

While GCC states have responded aggressively to the spread of COVID-19, with travel bans, event cancellations and quarantines, concerns remain over regional exposure to major centres for the virus, such as Iran. Meanwhile, the economy of the region overall, which is highly dependent on oil, tourism and transport, will be badly hit across the board. Medical centre and equipment builders and suppliers, and the growing e-commerce sector, will likely benefit, however.

Gulf Monitor | Jonathan Gorvett | Coronavirus GCC

In its initial stages, concerns about the COVID-19 outbreak were focused on China and those markets most reliant on Chinese business and investment. Now, the recent spread of the virus to other countries – and those countries’ efforts to contain that spread – have created additional patterns of risk.

The speed at which the virus has taken hold in Iran in recent days bodes ill for efforts to prevent a large-scale outbreak in the GCC and wider Middle East. Official figures show a total of 3513 cases in the Islamic Republic up to March 5, with 107 fatalities and 739 recovered. As Iran has become more effective in identifying cases, its mortality rate has been brought into line with global levels announced by WHO. Elsewhere, up to March 4, Bahrain had officially reported 49 cases, Iraq 34, Kuwait 58, Oman 16, Qatar eight, the UAE 27 and Saudi Arabia two. On March 4 Iraq confirmed its first death from the virus.

So far the GCC countries have each responded aggressively to the virus threat, either blocking or heavily restricting travel to China, Japan, South Korea, Italy and Iran – all countries where the virus has taken a heavy toll. Several have also imposed restrictions on intra-GCC travel. Large gatherings and events have been curtailed across the region and Saudi Arabia has issued a temporary ban on foreign pilgrims for the Umrah, with GCC citizens also banned from Makkah and Madinah.

Iran and other virus “hotspots”

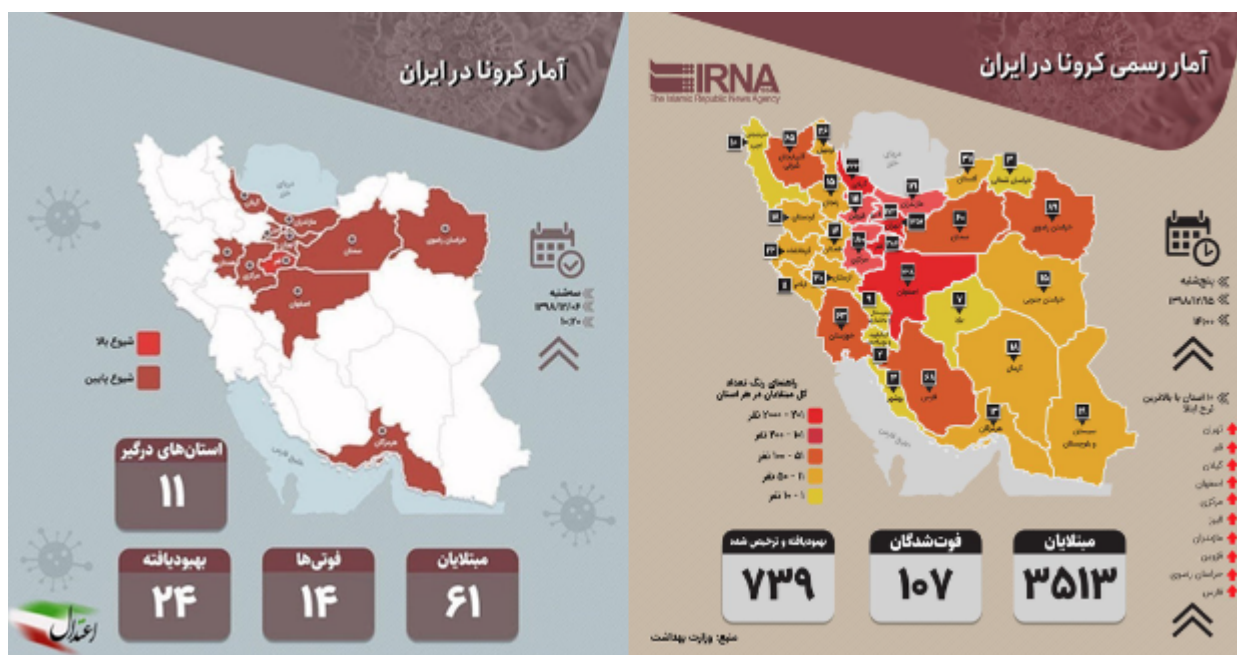
The mounting cases of coronavirus in Iran and the government’s lack of response to the crisis, has raised the possibility that it, and the countries it is closely linked to, could become hotspots for the

disease, increasing the risk of an epidemic in the region.

In the days following the first declared cases, Iranian officials downplayed the risk it posed to the population and hindered the health system's response, leading to a rapid rise in new cases. It is now taking serious steps to halt a further spread, initiating partial quarantines and school closures, among other measures, but the virus has already become an epidemic.

GCC states and other countries around the region have halted travel to and from Iran but this may not be enough to stop further outbreaks. Countries bordering the Islamic republic are most vulnerable. Iran's foreign ministry has successfully negotiated with Iraq and, to a lesser extent, Turkey and Azerbaijan, the opening of land borders to freight traffic, with the promise of border checks. The move indicates that the Iranian government may be more concerned about damage to its already ailing economy than public health.

The spread of COVID-19 in Iran



Left: Feb 25, 11/31 provinces affected, 61 cases, 14 dead, 24 recovered (Source: Etedal)

Right: March 5, 31/31 provinces affected, 3513 cases, 107 dead, 739 recovered (Source: IRNA)

Of Iran's neighbours, Iraq in particular, with weak a health system and public administration, as well

as ongoing conflict, is particularly vulnerable to the virus and likely to act as a conduit for its spread. Turkey too, could suffer from a lack of transparency similar to Iran. As of March 6, it had not reported any cases, but concerns that cases were going unreported led Kuwait earlier this week to add Turkey to its list of countries from which travellers must provide a medical certificate. By March 6, however, Kuwait had removed 10 countries, including Turkey, from the list. The move indicates that Gulf leaders, too, are struggling to form a proportionate – and non-politicised – response.^[1]

Patchy preparedness

In the event of a widespread outbreak, GCC health systems are in some respects well prepared. Universal coverage for nationals and health insurance schemes for expatriates are the norm and wealthier nations like Saudi Arabia and the UAE have invested significantly in primary and secondary health care capacity and standards in recent years.

All states have repurposed hotels and holiday resorts as quarantine facilities, to a varying standard.^[2] Saudi Arabia has earmarked twenty-five hospitals to handle cases, with a total of 2,200 beds made available for quarantine cases. The UAE government has announced plans to build an entirely new medical facility specifically for COVID-19 treatment.

All the GCC countries are members of the Global Influenza Surveillance and Response System, through which information, testing kits and relevant equipment can be shared. The system successfully detected the emerging avian influenza virus in 2006 and MERS-CoV in 2012.

However, there remains a disparity between the preparedness of each country to tackle coronavirus, according to a February 2020 assessment by the World Health Organisation (WHO) of the GCC and Eastern Mediterranean region's preparedness.

In its report, the WHO rates the ability of each country on a scale of 1-5, with 1 meaning no capacity to respond and 5 meaning sustainable capacity. The final rating is an aggregate of nine different factors: International Health Regulations coordination; infection prevention and control; laboratory and biosecurity/biosafety; preparedness; risk communications; emergency response capacity; surveillance; reporting; and points of entry.

Of the GCC six, only the UAE scores 5, while Saudi Arabia, Bahrain, Oman and Kuwait score 4, and Qatar, 3.

In the neighbourhood, Iran scores 4, Jordan 3, and Iraq and Yemen, 2. In making its assessment, a major weight was also given initially to points of entry with China, with the UAE the most exposed on this score – it had 111 direct weekly flights scheduled to the People’s Republic before the recent restrictions – followed by Qatar, with 38 direct flights. Exposure to Iran, however, was not assessed in the survey.

It should also be noted that GCC health care systems are heavily reliant on expatriate workers and imported medical equipment and supplies. Travel and transport restrictions may impact both of these pillars.

Tourism and transport to bear the brunt

In addition to the across-the-board, negative impact of soft oil prices – still the mainstay of the GCC economies – and the slowdown in global economic growth driven by the impact of the virus on China and elsewhere, there are direct, negative repercussions from COVID-19 on tourism and transport. With these sectors staples of GCC diversification strategies from Kuwait to Oman, all the region’s economies will take a hit from this global downturn.

The UAE is particularly exposed to any impact on the tourism and transport sectors. Tourism contributed some 11.5% of Dubai’s GDP in 2019,^[3] with 89% of total travel and tourism spending in the emirate coming from international visitors.^[4] Airlines that have been struggling – such as the UAE’s Etihad – will also see recovery plans complicated. Recognising the challenge, on March 2 the International Air Transport Association urged all Middle East governments to support their airlines with relief measures.^[5]

Secondary impacts will be felt acutely in construction and retail – two sectors heavily dependent on expatriate labour. Containment measures in the region and in countries of origin may well negatively impact labour flows and availability. Large concentrations of workers housed in camps may also pose a contagion risk, going forward. Retail, meanwhile, will likely be hit by reduced footfall, as domestic and international customers refrain from crowded spaces, while conferences, exhibitions and events may also suffer from coronavirus fears and flight cancellations.

The impact of the overall downturn resulting from the virus will also have a knock-on effect on a whole range of businesses, a factor the Central Bank in the UAE recently recognised when it issued an

advisory that banks grant temporary deferrals on loan repayments to customers getting into difficulties due to the impact of COVID-19.

Silver lining

For some sectors and specific lines of business, the effects may, however, be positive. Manufacturers and retailers of medical supplies, such as facemasks and hand sanitizer, will benefit from boosted demand and higher prices as supply tightens – although government intervention on pricing is already taking place, with a price cap on facemasks in Kuwait, for example.^[6]

Depending on the scale of the outbreak and its persistence, hard infrastructure in the health sector will also see more investment. While no COVID-19 vaccine yet exists, demand for medicines to treat associated illnesses, such as antibiotics, should also boost local pharmaceutical manufacturers, while adding strength to arguments that GCC states should manufacture more drugs locally (Saudi Arabia, for example, manufactured only 15% of its pharmaceutical supply in-country in 2014).^[7]

Another sector set to benefit is online retail and in-home entertainment providers, as more consumers stay home. The GCC already has a growing online sector, with AT Kearney predicting its worth at \$20bn by the end of this year, before the COVID-19 outbreak.^[8]

Jonathan Gorvett is a journalist and analyst with many years experience researching and writing about the Gulf and the wider Near and Middle Eastern region. His interests include political and economic risk, development and the evolving place of GCC countries in the international diplomatic, political and economic landscape.

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