas across the country.

Public Transport Fare in GCC countries

Country	Fare Type
UAE	Taxi : US\$ 0.95-2.18 Metro and Buses : Nol card is used
Saudi Arabia	Buses: day to weekly pass: US\$5.3 – US\$ 37.3 Taxis : US\$3.47 (minimum fare)
Oman	Buses : US\$ 5.20-67.50 (depending on routes) Taxis : US\$ 5.19 with US\$0.78 per km
Qatar	Buses :US\$ 0.55-1.35 Taxis : US\$ 2.74 minimum fare
Bahrain	Taxis : US\$ 3
Kuwait	Buses : US\$ 8.13

Source : Ministry of Transportation, MICE, Gov.SA, Ita.gov.om, mtt.gov.bh, moi.gov.kw

2.8.2 Logistics Type

Transportation & logistics is considered among the essential industries in the GCC countries, However, supporting infrastructure needs to be developed in these countries. GCC-based companies are yet to focus on modern technologies to accelerate the transportation and logistics sector development in GCC, although a few companies have begun implementing various technologies and retooling their operations.

The **UAE** is working toward achieving its D33 goals and to reinforce its status as one of the leading world trading centers to provide seamless cooperation within the logistics industry. Jafza's robust infrastructure has already bolstered investor confidence, attracting long-term businesses and creating a sustainable future-proofed network.



Further, the recent free trade agreements between the UAE and countries such as India, Indonesia, Israel, Türkiye, Cambodia, and Georgia have provided new opportunities for trade partnerships and investments.

Similarly, **Saudi Arabia**, due to its location, has been considered important route between Europe and Asia. Travel (49.4%) and transportation (26%) cover significant market shares of country's service-related exports. The country has an investor-centric approach, which helped Saudi Arabia get 6th rank in Agility Emerging Markets Logistics Index 2022 Survey.

Oman, as one of the GCC countries, has been the major trade point with the port of Muttrah in Muscat. The transportation & logistics contributes 5% to the overall GDP of the country. The Government of Oman has created ASYAD as an umbrella organization to synergize the activities of all logistics and transportation stakeholders and expand capabilities to meet future market demands.

Kuwait is another growing country; with its New Kuwait 2035 (an economic development plan), the government invests heavily in the transportation & logistics industry. Several significant upgrades to existing transport infrastructure are at an advanced stage, while a new logistics belt is a key component of the Madinat Al Hareer, or Silk City, development—New Kuwait 2035's flagship project.

Bahrain Island, Al Muharraq Island, Sitra Island, and Umm Al Nasan Island are Bahrain's four major interconnected islands that allow large transport infrastructure projects to develop in this country. As a part of Logistics Services Sector Strategy 2022–2026, Bahrain has strategized to invest in road, maritime, storage, and aviation infrastructure to increase transportation and logistics share in GDP up to 10% by the end of 2030. To achieve this, the government is seeking to raise annual airfreight capacity to 1 million metric tons annual shipping capacity and broaden the reach of Bahrain's aviation networks to over 70 destinations.

Qatar is one of the opportunistic markets in GCC with one of the leading international air cargo carriers, major airlines, and leading airports in the world. The transportation & logistics industry contributes 4% of the country's GDP; however, this sector is growing at an annual growth rate of 9%. Qatar as the region's 2nd best country for efficient logistics services and home to a state-of-the-art port with the 5th largest capacity in the region (Hamad port).

2.9 Economic Contribution of Transportation and Logistics in GCC

GCC is one of the growing regions with continuous investment in infrastructure development to reduce the dependency of the economy on oil-based sectors. The reasons for the growth of the Gulf's logistics infrastructure relate to its strategic geographic location along the Asia–Europe trade route, which has resulted in heavy expenditure on transport infrastructure in various GCC countries, including ports, airports, trains and roads.

Development of new port construction and expansion of existing ports with technologically advanced automated ports designed to accommodate the large container ships in the world.



These port projects are also integrally linked to the development of wider logistics networks, including passenger and freight railway schemes, airports, special economic zones and logistics cities. In addition to being in the central position of commodity circulation from Asia to Europe, GCC maritime ports are also positioned as crucial feeder ports to smaller East African ports which is also an added advantage to GCC countries.

The rising implementation of advance technologies such as Internet of Things, connectivity, data analytics and artificial intelligence are also helping in upgrading the mobility sector of the states.

The **UAE** has an advantage over other GCC countries due to availability of supporting infrastructure and technology in the country. This can be witnessed with the rising contribution of the logistics sector to GDP, i.e., more than 8%. In the maritime sector, the Bunker Supply Index ranked the UAE 3rd in transport services trade and 5th as a key competitive maritime hub globally. Similarly, UAE based airline, has become the first airline cargo carrier in the world to have transported more than 50 million doses of COVID-19 vaccines on its flights, and it has transported more than 100 metric ton of syringes across the world to support the delivery of vaccines. Further, the UAE is focusing toward rail network project launched in 2023, this rail network project will help in expanding the network to 1,200 km and is expected to serve 60 million metric ton of freight by 2030. This project is divided in to two stages, Stage one has been fully operational since January 2016, transporting up to 22,000 tonnes of granulated sulphur each day from Habshan and Shah to Ruwais on behalf of ADNOC. Stage Two is now completed and extends across the United Arab Emirates from the border with Saudi Arabia at Ghuwaifat, connecting the emirates via Abu Dhabi, KIZAD, Khalifa Port, Jebel Ali Port, Dubai, Sharjah, Ras al-Khaimah and to Fujairah on the UAE's east coast.

Transport, storage, and communications as a combined sector in **Saudi Arabia** accounted for US\$ 45.9 billion of GDP in 2020, in other words, 6.6% of US\$ 698.5 billion generated that year. This share continues to rise with the ongoing implementation of Vision 2030 reforms and projects, which are outlined in the National Transformation Programme (NTP) and the National Industrial Development and Logistics Programme (NIDLP). Further, the government plans to invest more than US\$ 133.3 billion to develop ports, airports, railways, and other infrastructure by 2030.

Qatar has organized the FIFA World cup in 2022, which accelerated government initiatives to enhance transport & logistics infrastructure. The fully electric Doha Metro and its green building-certified stations played a vital role in attracting a large number of visitors. The construction of an underground network connecting five of the eight tournament venues directly with Hamad International Airport (HIA) has also impressed people coming from various countries. Government owned transportation means, such as Qatar Airways, Qatar Rail, Qatar Ports, national bus, taxi, and limousine fleet is operated by government-owned Mowasalat. The government plans to electrify public buses by 2030. The 2021 national budget allocated US\$ 3.2 billion (which is equal to 5.9% of total expenditure) for transport and communications activities under the former MTC.



Other countries such as **Bahrain and Kuwait** are also planning to improve their transportation & logistics facilities to attract foreign investment within the country.

Bahrain too plans to increase the logistics sector and its contribution to GDP by 10% by 2030. The set goal is likely to be achieved by increasing annual airfreight capacity to 1m metric ton, and broadening the reach of Bahrain's aviation networks to over 70 destinations.

Kuwait has also planned to spend US\$ 400 million on projects to develop logistics infrastructure in order to serve its ports. This project will facilitate in re-export of goods and shipping centers for e-commerce. This will help the country improve diversified income, invite foreign investments, and raise employment opportunities, which will further help achieve the goal of New Kuwait 2035.

Oman has planned to become a major global logistics hub by 2040. All seven commercial ports in Oman are state-owned, which can be comprehended by the joint ventures between government and foreign-private companies connecting these ports to 86 ports and 40 countries. In December 2021, Oman opened a dry port at Khazaen Economic City, logistics-led development outside Muscat, a free zone for the automobile market and factories.

The government is also considering privatizing the national bus and ferry networks. Further, as a part of strategy, Oman focuses on improving airways and road infrastructure.

2.10 Government Initiatives in Transportation and Logistics in GCC

The **UAE** has remarkably evolved to become a hub of supply chain manufacturing and export of medical supplies, especially to high-demand markets such as Asia and Africa. The government has included transportation & logistics as their major objective of the development plan till 2030, which is evident in the following instances:

Dubai Silk Road strategy was launched in 2019 to promote air and sea freight to bridge the gaps between manufacturing hubs in the country. The strategy focuses on increasing trade between free zones and the rest of the country.

World Logistic Passport aims to provide a smooth flow of global trades, access to new markets and trade routes, and improve economic efficiency. Traders and freight forwarders expect this strategy to increase trade by 10% yearly.

Saudi Arabia Ministry of Logistics and Transport, the Saudi Ports Authority, also known as Mawani, and the National Industrial Development and Logistics Program are investing in and promoting digital technologies to provide automation in Saudi ports and logistics centers. To support this growth, Saudi Arabia Ministry of Transport and Logistics has planned to develop 59 logistics zones to boost the supply chain.

Further, Public Transport Authority has launched the initiative to localize freight brokerage offices to provide better facilities to international businesses. The country also promotes privatization to enhance financial stability and operational efficiency.

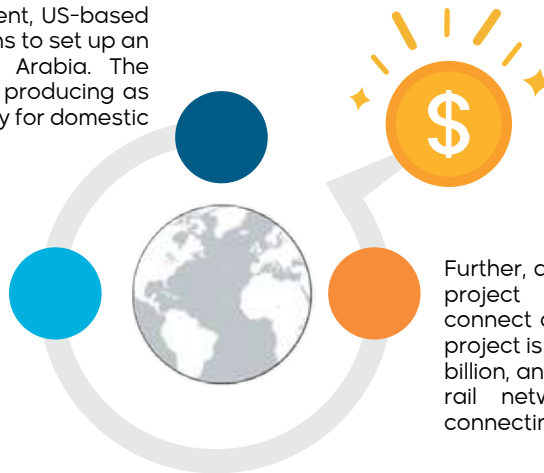


Additionally, the country focuses on improving air traffic to reach 250 new destinations and enhancing freight capacity of more than 4.5 million metric ton. Similarly, the government plans to improve railway network connectivity in order to promote travel and tourism.

According to a 2021 report by Climate Transparency, Saudi Arabia's three main policy interventions to boost sustainability in the country are shifting new car sales to electric vehicles (EVs), with a goal of making 30% of all vehicles in Riyadh EVs by 2030; electrification of public transport vehicles; and using incentive programs to shift consumer behavior away from cars to more sustainable alternatives.

To attract more private investment, US-based Lucid Group has announced plans to set up an EV assembly facility in Saudi Arabia. The construction began in 2022 and producing as many as 150,000 vehicles annually for domestic and import markets.

Other GCC countries, such as Qatar, Bahrain, and Oman, are also investing heavily in transport infrastructure — development of Doha Metro in Qatar, 25 km 4 lane King Hamad Causeway to improve connectivity between Bahrain and Saudi Arabia, and other nations.



Further, another major rail network project has been initiated to connect all the GCC countries. The project is estimated to cost US\$ 250 billion, and the overall length of the rail network will be 2,177 km connecting Kuwait City to Muscat.

Source: Qatar Invest, Trade.gov, Oman Invest, Saudi Invest

In Saudi Arabia, the National Industrial Development and Logistics Program (NIDLP) was initiated to develop industrial powerhouses and create Saudi Arabia as a global logistics hub by emphasizing on industrial, mining, energy, and logistics sectors in the country.

Likewise, **Kuwait** has developed a new port named Mubarak to improve its regional presence as a trade hub. Similarly, Bahrain's Vision 2030 aims to transform the Kingdom into a leading manufacturing and logistics hub. **Qatar** also follows the same pattern with its National Vision 2030 to develop world-class infrastructure. Furthermore, the **Oman** government aims to enhance the position of its ports outside the Strait of Hormuz to establish itself as a regional logistics hub.

GCC countries are also entering into partnerships to improve their positioning in the logistics industry; for instance, Oman and Qatar are planning to build an integrated logistics area that can connect maritime ports, rail, roads, and airports. For instance, in January 2020, Al Hosn Logistics and Warehousing Services SPC, a subsidiary of Al Hosn Investment Company (HIC), signed an



agreement with Amjaad Engineering & Contracting to expand its logistics facility at Sohar Free Zone at an additional investment of US\$ 6.49 million.

This is a partnership between Al Hosn Investment Company (HIC) and Qatar Holding (a subsidiary of Qatar Investment Authority) and Oman Investment Fund, a sovereign wealth fund of the Sultanate of Oman.

2.11 Logistics Industry Components

2.11.1 Storage and Warehousing in GCC

GCC countries are focusing on the logistics industry to promote non-oil economic industries for GDP growth and reduce their reliance on fossil fuels for economic development. Due to the large number of manufacturing and production units in the Middle Eastern countries, the demand for warehousing and storage areas will increase in the coming 5–10 years. GCC countries are developing high-quality warehousing and storage infrastructure for the inflow of cargo.

With the rising e-commerce activities in the GCC countries, there has been a growing demand for A-Grade warehousing facilities. In the UAE, 102 new trade licenses for online shopping and 3PL companies were issued in April 2020. The demand for healthcare warehousing facilities further accelerated due to the COVID-19 pandemic, which led life science companies to preserve warehousing space in the GCC countries to ensure a smooth supply of vaccines, medical equipment, medicines, and other medical supplies in Asian, Middle Eastern, and European markets. Global companies revolutionizing last-mile delivery by integrating autonomous vehicles and drone deliveries to reduce the environmental impact of shipping and reach more remote areas within a short time

2.11.2 E-Commerce Market Outlook in GCC

The GCC countries also has the potential to offer lucrative opportunities to the e-commerce market due to their strategic positioning at the intersection of major trade routes. With the 100% internet penetration rate, countries such as the UAE, Qatar, Kuwait, and Bahrain offer a large customer base for e-commerce businesses. Within the UAE, new e-commerce platforms are being introduced, companies in Saudi Arabia are launching online grocery store, food ordering apps, along with the cashless payment options

2.11.3 Trade Outlook for GCC

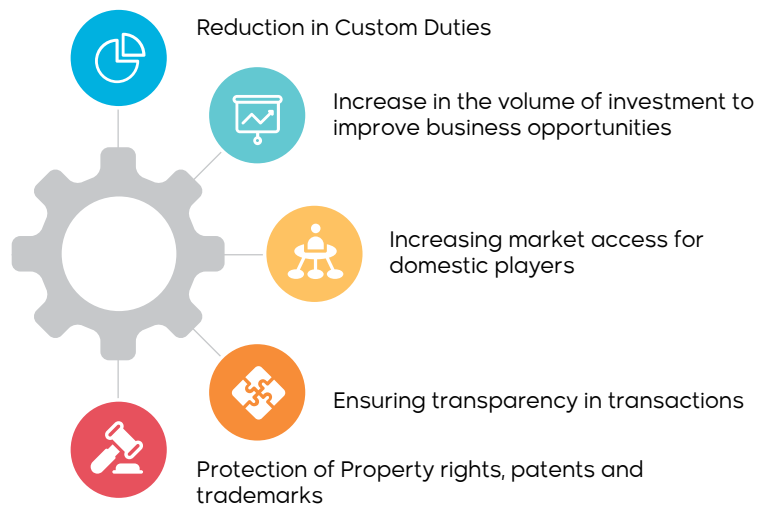
The GCC countries are the potential market as a trade hub. With the lucrative policies and trade agreeemnets, GCC is making itself an opportunistic market for global trade organizations. GCC countries are also entering in to free trade agreements to cooperate each other in economic growth.



GCC Free Trade Agreements

<ul style="list-style-type: none"> Free Trade Agreement between the Gulf Cooperation Council countries and the European Free Trade Association (EFTA) 	<ul style="list-style-type: none"> Agreement to establish a free trade zone between the government of the United Arab Emirates and the government of the Kingdom of Morocco
<ul style="list-style-type: none"> GCC-Singapore Free Trade Agreement (GSFTA) 	<ul style="list-style-type: none"> Agreement on the Malaysian Trade Cooperation Commission
<ul style="list-style-type: none"> The Arab Framework Agreement for the Liberalization of Trade in Services between Arab Countries 	<ul style="list-style-type: none"> Agreement to facilitate and develop trade between Arab countries (affiliated with the League of Arab States)
<ul style="list-style-type: none"> Agreement to establish a free trade zone between the government of the United Arab Emirates and the government of Sudan 	<ul style="list-style-type: none"> Declaration of the Greater Arab Free Trade Area (affiliated with the Facilitation Agreement - League of Arab States)
<ul style="list-style-type: none"> Agreement to establish a free trade zone between the government of the United Arab Emirates and the government of the Iraqi Republic 	<ul style="list-style-type: none"> The Greater Arab Free Trade Area Agreement
<ul style="list-style-type: none"> Agreement to establish a free trade zone between the government of the United Arab Emirates and the Lebanese Republic 	<ul style="list-style-type: none"> Agreement on trade in services between Arab countries
<ul style="list-style-type: none"> Free trade agreement between the government of the Sultanate of Oman and the government of the United States of America 	<ul style="list-style-type: none"> Free trade agreement between the United States of America and Bahrain

GCC Free Trade Agreement Benefits





2.12 Capital Investment and Major Investors in GCC

The GCC countries also has the potential to offer lucrative opportunities for logistics and transportation industry.

As part of the Projects of the 50 initiative, the **UAE** government plans to implement a series of projects aimed at accelerating the UAE's economic development to transform the country into a comprehensive hub for all sectors, aiming to attract \$149.8 billion in foreign direct investment (FDI) over the next nine years. The transportation and road infrastructure projects pipeline, including the US\$11 billion Etihad rail project, the US\$5.9 billion proposed hyperloop project between Dubai and Abu Dhabi, the US\$2.7 billion Sheikh Zayed double-deck road project, and others. The increasing demand for urban transportation aims to bolster tourism and drive rail and road development across the country.

Saudi Arabia plans to invest US\$147 billion in enhancement and development of transport and logistics sector in coming 8-9 years. The plan includes "major expansion" of airport infrastructure in Jeddah and Riyadh. Construction of train linking Jeddah with Riyadh and the East coast. Exploring the usage of futuristic technologies like Hyperloop and the new generation of Maglev and the launch of new airline.

Qatar, has planned to electrify 25% of the public transit bus fleet. Public buses, government school buses and Doha Metro feeder buses shift to electrification, thus hitting the roll-out percentage that is required to reduce harmful carbon emissions from buses by 2030, in addition to promote environmental sustainability. Another major project includes Phase 2 of Doha metro which is expected to complet by 2026.

In July 2021 **Kuwait** planned to establish a series of logistics cities. The project is expected to be completed by 2025 at an investment of US\$400m. The proposed cities would be located on a combined area of 1.9m sq metres around Doha Port - with the new facility spanning 270,000 sq metres to the south-east and 300,000 sq metres to the south-west of the maritime centre - Shuwaikh Port (317,355 sq metres) and Mina Abdullah Port (1m sq metres).

In Oman, Road construction is major focus of domestic and regional development. In December 2021, the government opened a new road through the Empty Quarter connecting Riyadh with Muscat and other major Omani cities, including Duqm and other Omani ports. Oman has an ongoing drive to expand its bus and private taxi systems. Further, with the 7 commercial ports, another major focus of Oman is to develop Three deep-water ports: Sohar in the north, Duqm at the center of the country's coastline, and Salalah in the south. All three deep-water ports operate under concessions through joint ventures between the government and foreign private companies and connect to 86 ports in 40 countries.



Major Investors in GCC:

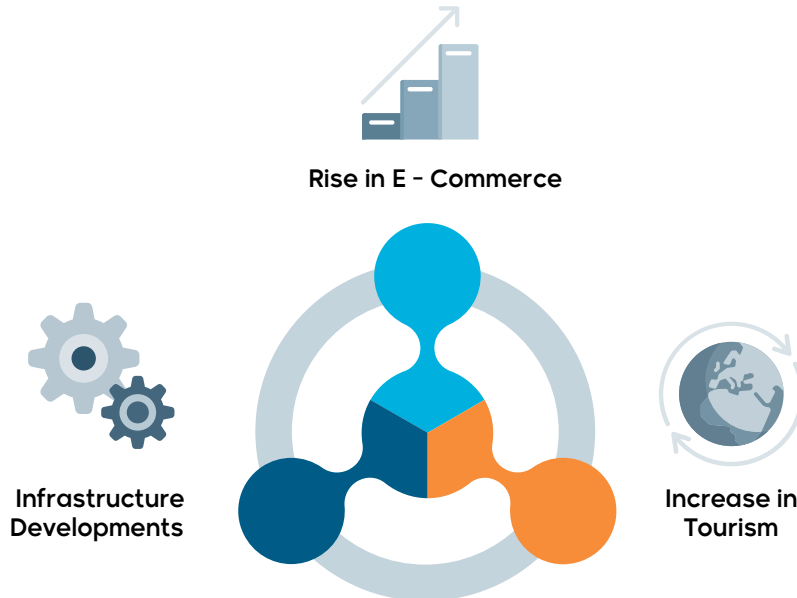


Source: Ministry of Transportation, Trade.gov, Qatar Invest

- The GCC countries are having strong economic growth with moderate inflation and fiscal surpluses. The government of these GCC countries are investing heavily in infrastructure development to increase their economic growth. These project requires proper policy framework, planning and management of public investments, hence many of the countries are going towards private investors as well as in partnerships with developing economies. For instance; The Gulf countries look at India as a fast growing economy. Realising the trade potential of the Gulf countries, India has entered into a negotiation with the GCC to finalise a Free Trade Agreement.
- The monetisation of infrastructure assets could be another factor. Some of the big utilities and energy companies in the GCC are considering more project bonds to monetise future cash flows by using capital markets issuance, and that could be a conduit for more capital market and sukuk options as a form of financing. Sukuk, being an asset-linked form of funding, lends itself naturally as a funding tool for financing essential infrastructure.



2.13 GCC Key Industry Drivers



2.13.1 Rise in E-Commerce

The rise of e-commerce has transformed the retail environment in the GCC. The GCC's e-commerce business has expanded rapidly in recent years. The UAE is the GCC country with the largest eCommerce market, E-commerce sales in the UAE grew to US\$ 4.8 billion in 2021, up almost 85% compared with US\$ 2.6 billion in 2019. The UAE population is expected to have access to the internet and mobile devices by 2025, according to the Dubai Chamber of Commerce and Industry. Traditional brick-and-mortar shops are rapidly changing their business models to offer clients an additional online retail platform to boost their profits. For instance, two of the biggest Middle Eastern merchants, introduced and launched online shopping portals in the UAE.

Per the new rules for free zones that were recently published in 2022, by the Dubai Free Zones Council (DFZC), there will be an increase in foreign direct investment (FDI) in the e-commerce sector of Dubai. In collaboration with Dubai authorities, DFZC's project will primarily be focused on promoting the use of e-commerce.

To entice local clients with zero online shopping experiences owing to language obstacles, several luxury firms have developed Arabic-based websites. Further, cross-border e-commerce is growing across Middle Eastern customers. Due to their confidence in gateway security and the availability of reliable and free shipping options, online buyers in the UAE made 58% of their purchases from foreign merchants. Social networking sites have a huge impact on customers' online shopping experience, as e-commerce players can also use social media to boost product sales. Logistics companies are investing in automation and other digital technologies to optimize operations and improve customer experience.

E-commerce is one of the cornerstones of Saudi Arabia's Vision 2030, which intends to diversify the country's economy and create an appealing investment environment. Physical objects sold



via E-commerce cannot thrive in the absence of a fertile and conducive environment for logistics services, which has undergone numerous reforms that have helped to increasing the quality of logistics services provided, such as: Improving the environment for customs clearance and tax collection, as well as enabling the passage of over 35 million inbound cargo to the Kingdom in 2022; Immediate issuance of a license for local parcel delivery, which contributes to growing the number of parcel delivery companies and recruiting significant global companies, thereby strengthening the logistics services environment for E-commerce.

In Oman, the E-Commerce industry is experiencing rapid growth as a result of the escalating consumption rate and the increasing sales of smartphones in the region. Consequently, it is anticipated that the technological literacy of customers will have a substantial impact on the expansion of the market. The government of Oman is undertaking various initiatives, including OEC 2020, which are playing a crucial role in fueling the growth of this market. The primary objective of these initiatives is to facilitate the future transformation of Governance, Transportation, Logistics, and Commerce by infusing the economy with digital advancements. Additionally, the continuous growth of Oman's GDP is expected to drive the overall expansion of the E-Commerce market.

Kuwait is embracing the unstoppable force that is eCommerce, joining the global wave of economic growth and demographic transformation. The nation boasts a strong foundation, making it the perfect breeding ground for this flourishing industry. Like every other player in the game, businesses in Kuwait are striving to find their own unique spot in the market, striving to bring unrivaled value to each and every customer. The public sector in Kuwait is lending a helping hand, with initiatives such as the Kuwait National Fund for Small and Medium Enterprises, home business licenses, and private sector incubators and accelerators. Venture capital firms are also emerging, recognizing the vast potential for growth in the eCommerce segment. Previously, Kuwait's eCommerce landscape was dominated by the food and beverage and retail sectors, encompassing personal care, groceries, and electronics. But times are changing, and innovation is brewing. Untapped segments such as home services, laundry, real estate, and more are now experiencing a surge in eCommerce activity.

With the changing landscape and cross-border shopping, the e-commerce market is flourishing in Bahrain and Qatar along with other GCC countries. It is expected that this emerging sector will contribute significantly to GCC nations economy in the near future.

2.13.2 Infrastructure Developments

Governments of GCC nations have made significant investments in infrastructure projects, such as the expansion of port, airport, rail, and road networks. The King Fahad Airport in Saudi Arabia, the Dubai Logistics Corridor, the Sheikh Jaber Al-Ahmad Al-Sabah Causeway in Kuwait, and other projects seek to improve connection, boost efficiency, and assist the expansion of the transportation & logistics sector.

Dubai Logistics Corridor, which is approximately 200 square km, connects Jebel Ali Port—the biggest artificial port in the world; Jebel Ali Free Zone—which is home to more than 8,700 businesses; and Al Maktoum International Airport—which will be the biggest airport in the world in terms of both size and volume once it is completed. The corridor cuts the 4-hours sea-to-air transfer time to 1 hour. The effectiveness of the logistics sector in Dubai and its ability to transport goods across the GCC is expected to increase significantly.



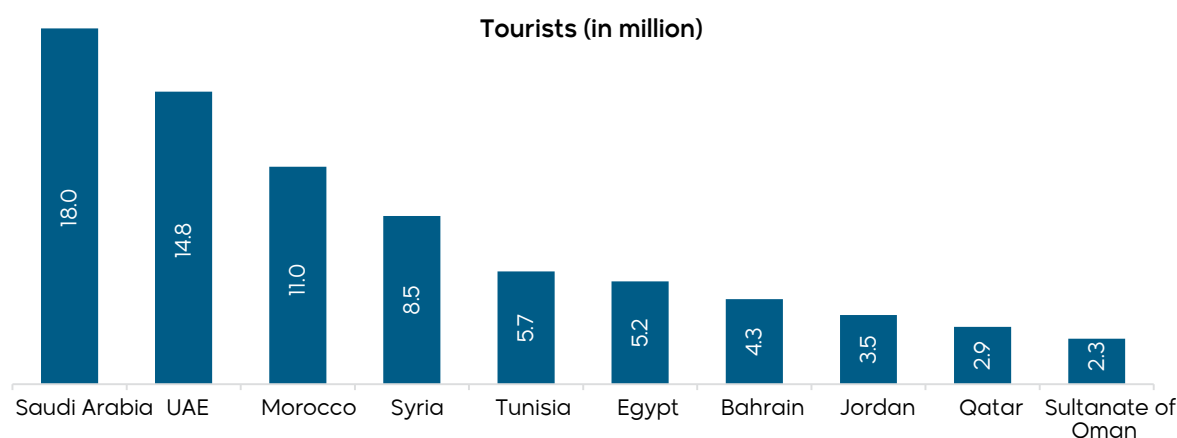
The Sheikh Jaber Al Ahmad Al Sabah causeway project, which includes two causeway pathways over Kuwait Bay, is the largest marine causeway project in the world. The US\$ 3 billion project, led by Kuwait’s Ministry of Public Works (MPW), included the construction of a 36-km road to Subiyah and a 13-km road that connects to Doha. The causeway project shortens the distance between Kuwait City and Subiyah in northern Kuwait, as well as minimizes the travel time, which is reduced from 90 minutes to less than 30 minutes.

2.13.3 Increase in Tourism

In the GCC countries, transport has been significantly influenced by tourism. Governments of GCC countries have invested tremendously in improving air connectivity and upgrading their airports. A few of the biggest airlines operating in the GCC are Emirates, Qatar Airways, Etihad Airways, Saudi Airlines, and Gulf Air. According to a study by Airports Council International (ACI), Dubai International Airport (DXB), which welcomed 66 million visitors in 2022—an increase of 127% over 2021—remains the busiest airport for foreign travelers.

Additionally, according to the General Authority for Statistics (GASTAT), in 2022, 88 million passengers travelled via airports in Saudi Arabia, an increase of 82% from 2021. Domestic airports had an average of 5.94 daily flights arrive and depart in 2022, while foreign airports saw an average of 131.29 daily flights arrive and depart for combined domestic and international flights. The development of an international airport and the increase of airline routes have made travel within the GCC easier and more accessible for tourists. According to IATA, reservations to Qatar increased by more than 87% in November 2022 compared to October 2022 as a result of the FIFA World Cup 2022. Per the United Nations World Tourism Organization, in the first three quarters of 2022, Saudi Arabia welcomed more than 18 million visitors, followed by Morocco with 11 million and the UAE with 14.8 million. With the rising popularity of the tourism sector, governments and various companies in GCC are compelled to provide proper transportation facilities, which, in turn, is driving the transportation & logistics industry.

Figure 8. Number of Tourists in GCC Countries.



Source: UNWTO



2.14 GCC Region Key Industry Restraint

2.14.1 Import Tariff and Custom Regulations:

Trade policies such as tariffs and customs restrictions have a negative impact on the transportation & logistics industry, directly affecting its profitability. These measures can impact the flow of products and services across borders as well as the cost of transportation. Hence, companies are constantly concerned about the changing trading landscape. The UAE government levies import tariffs on commercial items based on the nature of the goods being transferred, their origin and destination, trade agreements between the UAE and the exporting country, and other laws and regulations. As a member of the GCC, Saudi Arabia imposes a common external tariff of at least 5% on most commodities imported from nations outside the GCC. In 2022, the government of the Kingdom of Saudi Arabia (KSA) announced its plan to increase customs duty rates for a wide range of goods, including live animals, foodstuffs, minerals, chemicals, plastic, glass products, base metals (specifically aluminum), machinery, equipment, and electrical equipment and vehicles.

2.14.2 Lack of Skilled Labor

The logistics and transportation business requires trained personnel to handle diverse duties such as warehousing, shipping, and supply chain management. However, in a few GCC nations, there might be a shortage of trained staff, which can have an impact on the efficiency and efficacy of logistical operations. The employment of qualified personnel is a major contributor to the economic transition of the Middle East. However, according to a survey in 2022, titled Middle East Hopes & Fears Survey conducted by PwC, 75% of the employees surveyed in Kuwait witnessed a scarcity of people with specialized skills. In Qatar, the figure reached 60%, while in Saudi Arabia and the UAE, 58% and 46% of workers, respectively, acknowledged a shortage of talented employees. Thus, the lack of skilled labor is hampering the growth of the transportation & logistics industry.

2.15 GCC Region Key Industry Opportunity





2.15.1 Growing Investment in Saudi Arabia

To promote its Vision 2030 program of social and economic reform, the Kingdom's Ministry of Transport has committed to providing major improvements in the logistics business. The logistics industry in Saudi Arabia was valued at US\$ 30.9 billion in 2022, making it one of the industries in the GCC that registered significant growth. In 2022, ~US\$ 15 billion was invested in infrastructure and transport projects across the country, according to the Kingdom's Ministry of Finance. According to a UN Conference on Trade and Development study for 2021, Saudi Arabia ranks 4th out of 30 nations in cargo and vessel handling in terms of tanker loading speed. The Kingdom has also open up the market by enabling overseas firms to collaborate with local competitors to expand private sector activities such as Saudi Logistics Services' partnership with Classic Automotive Relocation Services, a UK-based firm.

In October 2022, the Jeddah-based company announced its plan to provide logistics support for all automobile shipments by the UK-based company that transits via different modes of transport across multiple countries, including Riyadh, Jeddah, Dammam, and Madinah.

2.15.2 Surge in Retail Logistics

Retailers in the GCC region are reporting high turnover rates due to growing prices and rising consumer spending on basic products. According to a survey conducted by the Dubai-based business, the GCC's retail sector is increase by 15.7% year over year and generates US\$ 296.8 billion revenue in 2022. The growth is fueled by favorable demographics, improved financial conditions, and a resurgence in tourism. The sector is also positively affected by governments' efforts to diversify the economy, the reopening of brick-and-mortar stores, and the popularity of online businesses.

Retail logistics is directly responsible for a proliferating retail sector. Tourists are rapidly scheduling flights to Dubai, and an enhanced shopping experience is one of the key factors for increased tourism. The rising customer base in Dubai is likely to draw the attention of numerous international luxury fashion manufacturers as well as boost investments in retail logistics by other countries in the coming years.

2.15.3 Rail Network to Boost UAE Freight Transport Sector

The expansion of the rail network to 900 km in the UAE strengthens the country's goods transport sector. The implementation of passenger rail services can help to alleviate traffic congestion, contribute to net zero objectives, and boost government revenue in the coming years. The rail network is connecting the Emirates from Ghufeifat on the Saudi border to Fujairah. The railway is estimated to provide 200 billion dirhams (US\$ 54.5 billion) to the economy and save 8 billion dirhams (US\$ 2.2 billion) on road maintenance. A fleet of 38 cargo locomotives can transport 60 million metric ton of goods every year. The UAE National Railway Network will provide freight and transportation solutions for investors and customers due to its ability to transport all types of goods, including petrochemicals, limestone, raw steel, building materials, cement, industrial and domestic waste, food commodities, aluminum, and general cargo. In addition, the UAE's



transport industry is ranked eighth in the world on the Global Competitiveness Index; hence, this will promote more private and foreign investment in the country.

2.15.4 Strategic Development by Key Players







Strategic partnerships and joint ventures are an integral part of the GCC growth strategy. Two leading logistics companies announced their plan to collaborate and establish a new procurement and logistics hub—the JV. The hub is anticipated to start operations by 2025 and will initially focus on the Saudi market before expanding across the Middle East & North Africa. The companies claimed that the hub can offer integrated procurement and logistics services in an effort to boost regional sustainability and supply chain efficiency. Also, the aim of the hub is to offer dependable and strong end-to-end services in the industrial, energy, chemical, and petrochemical sectors, making it a first-of-its-kind hub.

In addition, as part of the nation's attempts to improve its freighter network, Etihad Rail, the developer and operator of the UAE National Rail Network, has signed a 20-year collaboration deal with leading Global Forwarding to establish a joint venture. In accordance with the agreement, this leading global forwarder will make rail one of its primary means of transportation for distributing goods across the UAE via the railway network that links the majority of the nation's industrial hubs. The railway network consists of more than 1,000 wagons and a fleet of 38 locomotives.

The aim is to connect seven Emirates, four main ports, and numerous logistical hubs across the nation by goods trains. With the implementation of this plan, the UAE is expected to export ~20 million metric ton of cargo in 2023, and is anticipated to export 60 million metric ton by 2030. It is also expected to significantly reduce the burden on road transport while enhancing end-to-end logistics and supply chain services. Additionally, it is anticipated to increase trade, business, and logistics in the UAE.



2.16 GCC Region Macro-Economic Factors Impacting the Sector

GOVERNMENT		The GCC countries have invested significantly in infrastructure development, particularly transport and logistics. The GCC countries have made major expenditures on infrastructure projects such as port, airport, rail, and road expansion. Projects such as Saudi Arabia's King Fahad Airport, Dubai's Logistics Corridor, and Kuwait's Sheikh Jaber Al-Ahmad Al-Sabah Causeway aim to improve connectivity, boost efficiency, and aid in the expansion of the transportation & logistics sector. The Saudi Ministry of Transport and Logistics Services has suggested an audacious strategy to increase the Kingdom's logistics industry market to SR 57.4 billion (i.e., US\$ 15.31 billion) by 2030 and establish the country as a worldwide logistics hub.
ECONOMICAL		The GCC economy is primarily reliant on oil revenue. Oil price fluctuations can have an impact on government spending, infrastructure investment, and general economic growth. The GCC countries' general economic growth and diversification efforts fuel demand for the transport and logistics industry. More GDP growth leads to more commerce and investment.
SOCIAL		The GCC region includes a sizable expat population with various cultural origins and transportation requirements. Retailers in the GCC region are reporting higher turnover rates due to rising pricing and rising customer spending on necessities. According to a survey, the GCC's overall retail sector is predicted to grow 15.7% year-on-year and produce US\$ 296.8 billion in revenue in 2022. Favorable demographics, improving financial conditions, and a comeback in tourism will drive the increase, as will government initiatives to diversify the economy and the rise of brick-and-mortar and online businesses.
TECHNOLOGICAL		The retail landscape in the GCC has changed due to the growth of e-commerce. The e-commerce industry in the GCC has grown rapidly in recent years. With record-breaking sales of US\$ 3.9 billion in 2020, or 10% of total retail sales, the UAE is the GCC nation with the largest e-commerce market. By 2025, the UAE market's population is expected to have access to the Internet and mobile devices at a rate of nearly 100%, according to the Dubai Chamber of Commerce and Industry.
ENVIRONMENTAL		Government laws to minimize carbon emissions and the growing emphasis on environmental sustainability may force logistics and transportation companies to adopt eco-friendly procedures and make green technology investments. Extreme weather in the GCC and extensive desert regions can make it difficult to conduct transportation and logistical operations, especially while managing temperature-sensitive items and maintaining infrastructure.
LEGAL		The transportation & logistics sector is impacted by trade policies, including tariffs and customs restrictions. Based on the nature of the commodities being transferred, their origin and destination, trade agreements between the UAE and the exporting country, as well as other laws and regulations, the UAE imposes import duties on commercial items. Saudi Arabia levies a single external tariff of at least 5% on most goods imported from countries outside the GCC as a GCC member.



3. GCC Transportation and Logistics Outlook

3.1 Challenges in GCC

The GCC's poor road network density has been one of the concerns hampering the growth of the transportation & logistics sector. The dire performance of road transport infrastructure causes delays and increases trade costs. The gaps are especially noticeable in cross-border infrastructure and road transportation. According to the World Bank, the GCC area must invest about 5% of its GDP in road infrastructure development.

The level of driving skills significantly impacts the overall performance of the transportation industry, as it affects fleet efficiency. Drivers in the GCC countries are comparatively less skilled than those in the Western countries, which consequently leads to higher fuel expenditures and quickens wear and tear charges of the vehicles.

Customs processes in the GCC region involve complicated rules. It may take weeks for customs clearance, if cross-border shippers are not prepared. The documentation process differs between states, which may vary from 6 documents in the UAE to 12 in Saudi Arabia. Despite a custom union in place in the GCC region, cargo shipments crossing land borders within the GCC region might have to undergo physical inspections by customs at each border. In addition, a permit or license is required for a product to be imported freely into the GCC customs union member state. Thus, these challenges cause shipment delays and create a chaotic situation between the transport company and the shipper. Adding to the plight, the growing inter-trade significantly increases the movement of trucks through different border points daily.

As these points have not been maintained for years, tail backing of trucks, especially during peak seasons, slows down intra-regional trade.

3.2 Solutions

More Investment in Infrastructure

The major focus of GCC economies is on improvement of infrastructure by increasing rail and metro network. Rail projects have become major focus area in GCC which can be seen by the recent developments such as in January 2022, Saudi Arabia announced the plan to improve their rail network by construction of 8,000 Km of track. Similarly, UAE has also launched its national railway network which will include new network's freight fleet comprising 38 locomotives and 1000 + wagons.



Oman–Etihad Rail Company (OERC) signed an agreement with Abu Dhabi’s Investment Company. OERC is a joint venture of Oman Rail and Etihad Rail, and aims to develop the UAE–Oman rail project. OERC’s network, announced in September 2022, will have passenger and freight lines. Passenger service speeds will be 200 km per hour (kmph) and freight service speeds will be 120kmph.

Kuwait’s Public Authority for Roads and Land Transport too has tendered phase 1 rail consultancy work in 2023. The planned 110km network will be running between Kuwait’s southern border to the Shaddiyah region.

3.3 On-going and New projects in GCC:

Year	GCC Country
2023	Oman plans for UAE–Oman rail link estimated US\$ 3 billion, which will be started by 2023 end. The government is also working on a railway project that offering a link to Saudi Arabia. Muscat Daily reported studies are under way to link Duqm and Riyadh through the Ibri border crossing. The Oman–Saudi rail link is likely to be used for cargo transport
2022	The Dubai Autonomous Transportation Strategy in the UAE seeks to make 25% of Dubai’s transportation autonomous by 2030, resulting in cost savings of 44% and a 12% decrease in environmental pollution. High-quality public transportation and roads are among the program commitments made by the Saudi Vision 2030 and Saudi Energy Efficiency Programmes in the Kingdom of Saudi Arabia.
	<ul style="list-style-type: none"> ▪ NEOM, a US\$ 500-billion high-tech city centerpiece of the Kingdom of Saudi Arabia’s Vision 2030 plan, is situated on the nation’s northwest coast. ▪ This project is designed with layers. The top layer will be a pedestrian – and nature-friendly, car-free tier. Underneath The LINE’s surface will be the two remaining layers, one for infrastructure and the third, deepest layer for transportation only. ▪ The underground transport layer will include AI-driven vehicles, a metro line, and a high-speed freight transport system. With transport taking just 20 minutes from one end of The LINE to the other, this “spine layer” will connect various communities.
	<ul style="list-style-type: none"> ▪ The UAE’s new national rail system called Etihad Rail connects the nation to its neighbor Saudi Arabia and all of the Emirates. ▪ By 2030, the cutting-edge network will connect the UAE’s commercial, industrial, and populated centers, replacing 5,600 trips made by big trucks on the road carrying millions of passengers. Additionally, the network is anticipated to boost the economy by roughly US\$ 54 billion. ▪ Plans for creating the Dubai Sky Pod Transport System have been unveiled as part of Dubai’s Autonomous Transportation Strategy. ▪ With the advent of driverless pods that are suspended above the ground, the RTA proposal is anticipated to revolutionize the city’s transit system.
2021	<ul style="list-style-type: none"> ▪ Saudi Arabia Launched National Transport and Logistics Strategy in support of Vision 2030. This strategy is made in order to improvise all type of transportation methods. This strategy will further improve technical capabilities in transport and logistics sector.
2020	<ul style="list-style-type: none"> ▪ Qatar plans to launch phase 2 of Doha metro. An Additional Blue Line with 72 stations will be constructed to serve both the capital and suburbs in all major locations for the easy access and convenience of the public. Once completed, the metro will also be connected to neighboring countries creating the first fully integrated rail system.
	<ul style="list-style-type: none"> ▪ GCC Rail Project : The project will connect all GCC countries and will provide an alternative model to the road, air, and sea transportation. It is also expected to significantly contribute to the region’s economic growth diversify transport modes and reduce cost. The project will also promote and facilitate regional trade and support the national industries of the GCC and neighboring countries.

Source: Government Websites, Invest Qatar, Invest Oman, MICE, Invest Saudi



4. Glossary

3PL	Third-Party Logistics
ACI	Airports Council International
BLZ	Bahrain Logistics Zone
DFZC	Dubai Free Zones Council
DXB	Dubai International Airport
FDI	Foreign Direct Investment
FTL	Full Truck Load
GASTAT	General Authority for Statistics
IoT	Internet of Things
KBSP	Khalifa Bin Salman Port
KSA	Kingdom of Saudi Arabia
MOTLS	Ministry of Transport and Logistics Services
PPP	Public-Private Partnership
NIDL	National Industrial Development and Logistics Program
HIC	Hosn Investment Company
3PL	third-party logistics providers
OIZ	organized industrial zones
NTP	National Transformation Programme
BCCI	Bahrain Chamber of Commerce and Industry
CEPA	Comprehensive Economic Partnership Agreement
AEO	Authorised Economic Operator



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About the Gulf Research Center

The Gulf Research Center is an independent research institution, whose motto is "Knowledge for All." Its work serves the issues and goals of the peoples and countries of the Gulf region. The center was established in July 2000, and its headquarters are in Jeddah, Saudi Arabia. It has branches in Riyadh, Saudi Arabia, Cambridge University, United Kingdom, and Geneva, Switzerland.

Since its establishment, the Center has been committed to actively contributing to issues in the Gulf region, through all its activities, which include: conducting research and studies, organizing conferences, forums and workshops, media dissemination on security issues, politics, economy, military affairs, education and environment, media and others. The Center has also translated and published more than 500 major books, dictionaries and dictionaries specialized in politics, security, economics, international relations, strategic thought, environment, media, regional and international balance... etc.

For the twelfth consecutive year, the Gulf Research Center maintained its presence among the most prominent think tanks and civil society organizations in the world, and as one of the major independent think tanks in the Middle East and out of 8,162 organizations from all continents of the world, according to what was announced by the International Relations Program at the University of Pennsylvania on 30 January 2020, as a part of the program's annual classification of think tanks in the world. In addition, the Gulf Research Center was cited as one of the most prominent think tanks interested in foreign political and international affairs, and among the best institutions within the classification of institutional cooperation.



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