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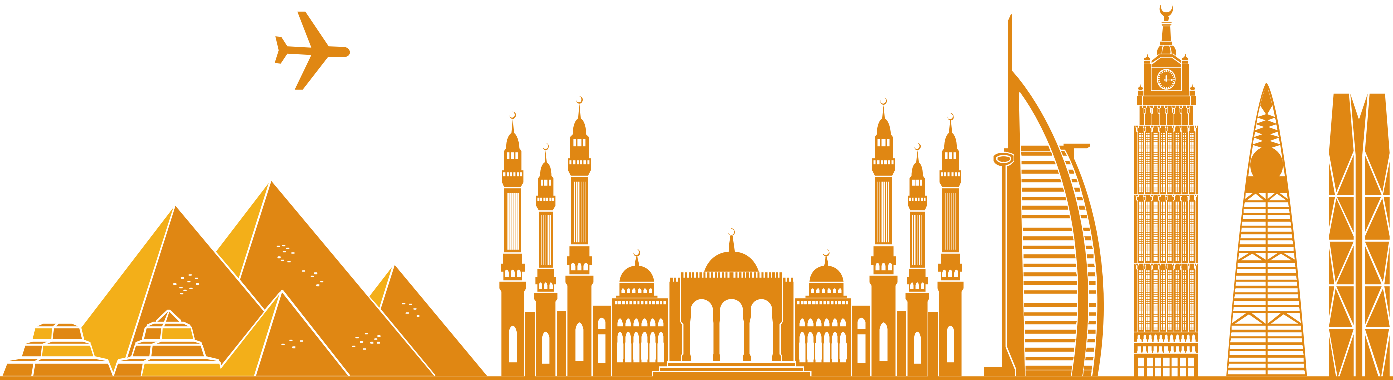
Report on Chinese Investors' Confidence in the Middle East

2022



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Greetings

Greetings from PwC

After three months of research, **the 2022 Report on Chinese Investors' Confidence in the Middle East 2022**, jointly authored by the Shanghai Institute of International Studies (SIIS) and PwC China, has finally gone to press.

This report is the latest in PwC China's 'Global Investor Confidence Survey' series. This report follows numerous reports, including **China-ASEAN Economic and Trade Cooperation Survey Report; AmCham Shanghai: China Business Report 2021; The Report on the Development of Japanese Corporate in China in 2021; Chinese Investors' Confidence Report Under the Context of CAI; and MNC in China: Capture market and growth opportunities .**

This report focuses on the present situation of Chinese investors in the Middle East, the attractiveness of the Middle East market, the challenges and future expectations they are facing and their future business plans. We interviewed senior executives at Chinese investment institutions on their experience in growing in the Middle East market.

The Middle East is China's main crude oil supplier and trade partner, and is an important strategic pivot point and cooperation area for the development of the "'Belt and Road' initiative. In the past 8 years following the proposal of the Belt and Road Initiative, the co-operation between China and major partner countries in the Middle East has extended and strengthened.

With its mission of ' building trust in society and solving important problems', PwC China actively supports and facilitates the Belt and Road Initiative (BRI), and has been tracking and researching its development over the years. Between 2020 and 2021, we published a series of reports on **The Transformation of Globalisation and the Driving Force of the Belt and Road Initiative in the New Context.**

We have also formed a BRI project team and launched a comprehensive platform, 'The Belt & Road United', to help Chinese companies 'go out' and 'bring in' world-class companies and technologies.

We hope this report will provide some insight for Chinese investors to 'go out' and invest in the Middle East. We look forward to working with all sectors to realise opportunities and be the builders, contributors and beneficiaries of the BRI.

Greetings from the Shanghai Institute of International Studies

The world is currently in the midst of unprecedented change. The COVID-19 pandemic has reshaped established rules and order of globalisation. The Middle East connects three continents across five seas, marking paramount importance to the strategic location. Throughout the history of mankind, the Middle East has played an important role in serving as a cradle for of many great civilisations. The Middle East is also an important hub for the world's energy output, giving the region the title of the world's 'gas station'. Despite its long history and abundant resources, the Middle East still faces a serious development deficit with ongoing war and conflict in the region. In response to the question, 'where is the Middle East headed?', President Xi Jinping, in his2016 speech at the Arab League headquarters, said that the key to tackling the challenges ahead is to accelerate development.

Against the backdrop of the extensive construction of the BRI and the upcoming inaugural China-Arab States Co-operation Forum, China's economic and trade relations with the Middle East is reaching a new turning point. This shift creates a conducive environment for a systematic study on China's investment, and economic and trade co-operation in the Middle East. Therefore, PwC China and the Shanghai Institute of International Studies (SIIS) have collaborated on this **2022 Report on Chinese Investor Confidence in the Middle East**. This report is based on the investment patterns of Chinese companies in the Middle East and seeks to paint a microscopic picture of their operations in the Middle East using findings from our interviews. With objective and scientific analysis, this report breaks down how Chinese enterprises assess and view the prospects of economic and trade co-operation in the Middle East and provides decision-making advice to enterprises and governments. We believe that by analysing the opportunities and challenges Chinese companies face in the Middle East, we can inspire more promising economic and trade co-operation between China and the Middle East and promote a mutually beneficial relationship to achieve a renaissance for both regions.

As the Arb proverb goes, ' Seek knowledge even if in China, for the seeking knowledge is the duty of every Muslim.' At a time when globalisation is being redefined, accelerating development will be key to solving the problems of the Middle East. We hope this report can facilitate the strengthening of the economic and trade co-operation between China and the Middle East and promote the development of Chinese enterprises in the region.

Abstract

118 Chinese companies that do business in the Middle East participated in PwC China online survey from March to May 2022. With the findings from the survey, PwC China hoped to: gain a better understanding of the current environment, plans and challenges faced by Chinese companies investing in the Middle East; summarise the market changes, business opportunities and business environment in the Middle East; gain insight into issues of both the common and unique problems faced by Chinese investors in the Middle East; and provide recommendations for better development in the region. We also interviewed senior executives of Chinese investment firms to develop the case studies in this report.

The survey covered ten countries, including Bahrain, Jordan, Qatar, Saudi Arabia, Oman, Kuwait, Egypt, Iraq, the United Arab Emirates (UAE) and Israel. The main findings are as follows:

Chinese investors in the Middle East

- Chinese investors operate throughout the Middle East with the UAE and Saudi Arabia being the most popular markets, where 83% and 73% of respondents indicated having their business and market expansion activities respectively; 52% of Chinese companies surveyed have established their headquarters in the Middle East, with 82% headquartered in the UAE.
- 45% of the respondents have operated and expanded their business in the Middle East for over 10 years, mainly in the energy and infrastructure sectors.
- 66% of respondents operate a business entity in the Middle East and report revenue, while 21% only have a business development office.
- 51% of respondents leveraged greenfield investments to enter the Middle East, while 24% formed joint ventures with local business partners.
- 62% of respondents indicated that their key clients in the Middle East are local state-owned enterprises, while 42% said government-related and private enterprises ad their key clients.

The Middle East is full of opportunities

- Market factors in the Middle East are attractive for Chinese investors. High market potential was the main reason why 75% of respondents chose to invest in the region, while strong customer purchasing power and meeting local needs were cited by 36% and 21% of respondents respectively.
- Chinese investors achieved strong profitability in the Middle East market, with 66% of respondents being profitable.

Challenges for Chinese investors and expectations for the future

- Political risks, oil prices and tax laws all affect business development – 76% of companies consider geopolitical risks an important factor that affects the development of the Middle Eastern market while71% believe the implementation of new tax laws and the stability of the tax environment have a significant impact.
- The main challenges Chinese investors face during the investment and management process are in the area of laws and regulations –lack of knowledge about local regulations (58%); higher market access restrictions (53%), localisation rules tend to be stricter (50%); and high compliance requirements (45%).
- 71% of respondents expect work visa relaxation through policy support while 70% want tax relief for investments in non-free zones.

Future business plans of Chinese investors

- 82% of respondents indicated intent to enter or expand their presence in the Middle Eastern market, of which 45% are developing business plans and 37% already have detailed business plans.
- Further research among the aforementioned investors who plan to enter or expand their presence in the Middle Eastern market indicate an equal interest (74%) in the two top destinations of Saudi Arabia and the UAE for their investments in the next 3-5 years.
- The main purpose of M&A is to expand existing markets and enter new ones. When asked about the factors they would consider in order to increase their investment in the Middle East through M&As in the future, 58% of respondents wished to significantly gain market share in the region while 45% wanted to enter new markets.

Case Study

Three companies with a presence in the Middle East shared the opportunities and challenges they face in expanding their business in the region and offered valuable advice for Chinese companies looking to enter the market. The following companies shared their insights:

- iMile, an international e-commerce logistics service company founded by Chinese entrepreneurs in the Middle East;
- Junfu Non-woven Materials, a Chinese non-woven fabric manufacturer;
- eWTP Arabia Capital, an equity investment firm focused on helping Chinese technology companies expand their business in the Middle East and North Africa (MENA) region.

Preface

Located at the intersection between Europe, Asia and Africa, the Middle East benefits from holding an important strategic position in the world, along with its location advantages and economic strength. The Middle East is rich in resources – 55% and 42% of the world's proven oil and natural gas reserves respectively – and is China's main crude oil supplier and trade partner. The region also serves as an important strategic pivot point and co-operation partner for the BRI.

Since Egypt established formal diplomatic relations with China in 1956, becoming the first Arab and African country to do so with China, as we now know it, China has been strengthening its co-operation with major Middle Eastern countries in trade, investment and economic ties.

Since the BRI proposal over eight years ago, China and major countries in the Middle East have strengthened and expanded their co-operation on the project. In 2016, China established a comprehensive strategic partnership with Saudi Arabia and signed a Memorandum of Understanding (MoU) with Egypt on the co-development of the BRI, and signed the same with the UAE, Bahrain and Oman in 2018. As of March 2022, China has signed over 200 co-operation agreements with 149 countries and 32 international organisations to work on the BRI together.

According to data from the General Administration of Customs, China's trade with 10 Middle Eastern countries, including the UAE, Israel, Saudi Arabia, Iraq, Egypt, Kuwait, Qatar, Oman, Jordan and Bahrain, reached US$294.88bn in 2021, accounting for 4.9% of China's total trade for the year. The total value of China's imports and exports of goods reached US$6.05tn in 2021.

Among these, the top three countries in terms of trade volume are Saudi Arabia, UAE and Oman. Currently, China is the UAE's largest trade partner, while the UAE is China's top export destination and the second largest trade partner in the region. Saudi Arabia, on the other hand, has long been China's top supplier of crude oil and the top trading partner in West Asia and Africa, while remaining an important market for China in terms of construction contracts, ranking first in the Arab region for a long time.

China mainly imports crude oil and petrochemical products from major oil-producing countries such as UAE, Saudi Arabia, Egypt, Qatar, Oman and Kuwait. and mainly exports electro-mechanical, textile and metal products to the aforementioned countries. China mainly imports potash from Jordan, and pharmaceuticals, machinery and electrical equipment from Israel.

Figure 1: China's trade with major Middle Eastern countries (2021, US$100mn)

Country	Total trade value	Export	Import
UAE	873.10	303.24	569.85
Saudi Arabia	723.62	438.22	285.39
Iran	147.78	82.81	64.97
Oman	321.33	35.66	285.67
Israel	228.35	153.00	75.35
Egypt	199.73	182.67	17.07
Kuwait	221.24	43.86	177.39
Qatar	171.67	39.61	132.05
Jordan	44.16	39.92	4.25
Bahrain	17.80	13.80	4.00
Total	2,948.78	1,332.78	1,616.00

In terms of outbound investment, Chinese companies are also actively 'going out' and achieving remarkable development in the Middle Eastern market. According to the Ministry of Commerce, China's investment flow to the top ten Middle Eastern countries in 2020 reached US$2.84bn, of which, the UAE accounted for more than 50%. By the end of 2020, Chinese investment in these countries reached US$20.99bn, with the UAE accounting most at nearly half the investment amount, and Israel and Saudi Arabia ranking second and third respectively.

Since entering the Middle East and other international markets in the 1970s, Chinese construction and engineering companies have become a major participants in the Arab region. According to the 2021 U.S. Engineering News Record (ENR) ranking, five Chinese companies are listed in the top ten, contractors in the Middle East, namely Power Construction Corporation of China Construction, China Railway Construction, China Energy Construction and Shanghai Electric. In the financial sector, ICBC Middle East officially established its presence and began operations in 2008, becoming the pioneer in expanding to the Middle East among Chinese banks. Subsequently, the Bank of China, China Construction Bank and Agricultural Bank of China initiated their operations in the region.

The BRI is highly compatible with the vision and development plans of Middle Eastern countries. The construction of Egypt's new administrative capital, the China-Egypt Suez Economic and Trade Co-operation Zone, the China-UAE Industrial Capacity Co-operation Demonstration Park, and the Qatar water supply project are reflected in Egypt's 'Vision 2030', the UAE's 'Development Strategy for the Next 50 Years' and Qatar's 'National Vision 2030', and are examples of successful collaboration between the countries.

Looking ahead, China and Middle Eastern countries will further their co-operation in the fields of energy, infrastructure and manufacturing. In addition, co-operation opportunities in the fields of healthcare, new energy, information technology, artificial intelligence and cyber security are also emerging and will become new growth engines for socio-economic development in both countries.

Figure 2: Chinese investment in major Middle Eastern countries (2020, US$100mn)

Country	Investment Flows	Investment Stock
UAE	15.52	92.83
Israel	2.67	38.69
Saudi Arabia	3.9	29.31
Iraq	4.15	17.38
Egypt	0.27	11.92
Kuwait	1.22	8.49
Qatar	0.95	6.19
Oman	0.87	2.37
Jordan	-1.2	2.04
Bahrain	0	0.71
Total	28.35	209.93

Reference: Wind

Chinese investors in the Middle East

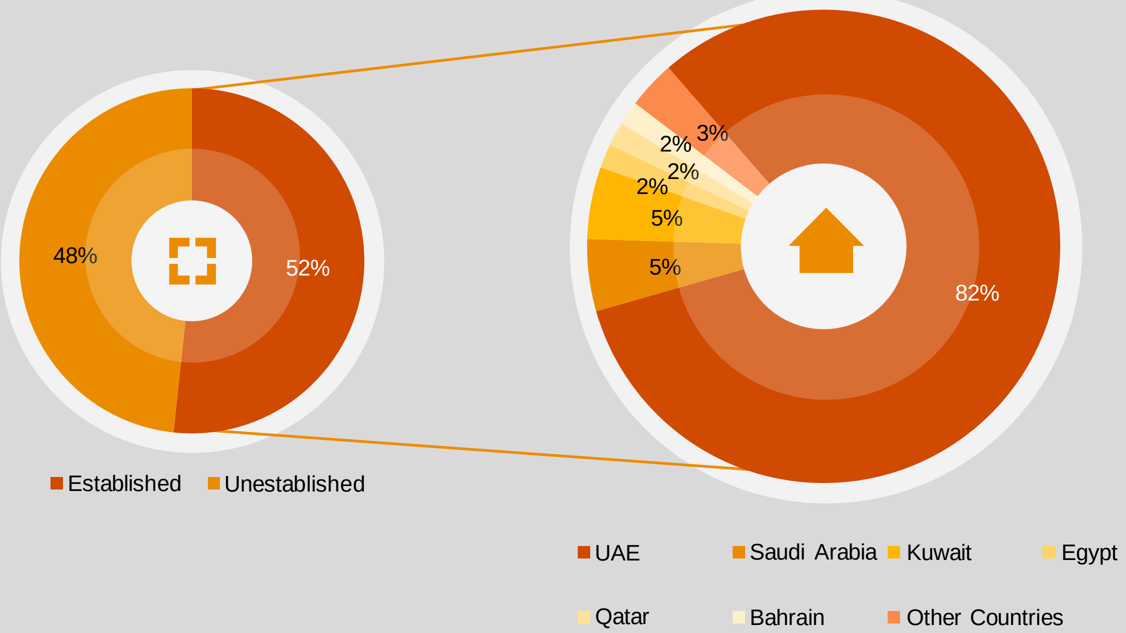
More than half the Chinese investors have set up headquarters in the Middle East, of which 80% are located in the UAE

A total of 118 Chinese investors participated in our study, with 52% having established headquarters in the Middle East. Of which, 82% are based in the UAE; 5% in Saudi Arabia and Kuwait respectively; and 2% in Egypt, Bahrain and Qatar respectively.

Currently, the UAE is considered to have a better overall business environment in the MENA region, ranking 16th in the World Bank's Doing Business 2020 list comparing 190 economies worldwide. The UAE ranked in the top ten for numerous indicators, including obtaining construction permits, obtaining electricity, registering property and enforcing contracts. Dubai is the most populous city in the UAE, accounting for more than 40% of the country's population. The city has well-developed logistics, trade, finance and tourism sectors, and is known as the 'Gateway to the Middle East', making it a popular bridgehead for Chinese investors looking to enter the Middle East.

According to statistics, the UAE has become the largest destination for Chinese investments in the Arab world, with over 6,000 Chinese companies operating in the country in a wide range of sectors, including energy, ports, infrastructure, communications, and finance. China's four largest state-owned banks, Industrial and Commercial Bank of China, China Construction Bank, Bank of China and Agricultural Bank of China, established branches in Dubai between 2008 and 2017. Large state-owned enterprises and private enterprises have also opened management offices in Dubai. The Saudi government has introduced a regional headquarters policy since 2021 and offers preferential conditions to encourage international companies to locate in Dubai, which is also being examined by Chinese companies.

Figure 3: Headquarters establishment in the Middle East

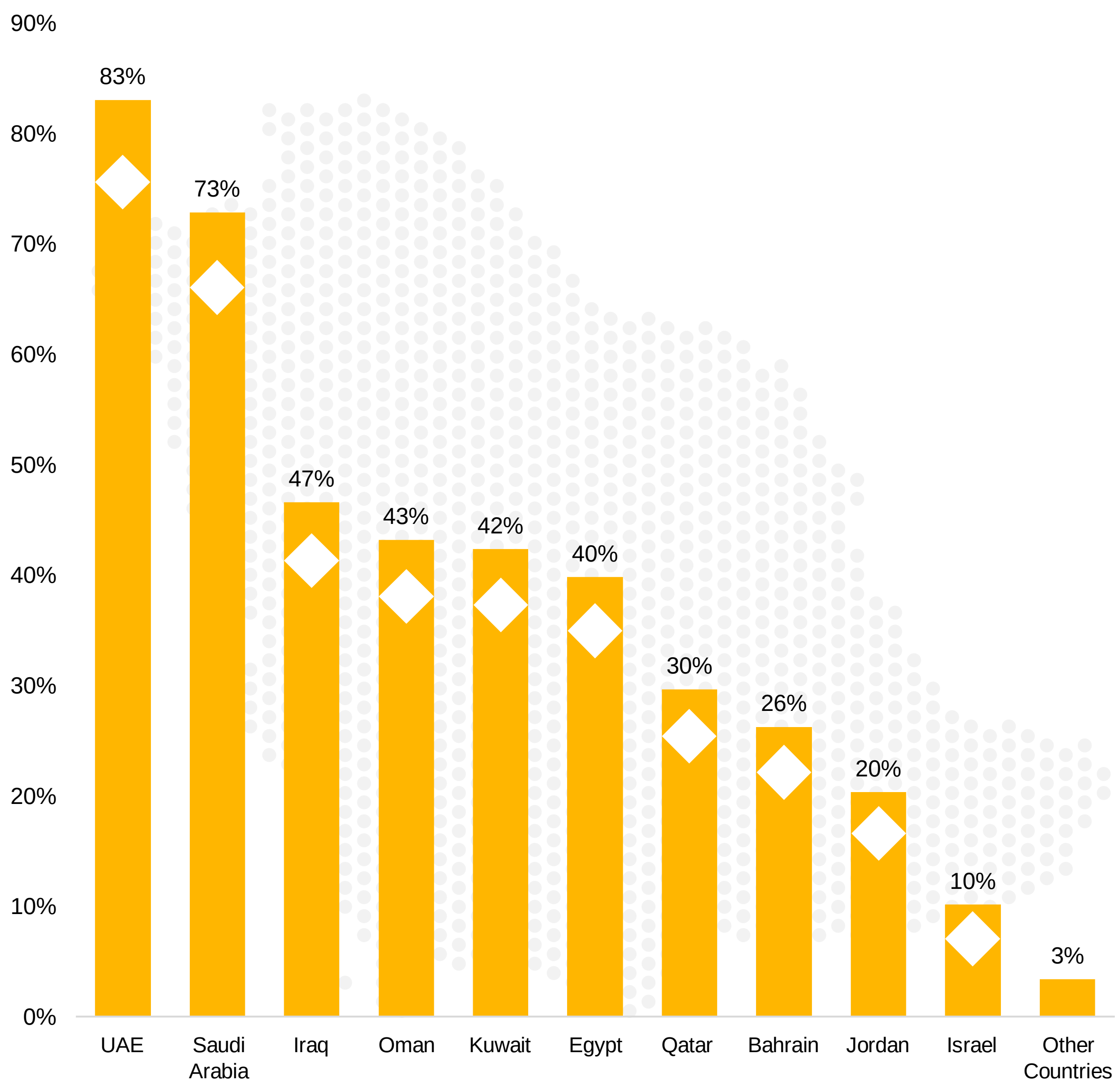


Note: Due to rounding, the sum of values in some charts in this report might be greater than 100%.

Chinese investors operate throughout the Middle East, with the UAE and Saudi Arabia being the most popular markets

Chinese investors are spreading their operations and market expansion activities across the Middle East with 83% and 73% of respondents doing so in the UAE and Saudi Arabia respectively. Iraq, Oman, Kuwait and Egypt are the next most popular destinations, with more than 40% of companies choosing to operate there. Among those that have expanded to the Middle East, 22% chose to have business and market expansion activities in only one country, 8.5% in two countries, 38.1% in three to five countries and 31.4% in six or more countries. This fully demonstrates Chinese investors' diversification strategies in relation to market entry and business activities.

Figure 4: Distribution of Chinese investors' business or market activities in the Middle East



Nearly half the companies have been operational in the Middle East for over 10 years

According to our survey, 45% of the respondents have been operating and expanding their business in the Middle East for over ten years, in the energy and infrastructure sectors primarily. 17% of the respondents have been in the Middle East for five to ten years, while around 30% entered in the last one to five years.

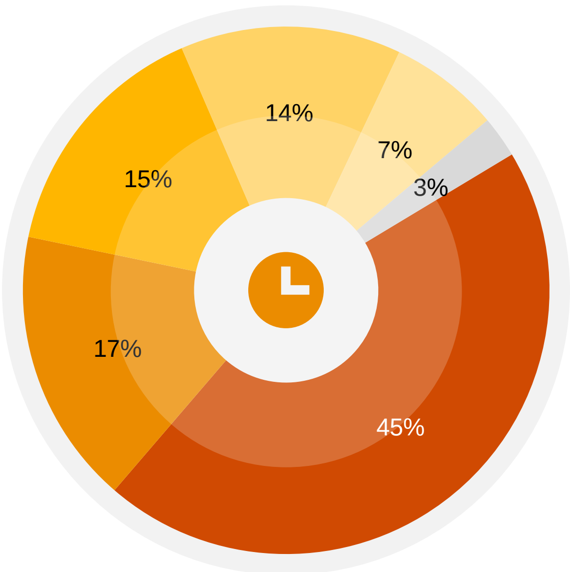
In recent years, investment in the Middle East market has diversified increasingly, expanding from energy and infrastructure to finance, logistics, Internet, retail and consumer and bio-pharmaceutical sectors. In the Internet sector, for example, Tencent set up its first cloud computing data centre in the MENA region in Bahrain in 2021. In 2022, Alibaba partnered with the Saudi Telecom Group (STC) and eWTP Arabia for Technical Innovation to jointly set up a company that specialises in cloud computing services and solutions.

Most of Chinese companies interviewed that entered the Middle East market earlier on were headquartered in the UAE or Saudi Arabia. However, in recent years, some Chinese investors have started looking to Qatar and Bahrain for their headquarters, expanding geographical coverage in the region.

About 70% of Chinese companies have a business entity in the Middle East

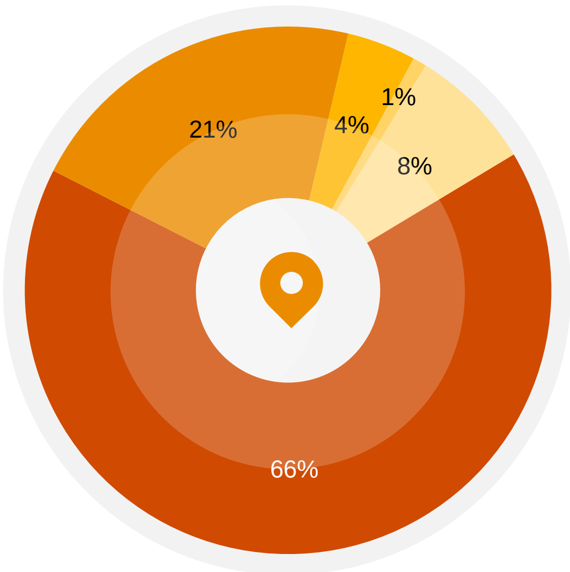
Our survey indicates that 66% of respondents have a business entity in the Middle East and report revenue, while 21% only have offices for business expansion initiatives, 4% are engaged in re-export and 1% are engaged in investment. In the future, as their business grows, companies with business development offices may shift to physical operations.

Figure 5: Length of time Chinese investors have been operational in the Middle East



- Over 10 years
- 5-10 years
- 1-3 year(s)
- 3-5 years
- Less than 1
- Yet to come while express high concern for this area, 3%

Figure 6: Types of operations among Chinese investors in the Middle East



- Business units, gaining income and profits from local entity businesses
- Representing office or market and business development capability
- Re-export trade
- Investment platform
- Others

There is still room for revenue improvement in the Middle East

For the majority of respondents, the Middle East does not account for a significant proportion of their overall revenue. 36% of companies indicated that this market accounts for less than 5% of their revenue, about 30% of companies gain 5-15%, and only 23% of companies reported over 20% of their revenue from this region. This has a lot to do with the size of the Middle Eastern economy, population and market. In 2020, the combined GDP and total population of the aforementioned ten countries was about 3% of the world's. With governments in the Middle East actively exploring non-oil economies, and breaking up monopolies and encouraging private sector investment, the Middle Eastern market has great potential for growth.

The investment vehicle is mainly greenfield investment and joint venture co-operation

More than half of the respondents used greenfield investments to enter the Middle Eastern market, 24% chose local business partners to form joint ventures, and about 10% of companies entered the market through financial investments and M&A transactions, respectively.

Figure 7: Proportion of business revenue coming from the Middle Eastern business

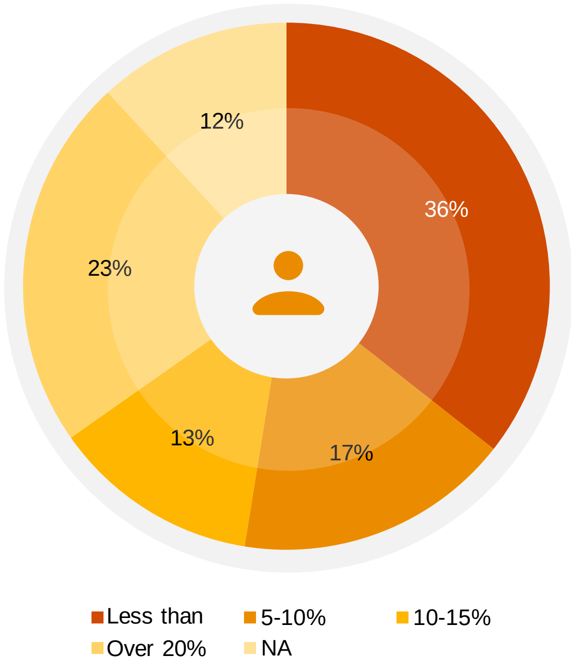
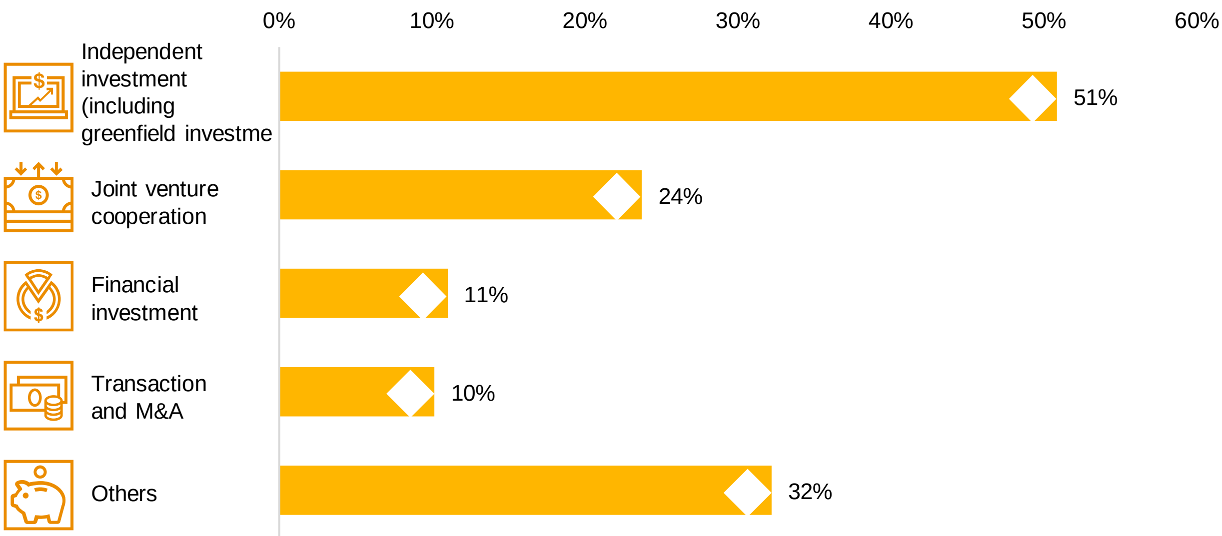


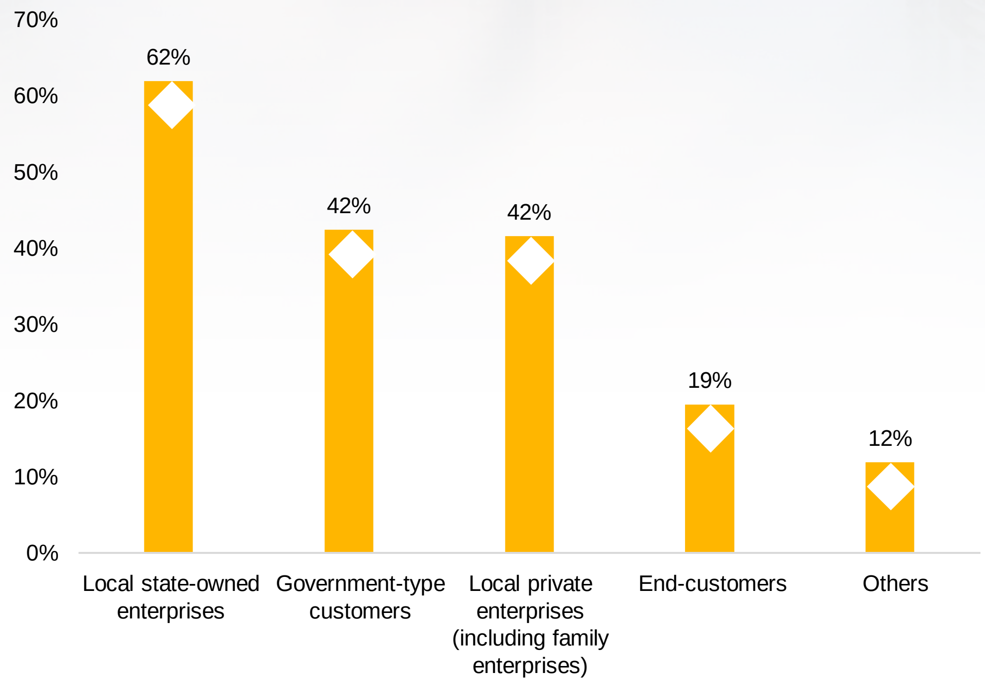
Figure 8: Key ways of respondents investing in their business in the Middle East

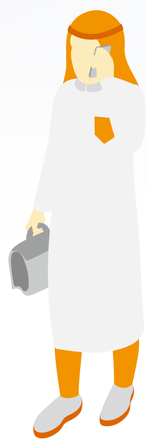


State-owned enterprises and government entities are the main customers of surveyed companies

According to our survey, 62% of respondents said their important customers in the Middle East are local state-owned enterprises. 42% of respondents chose government-related customers and private enterprises respectively, while only 19% chose end-customers. Companies in the infrastructure, energy and industrial manufacturing sectors, which make up a relatively high proportion of the industries in which the surveyed companies operate, have local enterprises and government entities as their main customers, with fewer companies directly serving consumers.

Figure 9: Main client groups served by surveyed companies





The Middle Eastern market is full of opportunities

Market-related factors are most attractive to investors

When asked for the main reason they chose to invest in the Middle East, 75% of respondents chose 'high market potential'. In addition, strong purchasing power of consumers (36%) and meeting local needs (21%) were both market-related factors for the choice, while business environment (34%) was a policy-related factor. In addition, the Middle East's location advantages, such as easier access to other markets (17%), convenient logistics network (8%) and labor cost advantages (7%), were also considered.

When it comes to the top three countries with the most promising growth for the Middle East market, over 70% of respondents opted for Saudi Arabia (78%) and the UAE (74%). This was followed by Iraq, Egypt, Kuwait and Qatar, all chosen by more than 20% of respondents. Fewer companies chose other countries.

Figure 10: Main reasons why Chinese investors chose to invest in the Middle East

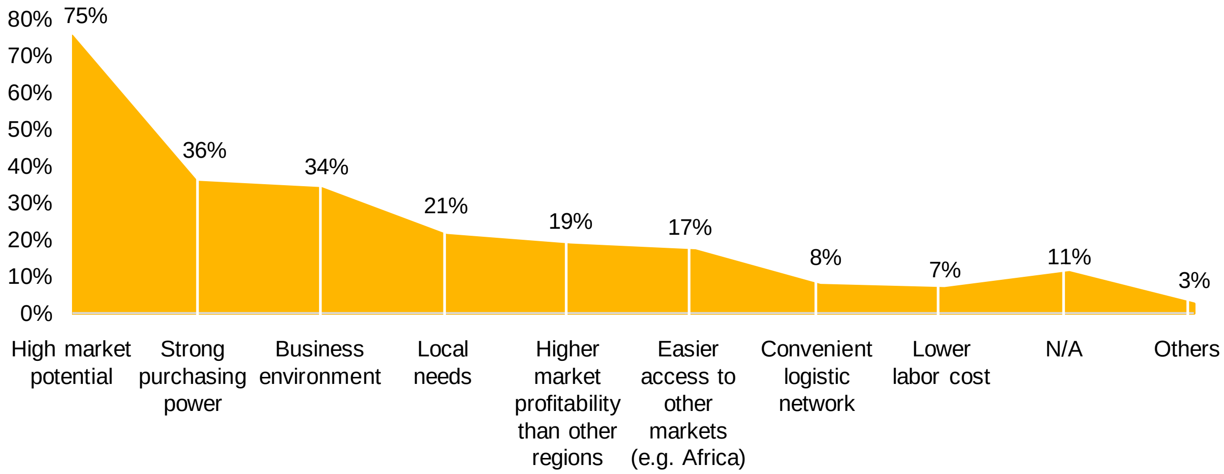
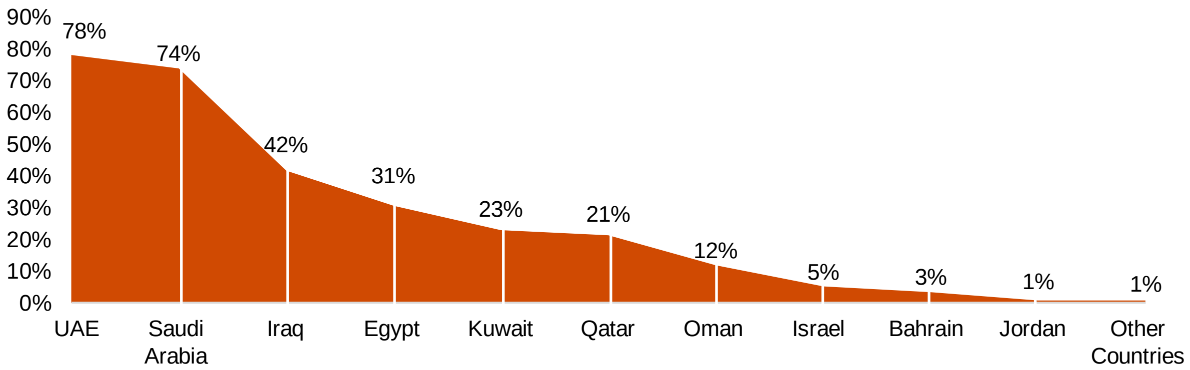


Figure 11: Top countries in terms of market potential



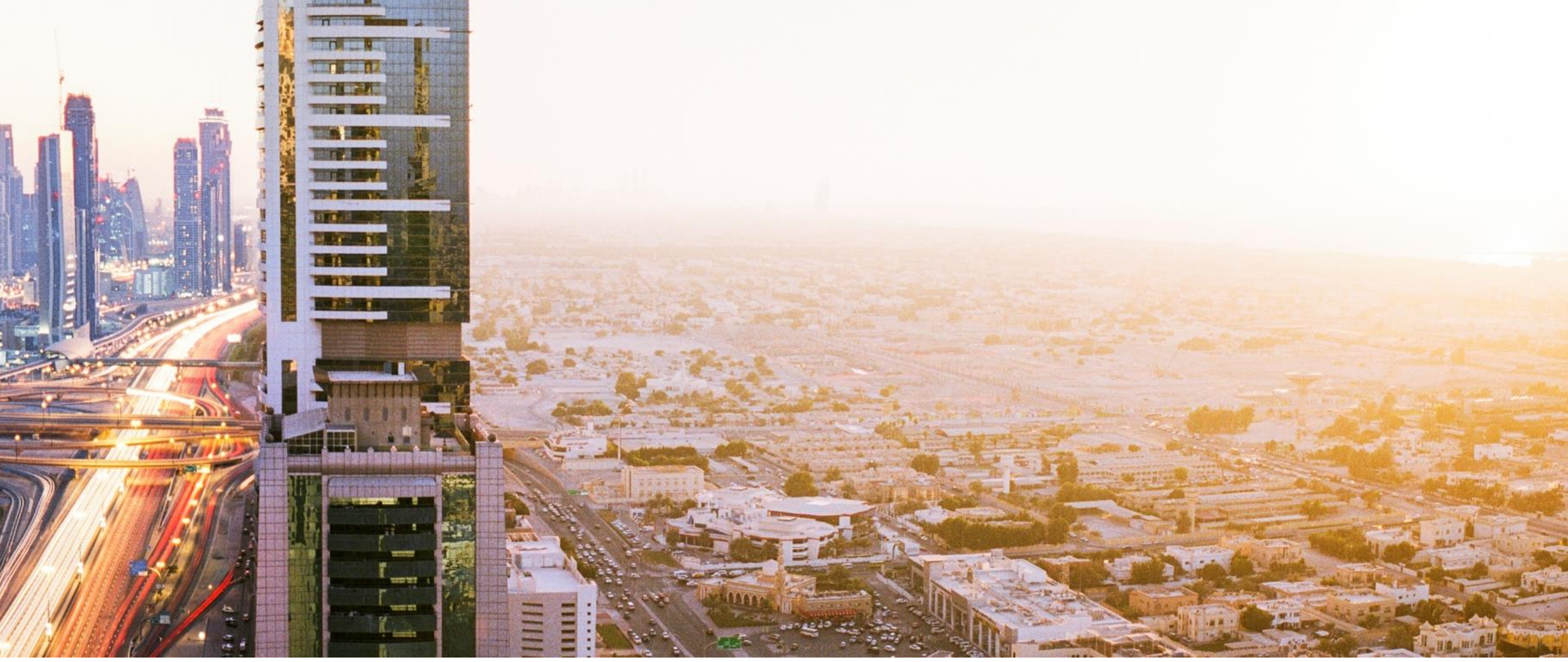
Market potential is determined by indicators such as total economic volume, GDP per capita and population. Saudi Arabia is the largest country in the Middle East in terms of economic activity, benefiting from the rebound in oil prices in recent years. Its GDP growth rate is forecasted to reach 7.6% in 2022, according to the International Monetary Fund (IMF). In addition, Saudi Arabia is home to a large population base with a per capita GDP of over US$20,000, making it a high-income country. The UAE's per capita GDP is US$36,000, a high level, supported by strong consumption.

The market potential of Iraq and Egypt benefits from their huge population. For example, Egypt is the most populous country covered in this report with a total population greater than 100mn,. Although its current per capita GDP is low, future development is still promising. The per capita GDP of Kuwait and Qatar have both joined the ranks of high-income countries, with Qatar topping the chart in the Middle East and coming in the top 15 globally.

Figure 12: GDP, population and labour force in the Middle East

	GDP (US$100mn)	GDP per capita (US$)	Population (10 thousands)	Labour force (10 thousands)	Labour force as a percentage of total population
Saudi Arabia	7,001.18	20,110.32	3,481.39	1,599.19	45.94%
Israel	4,071.01	44,177.57	921.51	410.95	44.59%
Egypt	3,652.53	3,569.21	10,233.44	2,787.02	27.23%
UAE	3,588.69	36,284.56	989.04	637.67	64.47%
Iraq	1,667.57	4,145.86	4,022.25	1,036.87	25.78%
Qatar	1,444.11	50,124.39	288.11	217.48	75.49%
Kuwait	1,059.60	24,811.77	427.06	231.07	54.11%
Oman	739.71	14,485.39	510.66	265.16	51.93%
Jordan	436.98	4,282.77	1,020.31	258.87	25.37%
Bahrain	347.29	20,409.95	170.16	97.24	57.15%
Total	24,008.67	10,881.41	22,063.93	7,541.52	34.18%

Reference: Wind, the World Bank (2020)



In its latest economic outlook report, the IMF lowered its overall global growth forecast. But it raised the growth forecast for in the Middle East in view of surging oil prices. For MENA as a whole, the IMF's GDP growth forecasts for 2022 and 2023 were 5% and 3.6% respectively in April this year, 0.6 and 0.2 percentage points higher than its forecasts in January. In particular, the economic growth of major oil-producing countries such as Saudi Arabia, Kuwait and Iraq will be very impressive in 2022. PwC's Global Consumer Insights Survey 2022 found that 53% of consumers in the Middle East are optimistic about the economy, which is significantly higher than the global average of 37%.

Chart 13: Economic growth forecast for major Middle East countries (%)

Country	2021	2022	2023	2024	2025	2026	2027
Bahrain	2.23	3.29	2.98	3.00	3.02	3.03	3.05
Egypt	3.33	5.89	5.05	5.48	5.76	5.83	5.90
Iraq	5.94	9.53	5.72	2.70	2.60	2.60	2.63
Israel	8.19	4.96	3.51	3.49	3.49	3.51	3.52
Jordan	2.03	2.40	3.10	3.30	3.30	3.30	3.30
Kuwait	1.31	8.23	2.62	2.65	2.63	2.65	2.66
Oman	2.00	5.59	2.68	2.55	3.36	2.54	2.52
Qatar	1.52	3.43	2.49	1.74	2.81	2.70	3.81
Saudi Arabia	3.24	7.60	3.64	2.73	2.67	2.71	2.76
UAE	2.27	4.24	3.80	3.84	3.90	4.03	4.24

Reference: IMF

Sound business environment and policy transparency

More than 60% of surveyed respondents believe that the overall business environment in their respective country in the Middle East is better (45%) or no different than (17%) in other countries in the region. This is due to the fact that most of the respondents operate their business and have their regional headquarters in countries like UAE and Saudi Arabia, with a relatively sound business environment and economic strength. Some respondents who have business operations in regions with lower business environment rankings, such as Iraq, Egypt and Qatar, believe that the business environment they are in is relatively worse than their counterparts' in the UAE and Saudi Arabia.

Among the top three Middle East countries in terms of business environment, the UAE (97%) topped the list followed by Saudi Arabia (60%). According to a World Bank report on business environment in 2022, the UAE scored the highest in the Middle East, ranking 16th in the world, while Saudi Arabia stood at 63rd. These results pointed to the concentration of Chinese investors in the UAE and Saudi Arabia.

Figure 14: Chinese investors' evaluation of the overall business environment in their country of operations in the Middle East compared to other regions

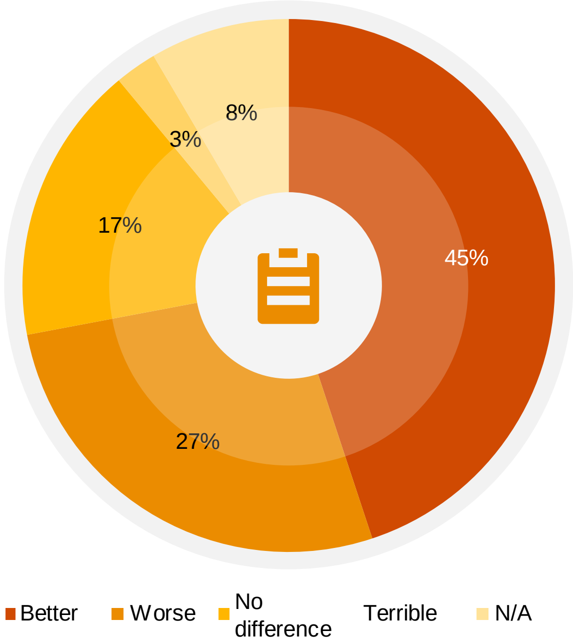


Figure 15: Top countries favoured by respondents for their business environment

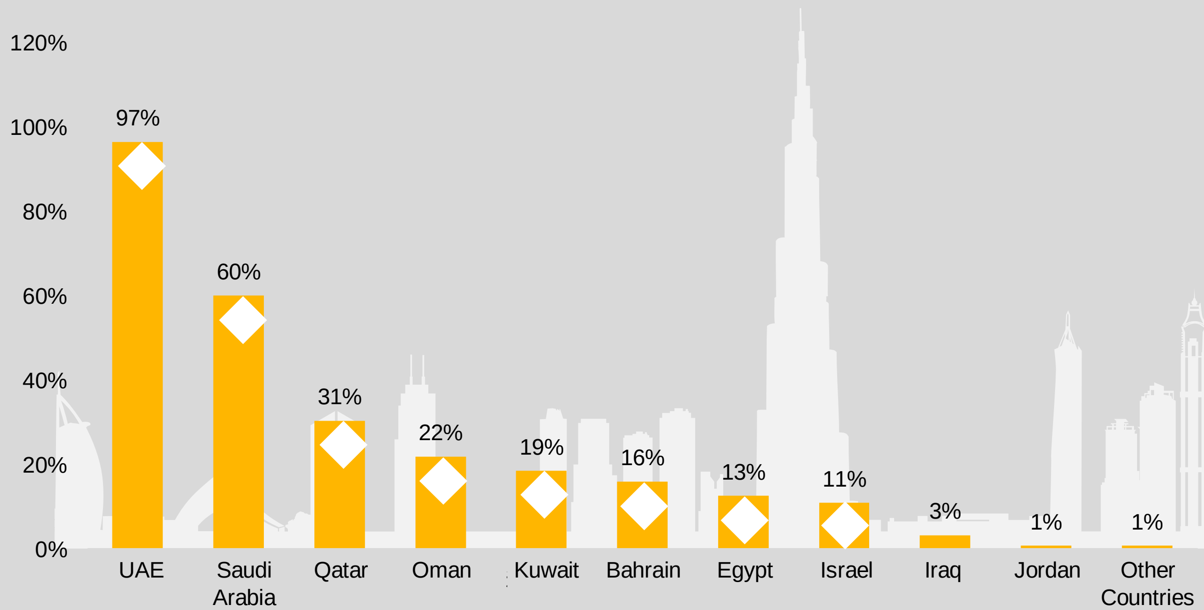


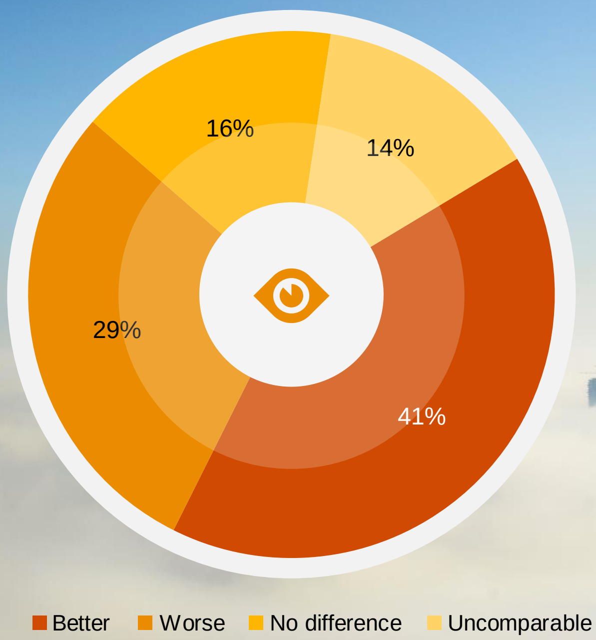
Figure 16: Business environment ranking of major countries in the Middle East

Country	Income level	Rank	Starting a business	Dealing with construction permits	Getting electricity	Registering property	Getting credit	Protecting minority investors	Paying taxes	Trading across borders	Enforcing contracts	Resolving insolvency
UAE	High	16	17	3	1	10	48	13	43	92	9	80
Israel	High	35	27	35	83	75	48	18	13	67	85	29
Bahrain	High	43	67	17	73	17	92	51	1	78	59	60
Saudi Arabia	High	63	37	28	18	19	92	3	62	86	51	168
Oman	High	68	31	47	35	52	144	88	11	64	69	97
Jordan	Above average	75	120	138	70	78	4	105	61	76	110	112
Qatar	High	77	108	13	50	1	119	157	3	101	115	123
Kuwait	High	83	82	68	67	45	119	51	6	162	74	115
Egypt	Lower	114	90	74	78	130	67	57	156	171	166	104
Iraq	Above average	172	154	103	131	121	186	111	131	181	147	168

Reference: World Bank

More than half of the respondents consider the policy stability and transparency in their host countries comparable to other countries in the region, while 41% see these variables as better. Such perception is also in line with respondents' recognition of their business environment, particularly in Saudi Arabia and the UAE, with relatively stable policies and greater transparency.

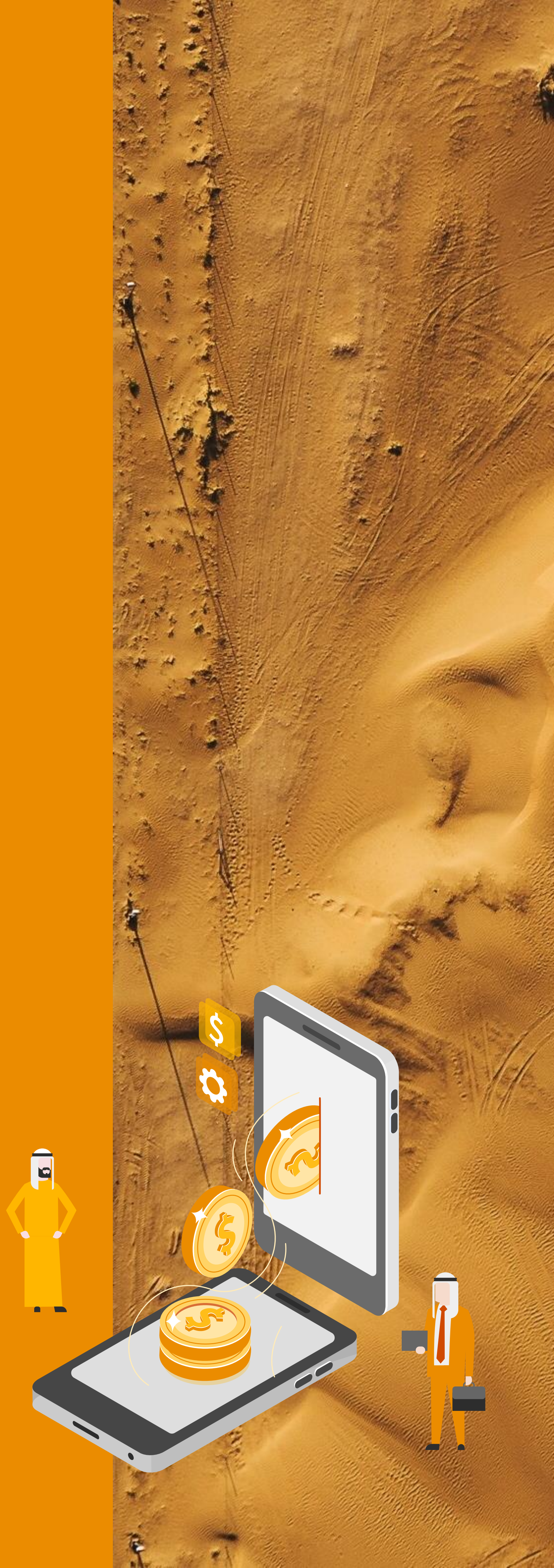
Figure 17: Perceived stability and transparency of policies in respondents' Middle Eastern country of operation compared to other regions



The UAE has launched various initiatives to improve the business environment in recent years. In 2020, the UAE amended the Commercial Companies Law to remove the shareholding restriction in locally incorporated companies for foreign investors. In 2022, the Golden Residency Visa Programme was revised with a simplified eligibility criteria and expanded the categories of beneficiaries with the aim of attracting and retaining global talent in order to improve the competitiveness of the local job market. In addition, the UAE's free zones offer varying incentives to reduce the costs of doing business and to further encourage companies to incorporate locally.

Similarly, Saudi Arabia has also taken measures to optimise its business environment. In 2018, to simplify the business registration process, the Saudi government waived the requirement for prior approval from industry regulators for business registrations, and allowed business owners to open bank accounts and rent office space as entrepreneurs. In November 2020, the Saudi Ministry of Human Resources and Social Development issued a reform plan for foreign employees in the private sector, officially abolishing the foreign worker 'sponsorship' system, also known as the kafala system. At the same time, Saudi Arabia upgraded its former Investment Authority to the Ministry of Investment to provide landing services to foreign investors.

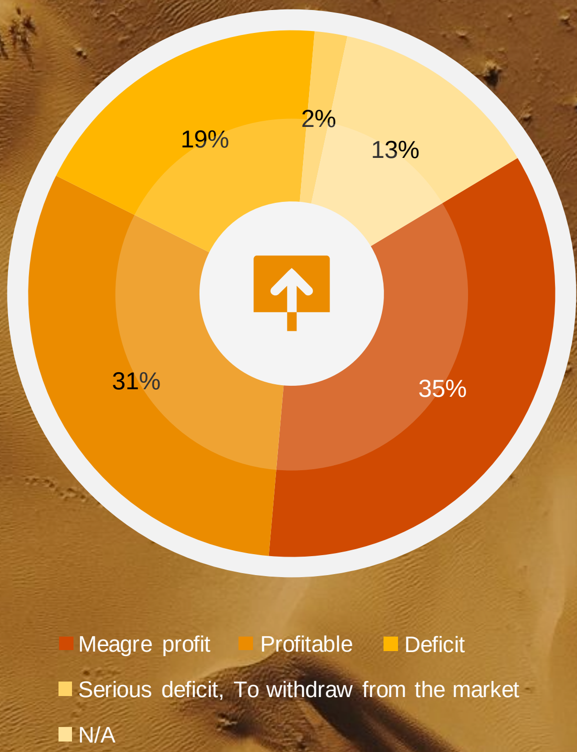
In recent years, Qatar has made it more convenient to open a business locally by waiving the minimum capital requirement for opening a business bank account. The government has also amended the rules governing the entry, exit and residence of foreigners in Qatar, and eased restrictions on employment changes in order to better protect the rights of both employers and employees. In terms of tax laws, Qatar has adopted tax exemptions for businesses registered in free zones, financial zones and technology zones. Through greater flexibility of its measures, Qatar is seeking to promote economic diversification and attract more foreign investment.



Excellent profitability

Nearly 70% of respondents said their companies are profitable in the Middle East, of which 35% earn a small profit, with profitable companies scattered across multiple industries, including energy, industrial manufacturing, Internet, finance and bio-pharmaceuticals. About 20% of respondents said their companies are in the red, with the majority of them involved in infrastructure construction.

Figure 18: Current profitability of surveyed companies in the Middle East



Challenges for Chinese investors and future outlook

Business development impacted by political risks, oil prices and tax laws, among other factors

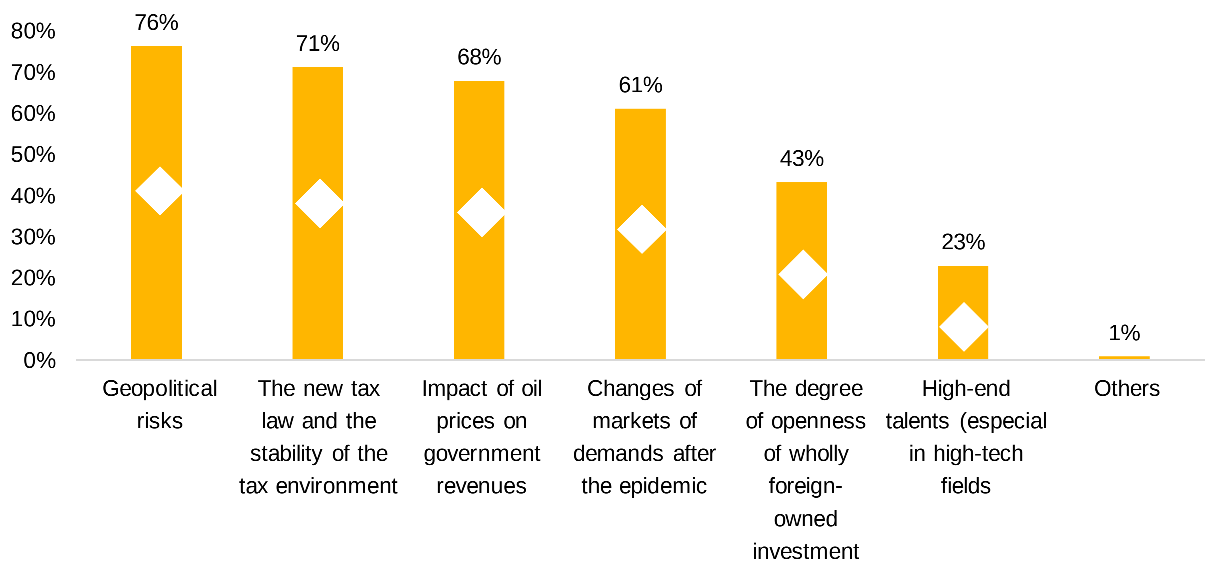
76% of companies consider geopolitical risk as an important factor affecting the growth of the Middle East market. According to PRS Group's ranking of the world's 100 major economies by political risk in September 2021, the UAE has the lowest level of political risk, ranking 8th globally. Israel is ranked 15th, Oman 32nd, Saudi Arabia 42nd, and Egypt and Iraq 82nd and the 97th respectively, indicating their extremely high level of political risk.

71% of the Chinese companies pointed out that the implementation of the new tax law and the stability of the tax environment have had a significant impact. The pandemic, the openness of the Middle Eastern market to 100% foreign ownership and the lack of high-end local talent are also factors impacting the future development of companies in the Middle East.

Speaking of political risks, Israel is set to hold a new round of legislative elections in the next 12 months, according to a report by Fitch Solutions, which may introduce uncertainties to the business environment of the Middle East. Currently, there is a huge ideological divide between the country's coalition parties. Fitch Solutions anticipates that tensions in Israel will rise sharply in the third quarter if the united right-wing opposition coalition, led by former Prime Minister Benjamin Netanyahu, secures enough seats to challenge the incumbent government in the upcoming elections. This could lead to the formation of a new government with a 'slim majority', and hence limit the power to implement reform and pass new legislation, such as the Government Budget of 2023.

As for Iraq, Fitch Solutions forecasts that political risks will continue to rise in the coming months, with escalating tensions between the federal government and the Kurdistan Regional Government. The two sides have resumed their historical disputes over oil production and revenue sharing, casting a shadow over the presidential election. In addition, rising geopolitical tensions will also fuel the rising political risk in Iraq in the near term. Military confrontations between Israel and Iran, as well as between the U.S. and Iran, will continue to play out in Iraq.

Figure 19: Factors impacting the future development of companies in the Middle East



With respect to the new tax law, on January 31, 2022, the UAE announced that a federal corporate profit tax will come into effect from June 1, 2023 onwards. Although the tax rate is set at a low level of around 9% and the free zone tax exemption regime remains in place, the imposition of the new tax law will still dampen the overall profitability of some multinational companies, particularly foreign investors who currently earn a marginal profit. At the same time, how the Global Anti-Base Erosion Model Rules (Pillar Two) for Addressing the Tax Challenges of Economic Digitisation by the Organisation for Economic Co-operation and Development (OECD) will be implemented in the UAE is a lingering concern for large companies.

On the oil price front, some Middle Eastern countries remain highly dependent on crude oil for their fiscal revenues. Saudi Arabia, for example, saw its revenues rise 36% to SAR278bn (US$74 bn) in the first quarter of this year with oil revenues up 58% year-on-year to SAR183bn, according to the Saudi Ministry of Finance. Both Brent and West Texas Intermediate crude prices have soared more than 60% since the start of the year, with Brent crude reaching nearly US$140 a barrel in March.

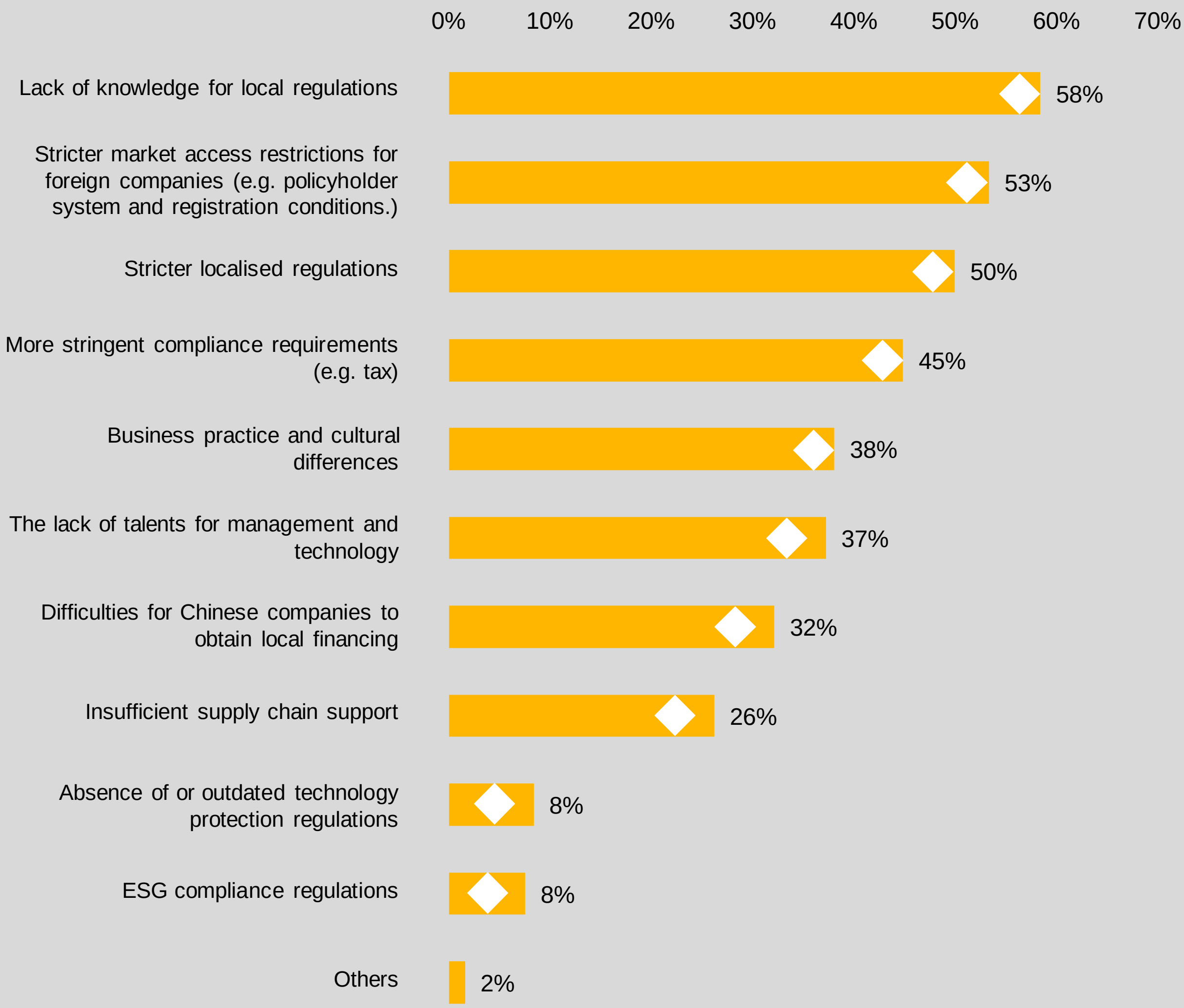
The COVID-19 pandemic continues to batter tourism worldwide, a key driver of growth and diversification in the Middle East, preventing the industry from fully recovering to pre-pandemic levels.

Legal regulations, business practices and cultural conflicts are the main challenges faced by investors

Our survey shows that the main challenges respondents face during the investment and post-investment management process in the Middle East are in the legal and regulatory areas, including stricter market access (53%), stricter localisation rules (50%), high compliance requirements (45%), ESG compliance rules (8%), and the absence of or outdated technology protection rules (8%).

Company-specific factors mainly include insufficient knowledge of local regulations (58%), and business practice and cultural conflicts (38%). At the operational level, companies also face a host of difficulties in seeking sufficient support for their business, such as the lack of technical and management talents (37%), difficulties in obtaining financing (32%) and inadequate supply chain support (26%).

Figure 20: Major difficulties and challenges faced by respondents in the investment and post-investment management process in the Middle East



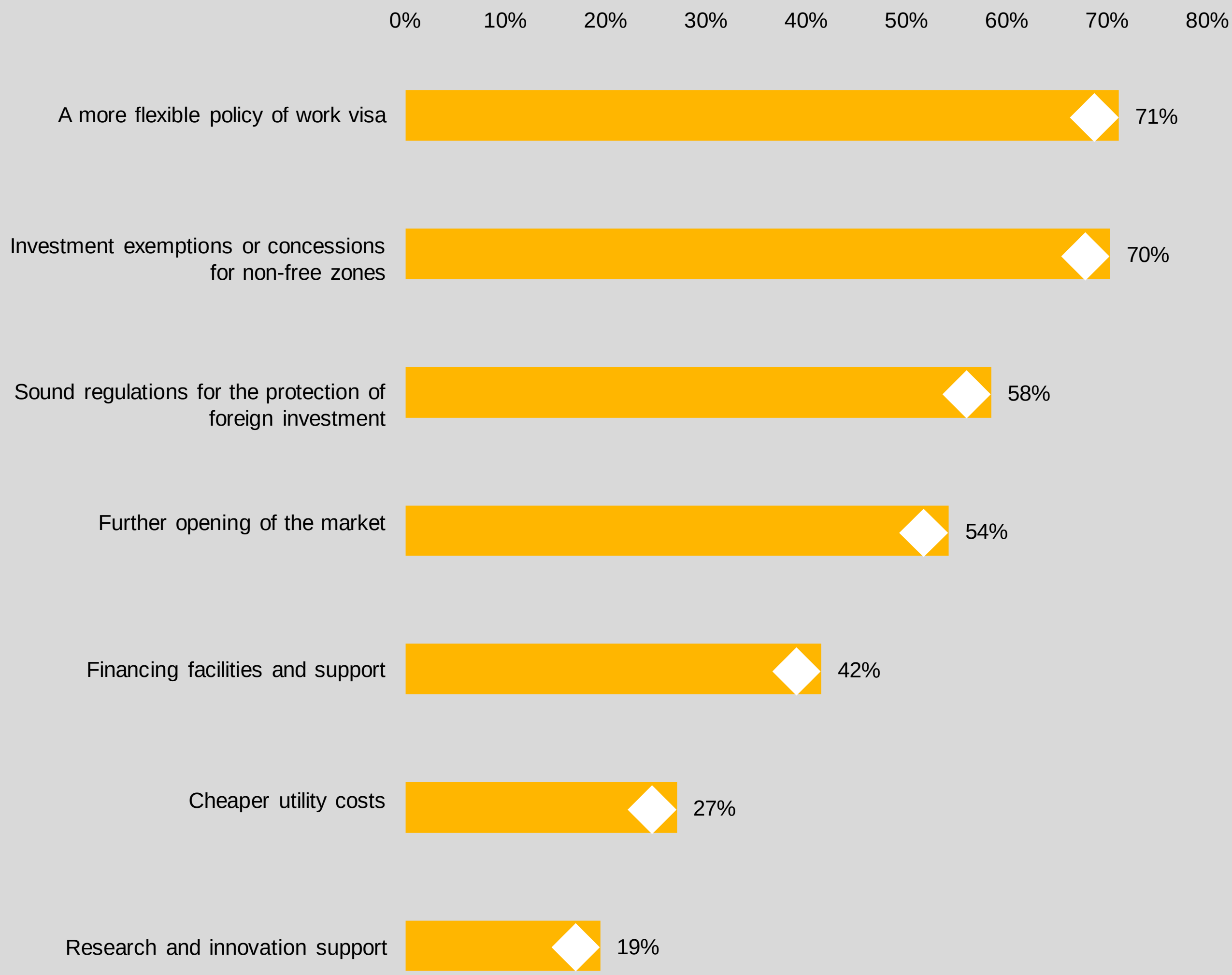
Enterprises' expectations for government policy support and reform

Considering the aforementioned factors impacting business development and the challenges they face in the Middle East, respondents also expressed their hopes of receiving policy support in several key areas, including the relaxation of work visas (71%) and tax relief for non-free zone investments (70%). The relaxation of work visas is expected to strengthen the labour force and bring in tax benefits, directly improving business performance. In addition, respondents are hoping to get support in the form of financing facilities and support (42%) and lower utility costs (27%).

In March 2021, the UAE announced the creation of a 'visa for remote work' for people who work for foreign companies via online means. The programme allows people employed by overseas companies with a monthly salary of US$3,500, or more, to live in the UAE for one year.

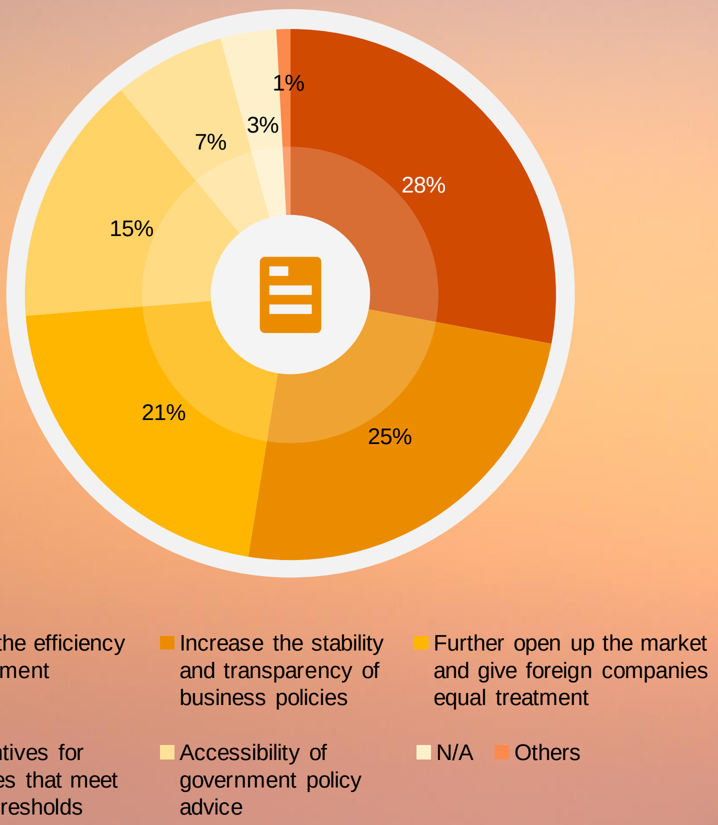
On a macro level, respondents also urge the governments to improve regulations to protect foreign investment (58%), further open up markets (54%), and increase support for research and innovation (19%).

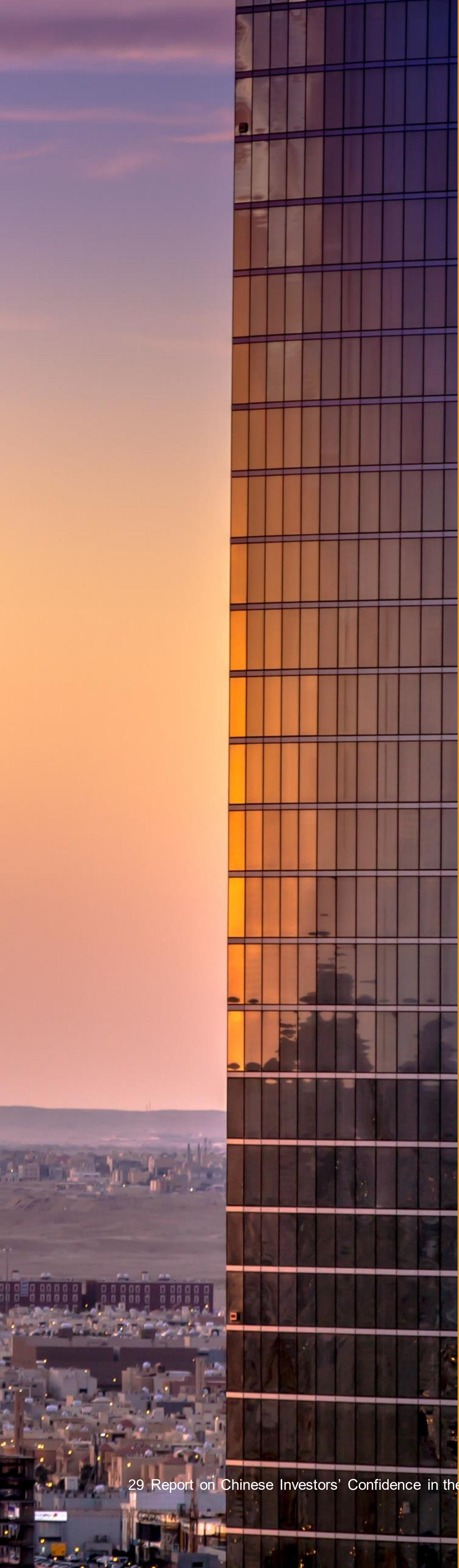
Figure 21: Most demanded areas for policy support



According to our survey, 28% of respondents believe that improving the efficiency of government agencies is most effective in attracting foreign investment, followed by increasing the stability and transparency of business policies (25%), further opening up the market and giving foreign companies equal treatment (21%) and tax incentives (15%).

Figure 22: The most cited reform initiatives that are beneficial in attracting foreign investment

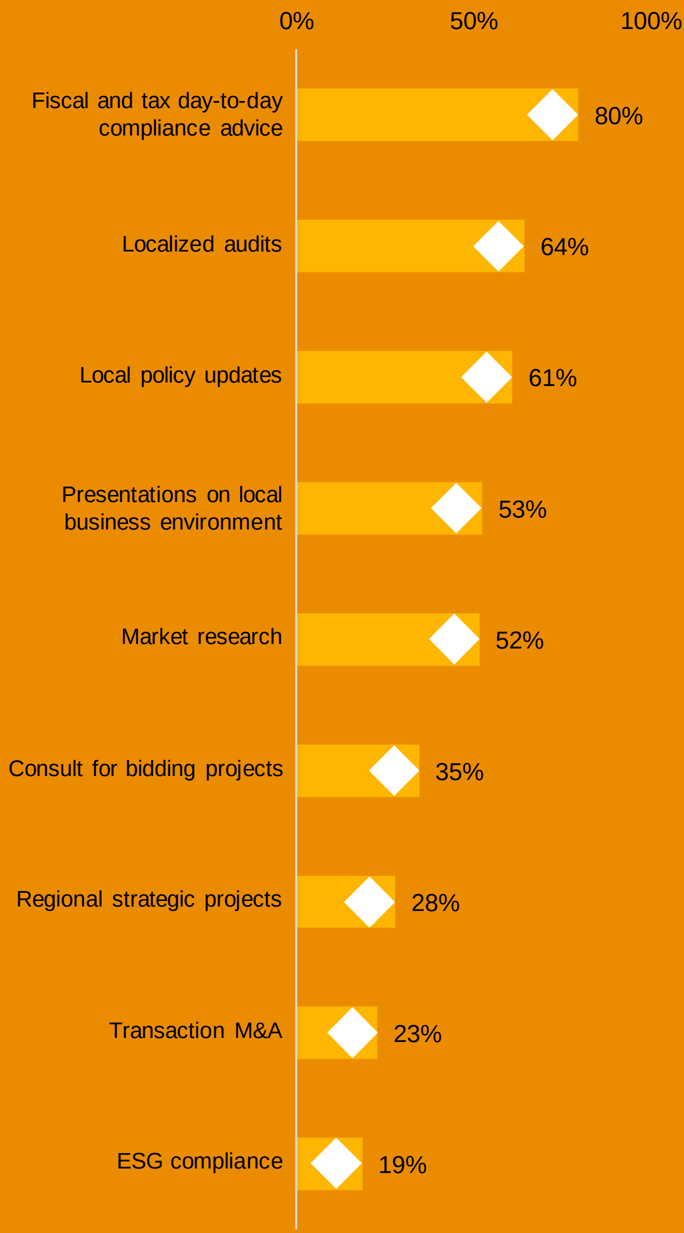




Assistance from consulting agencies

Leveraging professional consulting agencies is common practice among foreign investors doing business in the Middle East. Research shows that respondents have tapped into a variety consulting services when investing in the Middle East, including day-to-day compliance advice on fiscal and tax matters (80%), localised audits (64%), local policy updates (61%), analysis on the local business environment(53%) and market research (52%).

Figure 23: Types of consulting services engaged by respondents

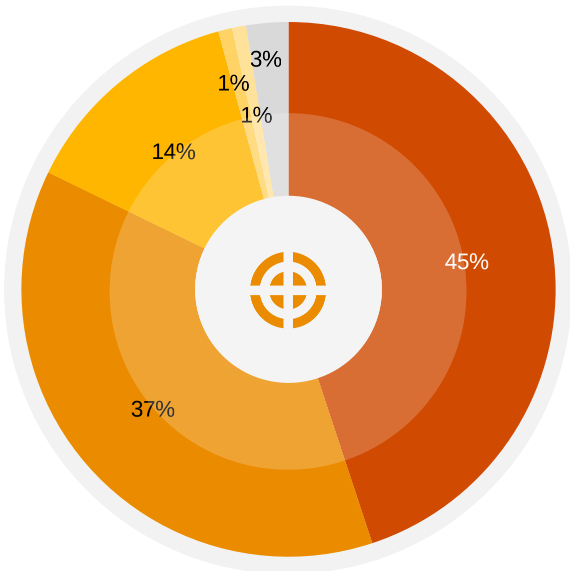


Future growth plans for Chinese investors

The vast majority of investors are planning to enter or increase their participation in the Middle East

Our survey indicates that Chinese investors are actively looking into investing in the Middle East, especially those who have entered the market within the last five years. More than 80% of respondents said they are planning to invest or continue to invest in the Middle Eastern market, of which 45% are developing a business plan, 37% already have a detailed business plan, 14% plan to maintain their current scale of operations and only 2% are considering exiting the market.

Figure 24: Respondents' plans for investing in the Middle Eastern market over the next 3-5 years

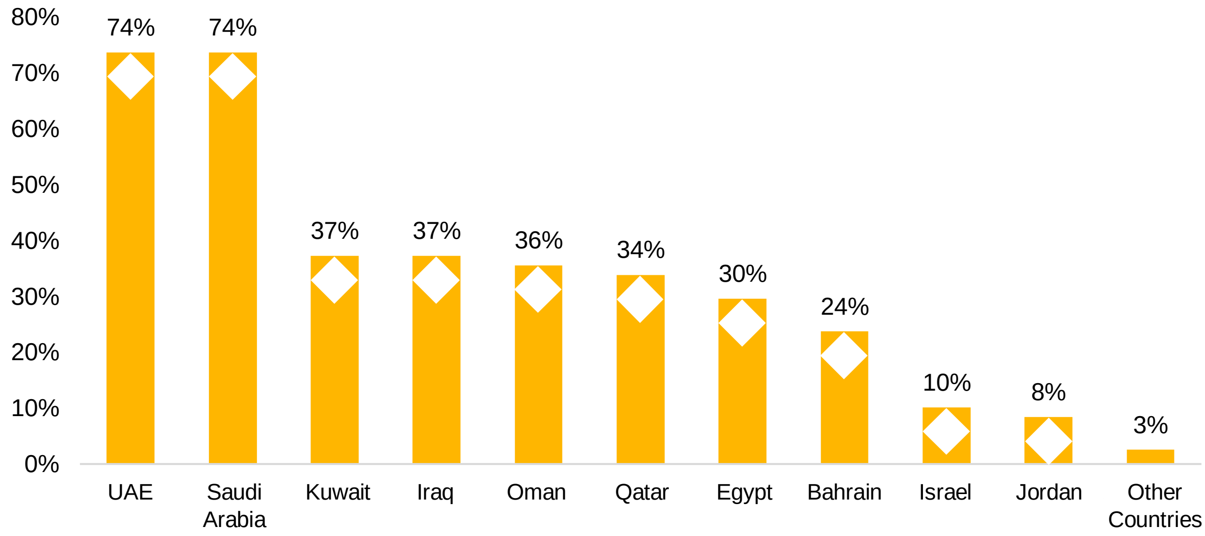


- Plan to enter or continue to invest in the Middle East with ongoing business planning
- Plan to enter or continue to invest in the Middle East with a detailed business plan
- Maintain existing operations with no additional investment
- Considering an exit with a timeline already in place
- Consider an exit without a plan in place
- N/A

Saudi Arabia and the UAE remain top investment destinations

A deep dive into the 82% of investors who have plans to enter or expand their presence in the Middle Eastern market reveals that more than 70% of companies consider Saudi Arabia (74%) and the UAE (74%) as their top destinations for investing in the region over the next 3-5 years. This finding underscores the relative attractiveness of Saudi Arabia and the UAE in the entire Middle East region in terms of their economic size and business environment. Other destinations favoured by respondents include Iraq (37%), Kuwait (37%), Oman (36%) and Qatar (34%), all exceeding 30%.

Figure 25: Key investment destinations by country in the next 3-5 years



Considerations for establishing and relocating business headquarters

Our survey shows that 17% of respondents have plans to set up regional headquarters or relocate their headquarters, of which 60% have a business entity in the Middle East and 35% have set up representative offices or are taking on marketing roles.

The UAE was chosen as the top location by 80% of companies planning to set up or relocate their regional headquarter, reflecting the excellent business environment in the UAE. In addition, 35% of respondents said they would consider Saudi Arabia and 10% Bahrain.

Figure 26: Prominence of respondents' plans to set up or relocate regional headquarters

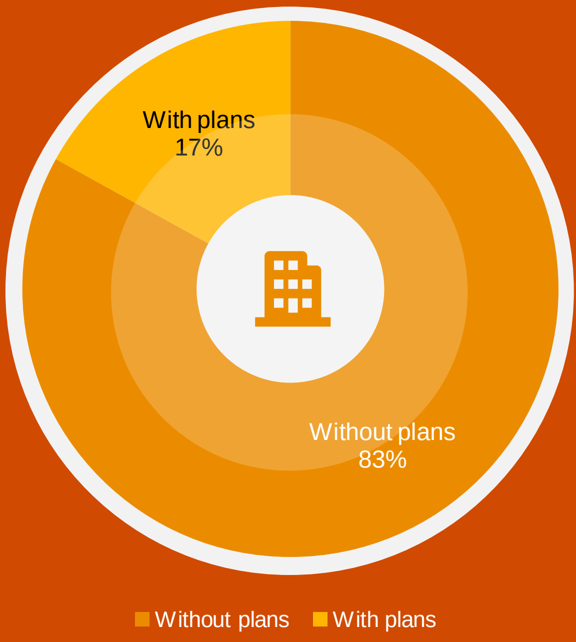
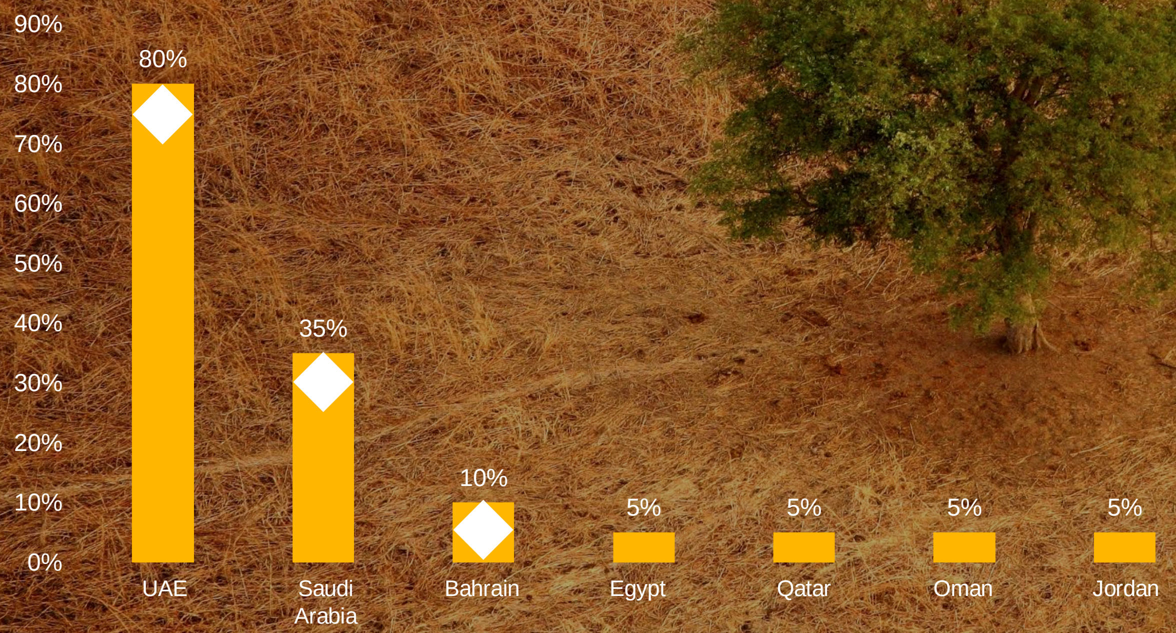


Figure 27: Top Middle Eastern countries to set up or relocate headquarters to



M&A activities are mainly driven by the motivation to expand existing markets and entering new ones

When asked about the factors they would consider in order to increase investment in the Middle East through M&A activities in the future, 58% of respondents have plans to rapidly increase their market share in the Middle East, while 45% plan to enter new markets. Access to new distribution channels (25%), acquiring local brands and products (17%), and acquiring technical and managerial talents (16%) are cited as reasons for M&As to a lesser extent.

We further investigated the relative importance of each factor to respondents who are considering M&A activities. We found that, for those who chose 'acquiring local brands or products' and 'acquiring technical and managerial talents', more than 60% considered such factors to be 'very' important. On the other hand, the proportion of respondents considering the remaining factors as 'very important' and 'important' is relatively spread out. This indicates that while a limited number of investors think about 'local brands and products' or 'technical and managerial talent', these factors are equally important for post-merger integration and landing.

Figure 28: Factors respondents consider when increasing investment through M&A

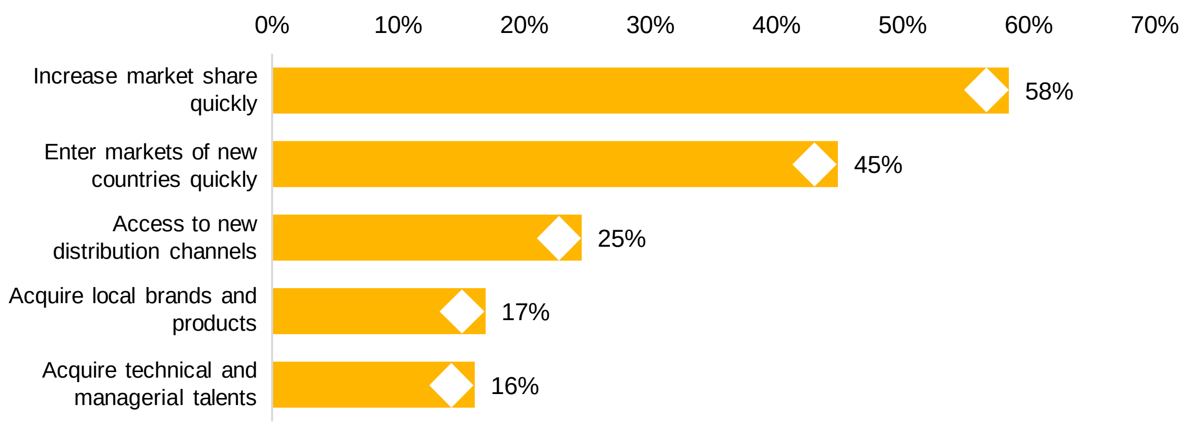
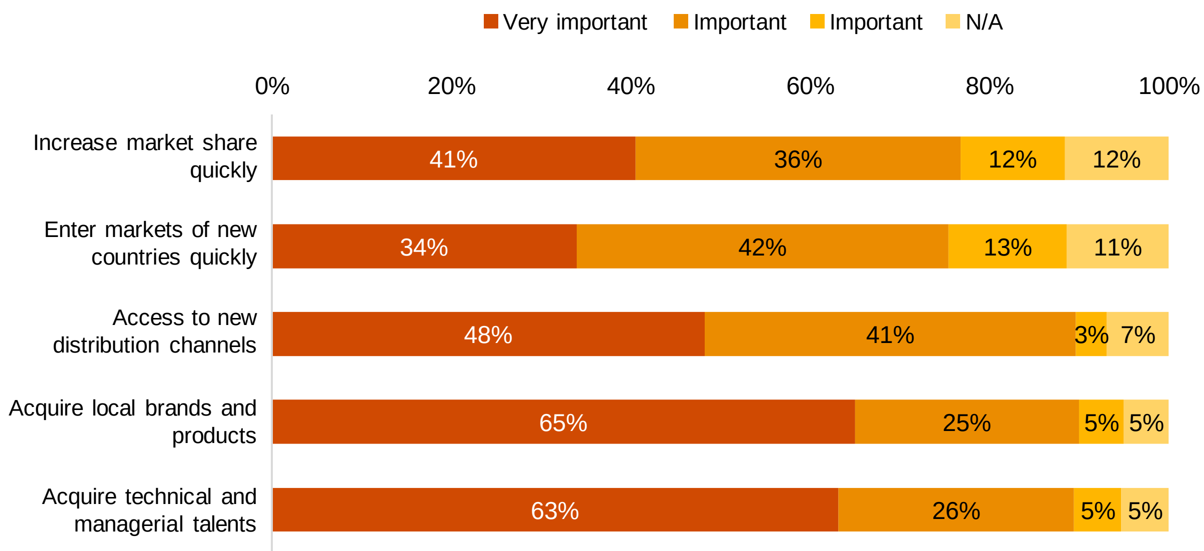


Figure 29: Importance of different considerations when engaging in M&A



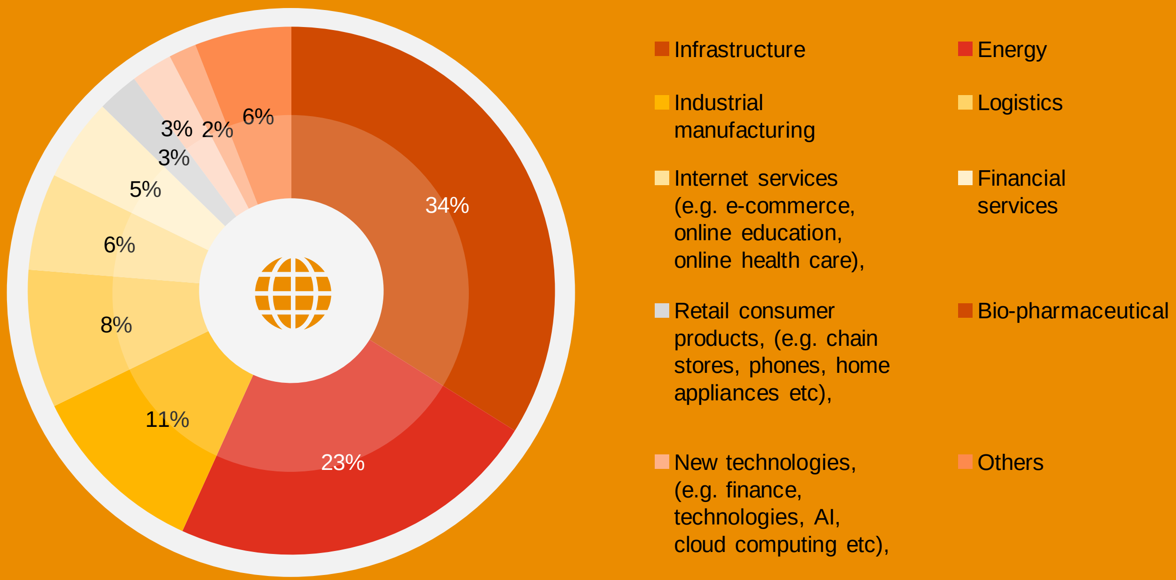
Research methodology

From March to May 2022, PwC distributed an online questionnaire to a sample of Chinese companies operating in the Middle East, with 118 companies participating in the survey.

Industry

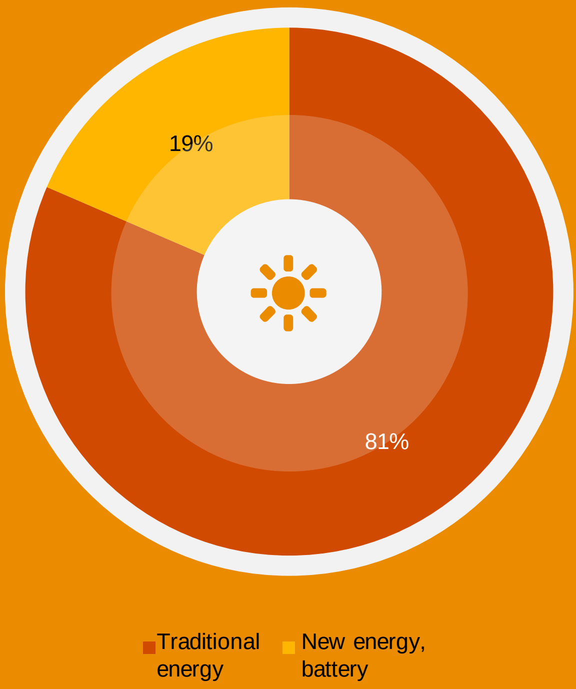
34% of surveyed respondents are from the infrastructure sector and 23% are from the energy sector. The remainder of respondents operate in the industrial manufacturing(11%), logistics (8%), Internet services (6%), finance (5%), bio-pharmaceuticals (3%) and new technologies (2%) sectors. Nearly 60% of respondents have over 10 years of experience operating in the Middle Eastern market.

Figure 30: Industry breakdown of the respondents



Within the energy sector, traditional oil and gas companies are still the mainstream. However, 19% of companies within this sector have already started diversifying into new energy and batteries, indicating that the energy sector in the Middle East is evolving rapidly.

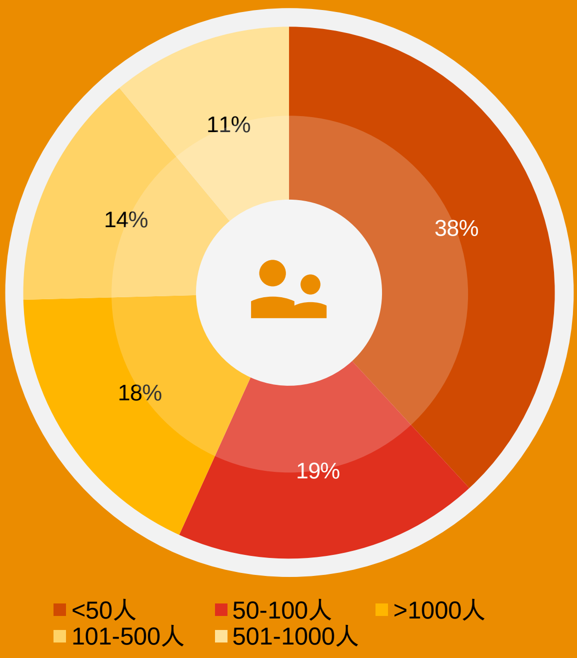
Figure 31: Types of energy companies surveyed



Number of employees in surveyed companies

Chinese companies that invest in the Middle East are mainly SMEs, with more than half of them having less than 100 employees. Of which, 38% have less than 50 employees, 19% have between 50 to 100 employees, 14% have between 101 to 500 employees, 11% have between 501 to 1,000 employees and 18% have more than 1,000 employees.

Figure 32: Number of employees in the companies surveyed in the Middle East



Revenue of surveyed companies

30% of respondents reported annual revenues of US$100-US$500mn from their business operations in the Middle East, 18% had revenues between US$50-US$100mn, and nearly 40% had annual revenues of less than US$50mn. 14% had revenues of more than US$500mn.

Respondents' roles in surveyed companies

42% of respondents have finance or tax-related roles, while 33% are senior executives, 19% are in the business of market development and 3% are responsible for corporate strategy.

Figure 33: Annual revenue of surveyed companies in the Middle East (in US$)

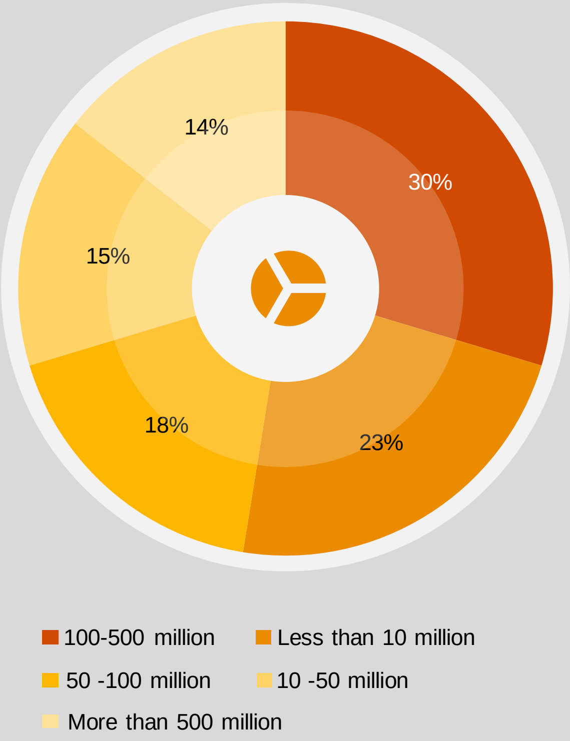
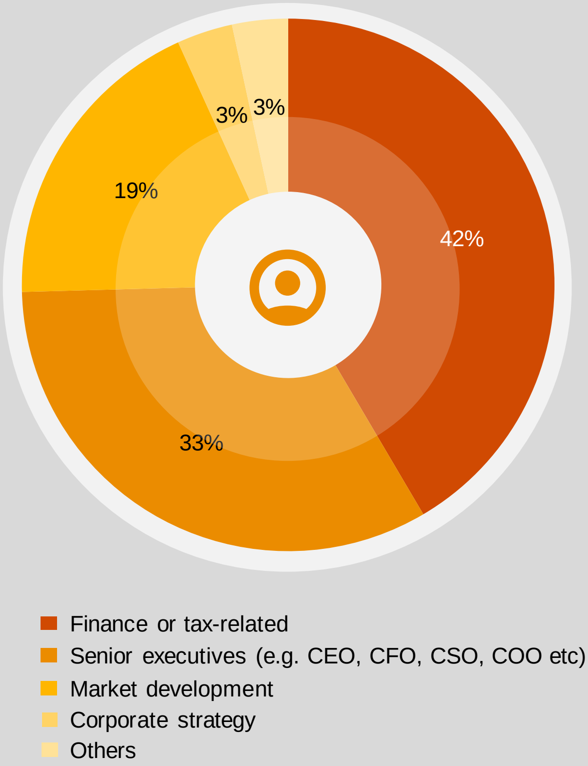
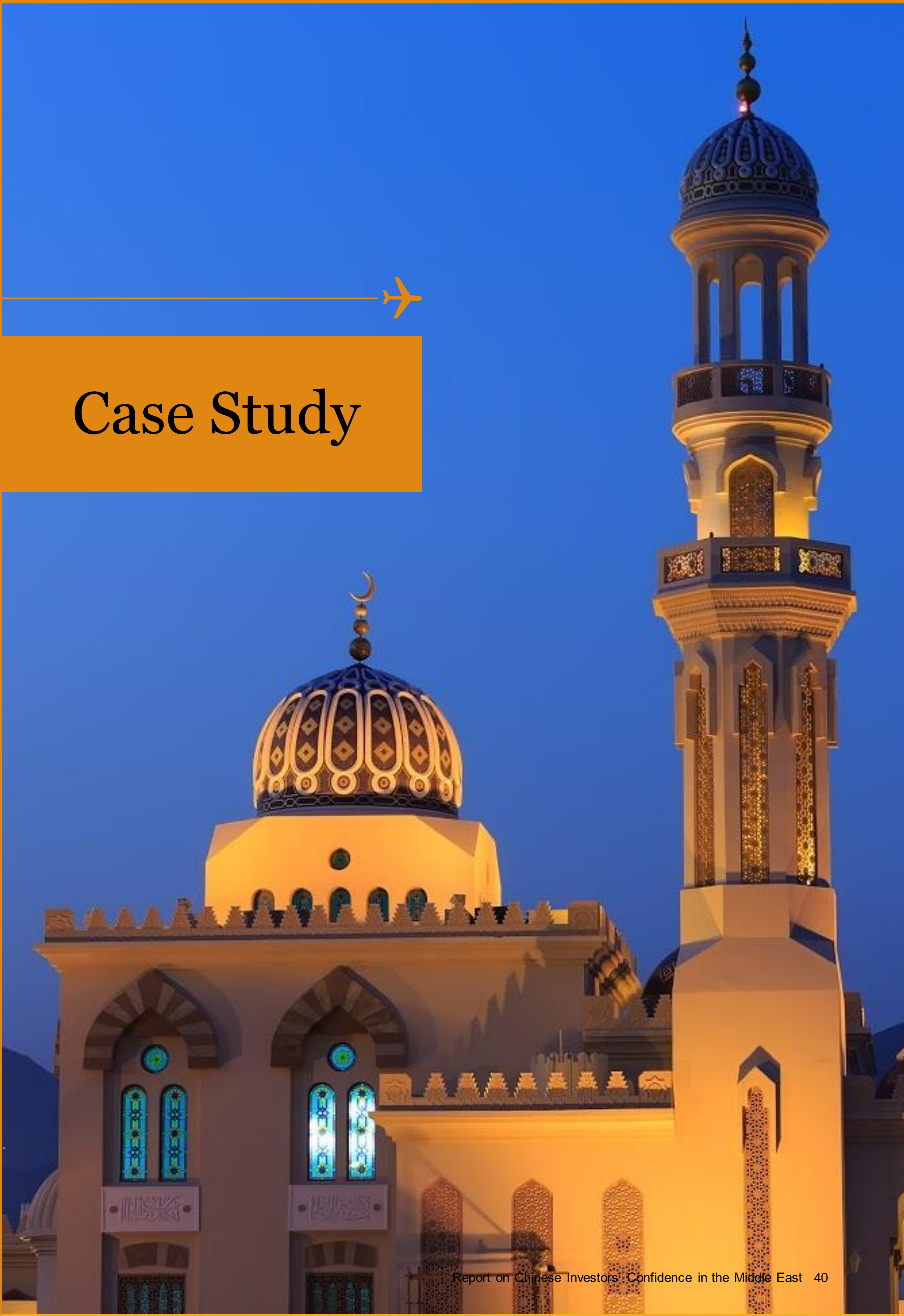


Figure 34: Respondents' roles in surveyed companies



Case Study



China investment entrepreneur — iMile

Background

iMile is a cross-border e-commerce logistics service company founded by Chinese entrepreneurs, headquartered in Dubai, with a logistics network covering emerging e-commerce markets, such as Mexico, UAE, Saudi Arabia, Jordan, Oman and Kuwait. With research and development (R&D) and technology centres in Shenzhen and Hangzhou, iMile's primary business comprises of cross-border solution and last mile delivery for ecommerce, express customs clearance in destination countries, first-haul trunk logistics, end-of-line delivery, and air and sea freight services, among others.

Ms. Huang Zhen, the founder of iMile, has over ten years of overseas work experience, and focuses on the application and development of Internet technology. Leveraging her years of in-depth exposure to the Middle Eastern and African markets, Huang has been keenly aware of the enormous market opportunities brought by the e-commerce market in the region since 2017. According to data provided by Bestla, a subsidiary of Cyzone Investment Management, e-commerce sales in the Middle East reached US$8.3bn in 2017. By 2022, the combined e-commerce market in the MENA region is expected to triple in size to reach US$28.5bn.

The increase in investment by local and foreign e-commerce platforms in the Middle East have spurred demand for sound logistics infrastructure. In 2017, Huang established the iMile brand in the UAE, and built a local team to support the growing logistics needs of local and overseas e-commerce platforms in the Middle East. After four years of development, not only has iMile successfully established a strong presence in the MENA region, it also entered the Mexican market in 2021 and is working its way towards becoming a global logistics service company. Huang also topped the annual Forbes Middle East list of 'Women behind the Brands in the Middle East 2022' in the 'Technology' and 'Logistics' categories.

Q: As a Chinese entrepreneur, why did you choose the Middle East as the starting point for your business?

Huang: Consumers in the Middle East have strong purchasing power, with the local government and the general public exhibiting a relatively friendly attitude towards China. The manufacturing industry that is responsible for supporting the lives of local residents is relatively nascent, and as a logistics company, we definitely see a window of opportunity there. Since 2015, Chinese e-commerce companies Jollychic and Shein have entered the Middle East market with great success. At the same time, the further penetration of local e-commerce company Noon and e-commerce giant Amazon in the Middle Eastern market has further created the demand for related logistics services. I was in the Middle East at the time and witnessed this huge opportunity, so it was only logical for me to start a business there.

Q: What was the biggest challenge you encountered when you were setting up your business?

Huang: The access to talent is the biggest challenge for us. There is a relative shortage of talent with broad knowledge in high-tech and extensive experience in the logistics field in the Middle East. In order to superimpose our technology on traditional logistics systems to achieve a win-win situation in terms of efficiency and effectiveness, we need to build our own technology R&D centres, and set up a local operation network covering each country where we offer our logistics services. This requires access to high-quality professional talent to quickly roll out the local business by developing a standardised operation model.

The second challenge is the nuances of the local business environment, geopolitics and local trade protectionist measures that are beyond our management's control. Our business operates in over ten countries, each with different local policies and regulations, as well as business practices, which means our employees must have skillsets specific to local market needs as well as an international vision.

Q: Do you have any words of advice for Chinese companies or entrepreneurs who have not yet entered or are preparing to enter the Middle East?

Huang: Personally, I think the Middle East is still the most fertile ground for Chinese entrepreneurs overseas, presenting great opportunities for them. Local counterparts are learning fast and becoming more capable. Therefore, for companies or entrepreneurs wishing to enter the Middle East, it is best to pull together their strengths to start a business in a field where they are leading or have a comparative advantage. For example, Chinese entrepreneurs generally have a stronger edge in Internet technology applications over local counterparts, making it easier for market entry.

Chinese investment enterprise — JOFO Non-woven Materials Co., Ltd.

Background

JOFO Non-woven Materials Co., Ltd. ('JOFO') is a local enterprise in China that has been in operation for over 10 years and has deep roots in the non-woven fabric industry. They have accumulated advanced technical strength and extensive experience in product development and production over the years. As a 'rising star' in China's non-woven industry, JOFO has gained international recognition in the industry through its strong brand reputation and high quality products.

Takween Advanced Industries ('Takween'), a Saudi-based Middle Eastern company with packaging and non-woven operations in Saudi Arabia and Egypt, planned to divest its medical and hygiene non-woven business unit in 2020. After research, Mr. Tian Yu, CEO of JOFO, and his team concluded that the acquisition of Takween's divested business unit would allow JOFO to quickly grow its local capacity in the Middle East, enrich its product line, while adding flexibility in its services to local customers.

On December 30 2020, the two companies signed a share purchase agreement for JOFO to acquire a 70% interest in Takween's business unit. The transaction officially closed in July 2021. Tian said, 'With the acquisition, JOFO is officially making inroads to the healthcare market in the Middle East. PwC Middle East acted as our advisor for this transaction, providing us with financial, tax and legal due diligence and closing services throughout the process.'

Q: Looking forward, what do you anticipate about the co-operation between China and the Middle East in the field of business and trade? Why did you choose to invest in the Middle East?

Tian: We are very optimistic about the prospects of business co-operation between China and the Middle East. As an international investor, the first thing that comes to our mind is the current state of bilateral relationship between China and our target country for investment. We can see that the bilateral relations between China and various Arab countries have been quite stable and positive in recent years. Business co-operation and investment are very much welcomed by local companies, which laid a solid foundation for our market entry when considering this particular acquisition.

Secondly, the Middle East has an unique geographical advantage, connecting Africa, Europe and South Asia, and in particular, India, and offering enterprises an excellent platform to enter and expand into international markets.

Thirdly, from the strategic perspective of a company, we believe that China and the Middle East are strategic partners for each other. One side has stable supply of resources and the other boasts a strong market and technical capabilities. These characteristics provide both sides with a good basis for co-operation and opportunities.

Finally, from the perspective of our own business, the Middle East has undergone proactive reform in its labour policy in recent years, and the adequate supply of foreign labour is very important for labour-sensitive companies like ours. Although Saudi Arabia still has requirements such as desertification rate, the demand for labour can be well met in a more cost-efficient way compared to Europe and other regions.

Q: How does it feel to make deals and negotiate with Middle Eastern companies?

Tian: Looking back at the whole process now that the transaction is completed, 'difference' would be an apt word to describe my feelings. The differences manifested in the form of cultural perception, national customs and business values. At the same time, the laws, taxes, and business management styles of our target country for investment were all accounted for in our decision-making process during the transaction. From our experience, in order to reach a deal and achieve a win-win situation, companies should not only seek professional support from relevant institutions, but should also consider seeking excellent local partnerships to streamline and facilitate the post-merger integration and landing of the acquired entity. For example, in this M&A deal, JOFO did not request the seller to withdraw completely – they kept a small share of their company. This will facilitate a smoother transition after JOFO takes over.

Q: What advice do you have for companies looking to enter the Middle East through M&A?

Tian: I personally would recommend that for companies planning to invest in the Middle East for the first time, it’s important to find the right partner if you invest in the region by M&A. If you initiate a complete takeover, the post-transaction risk could be relatively high. After all, foreign companies certainly do not understand the Middle East as well as traditional investment destinations, such as North America or Europe. If you collaborate with a local partner, it could, to an extent, make the deal more secure and give you a higher chance of success.

The second point to highlight is the importance of training and nurturing a fully integrated management team of local talent with strong leadership skills and international vision. To ensure smooth operation of our local business after the acquisition, we put a lot of effort in overcoming the issue of adaptability for Chinese managers, enhancing local employees' cultural identity, and promoting effective communication between the Chinese headquarters and the local management team.

Last but not least, I want to point out the importance of having the support of a professional team. We would like to extend our gratitude to PwC, especially their Chinese service team, for their professional assistance in the M&A process helping us to better understand and navigate the technicalities of the deal.

Equity investment institutions helping Chinese enterprises enter MENA — eWTP Arabia Capital

Background

eWTP Arabia Capital ("eWTPA") is a growth stage venture fund based in Saudi Arabia and China backed by marquee investors - eWTP Capital and the sovereign wealth fund of Saudi Arabia, Public Investment Fund (PIF). eWTPA is focused on building a local digital ecosystem in MENA by partnering with market leading Chinese businesses and providing a gateway for these companies to establish a strong and sustainable presence in the region. eWTPA takes pride in its ability to offer comprehensive support to its portfolio companies, empowering them to explore and succeed in strategic markets across the MENA region.

Established in 2019, eWTPA is now the preferred partner for Chinese technology giants seeking to enter the MENA region. Through its US$400 million Fund I it has invested in 16 companies in the digital sector, 13 of which have already established themselves successfully in Saudi Arabia. Investments include the hugely successful Saudi Cloud Computing Company ("SCCC") the kingdom's leading provider of cloud Services and J&T Logistics, which is now the fastest growing logistics provider in the country.

The fund's core investment strategy is to transfer the latest technology and proven business models from China and Asia more broadly in order to fill a clear gap in its target MENA market. eWTPA focuses on the sectors of digital infrastructure, core technology and platform, consumer and enterprise services which span enterprise services, cloud services, cyber security, fintech, cross-border supply chain, retail and consumer, e-commerce, logistics and digital entertainment. To eWTPA, success is the ability to drive capital appreciation and to help elevate the digital eco-system in the MENA region.

Q: What are the important factors that Chinese enterprises and investors should consider when investing in the Middle East?

eWTPA: Localisation must be the top priority. While already a common practice, it can truly make or break local operations. In recent years, we have studied many cases of Chinese enterprises going overseas and have seen both successes and failures. In light of this, we have identified three success factors. .

The first factor is product demand. Enterprises with overseas market experience have mature products, teams and experience. When entering a new market, they can make corresponding adjustments quickly by combining market research, user analysis and their own understanding of the market. The field visit and desktop research results are quantitative analyses based on qualitative. However, the qualitative decision-making basis may not be on the basis of localized thinking, which is prone to fundamental errors. We spent three years building a complete senior management and executive team in Saudi, and now have an extensive network local partners, allowing us to help enterprises quickly come to terms with the demands of the local market and match their product offerings accordingly.

The second factor is market operation and regulation. Many uncertainties, such as market size, development trends and policy changes, are often the cause of overseas enterprises struggles. Our experience in MENA in the past few years has given us a relatively good insight into the political and business fundamentals of the region, which enables us to understand the trajectory of dynamic market changes more clearly and accurately and help enterprises invested in the region make plans in advance.

The third factor is the cultural, the political and economic landscape. Many entrepreneurs are not familiar with the religious beliefs in the Middle East. Against different cultural and religious contexts, the value orientation, behaviour and judgment standards may differ. This factor can impact the enterprise strategy and user behaviour. Therein lies the biggest advantage of our organisation. In the past few years, we have accompanied enterprises to take on various challenges along their transformative journey. We hope to leverage our experience and understanding of the region to help overseas enterprises succeed.

Q: In recent years, the market has been abuzz with talking about internationalisation. Is it still a good time to go overseas?

eWTPA: For overseas enterprises, the capability to act local and think global is indispensable. The enterprise should have the capability to not only go abroad, but also bring the company vision and its holistic perspective to life, so as to better plan where and how to devote resources, effort and personnel. Moreover, entrepreneurs looking to go overseas need to think about every part of their expansion. Going overseas is just the first step, but after this, they need to gradually build their local capabilities and operate within the global network.

The MENA market is our base. In the past decade, we have been focusing on emerging markets around the world. There are cyclical periods for international expansion. For MENA, now is undoubtedly a good time.

Judging from the external environment, we are at the inflection point for the next growth phase. Digitalisation has always been our focus with digital technology being used across many scenarios. The improvement in productivity and the change in Output efficiency brought about by digitalisation will bring huge benefits. The per capita GDP of the MENA region is among the highest in the world. However, for products based on the Internet and the digital ecology, the application of B2B solutions to B2C scenarios, such as information, social networking and mobile payment, is limited. The structural opportunities brought by this contrast are noteworthy – from product and supply chain spillovers to technology spillovers, China will play a huge role in promoting this shift.

From an internal perspective, the enterprise should comprehensively consider if the mode, the product and the technology are mature enough, and if the organisation, its talent and culture are ready for overseas expansion. These are the two factors to judge timing based on your company's circumstances. Based on our experience, enterprises that are more mature in terms of the mode, product and technology will like be more competitive and have more promising results when going overseas.

Conclusion

At a time when globalisation is undergoing a profound and turbulent transformation, the Middle East is becoming increasingly important in China's outbound investment game plan. The report shows that our surveyed companies are optimistic about the development prospects of the Middle East and recognise the much improved business environment in some Middle Eastern countries. Therefore, in the future, the region will continue to be an important investment destination for Chinese companies. In the context of the current events in Ukraine, the Middle East is becoming a more prominent link in the global economic supply chain. In recent years, the civil conflicts in the Middle East region have shown signs of stabilising, and some countries in the region such as the UAE and Saudi Arabia have actively promoted economic reforms and diversification of local industries. At the same time, local governments have been taking steps to improve their business environment by implementing or updating relevant policies and regulations. Therefore, the future is promising for the Middle East, making it even more attractive to investors. However, the report also points out that the risk of political instability in the Middle East, along with the legal and taxation policies of some countries, which impose considerable restrictions on Chinese companies' investment in the region, are major challenges for doing business in the Middle East. In short, the Middle East presents both opportunities and challenges and is a valuable hotspot for foreign investors to explore and expand their investment.

We believe that although the road to globalisation is full of bumps and winding turns, the future still looks bright for investors. Steering globalisation back on the right track would require the active participation of emerging economies and sectors around the world. The Middle East, a vibrant region of history and vigor, will play a more important role in the new era of globalisation.

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