

OPENING DOORS TO THE GULF REGION

THE NEW ZEALAND INC STRATEGY



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- 1 Foreword from Prime Minister key
- 3 Introducing the GCC
- 5 Introducing this Strategy
- 7 Growth opportunities
- 11 Strategy GOALS
 - 11 Strong and enduring political relationships with the GCC
 - 11 Foreign Policy, Defence and Security
 - 13 Expanded trade and economic relationships with the region
 - 13 Supporting New Zealand business to double high value exports
 - 13 NZ-GCC FTA
 - 13 Investment
 - 14 A key market for international students and education businesses
 - 16 Renewable Energy
 - 16 Food Security
 - 16 Commercialising Government IP
 - 16 Connectivity with the region
 - 16 Air links and visas
- 19 Conclusion

FOREWORD FROM PRIME MINISTER KEY

New Zealand has a long history of working constructively with, and trading with, the diverse states in the Middle East. I am delighted to be able to introduce this NZ Inc Strategy for the Gulf Cooperation Council and its member states.

The states of the Gulf Cooperation Council offer New Zealand huge opportunities to grow two-way trade and investment.

The states of the GCC are looking for strong relationships that complement their economies. The Government is putting more resources into our trade and diplomatic footprint in the region. We have welcomed the increase in Ministerial visits in both directions and continue to support the aspirations of Gulf States to open Embassies in New Zealand.

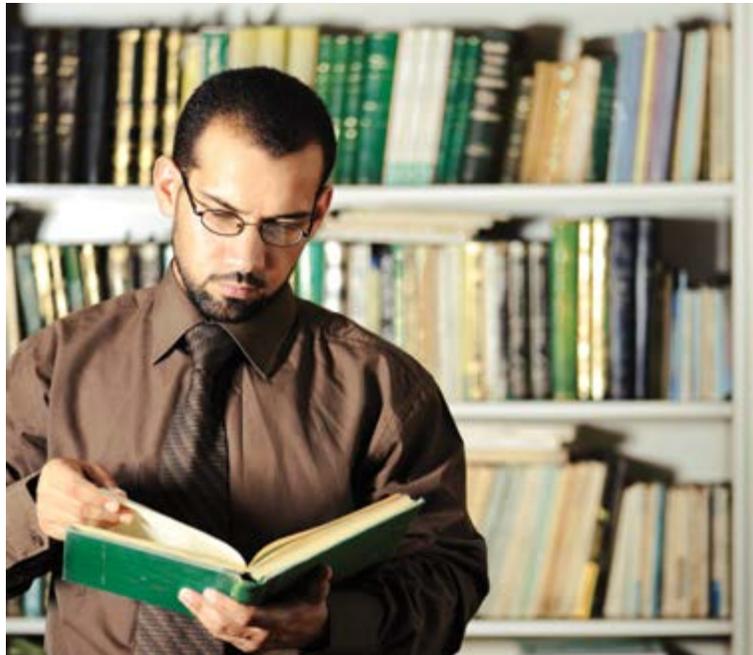
But that is just the first step in developing our relationships. To take them to the next level we need business to increase their understanding of the region, and to investigate the opportunities that are there. The states of the GCC have recognised the value that New Zealand can offer them in terms of food security, education and investment. Now it is up to New Zealand to take up the challenge.

Doing business in the Gulf is challenging but the rewards are there for those who are willing to make the long term investment in building the personal relationships that are so important to doing business in the region. I encourage all New Zealand firms to look at the Gulf and think about the prospects the region offers.

Rt Hon John Key
Prime Minister



Clockwise from the top:
Abu Dhabi at night; a collection of hookah;
an international student.



INTRODUCING THE GCC

The Gulf Cooperation Council (GCC) was established in 1981 between Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE). The six countries are the economic powerhouses of the Middle East with large state resources and particular needs that match New Zealand’s comparative strengths. These are states that are looking to work with us on areas such as food security, education and investment.

The GCC states vary in size from Saudi Arabia, with a population of some 29m and which concluded over \$1b in bilateral trade with New Zealand in 2012, to Oman with a population of just over 3 million and Qatar with fewer than 2 million.

build their food security. At the same time the GCC demand for New Zealand food, education, technology and technical services represents a great opportunity for our exporters.

➔ **“The GCC is New Zealand’s seventh largest export destination with goods worth \$1.53bn in the year to December 2012.”**

Underpinning our economic relationship is a long-standing and deepening political relationship. The major political issues of the Middle East shape the international environment in which New Zealand operates and impact directly on our own security. The countries of the GCC play a leading role in these issues.

Deeper political dialogue and engagement with the GCC will help New Zealand to continue to formulate policies which are constructive and focus on strengthening the relationship.

New Zealand is seeking to demonstrate that it is a valuable partner across a range of these international and security issues.

This Strategy outlines how New Zealand aims to increase its value as a partner to the GCC.

While the GCC states have high per capita GDP fuelled by huge oil reserves (Qatar has the highest per capita GDP at US \$101,934) they share a serious shortage of both water and arable land.

The factors that make us a global provider of high quality food makes New Zealand a natural partner for the GCC states as they look to

GCC KEY STATISTICS



1 SAUDI ARABIA
 Population: 29 million
 GDP per capita: \$29,556 (USD)
 Forecast real GDP growth: 4.7%

2 UAE
 Population: 7.5 million
 GDP per capita: \$54,986 (USD)
 Forecast real GDP growth: 4.9%

3 QATAR
 Population: 1.8 million
 GDP per capita: \$101,934 (USD)
 Forecast real GDP growth: 5.4%

4 KUWAIT
 Population: 3.8 million
 GDP per capita: \$40,583 (USD)
 Forecast real GDP growth: 4.5%

5 OMAN
 Population: 3.4 million
 GDP per capita: \$25,490 (USD)
 Forecast real GDP growth: 5.1%

6 BAHRAIN
 Population: 1.3 million
 GDP per capita: \$24,149 (USD)
 Forecast real GDP growth: 4.2%

Source: Economist Intelligence Unit / Global New Zealand.

INTRODUCING THIS STRATEGY

This five year strategy for growing New Zealand’s relationship with the GCC is based on a much closer collaboration between Government agencies and the business community, reinforced by high level political engagement.

Consultation with business has identified concrete activities that NZ Inc. agencies should undertake to help NZ firms overcome challenges and harness the opportunities in the GCC.

At the same time, there are opportunities for growth in the goods and services areas in which New Zealand excels. These include food, education, healthcare, construction and environmental management. New Zealand governance and public sector expertise also has considerable commercial potential in the Gulf.

The New Zealand brand, although little known in the region, is positive thanks to our balanced foreign policy on regional issues and the positive story told by an average of over 5,500 Gulf students educated in New Zealand each year over the last five years.

New Zealand has a reputation for providing a safe and tolerant environment for students and tourists, while the increased social contact is

providing New Zealanders with the opportunity to deepen their understanding of the Gulf, its people, and its cultures.

We have increased our own engagement, with recent visits by Ministers and the Governor-General and plans for a trade mission led at a senior level.

There has been a corresponding interest in New Zealand from the Gulf. In the last year several GCC countries have advised of their intention to open an embassy in New Zealand. Visits by high level delegations from the Gulf have all been intent on furthering cooperation and building relationships with the New Zealand public and private sectors.

This Strategy therefore highlights the action we can take to strengthen our relationships with the region and take the political partnership to the next level.

➔ **“Future food security is important for GCC members – this makes New Zealand a natural partner”**



Clockwise from the top: Hotel in Muscat, Oman; Kuwaiti towers; Wall and floor decoration in Sheikh Zayed Mosque Abu Dhabi; Businessmen in the region.



GROWTH OPPORTUNITIES

The Government has set the ambitious goal of lifting the value of exports from 30% to 40% of GDP by 2025...

The GCC is New Zealand's seventh largest export destination, with goods exports worth \$1.5bn in the year to December 2012. Exports of goods have grown by an average 10% per year over the last decade.

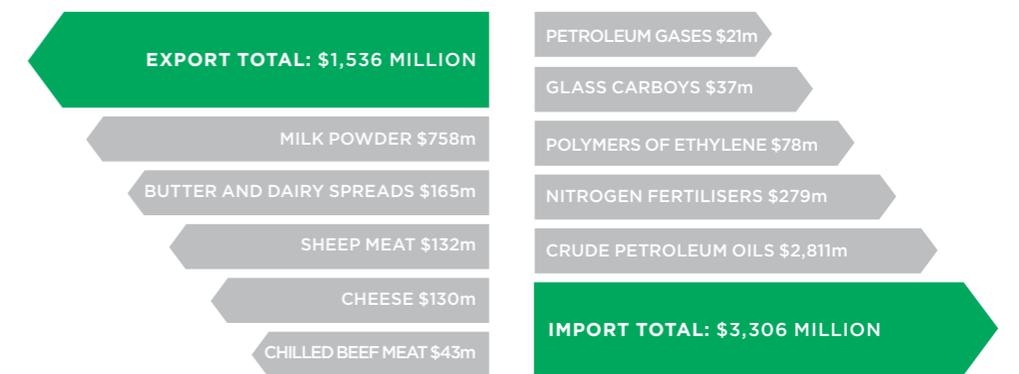
In addition, the countries of the GCC are an entry point into the region for some New Zealand companies and a base from which to penetrate the wider Middle East and beyond to Central Asia and Africa.

The GCC economies are largely hydrocarbon-based, sitting atop an estimated third of global oil reserves and a fifth of global gas reserves. The resulting foreign exchange reserves have created sovereign wealth funds among the world's largest.

Despite their substantial wealth, GCC members share a problem: the virtual absence of arable land. There is strong demand for imported food and beverages that are of high quality, healthy and halal. Future food security is therefore important for GCC members. This makes New Zealand a natural partner.

The Gulf States are also looking to reduce reliance on oil, diversify their economies through the development of high technology and service sectors, and ensure sustainable growth and high living standards for the future. Large public sector reforms and physical and social infrastructure development and capacity-building are under way. New Zealand has relevant public and private sector expertise together with a reputation for effective niche, customised solutions.

NEW ZEALAND EXPORTS TO THE GCC (2012)



Source: Statistics New Zealand (for the 12 months to December 2012)

A large, faint watermark of the New Zealand Coat of Arms is centered in the background. It features a shield with a four-pointed star, a silver fern, and a kiwi bird, surrounded by a wreath of silver fern and a scroll with the motto 'EUREKA'.

New Zealand's total trade with the GCC
was \$4.86 billion in 2012. Source: MFAT



Incredible Dubai

STRATEGY GOALS

This Strategy aims to build a stronger partnership with the region through greater political engagement and deeper relationships.

At an overarching level this will require better collaboration between Government agencies and the business community, and an emphasis on strengthening political engagement. Specific goals include:

- 1 Strong and enduring political relationships with the GCC
- 2 Expanded trade and economic relationships with the region
- 3 Connectivity with the region

These goals can only be achieved through greater engagement with the region, including stronger support for New Zealand firms.

1 Strong and enduring political relationships with the GCC

New Zealand's political relationships in the Gulf have advanced greatly over the last decade. Foreign policy, defence and security cooperation is a key element to deepening the partnership between New Zealand and the Gulf states.

Foreign Policy, Defence and Security

New Zealand's engagement in the region is appreciated and valued. This forms the umbrella under which other aspects of the relationship can flourish.

There is a positive perception in the GCC region of New Zealand as balanced and independently-minded, especially on Middle East issues. Our voting record in the UN reflects this. It will be important to maintain a consistent, fair and balanced position on the Israel-Palestine issue, and a principled stance on non-proliferation and disarmament.

Personal relationships are important in the Gulf. In the first six months of 2013, the Minister of Foreign Affairs has twice visited the Gulf. The Minister of Defence, Minister of Revenue and the Governor-General have also made visits to the region. New Zealand's increasing focus on the GCC has brought with it a corresponding interest from the Gulf. In return, five high-level visits to New Zealand from the region are expected during 2013. Several GCC countries have advised that they intend to establish embassies in New Zealand in the near future.

➔ “New Zealand exports to the region have grown by an average 10% per year over the past decade.”



World Trade Centre in Bahrain

KEY PLANK: STRONG GOVERNMENT LEADERSHIP

Across the Gulf region, government and business are intertwined. Strong personal relationships at the political level are critical.

In recent years there has been a growth in the frequency and tempo of Ministerial contact. This has substantively added to New Zealand's profile in the region. We need to maintain the momentum, including through Ministerial-led trade missions and high level visits by the Governor-General and Prime Minister to access decision-makers at the highest level.

Building institutional relationships

Stronger institutional linkages will be needed to underpin our trade and economic interests. We will seek to expand existing

formal dialogue mechanisms with the UAE and Saudi Arabia and to add a high level dialogue mechanism with the GCC Secretariat. Similar mechanisms with other GCC members will be put in place.

Upgraded footprint

Supporting the Strategy will be a close and collaborative NZ Inc effort in the region. NZTE has appointed a new Regional Director in the UAE responsible for India, the Middle East and Africa. Alongside this MFAT will upgrade the New Zealand Embassy in Abu Dhabi by adding a second diplomat. With a Consulate-General in Dubai and an Embassy in Abu Dhabi, the UAE will become the consular hub for the region. Education NZ and NZDF will maintain their presence in the GCC.



KEY PLANK: BETTER SUPPORT FOR BUSINESS

There will be enhanced support for NZ firms entering the GCC market through:

- Rolling out NZ Export Credit Office's Government to Government Bond Guarantee where required, and increased use of loan guarantees to support transactions.
- Enhanced NZTE and beachhead services, including a new regional hub in Dubai.
- Support for relevant business groups including MEINZ (in-market) and the Middle East Business Council (NZ), a trade mission in 2014, and support for the establishment of a MEINZ company database.



2 Expanded trade and economic relationships with the region

The GCC is a challenging business environment. New Zealand companies face problems of scale, high start-up and business development costs, and stiff competition. That is why government involvement and good partner selection are critical to success.

Supporting New Zealand business to double high value exports

Nevertheless there are commercial opportunities in the Gulf that the New Zealand Government should support as part of its effort to grow diverse export markets.

This strategy includes increased support for New Zealand business, with additional MFAT and NZTE staff and resources in the GCC as well as a Government to Government guarantee and amended loan guarantee from the NZ

Export Credit Office. Our resources are limited compared with many of our competitors so we need to continue to build on creative and targeted solutions, including making the most of the large number of well-connected Kiwi expatriates in the region who are keen to offer their support.

NZ-GCC FTA

Negotiations with the GCC on an FTA were concluded at officials' level in October 2009. If implemented, the FTA would achieve lower tariffs and robust market access for New Zealand goods and services into the GCC market. The agreement now needs to be legally and technically verified before it can be signed, and ratified.

Investment

The GCC has not been a priority for New Zealand for targeted investment promotion. The table below demonstrates clearly why this



KEY PLANK: SECURING A TRADING ADVANTAGE

Continued advocacy at both political and diplomatic levels to conclude the FTA with the GCC states will be an important contributor to

increasing New Zealand's exports to the Gulf, and in creating an investment environment favourable to New Zealand companies.



KEY PLANK: INVESTMENT GROWTH

More can be done to maximise investment opportunities in New Zealand for GCC countries. This is a potential win-win: with capital support from the GCC joining Kiwi expertise and entrepreneurship.

- Encourage foreign direct investment from the region by developing GCC-specific investment propositions and creating an attractive investment environment.

needs to change. There is however evidence to suggest some interest in New Zealand amongst GCC investors, particularly in the agricultural sector. There is also potential to invest together in third countries using a mixture of capital and expertise, and for investment collaboration that brings New Zealand skills and technology to the Gulf.

Direct FDI into New Zealand also offers potential; some of the world's largest sovereign wealth funds are in the GCC. The sovereign wealth fund assets of the GCC were valued by Moody's investor's service at US\$1.7 trillion at the end of 2012.

A key market for international students and education businesses

Education is a cornerstone of the New Zealand/GCC relationship. From 2,143 students in 2006, this grew to a peak of 6,343 in 2011. At present Gulf students in New Zealand are mostly from Saudi Arabia, with Saudi Arabia the fifth largest student market by country, and many of the students' families also visit New Zealand, contributing to tourism.

Like other markets, GCC student numbers slipped to 4,900 in 2012, mostly owing to the earthquake in Christchurch.

FUND	WORLD RANK	COUNTRY	ASSETS UNDER MANAGEMENT BILLION (USD)
ABU DHABI INVESTMENT AUTHORITY	1	UAE	\$627
SAMA FOREIGN HOLDINGS	4	SAUDI ARABIA	\$533
KUWAIT INVESTMENT AUTHORITY	6	KUWAIT	\$296
MUBADALA DEVELOPMENT COMPANY	9	UAE	\$177
QATAR INVESTMENT AUTHORITY	13	QATAR	\$100
INVESTMENT CORP. OF DUBAI	15	UAE	\$70
INTERNATIONAL PETROLEUM INVESTMENT CO.	18	UAE	\$58

Source: Sovereign Wealth Fund Institute: Boston Consulting

This strategy calls for action to attract more students from Gulf countries, and to broaden the education offering in New Zealand. This includes working with New Zealand polytechnics to meet the demand for vocational and technical education as well as summer school programmes. There are also opportunities for receiving Gulf government scholarship students in areas such as tourism, police, health, defence, aviation, and public administration.

As the education relationship matures, increased opportunities are likely to arise around academic exchange and science cooperation, and alumni communities in the Gulf will become important advocates for the relationship.

As well as sending students off-shore, Gulf States are focused on improving education delivery in their own countries. New Zealand education services firms, as well as universities and institutes of technology, are well placed to partner with Gulf States.

Government-to-government memoranda of cooperation are fundamental to both student recruitment and provision of education services in market.

These arrangements provide the umbrella for scholarship schemes run by GCC governments and quasi-government agencies. They also enable NZ education consultancy companies to tender directly for contracts.

KEY PLANK: EDUCATION SERVICES

We cannot take it for granted that students will choose to study with New Zealand institutions. Therefore we need to encourage further growth as part of our economic engagement.

- Make New Zealand a preferred destination for international students from the GCC.

- Supporting education market development in the GCC, including working with New Zealand polytechnics to meet the demand for vocational and technical education.

KEY PLANK: GOVERNMENT COMMERCIAL PARTNERSHIPS

The Government will begin work with the GCC and its members on specific projects to provide New Zealand's public and private sector expertise in government-commercial partnerships. This will build on initiatives and discussions already commenced with, for example:

- Environment Abu Dhabi
- Qatar National Food Security Programme
- Saudi Arabia Agribusiness.
- New Zealand is committed to exploring the potential for projects of this kind with all GCC members.

Renewable Energy

GCC countries have shown increasing levels of interest in developing renewable energy resources and world-leading technologies in recent years. New Zealand holds expertise in areas such as geothermal and hydro-energy, and is already working internationally on supporting renewable energy projects.

There is scope for New Zealand and Gulf countries to work together, using our development experience, to meet the needs of third countries, such as the small island developing states of the Pacific.

Food Security

Food security is becoming an important geopolitical concern, especially for regions like the Gulf. The scarcity of water and arable land, growing populations, rising food demand, and vast imports, have led to attempts to solve food security vulnerabilities by looking for partnership and investment opportunities with other countries.

New Zealand's background and long history of agriculture production and technology has the potential to contribute to the food security needs of GCC countries. New Zealand has developed world-leading farm practices and approaches to fisheries management, advanced food technologies, among the strongest food brands, and a reputation for outstanding quality. New Zealand is a natural food security partner.

For this reason the New Zealand Government has committed funding to establish an agri-

business service hub in the Gulf to fast track partnerships between New Zealand and GCC businesses.

Commercialising Government IP

GCC states are facing some complex challenges around food security, environmental protection, and improving education outcomes. They are seeking New Zealand assistance to address these through deeper arrangements that cut across expertise held by both the public and private sectors. New Zealand is recognised around the world for our environmental management, education systems and qualifications frameworks, among other things.

That is why the New Zealand Government is negotiating government-commercial agreements under which New Zealand public and private sector expertise can be packaged. If these prove successful, we will look at using this model in other parts of the world.

3 Connectivity with the region

Achieving these goals will require excellent connectivity with the Gulf region, and more Government resources to cement lasting relationships.

Air links and visas

Air linkages play a crucial role in trade and travel. Gulf airlines are rapidly expanding, and there are opportunities for increasing the connections between New Zealand, the GCC, and the wider Middle East.

The main area of focus will be to ensure that the implementation of New Zealand's



KEY PLANK: CONNECTIVITY

Air linkages play a crucial role in connecting New Zealand to the GCC region and beyond. The commencement of direct air links in 2003 has had a dramatic effect on our connections with the GCC.

- Air services agreements are being given priority with new agreements negotiated

with Kuwait and Qatar, and enhancements made to the agreement with the UAE.

- The Government is also working closely with Emirates Airlines as well as lobbying for non-stop flights from the region to New Zealand, or direct via other regions.

International Air Transport Policy aligns with the benefits from more direct links between the Gulf and New Zealand. Emirates are currently the third largest foreign carrier into New Zealand with 28 flights per week while Air New Zealand is also code-sharing with Etihad Airways to Abu Dhabi and beyond to Europe. A new Air Services Agreement with Qatar has been initialled. As part of this Strategy New Zealand will work with GCC airlines to enhance routes into the country.

Although numbers remain small, New Zealand is becoming an increasingly popular tourist destination for Saudi families who come to visit children and relatives studying here. Tourism New Zealand will also work with Gulf airlines and other carriers to the region to capture

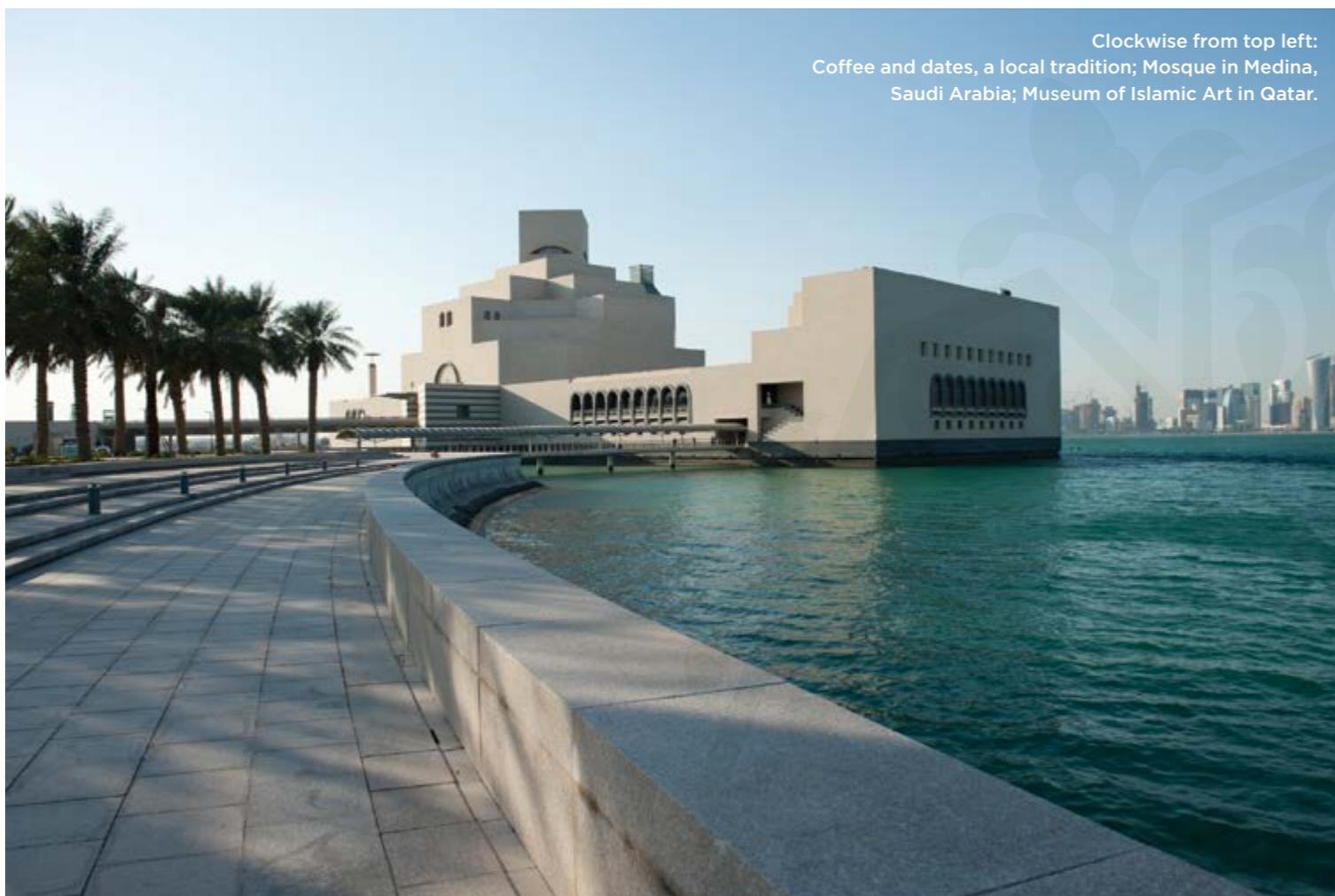
premium leisure opportunities, and support on-going connectivity with New Zealand.

Immigration New Zealand is also working on enhancements to the application process for different types of visas, including online application acceptance. New Zealand offers free visa-on-arrival access to all GCC states, and a key priority is to work on reciprocal arrangements for New Zealanders across the region.





Clockwise from top left:
Coffee and dates, a local tradition; Mosque in Medina,
Saudi Arabia; Museum of Islamic Art in Qatar.



CONCLUSION

New Zealand and the states of the Gulf Cooperation Council are at the starting point of a deeper, more complementary relationship. The New Zealand Government has upped the tempo in recent years and has worked to develop stronger ties with the region. This has put us in a better position to take up the opportunities offered by deepened engagement with the Gulf region.

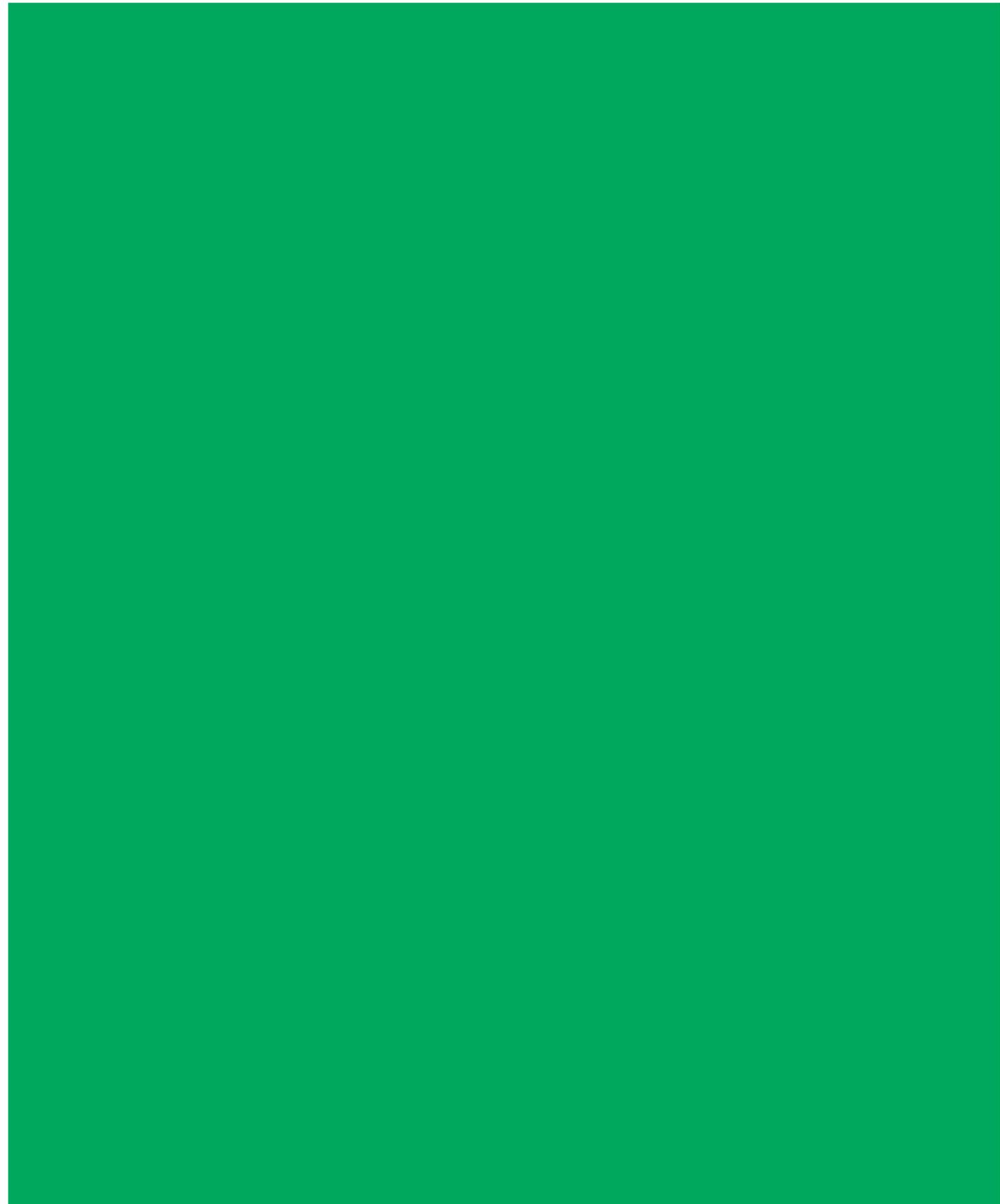
This Strategy sets out a framework for continuing the strong growth in both the political and economic strands of the relationship over the long term.

Innovation in the way we do business, and support business, is critical to securing New Zealand's competitive advantage. GCC states have realised New Zealand's value as a part of their own food security, education and development strategies, and New Zealand needs diversified international markets in order to drive export growth and secure greater prosperity in the coming decades.

Personal relationships matter, as does building strategic partnerships that flesh out wider bilateral relationships. The increased tempo of ministerial visits to and from the Gulf has been an important part of developing these regional and bilateral relationships and taking them to the next level. Better understanding of the region, strengthened diplomatic engagement, and strong government leadership, will be vital to the pursuit of shared political, economic and security interests with the Gulf States.

Sources

- Ministry of Foreign Affairs and Trade,
- Education New Zealand
- Ministry for Primary Industries
- New Zealand Transport Agency
- Economist Intelligence Unit
- Global New Zealand





For more information about doing business in GCC visit www.nzte.govt.nz

For more information about New Zealand in international education visit
www.educationnz.govt.nz

For travel tips visit www.safetravel.govt.nz

For more information on NZ Inc Strategies visit www.mfat.govt.nz

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