MEA

BDO's Global Risk Landscape Report 2024

Antifragile nation: how the UAE handles supply chain risk

Houthi rebel attacks in the Gulf of Aden have upended global shipping routes and placed supply chain risk back on the corporate agenda. But even after the challenges of COVID-19, a surprising number of business leaders in the region remain unprepared for such disruption.

In the Middle East, 52% of business leaders say supply chains will pose a major threat to their organisation over the next five years, suggesting significant fears over their ability to adapt to further stresses and strains. However, some countries are more prepared than others.

Take the United Arab Emirates (UAE). The nation recognised the potential danger that global supply chain disruption could have on a country that relies on imports for 85% of the food it consumes. It decided to take an antifragile approach to dealing with supply chain risk.

This meant putting in place measures to deal with future supply shocks. It also saw the nation seek to turn risk into an opportunity, signing a slew of bilateral trade agreements to benefit UAE businesses and attract foreign direct investment.

The UAE identified the challenge and looked to the future, analysing the safeguards and measures it had in place, notes Shivendra Jha, Partner and Head of Advisory Services at BDO UAE. These efforts led to Comprehensive Economic Partnership Agreements (CEPAs) with a range of nations. "The UAE has signed a number of agreements with individual countries, so it is not dependent on any one or two countries for its supply chain and logistics challenges," explains Jha.

The first objective is to ensure the country has adequate food supplies, so part of the country's National Food Security Strategy 2051 is to develop international partnerships to diversify food sources. However, the CEPA agreements also include a range of concessions and trade benefits that incentivise both parties to trade with each other, Shivendra says. That is better for the UAE than joining a trade bloc because it can tailor the agreements based on the nature of its relationship with the other country.

The UAE signed its first CEPA with India in May 2022, aiming to boost trade between the two countries. The deal made it easier for UAE businesses to export into India through the reduction or removal of tariffs on more than 80% of products, as well as removing unnecessary technical barriers for both UAE and Indian exporters.

52%

of business leaders in the Middle East say supply chains will pose a major threat to their organisation over the next 5 years

85%

of the food consumed in the UAE is imported

58%

of respondents in the Middle East describe their organisations as antifragile

Business leaders in Africa were the **least likely** to agree that the GRL is now defined by crisis

Global average - **84%**
Africa - **67%**

79%

of leaders in Africa say their organisations either sometimes or always view risk management as a source of competitive advantage

---

34%

of business leaders in Africa say their organisations are risk-welcoming or risk-taking when necessary

Since the ink dried on that agreement, the UAE has also signed bilateral deals with numerous African countries, including Mauritius, the Republic of Congo-Brazzaville and most recently Kenya. In some of the African countries, UAE businesses have focused on agriculture, making strategic investments in farmland as part of the country's food security policy, Shivendra says.

The UAE has also signed agreements or started negotiations with Israel, Turkey, Indonesia, Cambodia, Georgia, Australia, Chile, South Korea, Costa Rica, Serbia and more.

"They have been pushing it continuously and what you will notice is a new phenomenon in terms of having a very focused and specific trade agreement, which is actually addressing that dependency risk on those supply chains and creating a synergy," Shivendra says.

The UAE's work at the national level will likely be followed by business and industry, Shivendra says. This antifragile mindset is already an aspiration for business leaders in the region, with 48% of respondents in the Middle East describing their organisations as antifragile.

The UAE has transformed significant supply chain risk into a huge trade opportunity – the very definition of an antifragile approach to risk. Not only has the country boosted its resilience to supply shocks, but it is in a stronger position because it turned disruption into a competitive advantage. There are significant lessons for organisations in the region, which can also apply antifragile thinking and diversify their supply lines to seek opportunity in any future disruption.

> "In Africa, it's business as usual – we're so used to some sort of crisis happening in Africa, it's just water off a duck's back and that's why we tend to have a more positive attitude towards risk"

Richard Walker
Head of Risk Advisory Services, BDO South Africa

All risk is relative - African attitudes to crisis

Today's global risk landscape is defined by crisis to a greater degree than at any point in recent memory, according to business leaders around the world. Many executives in Africa, however, aren't so sure.

Among business leaders on the continent, 67% agree with that statement — the lowest out of all regions. They are also the least likely to delay business decisions until after one or more of this year's elections, with just 39% of African business leaders saying they are planning such delays compared to 74% in Europe and 78% in the Americas.

Why are African business leaders so unfazed by the current global risk landscape? It's partly because they're well experienced in dealing with multiple overlapping crises.

"In Africa, it's business as usual — we're so used to some sort of crisis happening in Africa, it's just water off a duck's back and that's why we tend to have a more positive attitude towards risk," says Richard Walker, Head of Risk Advisory Services at BDO South Africa.

While executives in Europe or North America fret about election outcomes, business leaders in Africa must often contend with a lack of basic infrastructure, which can make other global risks fade into the background. South Africa, for instance, has suffered from a years-long power crisis that results in rolling blackouts every day, which has a huge impact on business operations.

We could lose power from two hours to eight hours a day, and if you're not agile, if you're not able to manoeuvre around that, then you're going to have major issues," says Walker. "You can't just shut your business down for the day, it's got to be business as usual."

"Against that backdrop, African business leaders tend to have a different outlook and attitude towards risk. As many as 34% of African respondents say their organisations are risk-welcoming or risk-taking when necessary, while 79% say their organisations either sometimes or always view risk management as a source of competitive advantage.

Given that perspective, it's no surprise that African leaders are more likely than executives in other regions to agree that employees should be rewarded for calculated risk-taking, even if it doesn't pay off.

"That's just ingrained," says Walker. "Riskiness is just business as usual in Africa."

It's clear that for many African businesses, antifragility is already built into their DNA and the way they approach risk. With an operating environment that, in the case of South Africa, is often chaotic due to a lack of reliable infrastructure, businesses must seek opportunities in disruption by default. Just as the UAE can be considered an antifragile country, Africa stands out as the antifragile continent.

For more information please contact:

Richard Walker

National Head of Risk Advisory Service,
BDO South Africa

rwalker@bdo.co.za

Shivendra Jha,

Partner,
Head of Advisory Services,
BDO UAE

shivendra.jha@bdo.ae

24-05-3848