

Security in the Middle East Supply chain

Saed S. Marji



Contents

1

• Introduction

2

• Middle East Supply chain

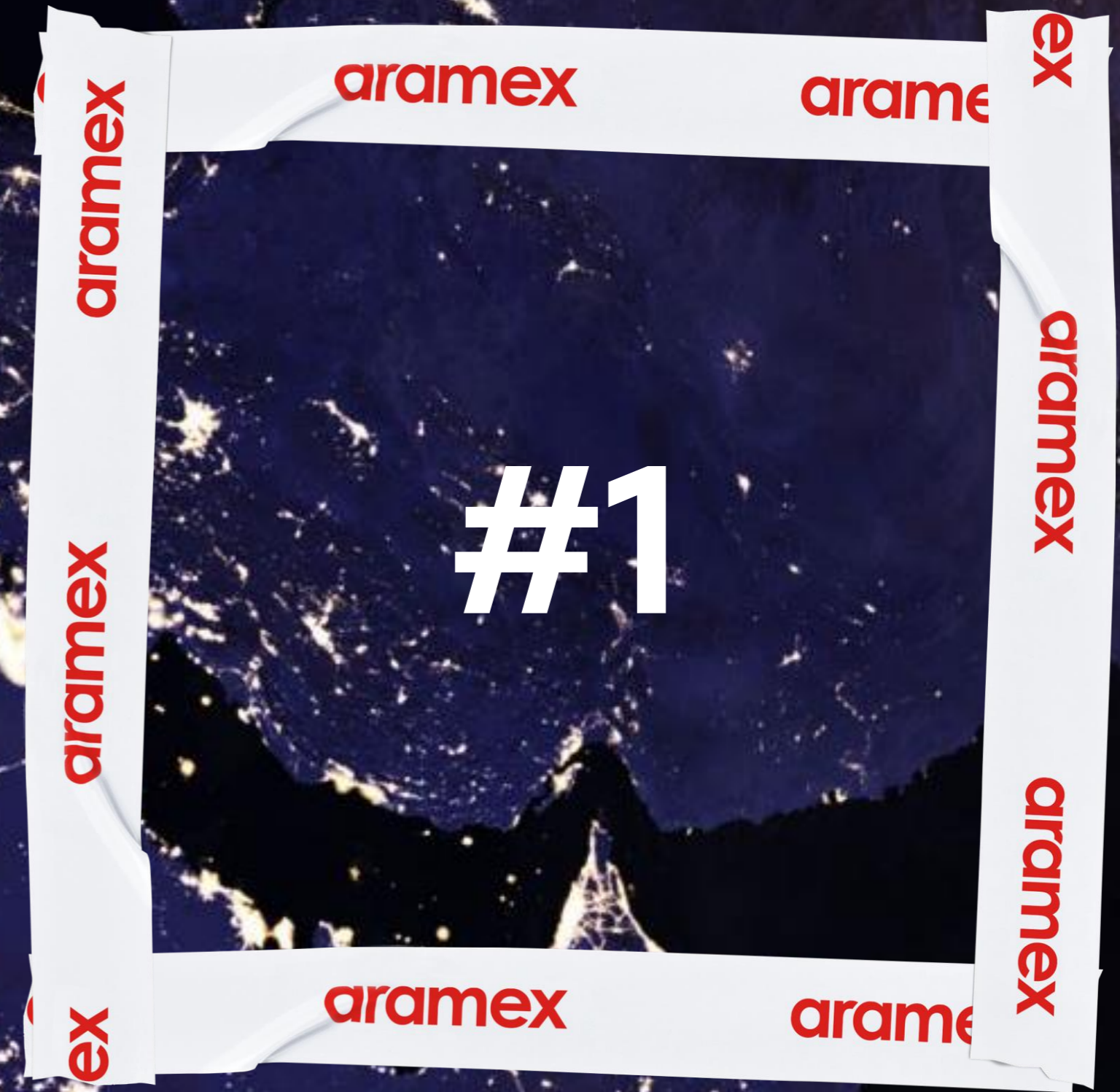
3

• Supply Chain Security In the Middle East

4

• Navigating the future of Supply chain Security

Introduction



Middle East

Middle East region is a “transcontinental region” that spans southwestern Asia and Northeastern Africa.

It includes countries such as: Bahrain, Egypt, Iran, Iraq, Israel, Jordan, Kuwait, Lebanon, Oman, Saudi Arabia, Syria, Turkey, United Arab Emirates and Yemen.

The region is known for its:

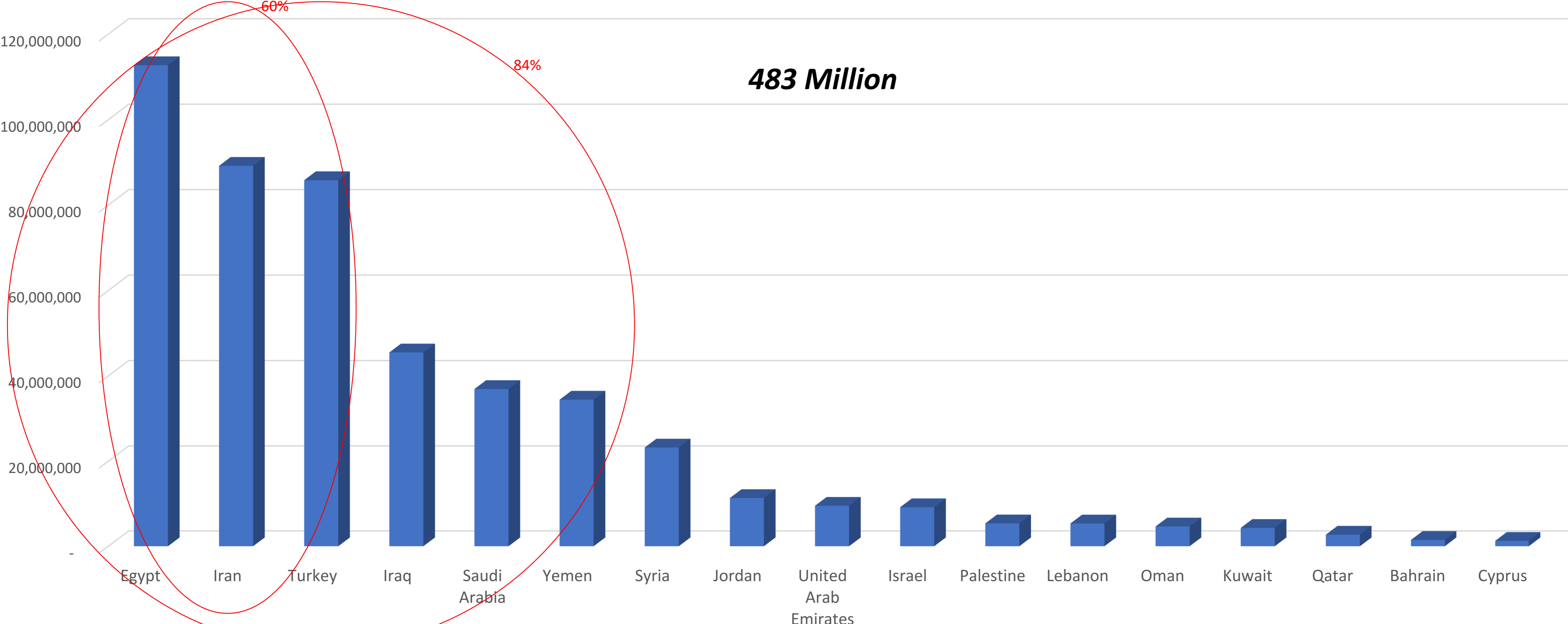
- Rich History including trade and commerce.
- Cultural diversity.
- Importance as venter of oil production and trade.

- Conflicts and political tensions.



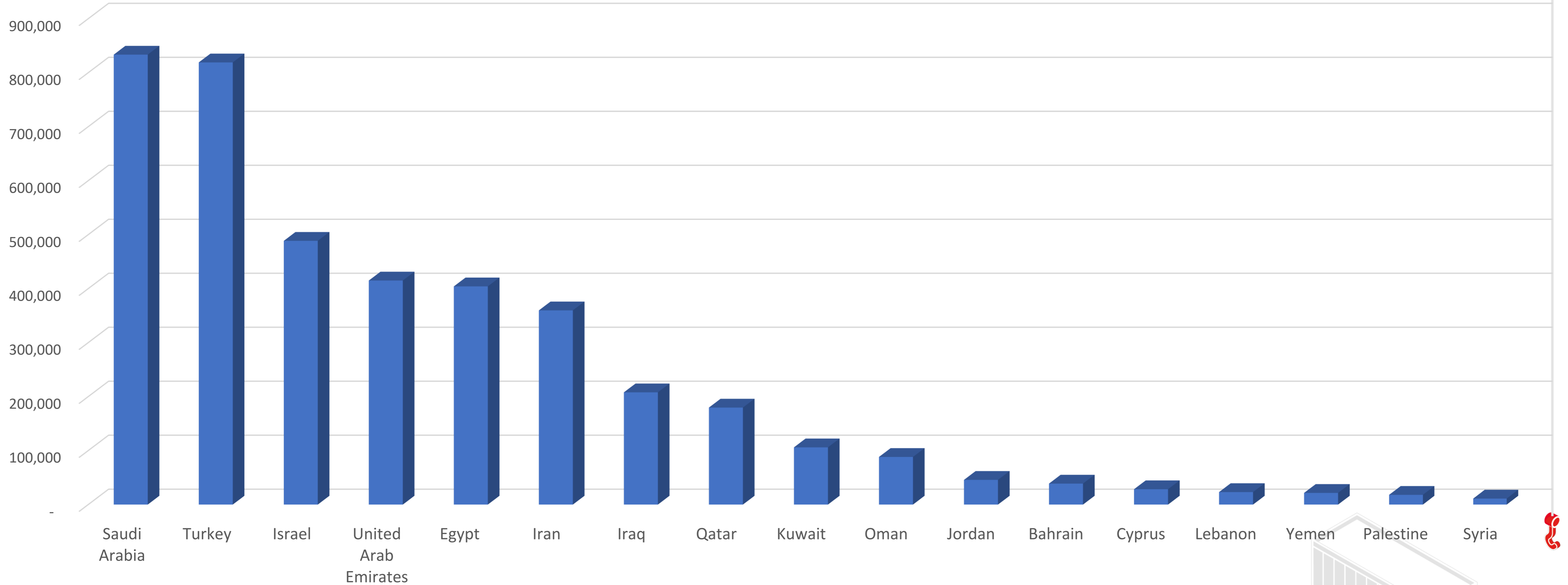
Middle East Population

483 Million

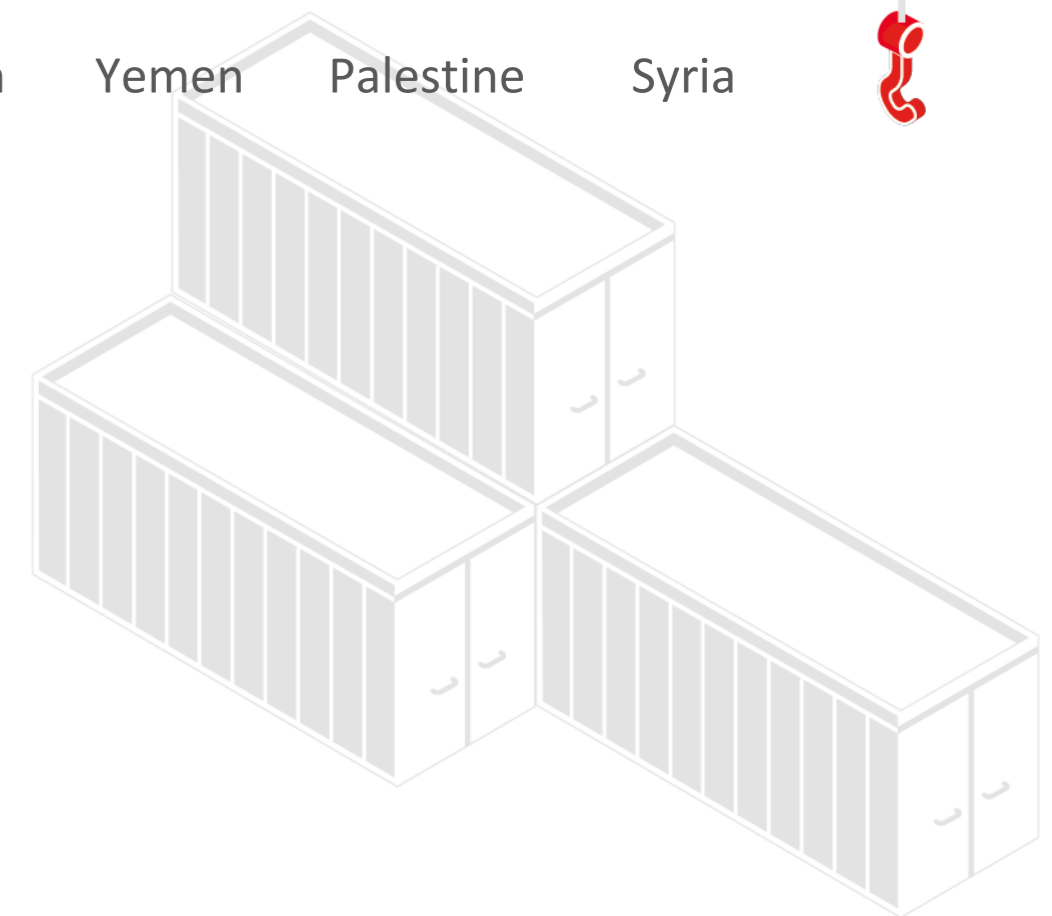


Source: World Population Review
Middle East Population 2023

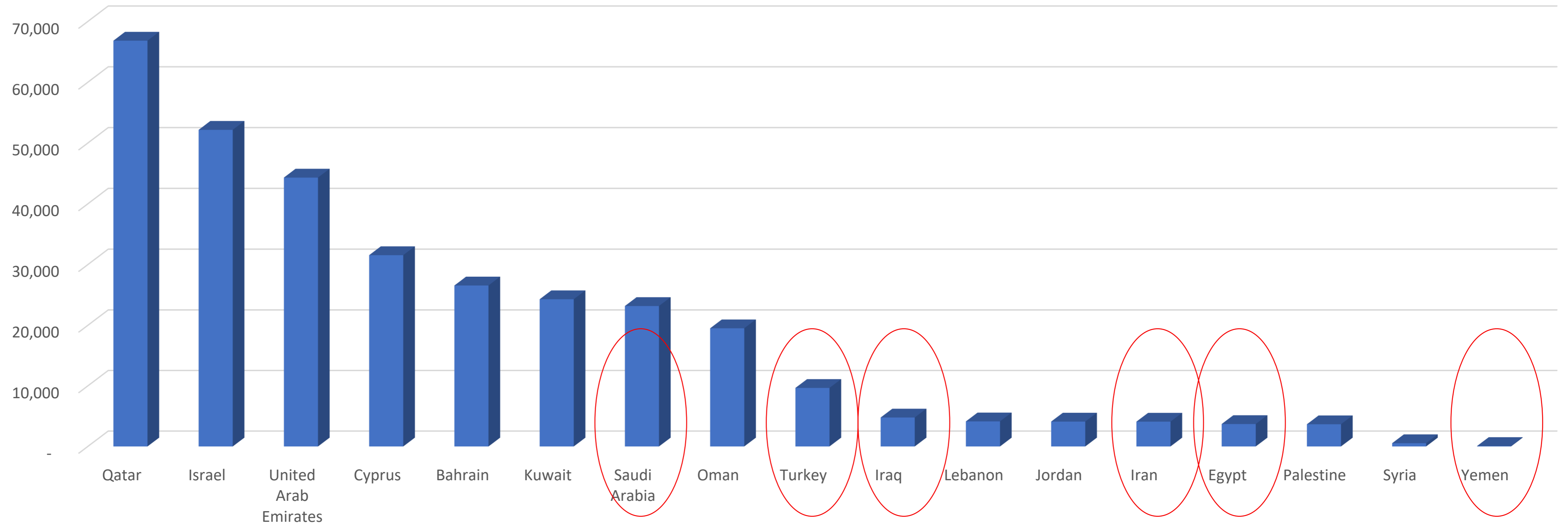
Middle East GDP



Source: The World Bank
Middle East GDP 2021



Middle East GDP per capita



Source: The World Bank
Middle East GDP 2021

Middle East Supply chain

#2

Middle East Supply Chain

The Middle East is a region that is strategically located between Europe, Asia and Africa, the region has been a major hub for trade for centuries due to the location and natural resources.

The supply chain in Middle East Includes transportation, logistics, warehousing and distribution. The region has a vast network of ports, highways, and railways that connect it to the rest of the world.

The supply chain is also supported by a range of service providers including freight forwarders, customs brokers, and third-party logistics providers



Middle East Supply Chain

01 Transportation

One of the critical components of the middle east supply chain, some parts of the region has well-developed transportation network, including ports, airports, highways, and railways.

In addition to traditional transportation modes, the Middle East is also investing in new technologies such as drones and autonomous vehicles.

02 Logistics and Warehousing

Logistics and warehousing are also critical components to the Middle East, the region has a range of logistics and warehousing facilities, including free zones, industrial parks and bonded warehouses.

These facilities offer a wide range of services, including storage, packaging and distribution.

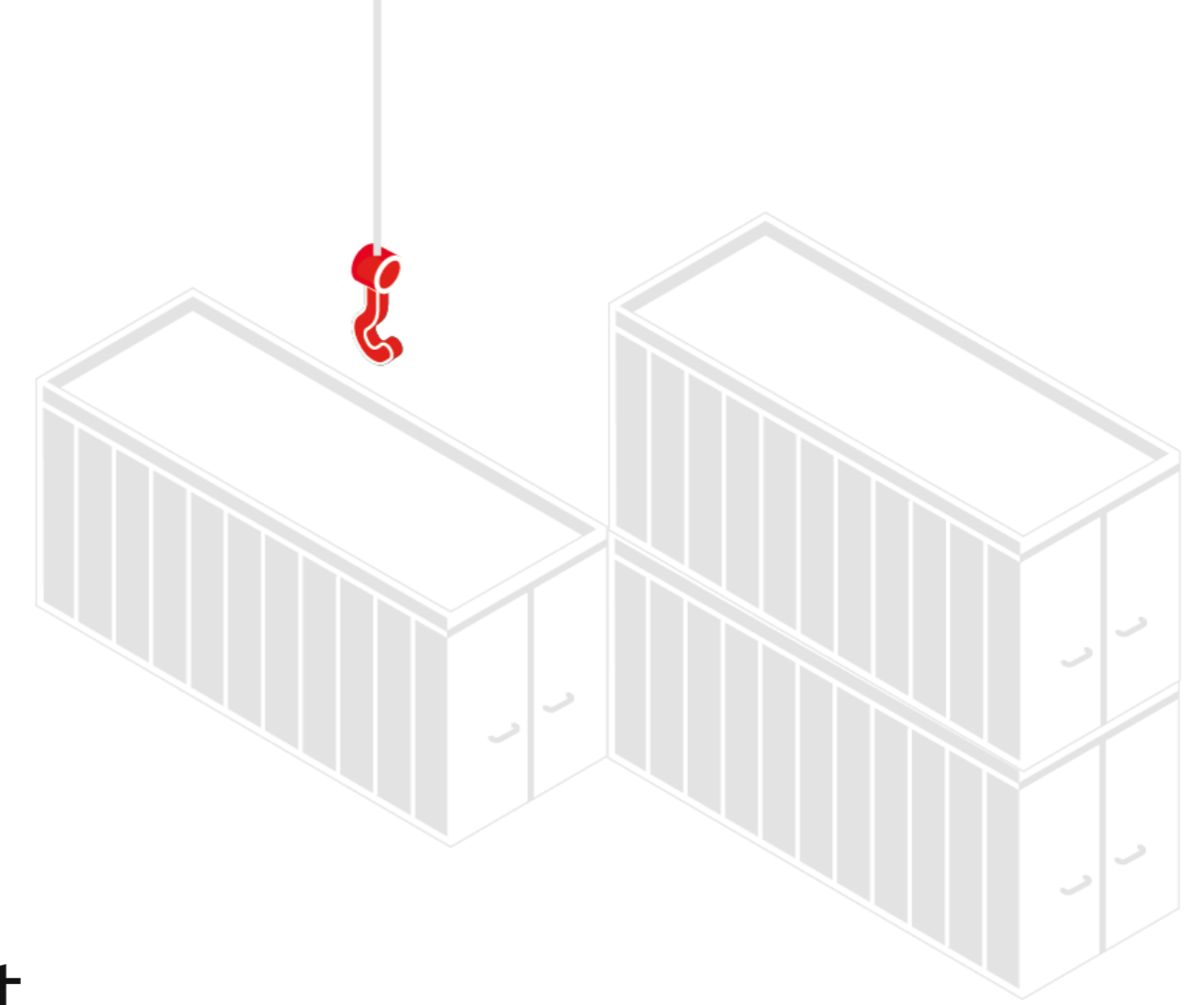
03 Distribution

The Final stage of the Middle East supply chain, the region has a range of distribution channels , including the traditional brick-and-mortar stores, e-commerce platforms and mobile applications.

The e-commerce is growing rapidly in the Middle east.



Challenges and Opportunities



Key Challenges:

- Political Instability.
- Security Threats.
- Regulatory barriers.
- Lack of infrastructure and technology.
- Cultural differences and language barriers.

These factors can disrupt the flow of goods and services, increase cost for business and delays.

Opportunities:

- Growing Customer market.
- Young, Tech-savvy population.
- Natural resources including Oil and Gas.
- Heavy investments from governments in infrastructure and technology

These areas presents opportunities for business in e-commerce, retail and other consumer-focused industries in addition to the energy and petrochemical industries.

Middle East Main Logistics Hubs

01 Dubai – UAE

Dubai is the Commercial and Logistics Hub for the Middle East.

Jebel Ali port is one of the busiest ports in the region with its strategic location at the crossroads of east and west.

The port serves as a gateway for goods coming from Asia, Europe and Africa

Jebel Ali Free Zone is one of the Worlds Largest Free Trade zones.

2022 –Jebel Ali port handled 14.0 Million TEU's.

aramex

02 Doha - Qatar

Doha is an emerging Logistics hub in the Middle East.

It is home to the “Hamad International Airport” which is a major transit hub for cargo and Passengers

03 Riyadh - KSA

Riyadh is the capital city and the commercial hub of Saudi Arabia.

Logistics Sector is a growing sector and a major part of the government 2030 vision to diversify the economy and reduce dependence on oil.

The strategic location at the center of the Arabian Peninsula supports the logistics growth plans.

04 Istanbul – Turkey

Istanbul is a major hub for Trade and commerce in the Middle East and Europe.

The city location at the crossroad of Asia and Europe .

The city have the Istanbul Airport which is one of the largest Airports in the region and a major transit hub for Cargo and passengers.



Supply Chain Security in The Middle East



Middle East Supply Chain Security

The Middle East is a crucial region for global supply chain, due to the strategic location.

However, the region is also known for its instability and Security challenges, which pose significant risks to the supply chain operations.

Several security threats faced by the middle East supply chain will be addressed in the following slides including:

- Terrorism.
- Piracy.
- Cybersecurity.
- Political Instability.



Middle East



Terrorism

Terrorism in the Middle East has had a significant impact on the supply chain in the region. Particularly in terms of logistics and transportation.

Terrorist attacks on transportation infrastructure, such as ports, airports, and highways can disturb the flow of goods and cause significant delays and disruptions to supply chain.

Terrorist groups such as ISIS and Al-Qaeda have targeted transportation infrastructure in the Middle East in the past, with attacks on airports and ports in countries such as Iraq and Yemen. These attacks have disrupted supply chains and caused significant economic damages.

In addition to physical attacks on transportation infrastructure, terrorism can also create a climate of fear and uncertainty that can deter businesses from investing in the region and engaging in trade.

- Governments in the region have taken steps to enhance security measures and protect transportation infrastructure from terrorist attacks. For example, in the UAE, the government has implemented several security measures to protect its ports and airports from potential terrorist threats.
- Overall, while terrorism has had a significant impact on the supply chain in the Middle East, efforts are being made to mitigate the risks and enhance security measures to ensure the safe and efficient flow of goods in the region.

Piracy

Piracy is another significant threat to the Middle East supply chain, particularly in the “Gulf of Aden”, “Red Sea” and “Arabian Sea”, where pirates have targeted commercial vessels and disrupted maritime trade.

The Piracy problem has been particularly acute off the coast of Somalia, where pirates have hijacked ships and held crew members for ransom.

The threats of piracy has resulted in increased security measures and costs for shipping companies operating in the region, these measures include the deployment of armed guards on board ships, the rerouting of vessels to avoid piracy hotspots and the implementation of best management practices to reduce the risk of attacks.

In addition to the human cost of piracy, there is also a significant economic cost.

The disruption of maritime trade can cause delays and increase cost of goods, particularly for countries that rely on imports for their needs.



- Efforts are being made to address the piracy problem in the region including:
 - Deployment of naval vessels to patrol the waters and the prosecution of pirates.
 - The international community provided support to countries in the region to help them develop their maritime security capabilities.



Cybersecurity

As supply chains become increasingly digitized, cybersecurity threats are becoming more prevalent. The Middle East is no exception, with cyberattacks targeting critical infrastructure and disrupting supply chain operations.

One of the Key challenges in the Middle East supply chain is the lack of cybersecurity awareness and preparedness among business.

Many organization do not have a robust cybersecurity strategy in place, and this leaves them vulnerable to attacks.

Furthermore, the region is home to many SME's "Small and Medium-sized enterprises" that may not have the resources to invest in advanced cybersecurity solutions.

- To address these, business in the Middle East need to take a proactive approach to cybersecurity including:
 - Investing in the latest cybersecurity technologies.
 - Implementing regular cybersecurity training for the employees.
 - Collaboration between businesses and government agencies.
 - Governments in the region need to create policies and regulations to promote cybersecurity and encourage business to prioritize it.
 - Businesses to share information about cybersecurity threats with local governments.

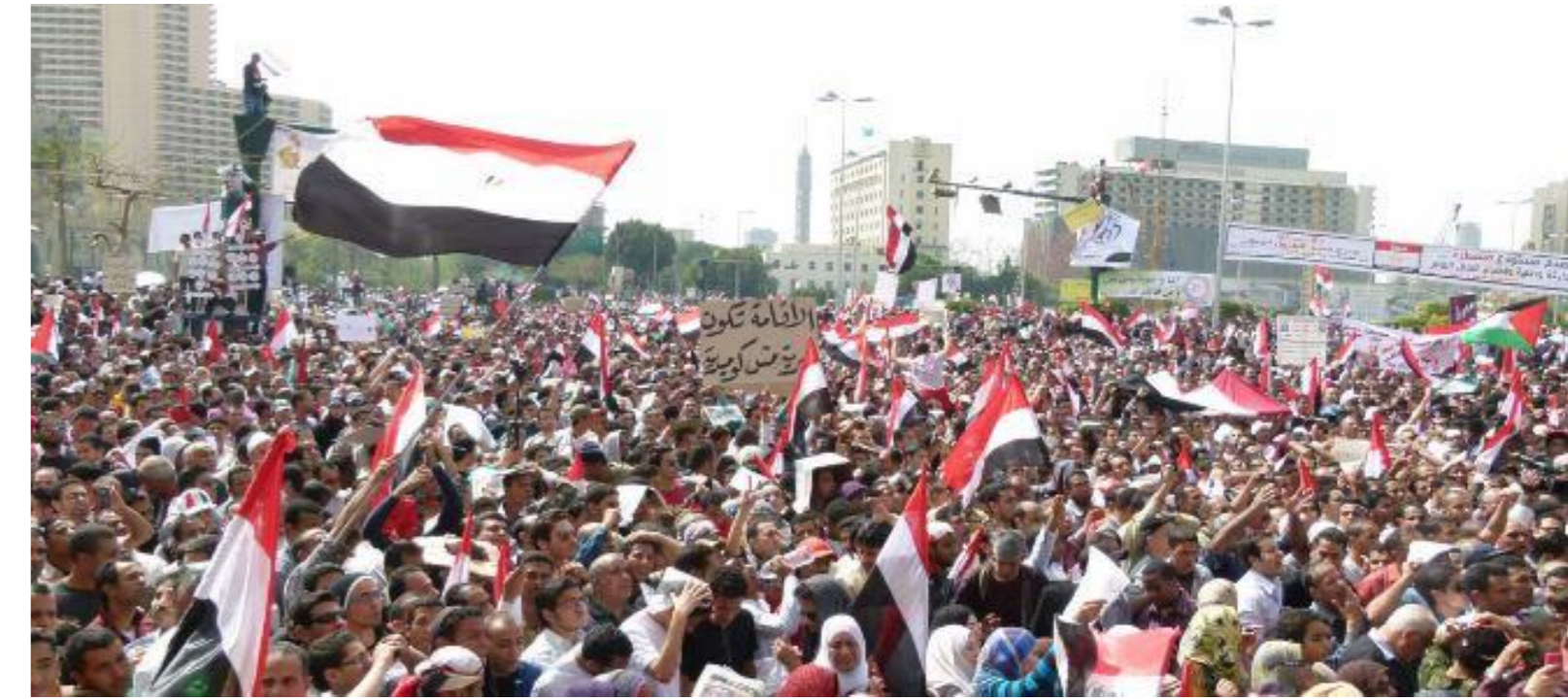
Political Instability

Political instability is a common challenge in the Middle East and can have a significant impact on the global supply chain, particularly for oil and gas. The Middle East is a major producer and exporter of crude oil, and any disruption to its production or transportation can cause supply shortages and price spikes in the global market.

For example, conflicts in Syria, Yemen and Iraq have caused significant disruption to the supply chain in the region, impacting transportation routes and ports.

The blockade of Qatar by several Arab countries in 2017 also disrupted trade and caused shortages of certain goods in the region.

Moreover, political instability can lead to security concerns, which can affect the safety of workers and the security of supply chains. Companies may face challenges in securing their supply chain and ensuring the safety of their employees in volatile environment.



- To Address this issues, supply chain stockholders must:
 - Develop contingency plans to mitigate risk.
 - Diversify their supply chain networks to reduce reliance on politically unstable regions.
 - Engagement with local communities and governments can help build resilience and foster stability.

Conclusion

In conclusion, Security is a critical concern for the Middle East Supply chain, with various threats posing significant risks to operations.

However, by implementing robust security measures, developing contingency plans, and fostering partnerships with relevant stakeholders, supply chain actors can mitigate these risks and ensure the safe and efficient flow of goods throughout the region.

Businesses should adopt a risk-based approach that considers the unique challenges of the region. This includes conducting regular risk-assessments, implement robust physical and cyber security measures, and establishing clear communication channels with suppliers and partners.

Other best practices include investing in training and awareness programs for employees, working closely with local law enforcement agencies.

It is essential to recognize that security is not a “one-time” fix but a continuous process that requires ongoing attention and investment.

Navigating the Future of Supply chain Security



Infrastructure Development

The Middle East region is expected to undergo significant economic and infrastructure development by 2030. As a result, supply chain infrastructure development will be a critical component of the region's economic growth and competitiveness. Here are some key areas of focus for Middle East supply chain infrastructure development by 2030

01 **Transportation infrastructure**

Developing transportation infrastructure will be critical to improving supply chain efficiency in the Middle East. This will include investment in roads, railways, airports, and seaports. For example, the GCC Railway project aims to connect the six member countries of the Gulf Cooperation Council (GCC) by rail, which will facilitate the movement of goods between the countries

02 **Logistics parks and warehousing**

logistics parks and warehousing facilities will be essential to improve the storage and handling of goods in the region. These facilities will need to be strategically located near transportation hubs to minimize transit times and improve efficiency.

03 **Information and communication technology**

advanced information and communication technology (ICT) infrastructure will be essential to optimize supply chain operations in the Middle East. This will include the use of cloud-based systems, artificial intelligence, and the Internet of Things (IoT) to enable real-time tracking of goods and optimize routing and inventory management

04 **Customs and regulatory frameworks**

streamlined customs and regulatory frameworks will be essential to reducing trade barriers and improving supply chain efficiency. This will require harmonizing customs procedures and regulations across the region to facilitate cross-border trade

E-commerce Boom

E-commerce is expected to experience significant growth in the Middle East by 2030, driven by a combination of factors, including increasing internet penetration, growing consumer demand for convenience and the ongoing shift towards digital commerce.

By 2025, the e-commerce market in the region is projected to reach \$48 billion, up from \$26 billion in 2019.

Here are some key trends and predictions for e-commerce in the Middle East by 2030

01 Growth in online sales

Online sales in the middle east are expected to grow a CAGR of around 25% between 2021 and 2030, driven by the increasing popularity of online shopping among consumers.

By 2030, e-commerce is expected to account for 10% of total retail sales in the region.

02 Mobile commerce

Mobile commerce is likely to be the key driver of e-commerce growth in the Middle East, with around 70% of internet users in the region accessing the internet via smartphones.

As a result, retailers will need to optimize their e-commerce platforms for mobile devices to provide a seamless shopping experience for consumers.

03 Cross-border e-commerce

Cross-border e-commerce is expected to grow rapidly in the middle east as consumers seek out a wider range of products and better deals.

This will create opportunities for international retailers and marketplaces to enter the region's e-commerce market.

04 Omni-channel retailing

Retailers in the middle east are likely to adopt an omni-channel approach to meet the needs of customers who expects a seamless shopping experience across multiple channels, including online, mobile and in store.

Thank You

Saed S. Marji

Global Director – Security, Safety and Facilities (ARAMEX)

saedm@aramex.com / +971 50 4244 179

aramex

