



# Why Do Business in the GCC?

## Part Two: Expansion into New Markets By Max Rockwell and Joseph B. LaRocco

Companies often look to expand into new markets or territories once they have penetrated and developed their market in the United States. Such expansion is the goal of many companies looking to establish international brand-name recognition. The value of an international brand is immense; once established, it carries significant benefits such as consumer loyalty, repeat purchases, increased sales, diversification of the customer base, and increased consumer awareness.

The Gulf Cooperation Council (“GCC”) countries form a region that companies often consider desirable, especially given the large amount of wealth and the significant GDP that the region enjoys. As stated in Part One of this article, the GCC region’s economy, as a block, has more than tripled over the last decade, far surpassing \$1 trillion on a double-digit growth rate with a population topping

50 million people. Six Arab states comprise the GCC: Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates. The United Arab Emirates contains seven emirates, with Abu Dhabi and Dubai the most well-known.

The United States exported \$189.4 billion in goods and services in July 2013, according to data released in September 2013 by the Bureau of Economic Analysis (BEA) of the U.S. Commerce Department. July’s exports came in just shy of June’s all-time record high of \$190.5 billion. Years before these numbers had grown to their current magnitude, companies understood the importance of establishing their brand ahead of their competitors. Today, the purchasing power of the GCC has attracted the attention of many companies, including small and mid-sized companies that would not previously have considered entering that region.

“These numbers demonstrate that President Obama’s National Export Initiative continues to help American businesses thrive in international markets,” said Export-Import Bank Chairman Fred P. Hochberg. “Exports are a critical component of our nation’s economic success, and I look forward to seeing more ‘Made in the USA’ labels on shelves around the world.”

Among the major export markets during the past 12 months, the countries with the largest annualized increase in U.S. sales of goods, compared to 2009, were as follows:

Panama	28.6 percent
Russia	22.1 percent
United Arab Emirates	21.9 percent
Peru	21.3 percent
Chile	20.9 percent
Colombia	19.7 percent
Hong Kong	19.5 percent
Argentina	18.3 percent
Ecuador	18.0 percent
South Africa	17.7 percent

The Export-Import Bank is an independent federal agency that helps create and maintain U.S. jobs by filling gaps in private export financing at no cost to American taxpayers. The bank provides a variety of financing mechanisms, including working-capital guarantees and export-credit insurance, to help foreign buyers purchase U.S. goods and services.

The Export-Import Bank approved nearly \$35.8 billion in total authorizations in FY 2012—an all-time Export-Import Bank record. This total includes more than \$6.1 billion directly supporting small-business export sales—also a bank record. The bank's total authorizations support an estimated \$50 billion in U.S. export sales and approximately 255,000 American jobs in communities across the country ([www.exim.gov](http://www.exim.gov)).

Companies not experienced with international sales have a number of resources and financing options available to them. Significant time and expense can be saved by utilizing consultants who have spent time in the GCC region and developed a network of distributor, governmental, military, royal, and corporate contacts. The time they have spent developing these contacts is extremely important, since relationships and referrals are vital to doing business in the GCC. It is equally important that a company make sure

it is properly advised on the nuances of that region regarding consumer preferences and buying habits, regulatory requirements, proper approvals, and required licenses.

One way of reducing the risk of doing business in the GCC is to explore the types of insurance available. Another risk reducer may be to form a strategic relationship, joint venture, or partnership with a local company or distributor. While this approach may reduce profitability with respect to the sales conducted in the GCC, the benefits could be worth the reduced risk. A strategic partner or joint-venture arrangement might actually increase your visibility and sales in the region, while at the same time reducing the company's transactional risk.

As this article was going to print, news broke that the Boeing Company scored a major win at the Dubai Airshow, with 342 orders collectively worth an estimated \$100 billion. The scale of the firm's success exemplifies the spending power and expansion goals present in the GCC. European-based Airbus took in the second largest number of orders, 142, with an estimated collective value of \$40 billion. Overall, the 2013 Dubai Airshow surpassed the previous sales record set in 2007 of \$155 billion in orders. The event was held at the new Dubai World Central Airport's

grounds, which Dubai hopes will be the largest airport in the world and a major location for connecting European and Asian travelers.

Companies need to develop brand-name recognition on an international basis, but they also need to consider the risks and costs of international expansion. While the Export-Import Bank and other U.S. governmental agencies can provide some assistance, companies must take into account other considerations and assessments before entering into international sales. Research regarding consumer preferences and competitive products already in that market are the initial considerations, but reducing risk and establishing sales will be even more important. Therefore, relying on experienced consultants, strategic relationships and joint-venture partners can help a company reach its desired goals in the GCC region. Choosing the right counterparties with the necessary experience, knowledge, and commitment to relationship will increase the likelihood of such success. **N**

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