

## صناعة البلاستيك في دولة الإمارات ودول مجلس التعاون الخليجي

### The Plastics Industry in U.A.E. and the GCC

Plastics industry in U.A.E. – U.A.E. is a major consumer of plastic products. Its average per capita consumption is comparable to that in the industrial countries, and is the highest among the GCC countries. The high demand for plastics leads to a substantial import trade in plastics as well as a sizeable domestic manufacturing. Domestic plastic manufacturing now meets a major part of domestic demand and also exports a significant part of its output. Imports continue to have a strong presence not only because of the high demand, but also because of specificity and diversity of the products. Plastic products are used as packaging materials for food and beverages, plastic pipes and fittings are used in construction, and plastic is used to make a large number of consumer goods like bags, footwear, furniture, household items, luggage etc.

Imports of plastic products, tons, UAE, 2005-08.

<b>Products</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Sacks, Bags and Films	7,481	7,825	9,411	9,860
Bottles, Containers & Household Goods	33,796	38,714	41,609	43,690
Sheets, Covers and Strips	47,287	53,113	65,219	68,424
Pipes, Fittings and Accessories	17,423	27,665	47,846	50,048
Fiber Glass products	6,759	6,406	7,220	7,725
Others Plastic products	24,154	26,336	30,195	31,960
<b>Total</b>	<b>136,900</b>	<b>160,059</b>	<b>201,500</b>	<b>211,707</b>

Source :U.A.E. Trade Statistics

Imports - Imports of plastic products and materials grew at an average of 16% a year since 2005. 2008 saw a clear dampening of import demand, when imports grew by a mere 5% compared to a 26% growth in the previous year. The largest imports are of sheets and strips, to which further value is added by shaping them for end use. Raw materials, viz. polymers of different types and raw polypropylene for plastic bags come from Europe, Saudi Arabia, South Korea and Brazil. Meanwhile, the main import sources for the plastic consumer goods are China, India and Indonesia. Imports play a greater role in plastic consumer goods because of their smaller size and transportability.

Exports – In 2008, UAE exported almost 50 thousand tons of plastic products. They roughly grew at the same rate of 16% as the growth in import demand. Almost half of the

exports are destined for the Gulf markets (about 45%). However, in recent years, EU, particularly Germany and France have been identified as potential markets for tubes, pipes and fittings. Plastic products being so different and requirements being so specific that market niches can be found all over the world, with appropriate marketing effort and locating the buyers. Bottles/containers are the most exported items, mostly within the Gulf region for repackaging of food/beverage, which is a growing industry in the Gulf. The exports of pipes, fittings etc. for construction are small compared to their output as they are bulky to transport.

Exports of plastic products from U.A.E., in tons, 2005-08

<b>Products</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>
Sacks, Bags and Films	4,223	9,343	7,075	7,861
Bottles, Containers & Household Goods	7,538	11,026	10,903	12,376
Sheets, Covers and Strips	6,215	8,532	8,765	10,608
Pipes, Fittings and Accessories	6,939	6,251	5,878	7,888
Fiber Glass products	1,327	1,496	1,288	1,333
Others Plastic products	4,886	5,338	8,102	9,248
<b>Total</b>	<b>31,128</b>	<b>41,986</b>	<b>42,011</b>	<b>49,314</b>

Source: U.A.E. Trade Statistics.

Manufacturing – The plastic industry is characterized by large scale and very capital intensive manufacturing of major plastics raw material like Polyethylene (PE), Polypropylene (PP), Polyvinyl Chloride (PVC) and Polystyrene (PS). Meanwhile, downstream plastic processing industry is concentrated in small-scale enterprises which are fairly labour intensive. There are around 685 establishments in U.A.E., with a capacity of around 480 thousand tons. While there are no figures available from industrial census, nevertheless, domestic production can be estimated based on a surveys carried out earlier and a growth estimate of the industry.

Plastic products for construction – The largest plastic manufacturing subsector is the one which produces for the use in construction activity, namely plastic pipes, seamless tubes, plastic fittings and accessories used in plumbing and electric installations in buildings and drainage. As a construction material, plastic is a lot more economical than steel. The high activity in construction sector has been a key driver of demand in domestic plastic manufacturing. These products account for almost half of the industry’s output. The country is estimated to be about 55% self sufficient in construction plastic products.

Packaging products - Packaging is the other key sub-sector, comprising of two sections. Firstly, there is the production of high quality and sturdy sacks, bags and films (cheaper, flimsy products are imported from the Far East). These are used across the entire economic spectrum ranging from industrial/agricultural products like cement, farm produce etc. to retail shopping. Secondly, plastic bottles, containers are produced to cater to the high demand from of the bulk import of the contents and re-packaging.

Estimated production in tons, UAE, 2008

<b>Products</b>	<b>2008</b>	<b>% Share</b>
Sacks, Bags and Films	86,000	18%
Bottles, Containers & Household Plastic Utensils	21,000	4%
Sheets, Covers and Strips	22,000	5%
Pipes, Fittings and Accessories	221,000	47%
Fiber Glass products	94,000	20%
Others Plastic products	29,000	6%
<b>Total</b>	<b>473,000</b>	<b>100%</b>

Source: EIB estimates

Feedstock - Manufacturers of various plastic products use various forms of polymer and polythene resin, which are produced by the petroleum industry. This makes the oil exporting countries best suited to produce the feedstock for plastics from its natural resources of oil. New petrochemical complexes are being established in UAE, Oman, and Saudi Arabia. It is projected that by the end of 2010, Ethylene capacity in Middle-East would reach to about 35 million tons per annum and Polypropylene (PP) capacity to touch about 7 million tons per annum.

Prices - The price of plastic and polythene are directly linked to crude oil prices. As crude prices shot up in recent years, raw material costs rose to their highest levels in 30 years. High oil and thus feedstock prices could cause difficulties for the plastic industry. Nevertheless, higher costs may have some environmental benefits as it also encourages recycling of plastics which is cheaper at \$48 per ton compared to virgin plastic at around \$100 per ton. Though they have enormous versatility and applicability, most plastic products not being bio-degradable are not very environment friendly.

Outlook: emergence of the Gulf region as a key producer - The Arabian Gulf is the key to the future of the global plastics industry as the region is home to the oil extraction and thus low-cost feedstock. The region is now emerging as a global petrochemicals hub, backed by the high demand in the Asian region surrounding it.

The West which has dominated this industry so far is gradually losing its market share. The US petrochemical sector may lose its export competitiveness as most of the Ethylene capacities in USA are Ethane based, which are not cost competitive and are capable of producing only Polyethylene (PE). Similarly, the revamping of European Petrochemical Complexes would be critical as they are based on old and expensive technology and cannot compete with the Middle-East firms with closer material supply.

Industry sources expect the Middle East's share in the global ethylene market to grow from 9 % in 2004 to 17 % in 2010. 40 % of all new ethylene capacity will be built in the Middle East. The total global ethylene capacity is projected to increase from 114 million metric tons in 2004 to 148 million metric tons in 2010.