

FROM INFRASTRUCTURE SCALE TO INTELLIGENT EXECUTION

Why GCC Supply Chains are shifting from expansion-led growth to performance-led ecosystems

Supply Chain & Logistics | Middle East (GCC) & Global

Analysis by: **Abhishek Chatterjee**, Senior Consultant, Growth Advisory, Frost & Sullivan

1- WHAT'S IMPACTED

GLOBAL

- ▶ **Disruptions:** Red Sea Crisis adding ~10-15 days; freight cost rising sharply.
- ▶ **Cost Surge:** Air 60-150%; Ocean +25-45%, war-risk premiums rising.
- ▶ **Fragmentation:** Trade Blocs emerging; resilience replacing efficiency.

MIDDLE EAST

- ▶ **Chokepoints:** ~20% global oil flows through Hormuz.
- ▶ **Trade Concentration:** UAE & KSA contribute to ~78% of GCC trade flows.
- ▶ **Import Dependence:** ~80% retail goods imported; high exposure to disruptions.

2- TEMPORARY SHIFTS

- ▶ **Rerouting:** Cargo shifting via Oman, Saudi corridors to bypass chokepoints.
- ▶ **Modal Shift:** Sea-to-road diversions absorbing Red Sea overflow.
- ▶ **Cost Mitigation:** Shippers locking in indexed contracts, freight pooling, and using surcharge pass-through clauses to absorb price volatility.

3- STRUCTURAL SHIFTS

- ▶ **Orchestration:** AI enabling predictive supply chains (e.g., Aramex route optimization improved efficiency by 15%).
- ▶ **De-risking:** Sourcing rebalancing toward intra-GCC and India/Africa, away from single-source Asia dependency.
- ▶ **Regionalization:** GCC emerging as Asia-Europe-Africa Trade corridor hub - India Middle East Europe Economic Corridor (IMEC), and Iraq Development Road Corridor (IDRC).

4- TAKEAWAYS BY STAKEHOLDER

ENTERPRISES & VALUE CHAINS

- ▶ **Resilience:** Embed risk into sourcing, inventory and network design plan.
- ▶ **Expansion:** Pursue intra-regional growth and localized supply chain models.
- ▶ **Optimization:** Invest in automation, routing efficiency, and cost-to-serve models.

GOVERNMENTS / POLICYMAKERS

- ▶ **Integration:** Align ports, rail, free zones into synchronized trade ecosystems.
- ▶ **Execution:** Enable bonded corridors, digitized customs and faster clearance.
- ▶ **Positioning:** Reframe national logistics strategy around value-added services, not transit volumes alone.

5- INVESTMENT OUTLOOK

- ▶ **Infrastructure:** Integrated Ports, rail corridors, logistics zones.
- ▶ **Technology:** AI orchestration, control towers, digital freight platforms.
- ▶ **Specialization:** Cold chain, pharma logistics, e-commerce fulfillment.
- ▶ **Sustainability:** Decarbonization via solar-powered LNG hubs, green hydrogen, and integrated solar manufacturing.

