



2022

Survey on Business Conditions of Japanese Affiliated Companies in the Middle East

— The proportion of profitable companies decreased, expected to remain flat in 2023. Rising business costs due to the invasion of Ukraine had an impact —

Japan External Trade Organization (JETRO)

Overseas Research Department

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Key Points

The proportion of profitable companies decreased, expected to remain flat in 2023- Rising business costs due to the invasion of Ukraine had an impact -

01

Operating Profit Forecast

In 2022, the percentage of profitable companies decreased by 8.5 points from the previous year due to the impact of rising business costs due to the invasion of Ukraine, etc. In 2023, more than 60% of the companies expect to remain flat.

02

Future Business Outlook

As for the future business outlook, expansion increased by 8.5 points from the previous year to about half. Most companies evaluate growth and potential and plan to expand sales functions. On the other hand, the numbers of expatriates and local employees are expected to remain flat.

03

Investment Environment in the Middle East

Approximately 60% of the companies highly rated the market size and growth potential of the investment environment in the Middle East. On the other hand, there are still risks such as underdeveloped legal systems and sudden changes. Rising real estate rents and labor costs in recent years are also noticeable in the UAE and Israel.

04

Business Areas with Future Promise

Hydrogen/ammonia, electric power/water infrastructure, and food continue to rank among the most promising business areas. Saudi Arabia, the UAE, and Iran continue to be the promising countries as the previous year. Iran remains the focus of attention even under sanctions.

Survey Overview

Objective

- To understand the actual conditions with regard to the business activities of Japanese-affiliated companies in the Middle East (10 countries: United Arab Emirates (UAE), Turkey, Saudi Arabia, Iran, Jordan, Israel, Kuwait, Qatar, Bahrain, and Oman) and provide the results to the public.

Companies Surveyed

- A questionnaire survey was locally conducted for Japanese affiliated companies with bases in each of the surveyed countries in the Middle East.
Valid responses were received from 224 companies (104 from the UAE, 39 from Saudi Arabia, 33 from Turkey, 13 from Iran, 12 from Israel, 12 from Jordan, 4 from Qatar, 3 from Kuwait, 2 from Bahrain, and 2 from Oman)

Period

- September 8 - September 30, 2022

Response Rate

- The valid response rate was 91.4%. The survey was sent to 245 Japanese-affiliated companies in 10 Middle Eastern countries. Among them, valid responses were received from 224 companies.

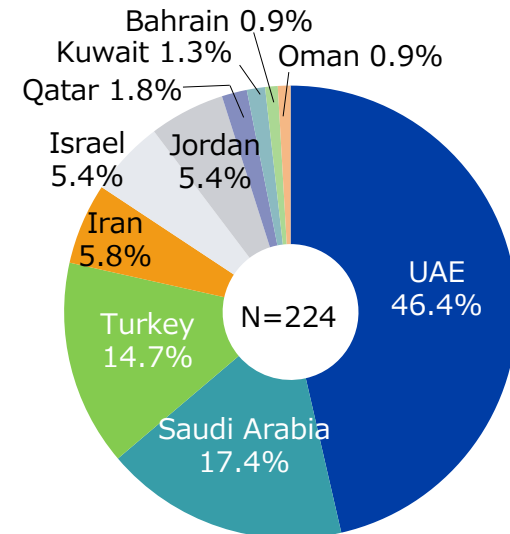
Remarks

- This was the 10th survey for the UAE, the 9th for Saudi Arabia, the 8th survey that covered all industries for Turkey, the 6th survey for Qatar, and the 5th survey for all other countries.
- JETRO informed the companies to be surveyed of the URL for the questionnaire, and asked them to complete and return it, or sent them questionnaires in Japanese/English by e-mail.
- All response rates are shown as percentages (%). The response rate is rounded off to the second decimal place. As a result, some of the total figures do not add up to 100%.
- In this report, "N" stands for the number of valid responses (parameter).

Map

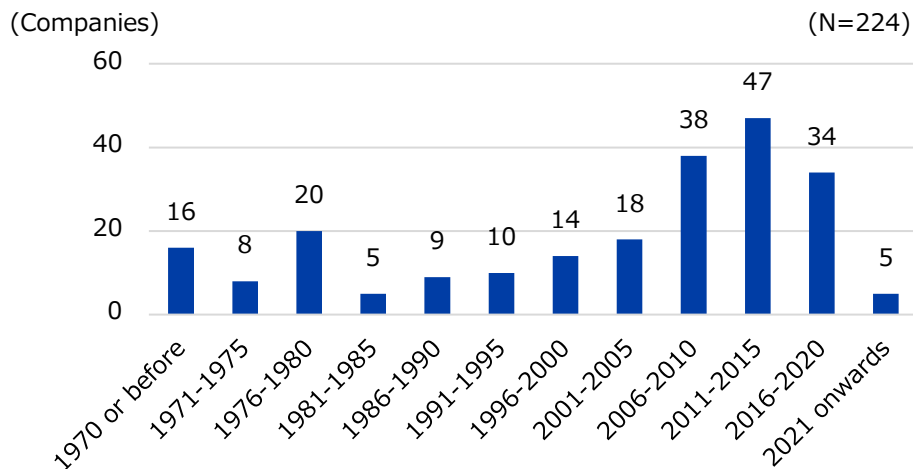


Number of Companies responded

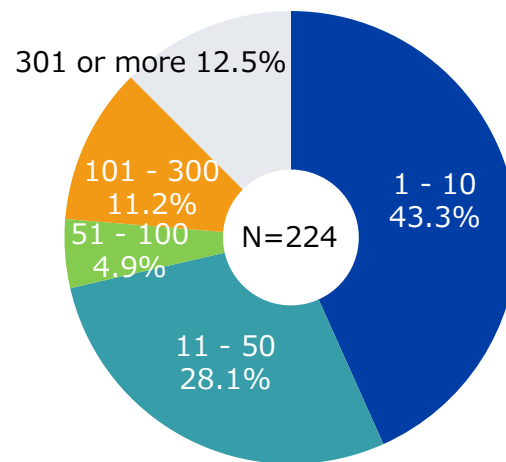


Profile of Respondent Firms

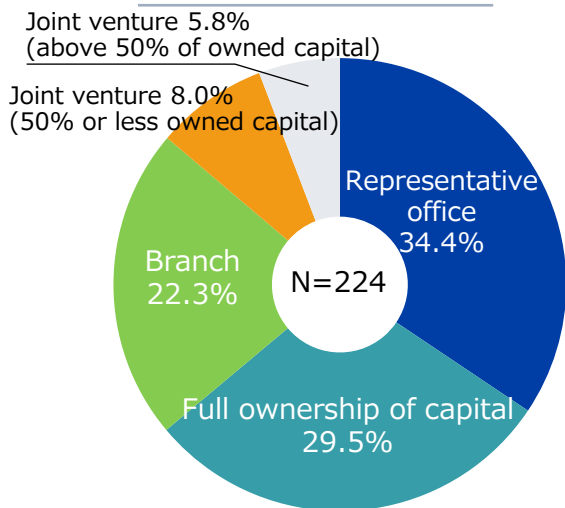
Year of Establishment



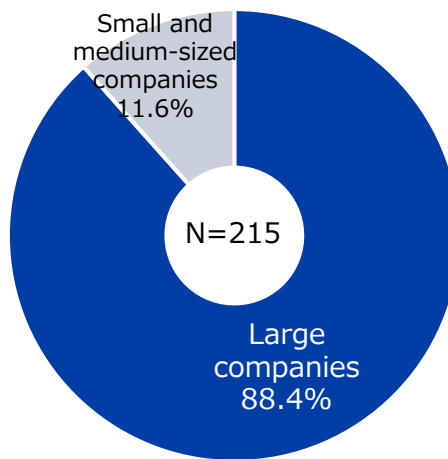
Total Number of Employees



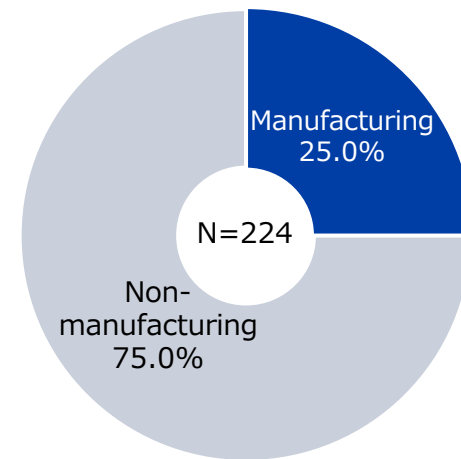
Form of Overseas Base



Classification of Japanese headquarters



Industry (Manufacturing/ Non-manufacturing)



(Note) Branches and representative offices that did not obtain an operating profit reported the operating profit of higher-level organizations, such as their head office, in the relevant market.

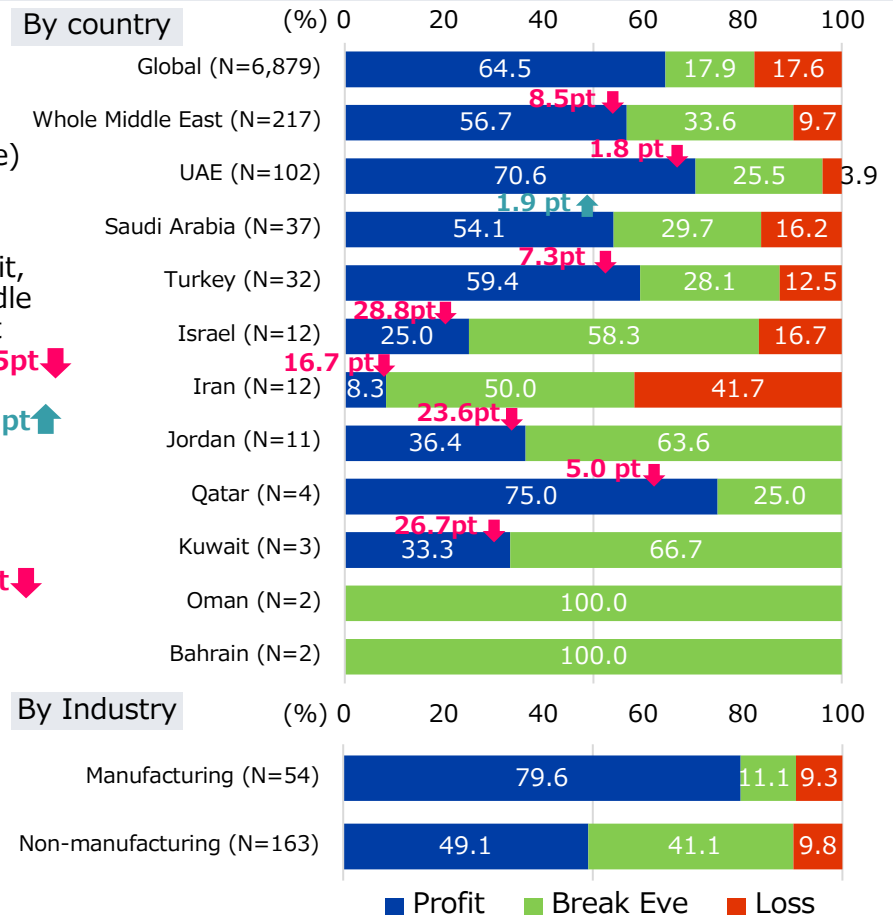
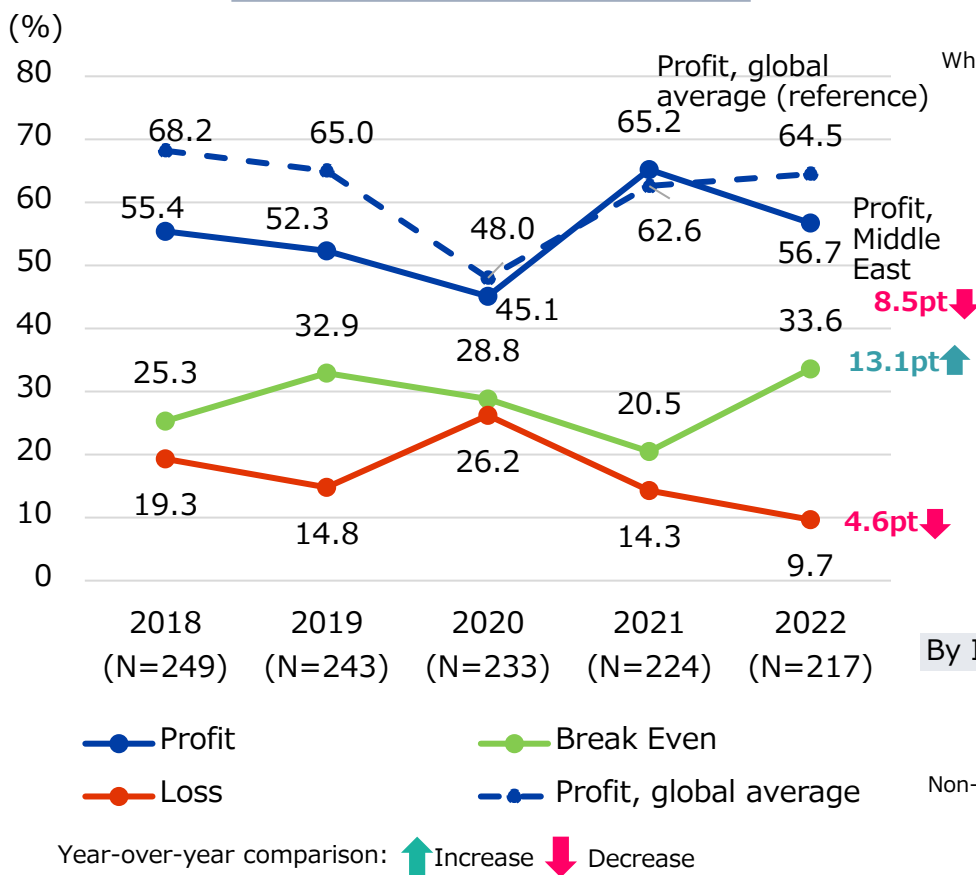
JETRO

I. Operating Profit Forecast

1 | 2022 Operating Profit Forecast (Trends / by Country)

- 56.7% of the companies expected to be in the black in 2022, down 8.5 points in comparison to the previous year. Although the figure is below the global average, it is above the level before the outbreak of the COVID-19. The percentage of companies in the red also decreased by 4.6 points to below 10%.
- By country, more than half of respondents in the UAE, Saudi Arabia, Turkey, and Qatar answered that they were in the black. On the other hand, the percentage for Israel decreased to 25.0%, down 28.8 points in comparison to the previous year. The percentage for Iran also decreased to 8.3%, down 16.7 points. As a result, the loss-making companies outnumbered the profit-making companies in Iran.

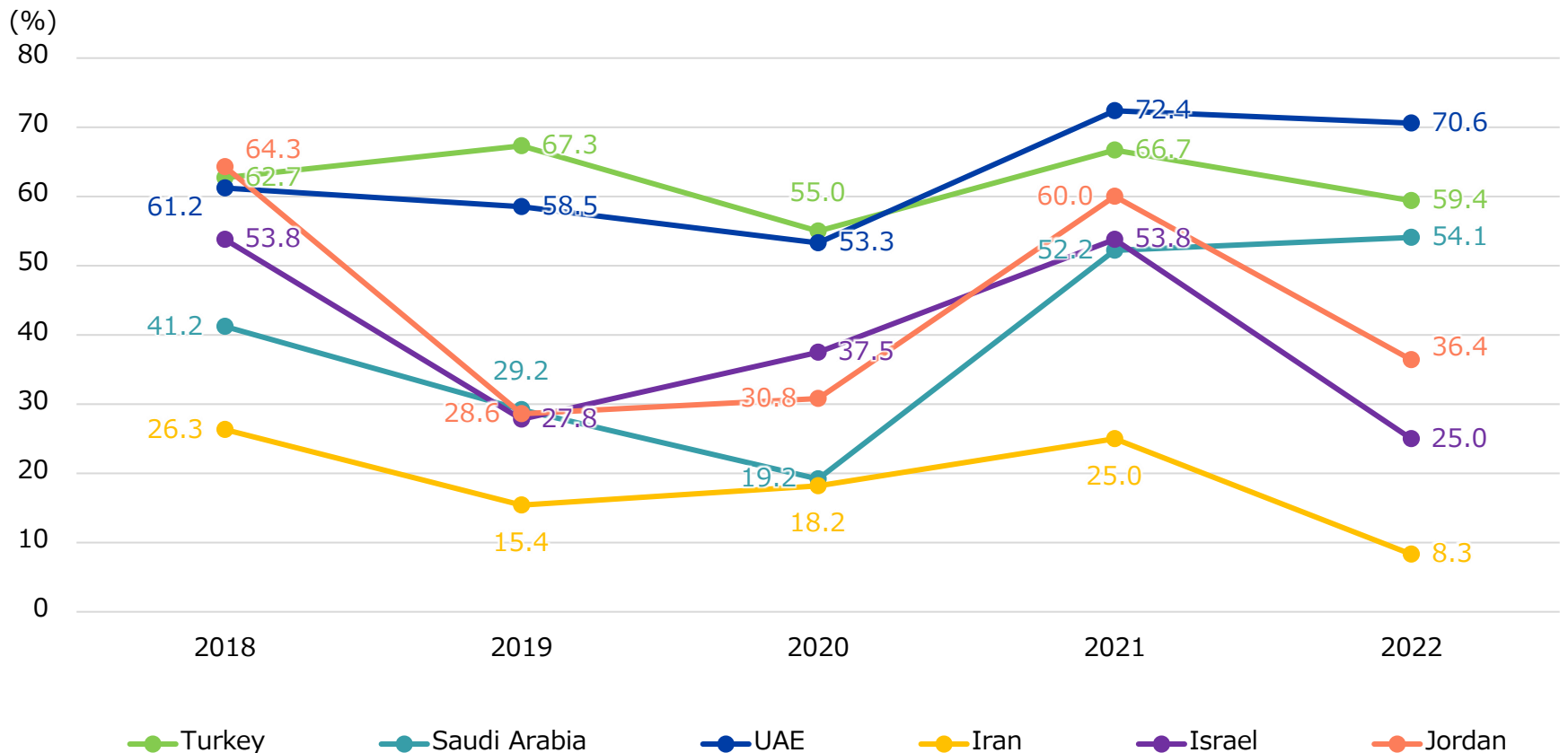
Operating Profit Forecast Trends



2 | Trends of the Operating Profit Forecast (Trends of the Proportion of Companies Expecting a Profit / by Country)

- In 2022, the percentage of profitable companies decreased from the previous year in all countries except Saudi Arabia. Israel, Jordan, and Iran saw the largest declines. In the UAE, 70% of the companies were in the black, although the figure decreased by 1.8 points.
- In Saudi Arabia, 54.1% of the companies were in the black, up 1.9 points in comparison to the previous year, which saw a V-shaped recovery.

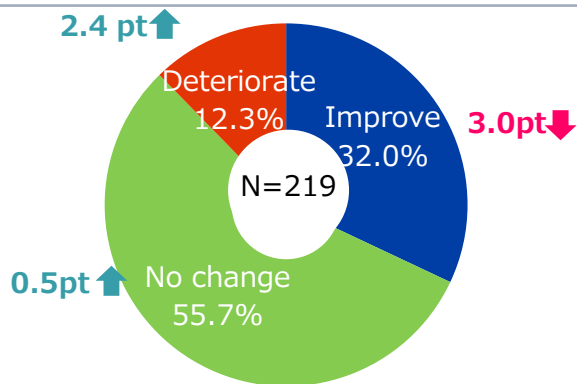
Trends in the Percentage of Companies Expecting a Profit



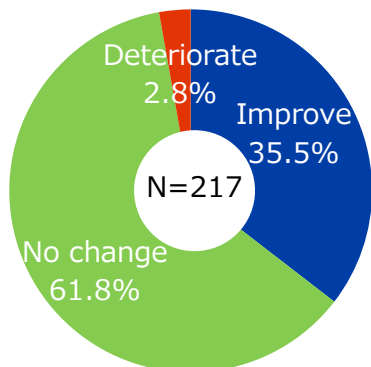
3 | 2022 Operating Profit Forecast and 2023 Outlook (Y-o-Y)

- More than 50% of the companies answered that their operating profit forecast for 2022 (year-on-year) was “No change”. In 2023, the percentage of the companies that cited “Improve” decreased by 3.0 points to 32.0% in comparison to the previous year, while the percentage of the companies that cited “Deteriorate” increased by 2.4 points to 12.3% in comparison to the previous year.
- As for the outlook for 2023 (compared to 2022), the percentage of the companies cited “No change” increased by 6.1 points to more than 60%. The percentage of the companies cited “Deteriorate” decreased by 9.5 points to 2.8%.

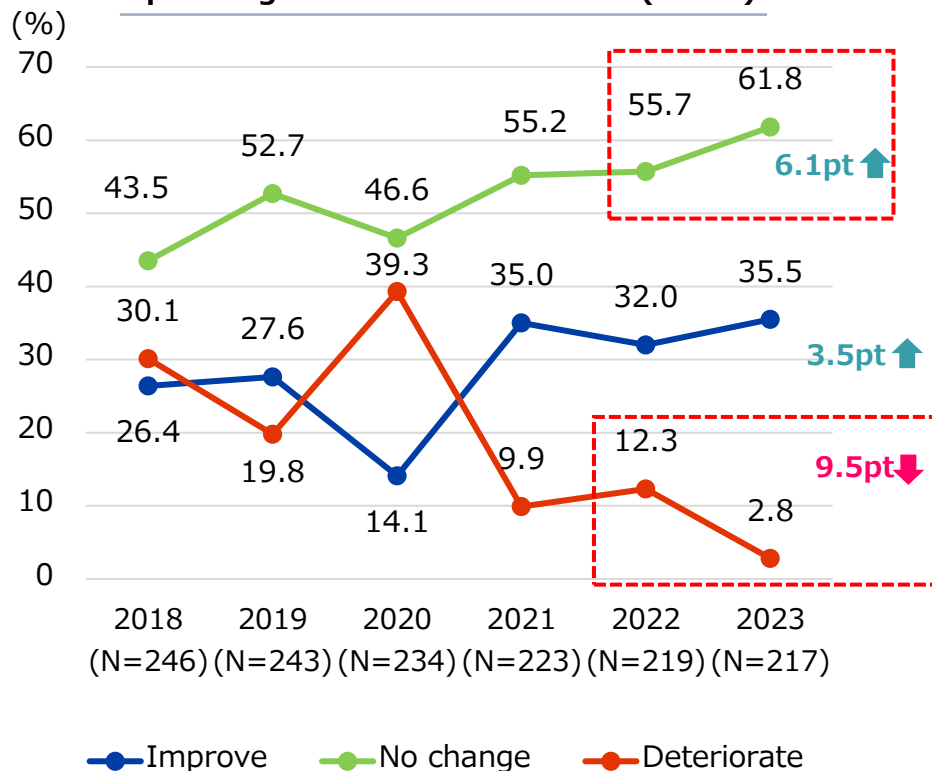
2022 Operating Profit Forecast (Y-o-Y)



2023 Operating Profit Forecast (Y-o-Y)



Operating Profit Forecast Trends (Y-o-Y)



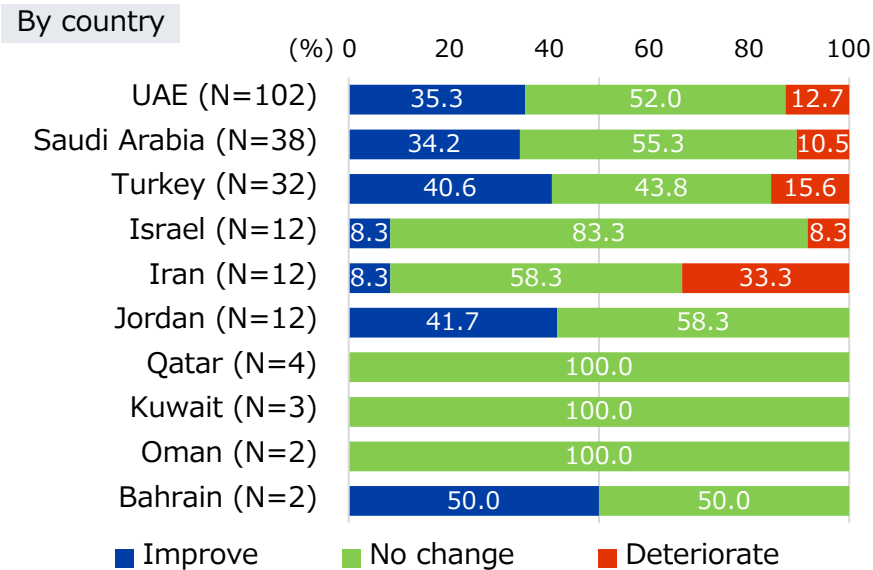
(Note) forecast for 2018 - 2022; outlook for 2023

Year-over-year comparison: ↑ Increase ↓ Decrease

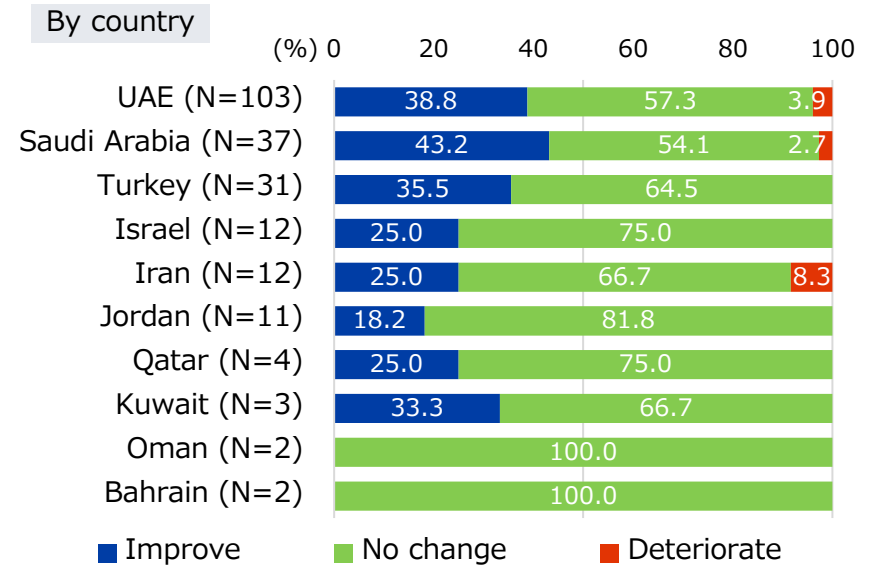
4 | 2022 Operating Profit Forecast and 2023 Outlook (Y-o-Y / by Country)

- For 2022, the majority in all countries except Turkey cited “No change”. In Iran, the companies that cited “Deteriorate” outnumbered the companies that cited “Improve”.
- For 2023, the percentage of “No change” further increased, accounting for the majority in all countries. The percentage of “Deteriorate” is expected to decrease further.

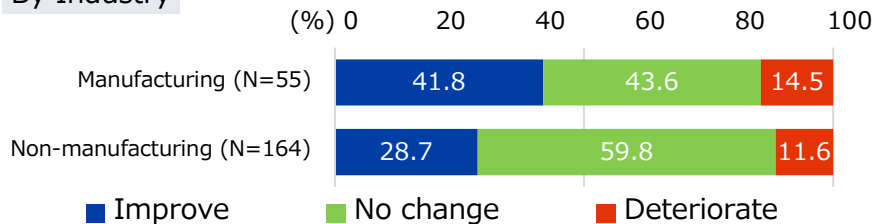
2022 Operating Profit Forecast (Y-o-Y)



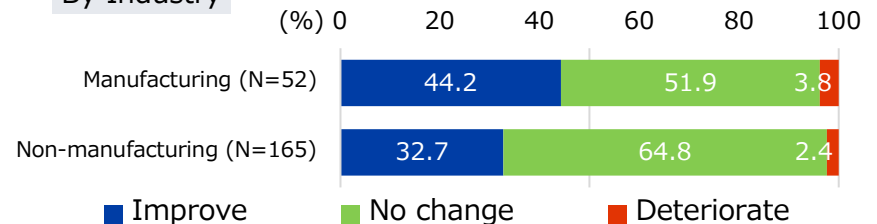
2023 Operating Profit Forecast (Y-o-Y)



By Industry



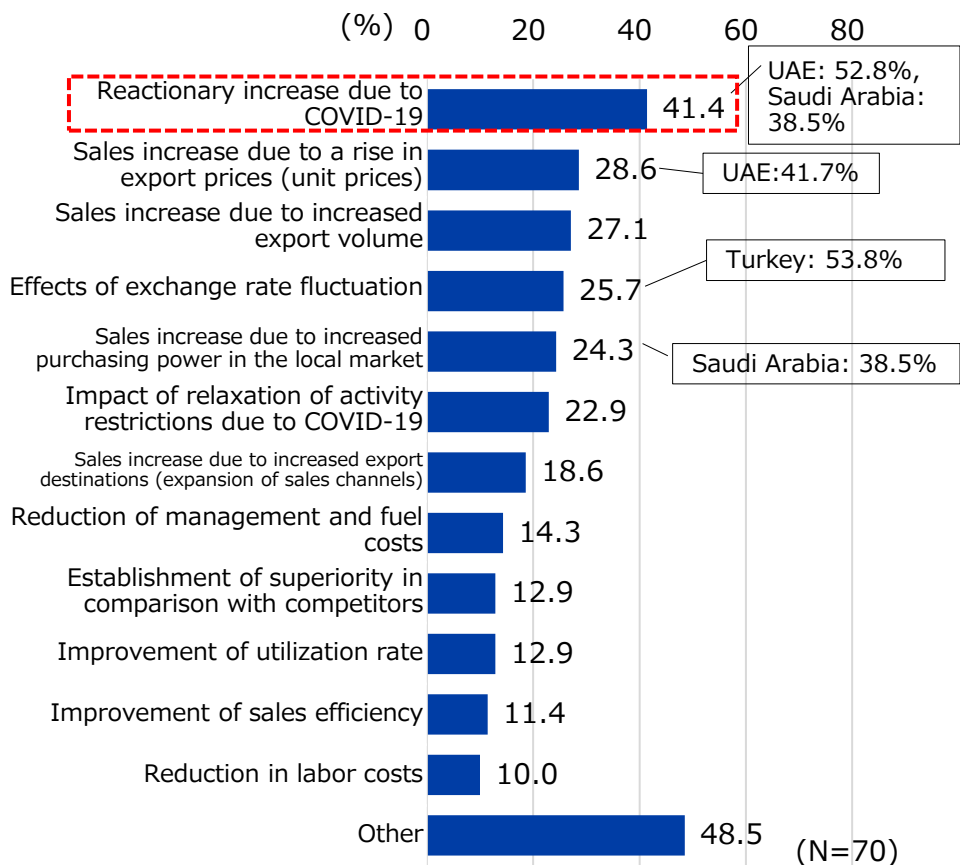
By Industry



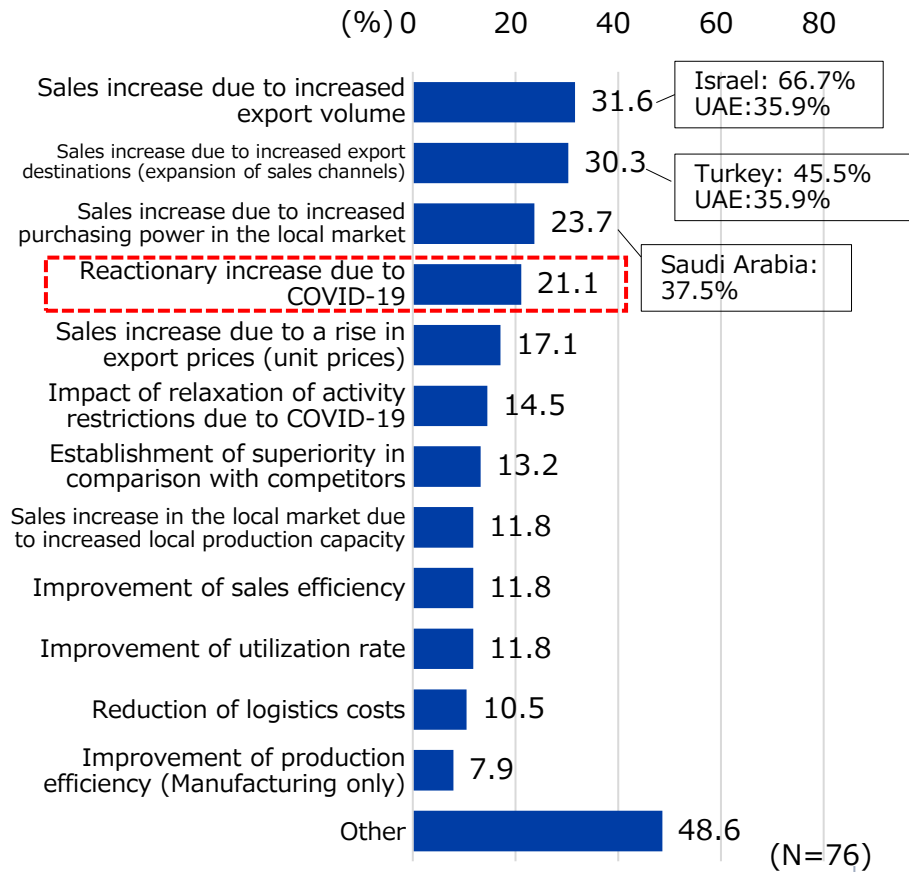
5 | 2022 Operating Profit Forecast and 2023 Operating Profit Forecast (Reasons for Improvement)

- For 2022, more than 40% of the companies cited “Reactionary increase due to COVID-19”. In Turkey, more than 50% (the highest) of the companies cited “Effects of exchange rate fluctuation”. In Saudi Arabia, approximately 40% cited both “Reactionary increase due to COVID-19” and “Sales increase in local markets”.
- For 2023, approximately 30% of the companies cited “Sales increase due to increased export volume” and “Sales increase due to export expansion”. The percentage of the most common answer for 2022, “Reactionary increase due to COVID-19,” decreased to about 20%.

**Reasons for Improvement of 2022 Forecast (Y-o-Y)
(Multiple Answers)**



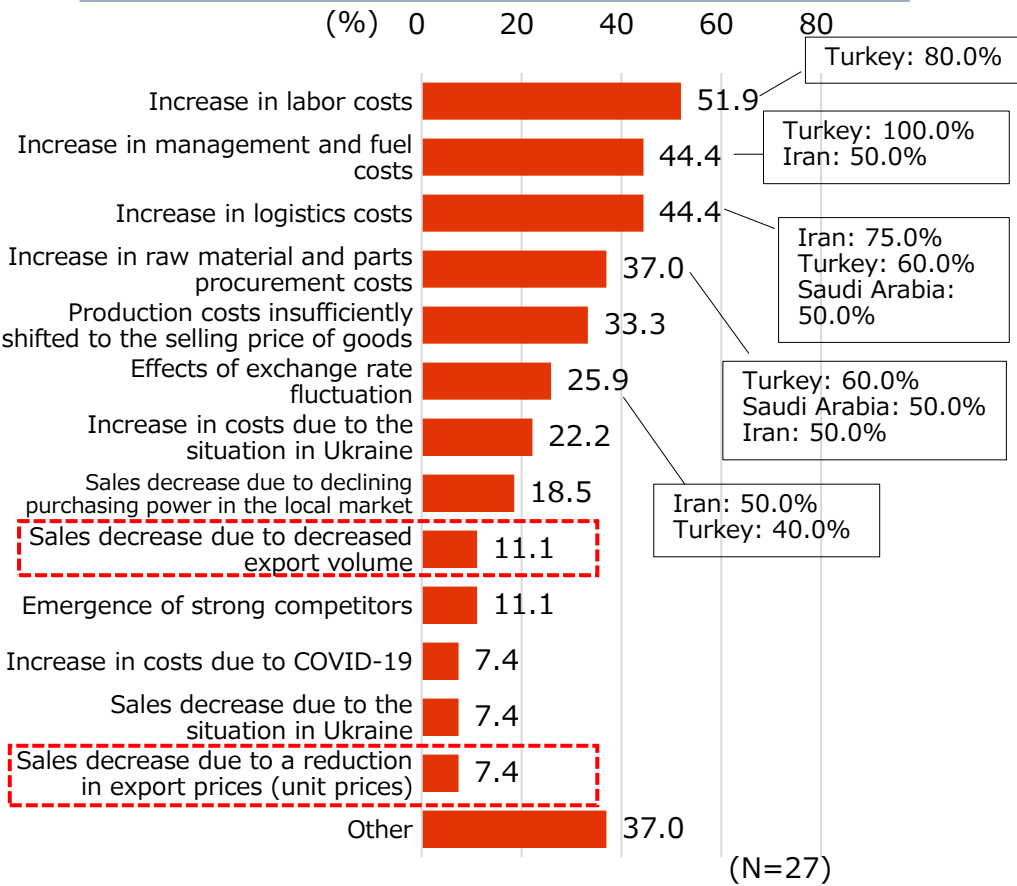
**Reasons for Improvement of 2023 Outlook (Y-o-Y)
(Multiple Answers)**



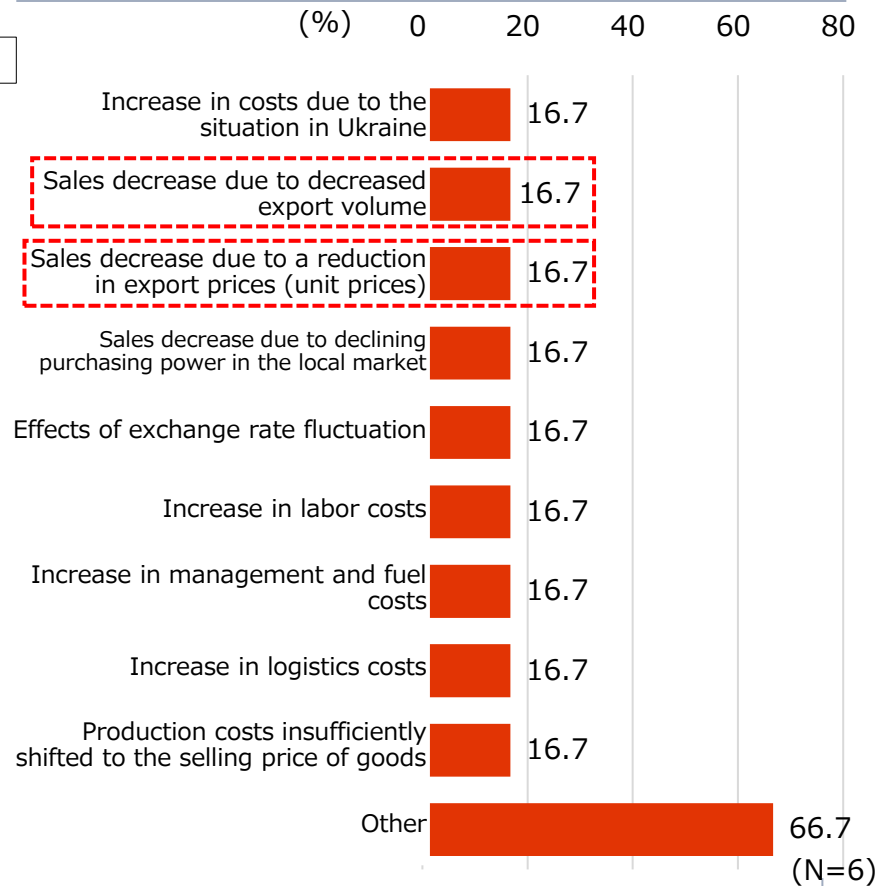
6 | 2022 Operating Profit Forecast and 2023 Operating Profit Outlook (Reasons for Deterioration)

- More than half of the companies cited "Increase in labor costs" as a factor of deterioration in 2022, followed by "Increase in management and fuel costs" and "Increase in logistics costs" (both more than 40%). In Iran and Turkey, more than 40% of the companies cited "Effects of exchange rate fluctuation".
- For 2023, the percentage of companies that cited various "cost increases" decreased significantly compared to 2022. On the other hand, the percentages of companies that cited "Sales decrease due to decreased export volume" and "Sales decrease due to a reduction in export prices" both increased.

**Reasons for Deterioration of 2022 Forecast (Y-o-Y)
(Multiple Answers)**



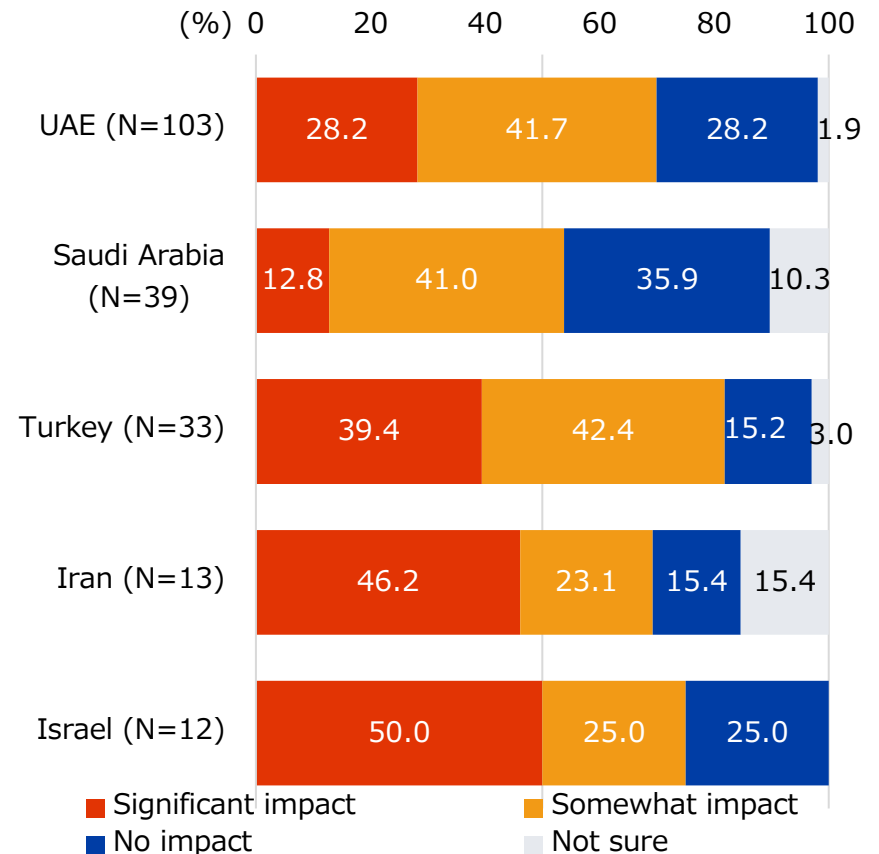
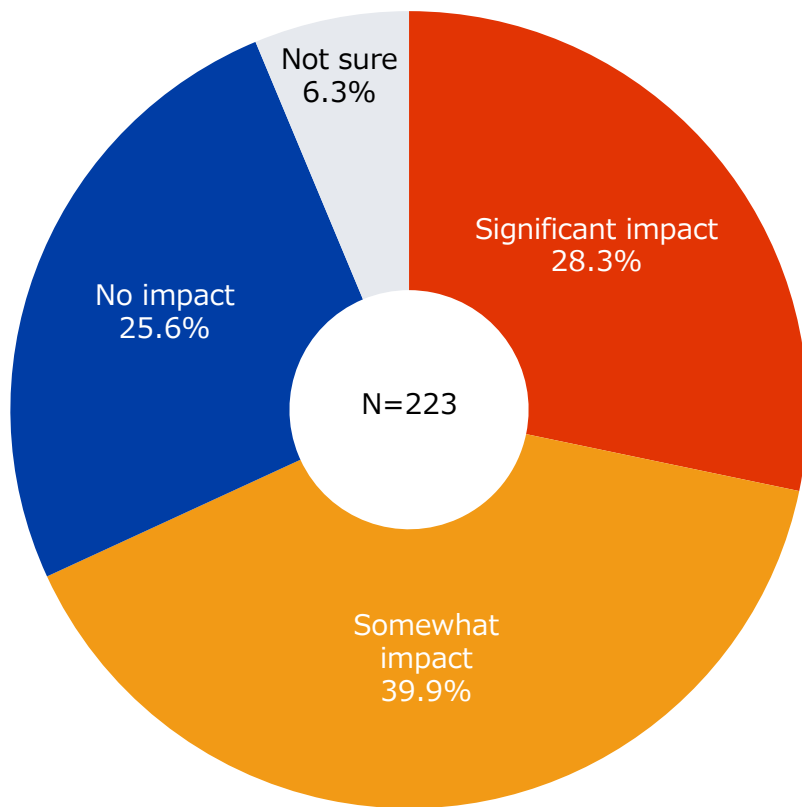
**Reasons for Deterioration of 2023 Outlook (Y-o-Y)
(Multiple Answers)**



7 | Impact of Russia's invasion of Ukraine on business (1)

- Approximately 30% of the companies answered that Russia's invasion of Ukraine would have a "significant impact," while approximately 40% answered that it would have a "somewhat impact." Combined, the figure is 68.2%. On the other hand, about one-fourth of the companies answered that it would have "no impact".
- By country, more than 80% of the companies in Turkey answered that it would have a "significant impact" or "somewhat impact." 35.9% of the companies in Saudi Arabia answered that it would have "no impact".

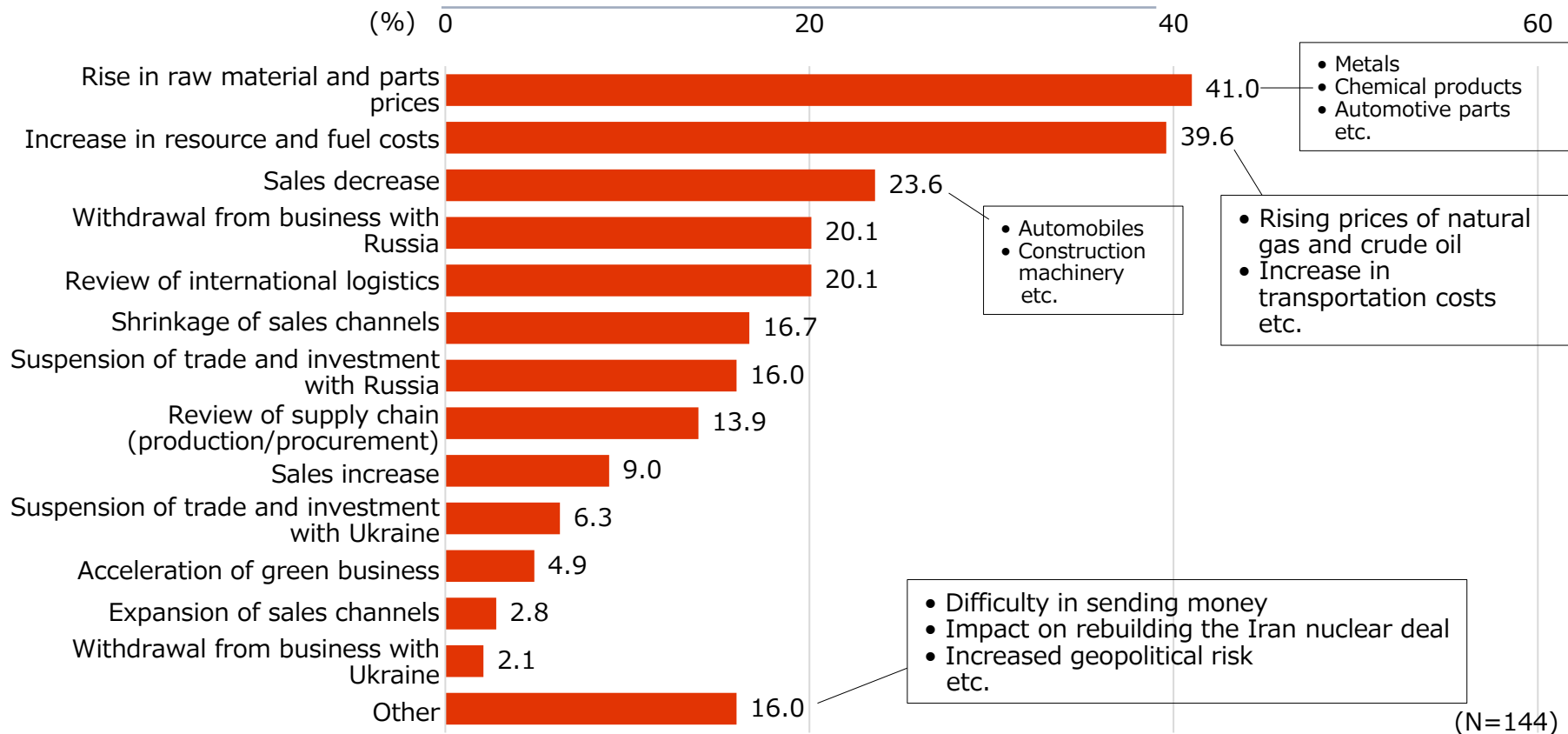
Impact of Russia's invasion of Ukraine on the company's activities



7 | Impact of Russia's invasion of Ukraine on business (2)

- Approximately 40% of the companies cited "Rise in raw material and parts prices" and "Increase in resource and fuel costs." Approximately 20% of the companies cited "Withdrawal from business with Russia."
- In the open-ended answers, "changes in raw materials" and "diversification of procurement sources" were cited as measures that have been taken or are planned.

Reasons for Selecting "Affected" (Multiple Answers)



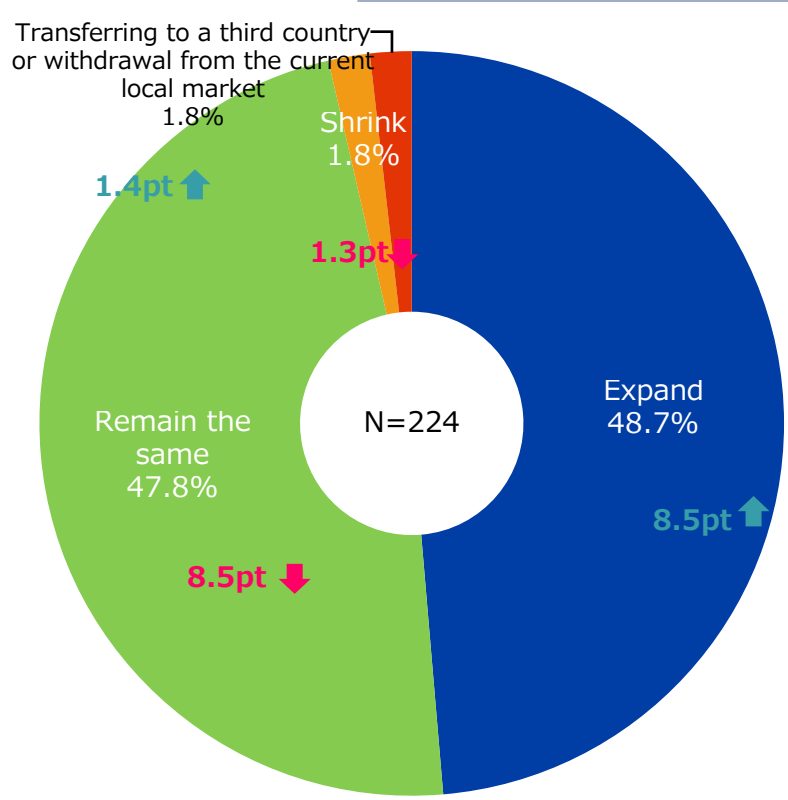
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II. Future Business Outlook

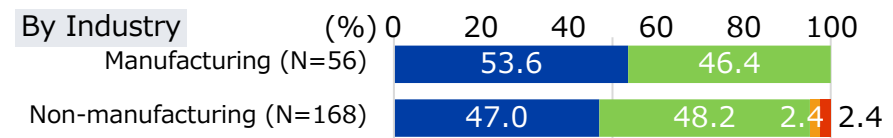
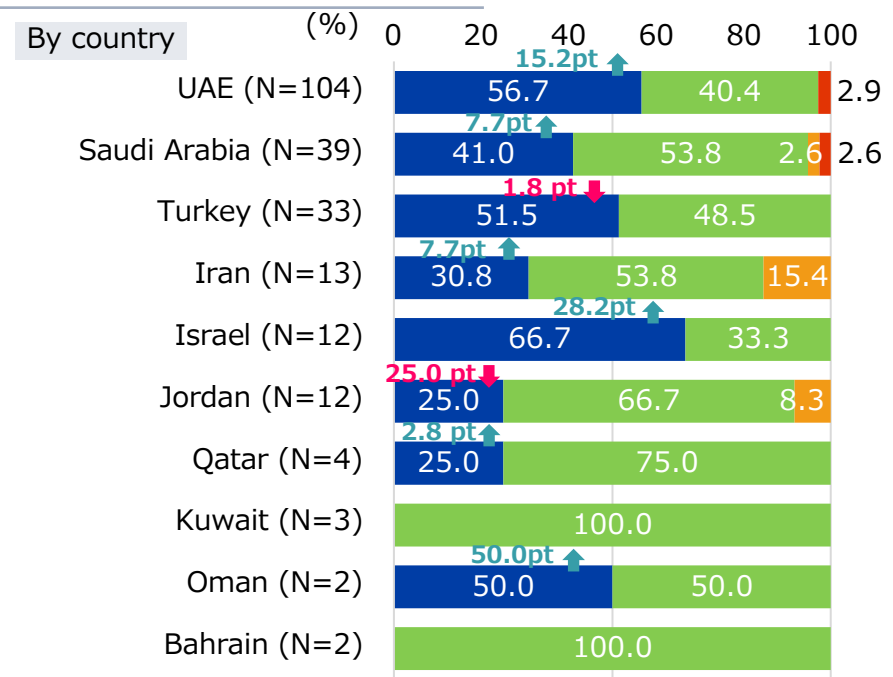
1 | Future Business Outlook (Trends / by Country)

- As for business development in the next 1-2 years, “Expand” was the most common answer (48.7%, up 8.5 points in comparison to the previous year). The percentage of companies that cited “Remain the same” decreased by 8.5 points.
- The percentage for “Expand” exceeded 50% in the UAE, Turkey, Israel, and Oman. The percentage for “Expand” increased from the previous year in many countries. The percentage increased by 28.2 points in Israel and by 15.2 points in the UAE.

Direction of Business Operations in the Next One to Two Years



Year-over-year comparison: ↑ Increase ↓ Decrease

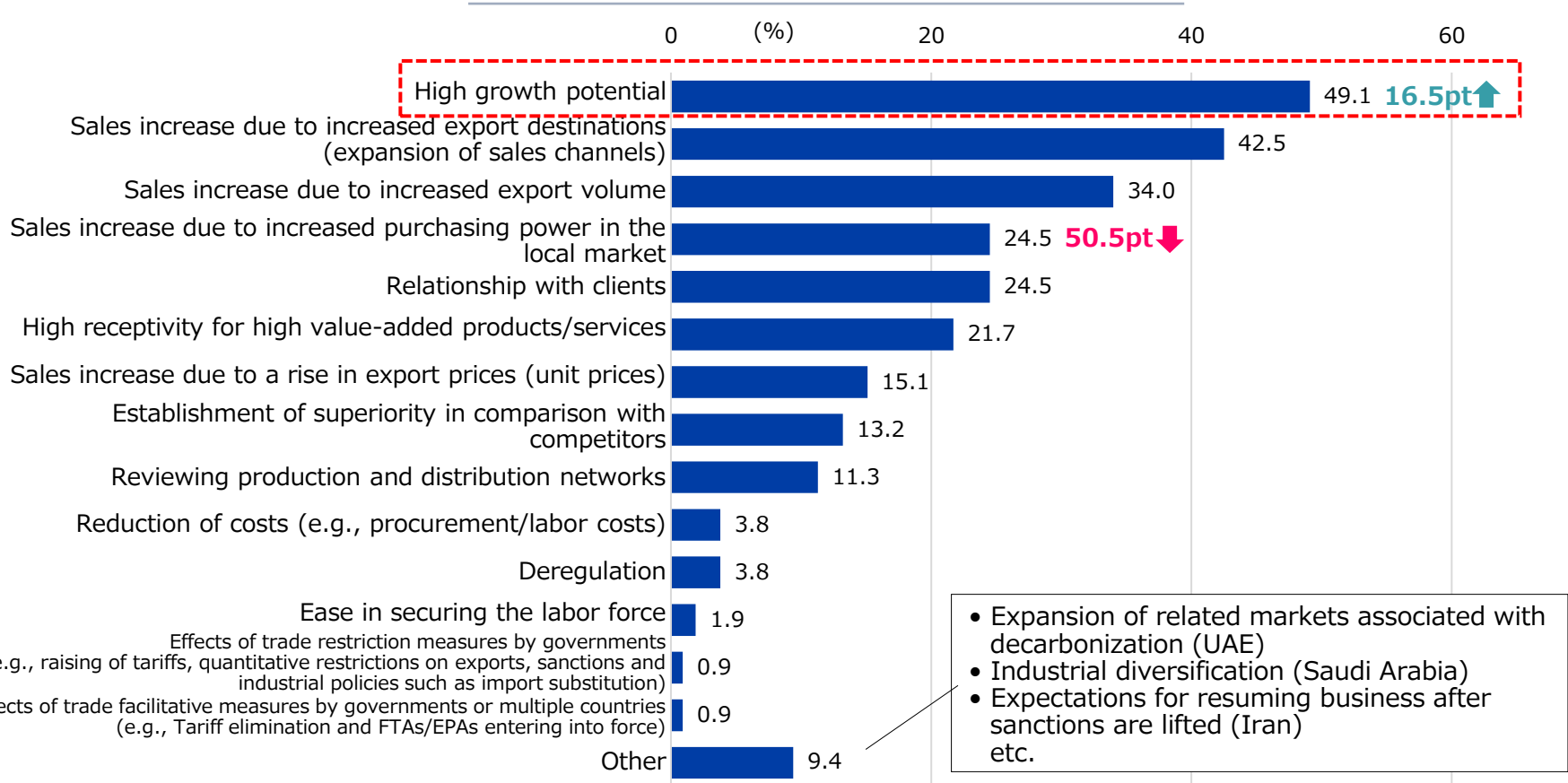


Legend: ■ Expand ■ Remain the same ■ Shrink ■ Transferring to a third country or withdrawal from the current local market

2 | Future Business Outlook(Reasons for Expansion)

- Among the reasons for business expansion, “High growth potential” was the most common reason (approximately 50%, up 16.5 points in comparison to the previous year). Approximately 40% of the companies cited “Sales increase due to increased export destinations,” followed by “Sales increase due to increased export volume” (approximately 30%).
- On the other hand, the percentage for “Sales increase in local markets” decreased to 24.5%, down 50.5 points in comparison to the previous year.

Reasons for Business Expansion (Multiple answers)



- Expansion of related markets associated with decarbonization (UAE)
- Industrial diversification (Saudi Arabia)
- Expectations for resuming business after sanctions are lifted (Iran) etc.

Year-over-year comparison: ↑ Increase ↓ Decrease (N= 106)

3 | Future Business Outlook (Reasons for Expansion / by Country)

- Turkey, Saudi Arabia, Israel, Qatar, and Oman scored higher than the overall average for “High growth potential”.
- In the UAE, the most common answer was “Sales increase due to increased export destinations,” followed by “Sales increase due to increased export volume.”

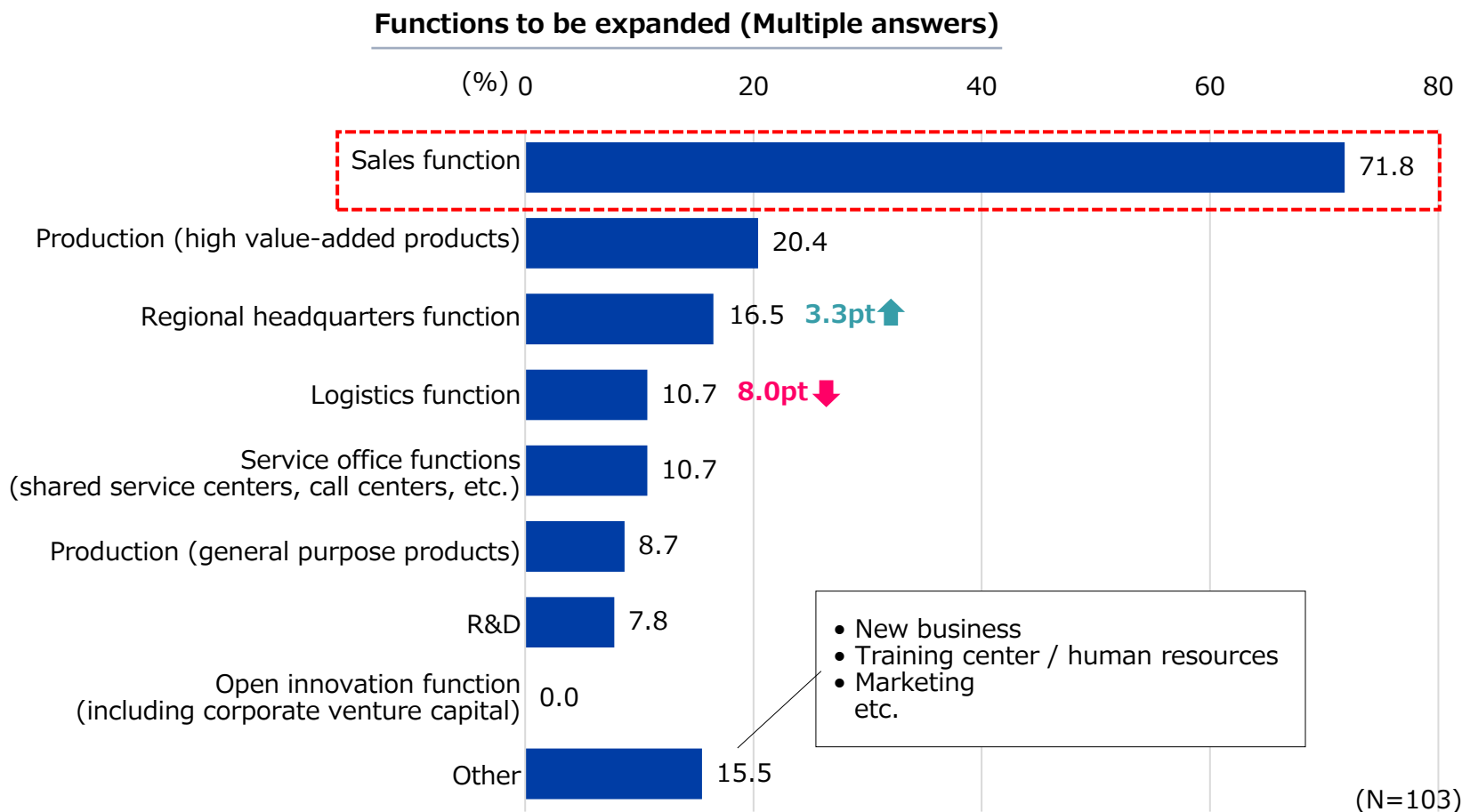
Reasons for Business Expansion (Multiple answers)

(%)	Sales increase due to increased export destinations (expansion of sales channels)	Sales increase due to increased export volume	Sales increase due to a rise in export prices (unit prices)	Sales increase due to increased purchasing power in the local market	Establishment of superiority in comparison with competitors	High growth potential	High receptivity for high value-added products/services	Reduction of costs (e.g., procurement/labor costs)	Deregulation	Ease in securing the labor force	Reviewing production and distribution networks	Relationship with clients	Effects of trade restrictive measures by governments (ex. raising of tariffs, quantitative restrictions on exports, sanctions and industrial policies such as import substitution)	Effects of trade facilitative measures by governments or multiple countries (e.g., Tariff elimination and FTAs/EPAs entering into force)	Other
Whole Middle East (N=106)	42.5	34.0	15.1	24.5	13.2	49.1	21.7	3.8	3.8	1.9	11.3	24.5	0.9	0.9	9.4
UAE (N=58)	51.7	46.6	22.4	17.2	8.6	37.9	17.2	3.4	1.7	1.7	15.5	20.7	0.0	0.0	3.4
Turkey (N=17)	41.2	29.4	11.8	23.5	11.8	52.9	23.5	11.8	0.0	5.9	11.8	29.4	0.0	5.9	17.6
Saudi Arabia (N=16)	31.3	18.8	6.3	37.5	25.0	75.0	37.5	0.0	12.5	0.0	0.0	25.0	6.3	0.0	25.0
Israel (N=8)	12.5	0.0	0.0	37.5	37.5	75.0	37.5	0.0	0.0	0.0	12.5	50.0	0.0	0.0	0.0
Iran (N=3)	33.3	33.3	0.0	33.3	0.0	33.3	0.0	0.0	33.3	0.0	0.0	0.0	0.0	0.0	33.3
Jordan (N=2)	50.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Qatar (N=1)	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Oman (N=1)	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0

(Note) Figures highlighted in blue: exceeding the average for this factor.

4 | Future Business Outlook (Functions to be Expanded)

- More than 70% (the highest) of the companies answered that they will expand “sales function”, followed by “Production of high value-added products” (20%).
- The percentage for “Regional headquarters function” increased by 3.3 points in comparison to the previous year, while the percentage for “Logistics function” decreased by 8.0 points in comparison to the previous year.

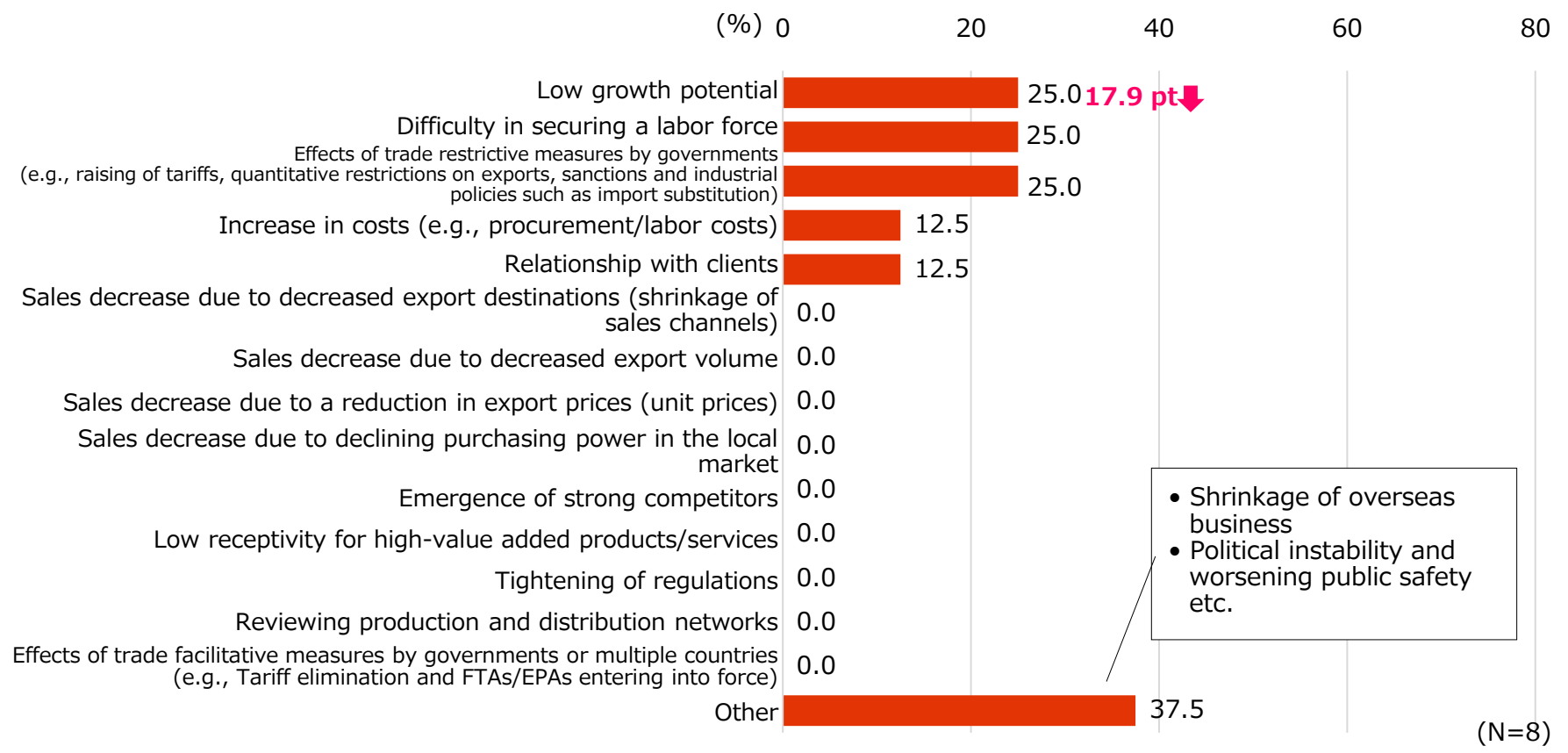


Year-over-year comparison: ↑ Increase ↓ Decrease

5 | Future Business Outlook (Reasons for “Reduction” and “Relocation or Withdrawal”)

- The most common reasons for reduction and relocation / withdrawal were “Low growth potential,” “Difficulty in securing labor force,” and “Effects of trade restrictive measures by governments” (25.0% each).
- The percentage for “Low growth potential” decreased by 17.9 points in comparison to the previous year.

Reasons for “Reduction,” “Relocation or Withdrawal to Third Countries (Regions)” (Multiple answers)

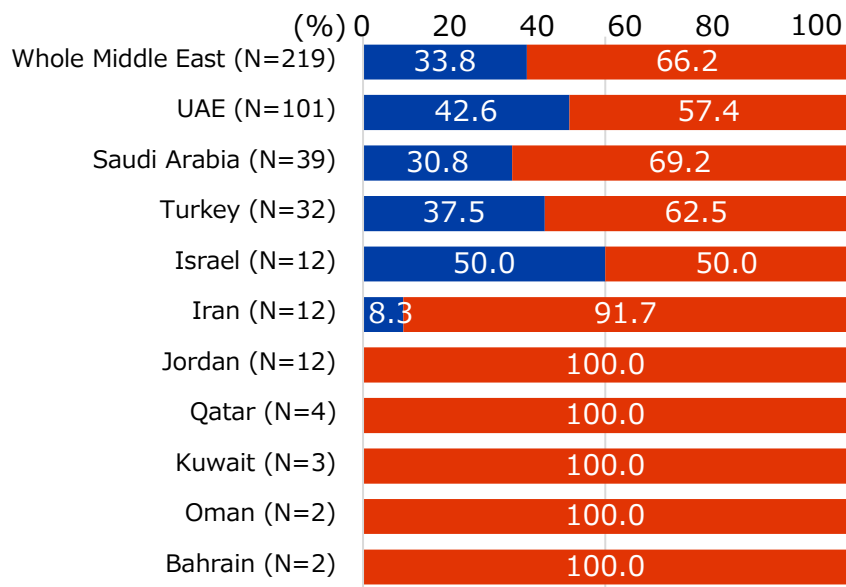


Year-over-year comparison: ↑ Increase ↓ Decrease

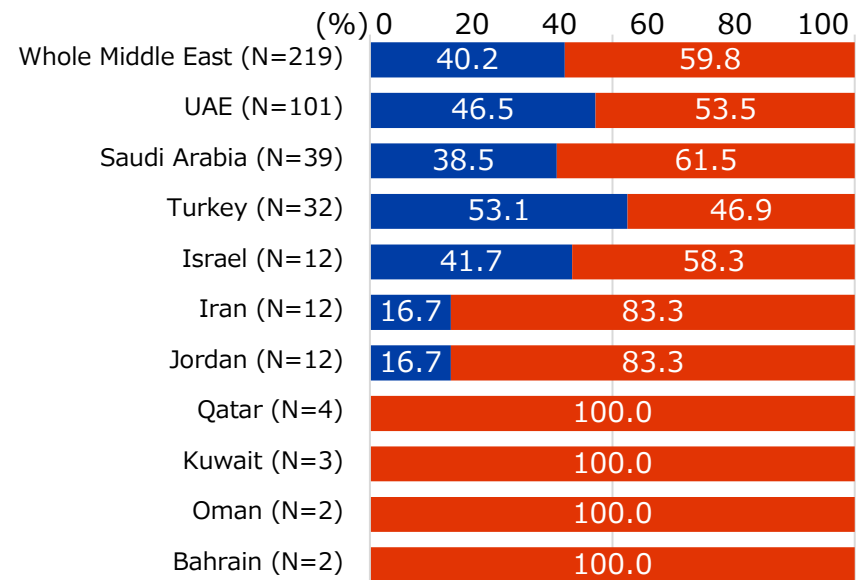
6 | Review of supply chain

- 33.8% of the companies have reviewed their supply chains since the start of the COVID-19 pandemic (after 2020). By country, 50% of the companies in Israel and more than 40% of the companies in the UAE have reviewed.
- 40.2% of the companies plan to review in the future. By country, the figure exceeds 50% in Turkey.

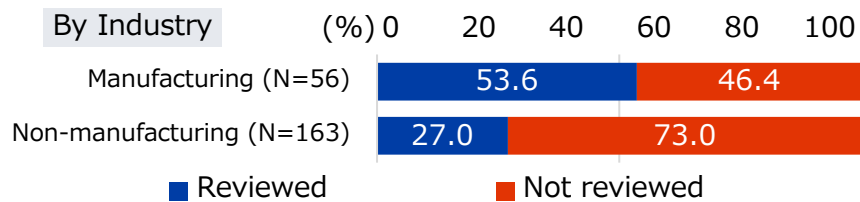
From the COVID-19 pandemic (2020) to the Present



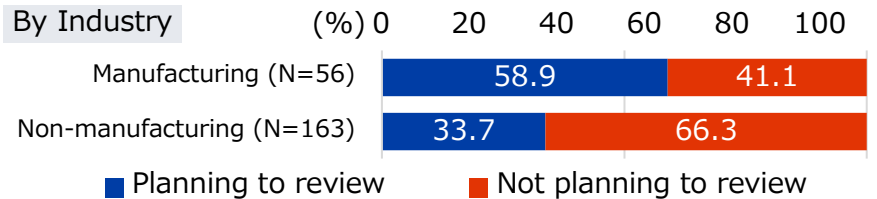
Future plans



By Industry



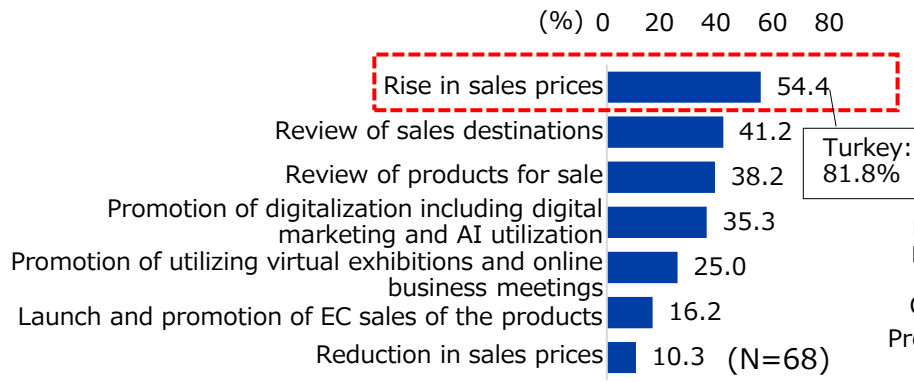
By Industry



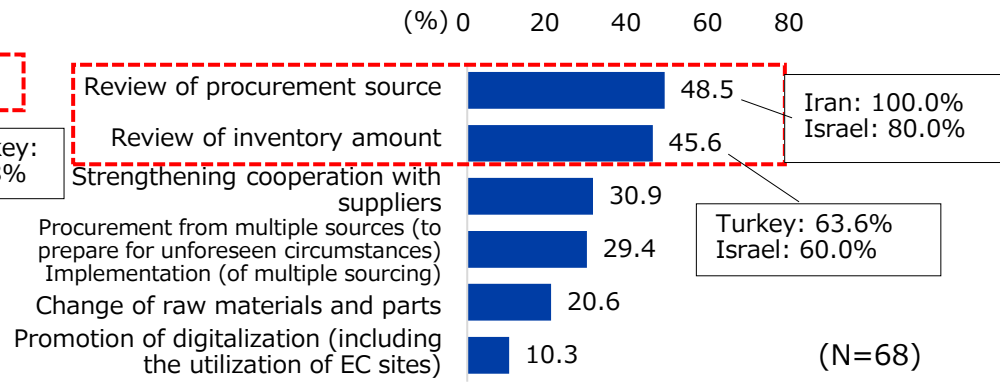
7 | Details of the review of supply chain (from the COVID-19 pandemic to the present)

- More than 50% of the companies have “raised sales prices” in reviewing their sales strategies. The percentage exceeds 80% in Turkey.
- As for review of procurement, approximately 50% of the companies cited they would “Review of procurement source” and “Review of inventory amount”. More than 80% of the companies in Iran and Israel cited “Review of procurement source,” and more than 60% of the companies in Turkey and Israel cited “Review of inventory amount.”

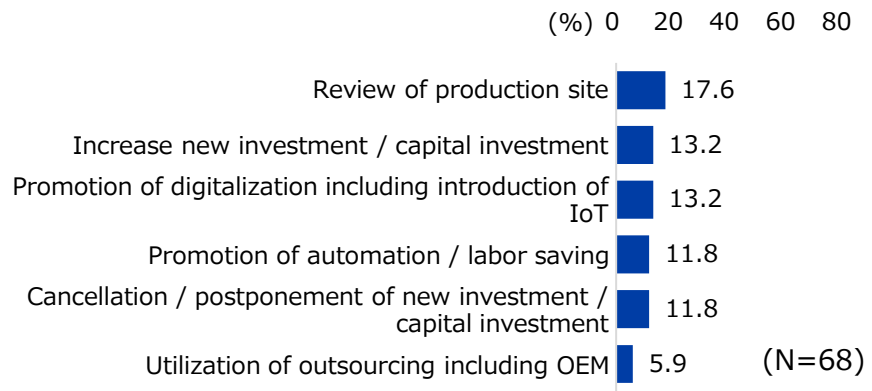
Contents of the review of sales strategy



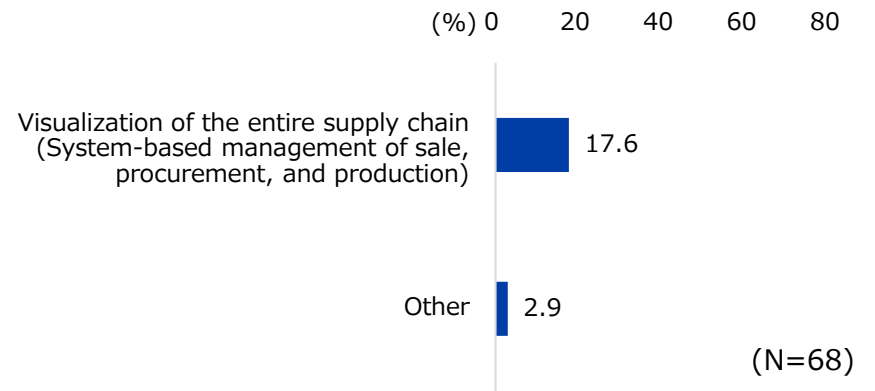
Contents of the review of procurement



Contents of the review of production



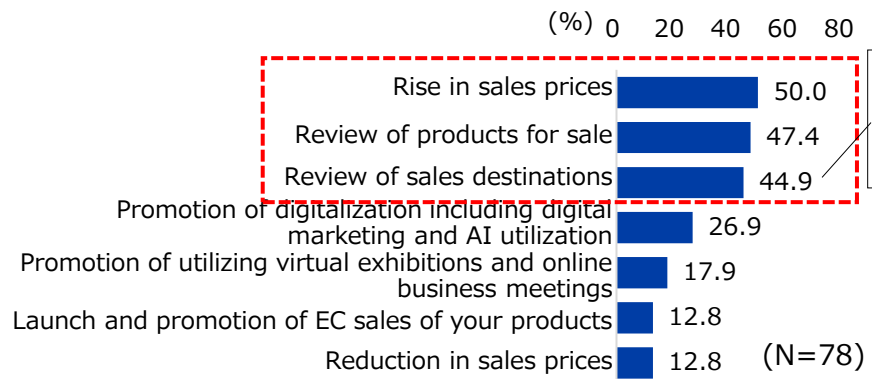
Other



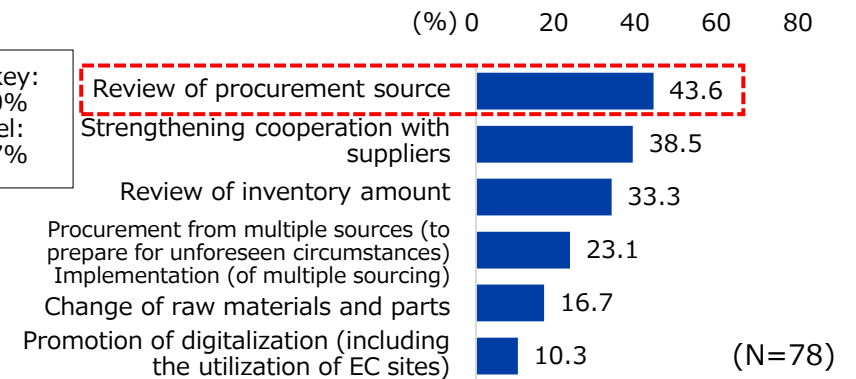
8 | Details of the review of supply chain (future plans)

- As for review of future sales strategy, 50% (the highest) of the companies cited “Rise in sales prices”. The percentages for “Review of products for sale” and “Review of sales destinations” also both exceeded 40%. In Turkey and Israel, more than 60% of the companies cited “Review of sales destinations.”
- More than 40% of the companies plan to “review their procurement sources” in the future.

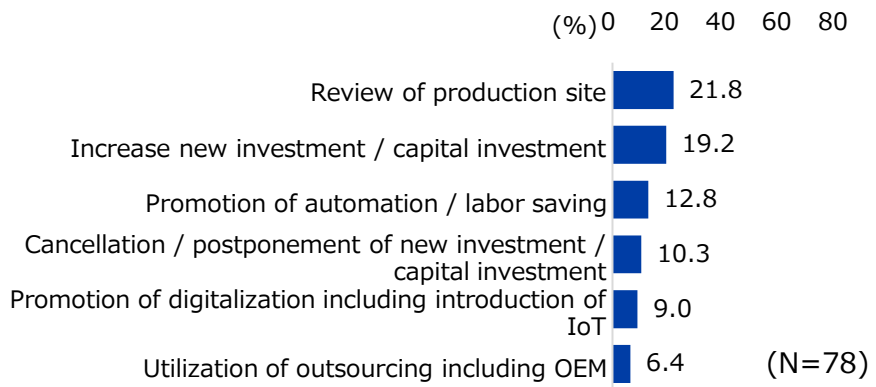
Contents of the review of future sales strategy



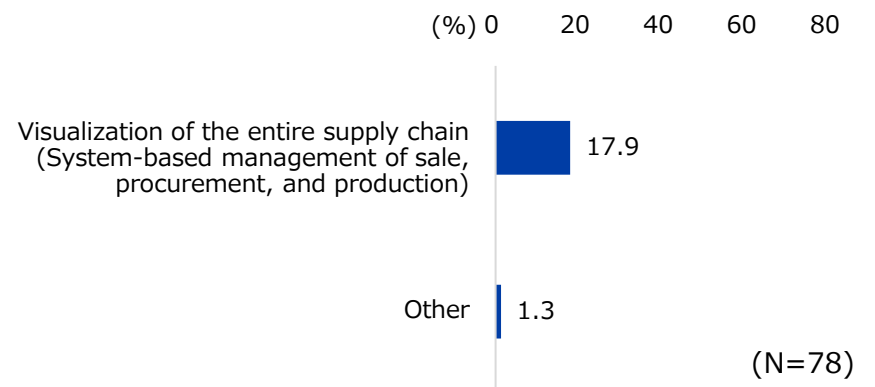
Contents of the review of future procurement



Contents of the review of future production



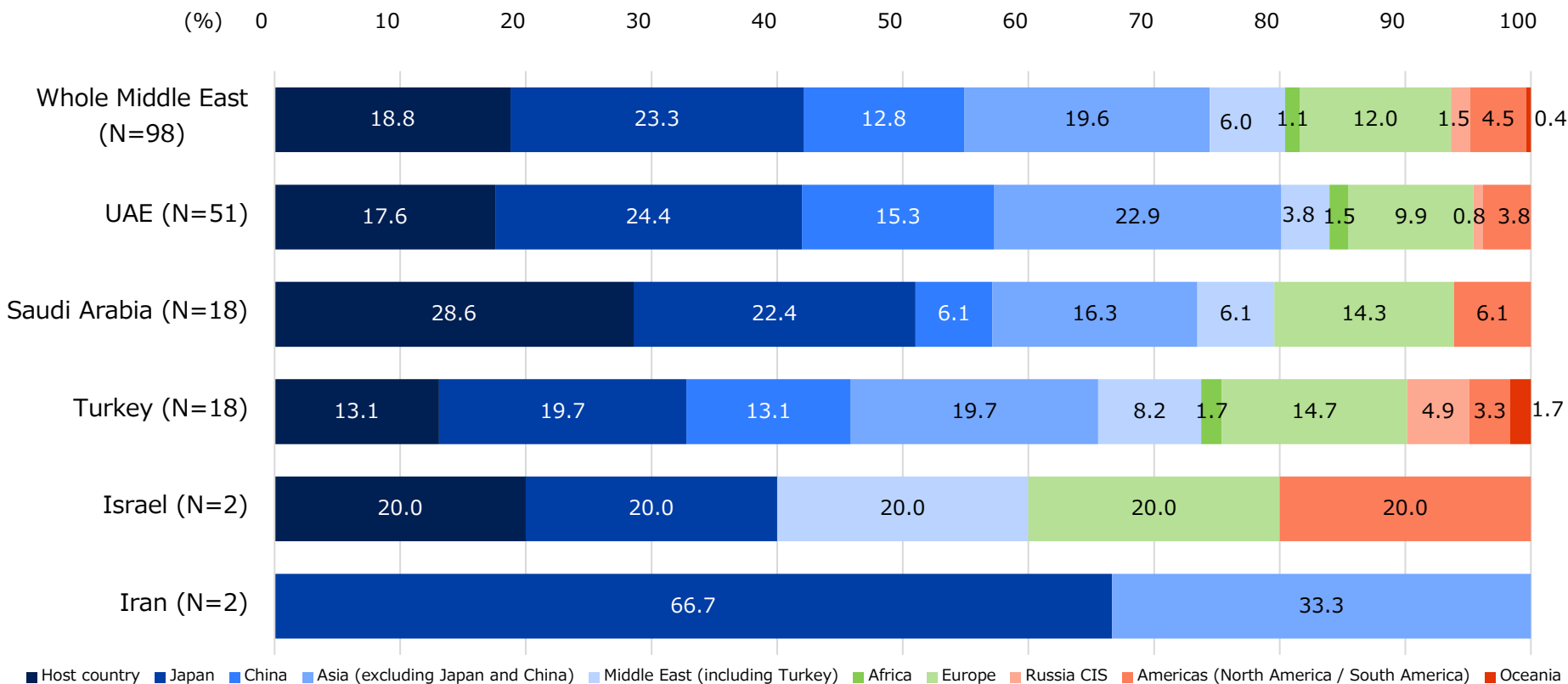
Other



9 | Breakdown of procurement sources (products, parts, and raw materials)

- The breakdown of procurement sources for products, parts, and raw materials in the manufacturing industry is 23.3% from Japan, 19.6% from Asia, and 18.8% from each host country.
- As for the future procurement policy of each procurement source, the number of companies that plan to expand procurement sources was 23 (the highest) each in each host country and in Asia, followed by 13 in Japan, 12 in China, and 10 in the Middle East.

Breakdown of procurement sources for products, parts, and raw materials (in value terms)

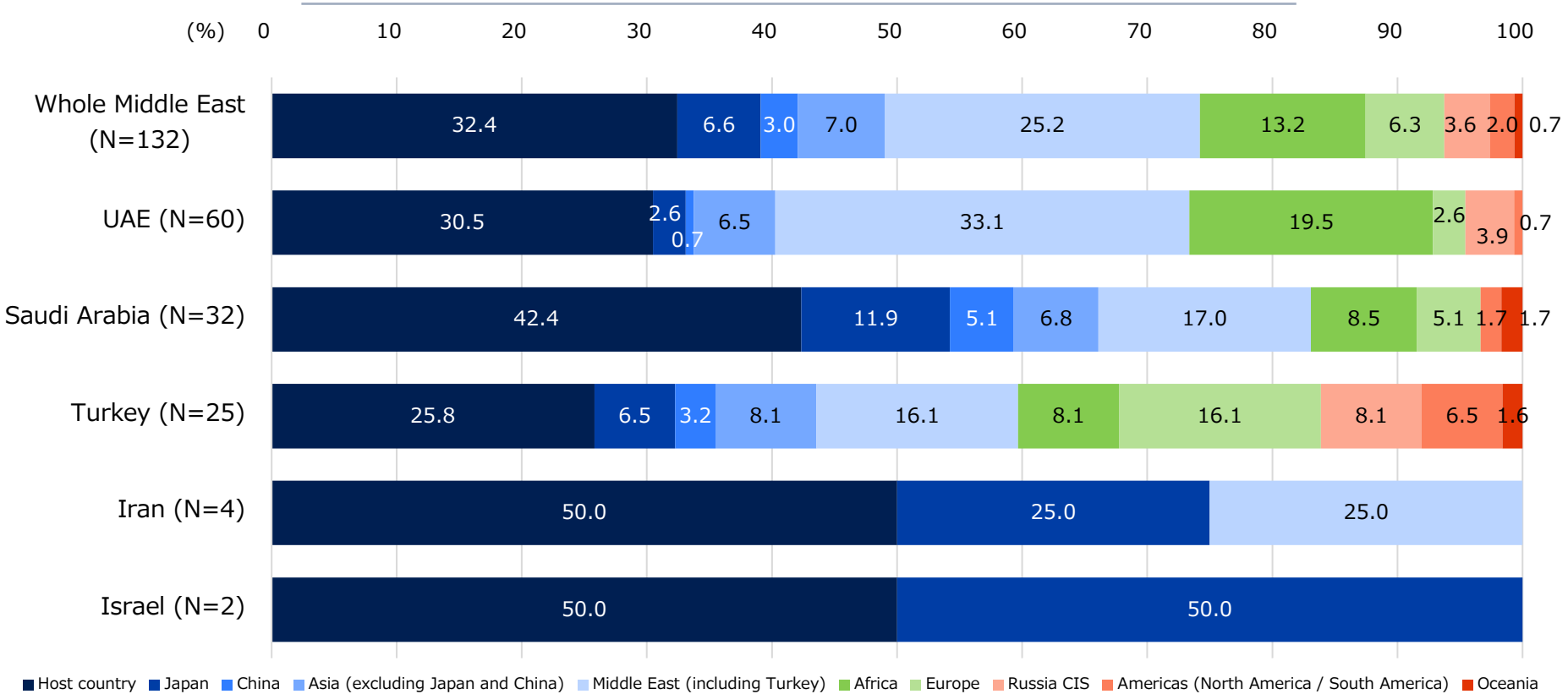


(Note) Calculated by averaging the answers of each answering company. The total number of suppliers for each company is 100.

10 | Breakdown of sales destinations (products and services)

- The breakdown of sales destinations for products/services shows that each host country accounted for 32.4% (the largest), followed by the Middle East (25.2%) and Africa (13.2%).
- As for the future sales policy of each sales destination, the number of companies that plan to expand sales destinations was 37 (the highest) in the Middle East, followed by 28 in each host country and 25 in Africa.

Breakdown of sales destinations for products and services (in value terms)

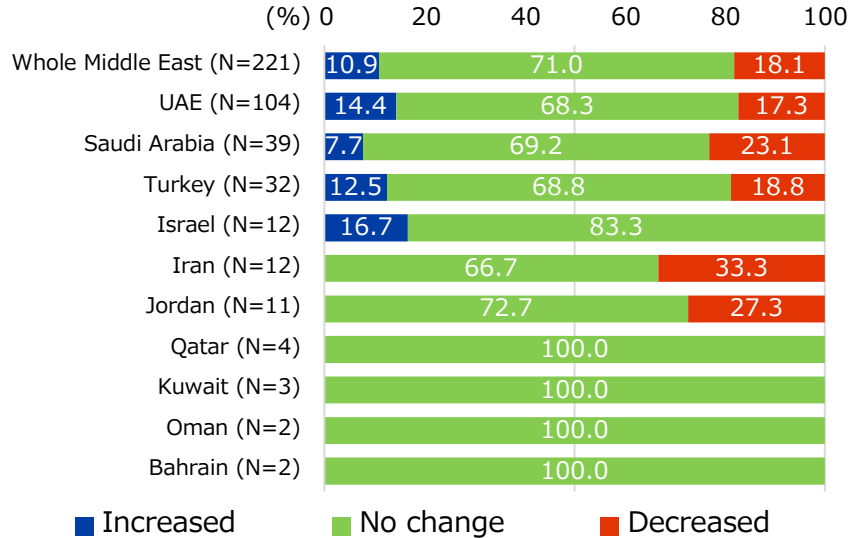


(Note) Calculated by averaging the answers of each answering company. The total number of suppliers for each company is 100.

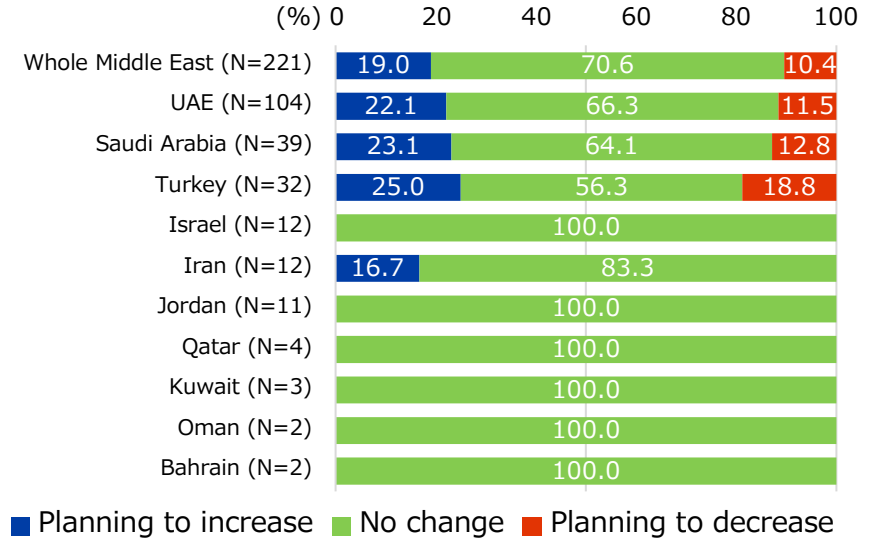
11 | Number of Japanese expatriates (compared to before the outbreak of the COVID-19)

- Approximately 70% of the companies answered that the number of Japanese expatriates at the time of the survey was “no change” from the pre-COVID-19 level. On the other hand, the percentage for “decrease” exceeds that of “increase”.
- Also, approximately 70% of the companies plan to keep the number of Japanese expatriates “no change” from the pre-COVID-19 level over the next 1 to 2 years, while the percentage for “increase” exceeds that of “decrease”.

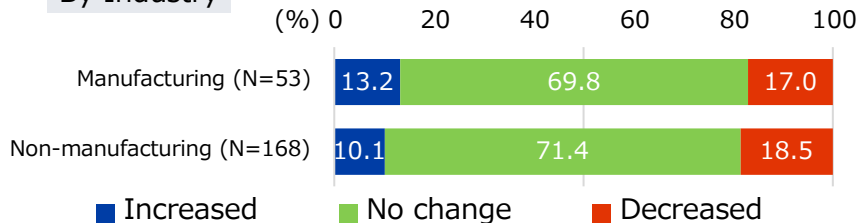
At the time of the survey compared to before the outbreak of the COVID-19



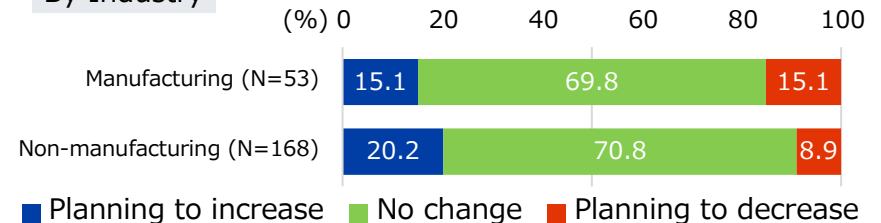
Plans for the next 1 to 2 years compared to before the outbreak of the COVID-19



By Industry



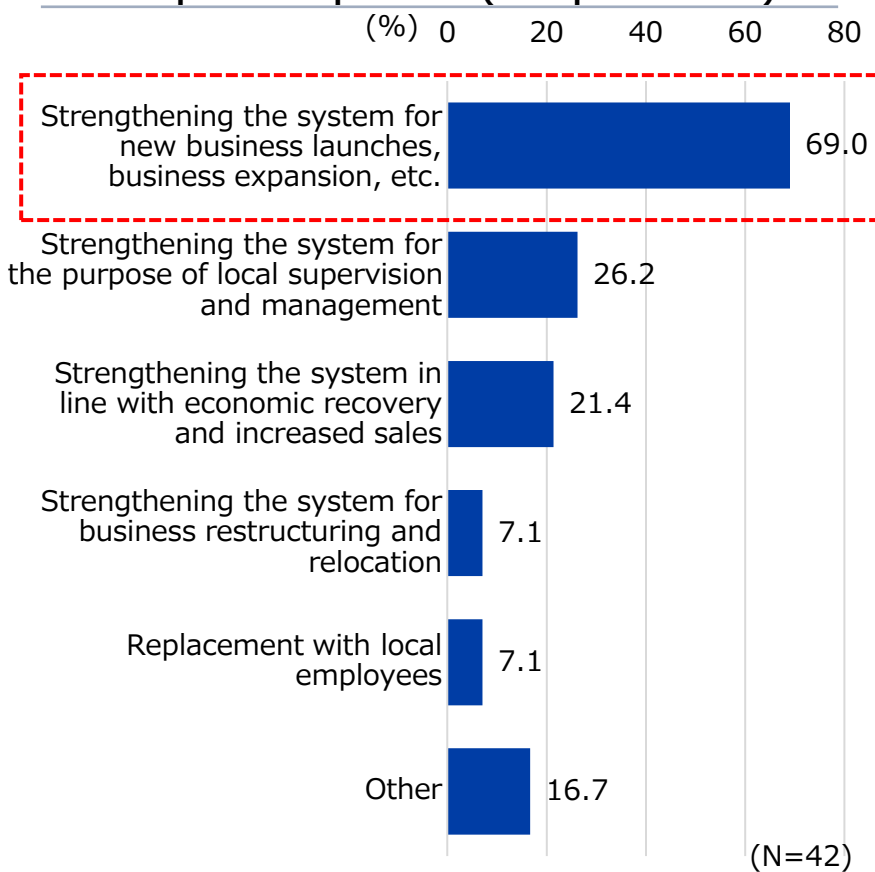
By Industry



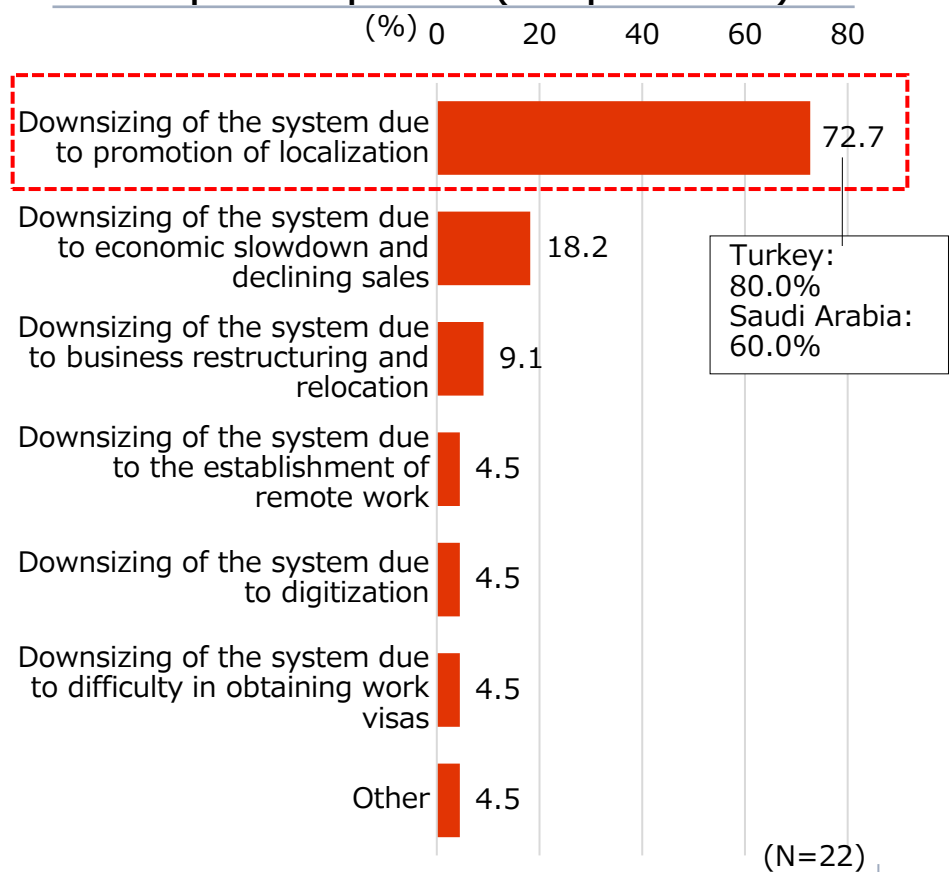
12 | Number of Japanese expatriates (factors for increase or decrease / compared to before the outbreak of the COVID-19)

- As for reasons for planning to increase the number of expatriates compared to before the outbreak of the COVID-19, approximately 70% (the highest) of the companies cited "Strengthening the system for new business launches, business expansion, etc."
- On the other hand, as for reasons for planning to decrease the number of expatriates compared to before the outbreak of the COVID-19, more than 70% of the companies cited "Downsizing of the system due to promotion of localization." 80% in Turkey and Saudi Arabia.

Reasons for the planned [increase] in the number of Japanese expatriates (Multiple Answers)



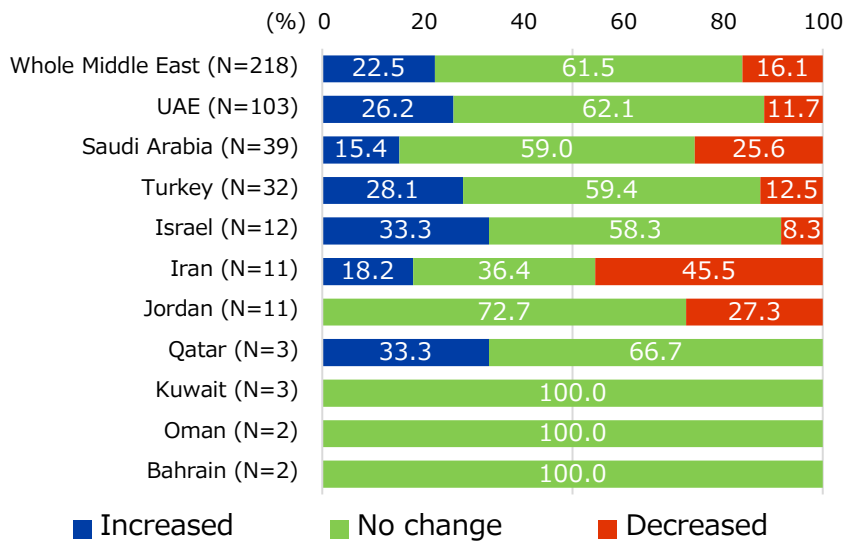
Reasons for the planned [decrease] in the number of Japanese expatriates (Multiple Answers)



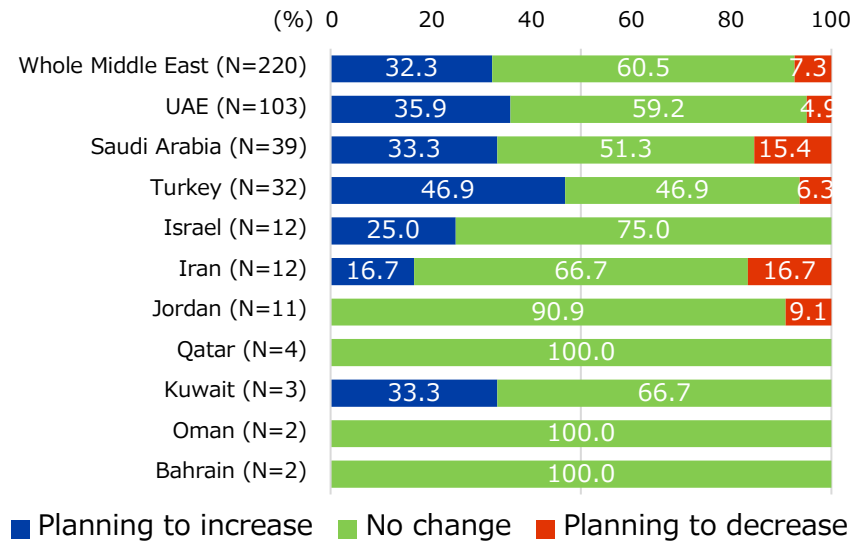
13 | Number of local employees (compared to before the outbreak of the COVID-19)

- Approximately 60% of the companies answered that the number of local employees at the time of the survey was “no change” from the pre-COVID-19 level. On the other hand, the percentage for “decrease” exceeded that for “increase” as for the number of Japanese expatriates, while the percentage for “increase” exceeded that for “decrease” as for the number of local employees.
- Also, more than 60% of the companies plan to keep the number of local employees “no change” from the pre-COVID-19 level over the next 1 to 2 years, while more than 30% of the companies plan to “increase”, which surpasses the result at the time of the survey. Approximately 50% of the companies in Turkey plan to “increase.”

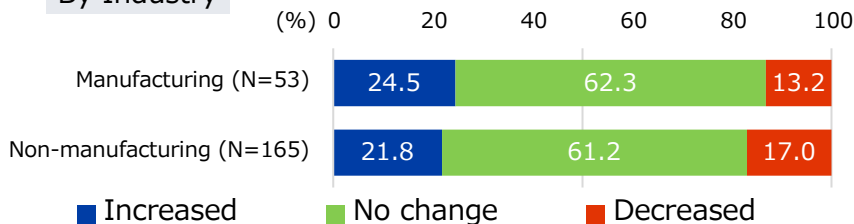
At the time of the survey compared to before the outbreak of the COVID-19



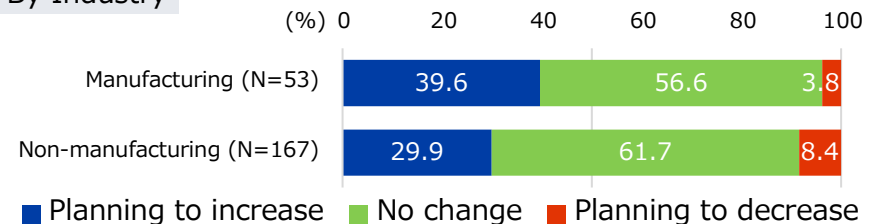
Plans for the next 1 to 2 years compared to before the outbreak of the COVID-19



By Industry



By Industry

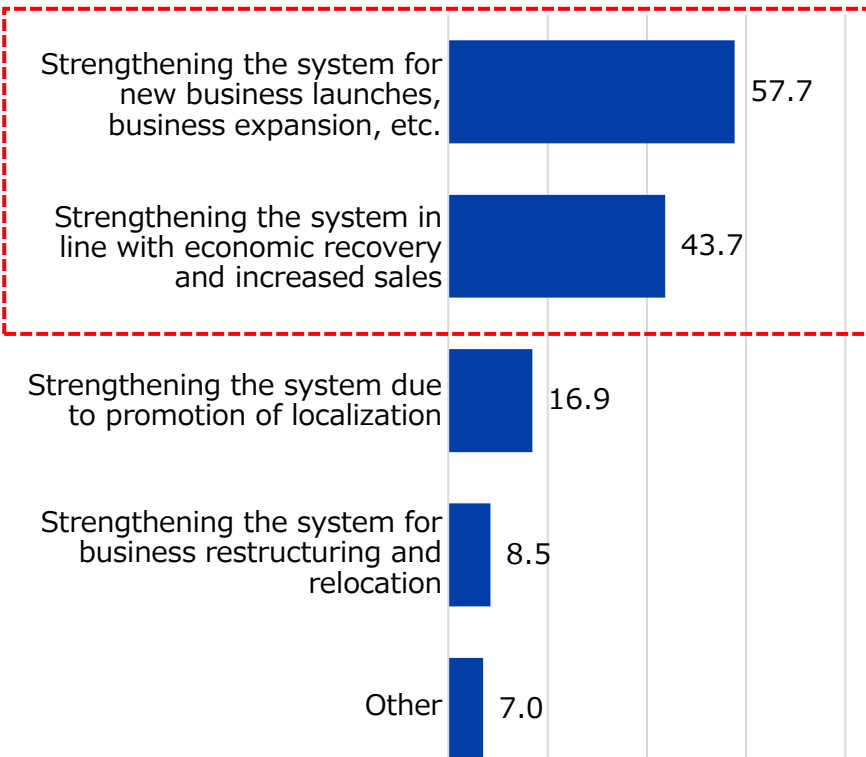


14 | Number of local employees (factors for increase or decrease / compared to before the outbreak of the COVID-19)

- As for reasons for planning to increase the number of local employees compared to before the outbreak of the COVID-19, approximately 57.7% (the highest) of the companies cited "Strengthening the system for new business launches, business expansion, etc.," followed by "Strengthening the system in line with economic recovery and increased sales" (43.7%).
- On the other hand, as for reasons for planning to decrease the number of local employees compared to before the outbreak of the COVID-19, 37.5% (the highest) of the companies cited "Downsizing of the system due to cost reduction," followed by "Downsizing of the system due to economic slowdown and declining sales" (31.1%).

Reasons for the planned [increase] in the number of local employees (Multiple Answers)

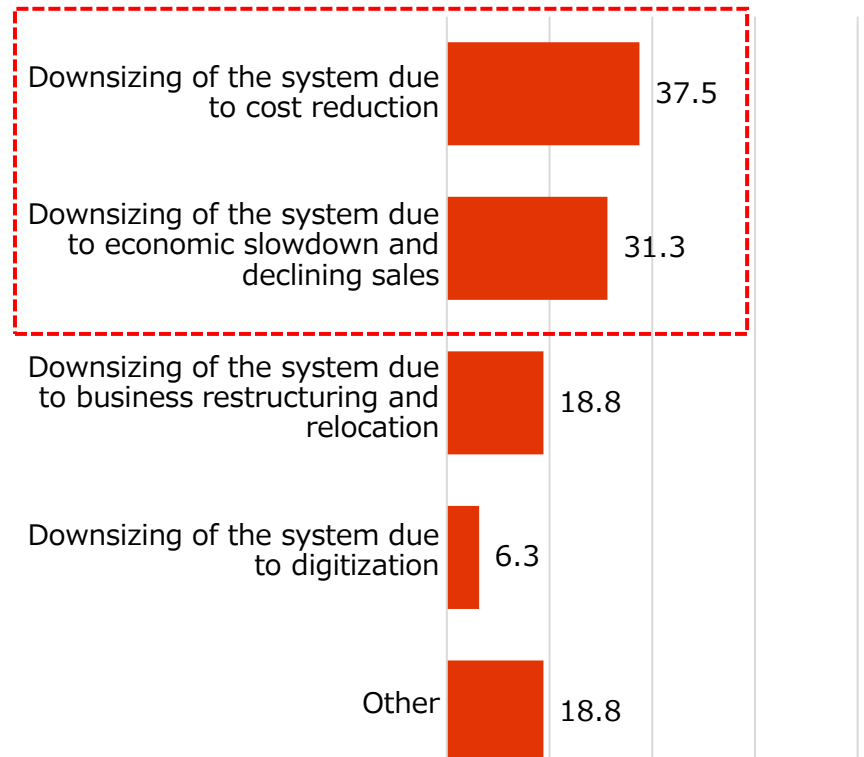
(%) 0 20 40 60 80



(N=71)

Reasons for the planned [decrease] in the number of local employees (Multiple Answers)

(%) 0 20 40 60 80



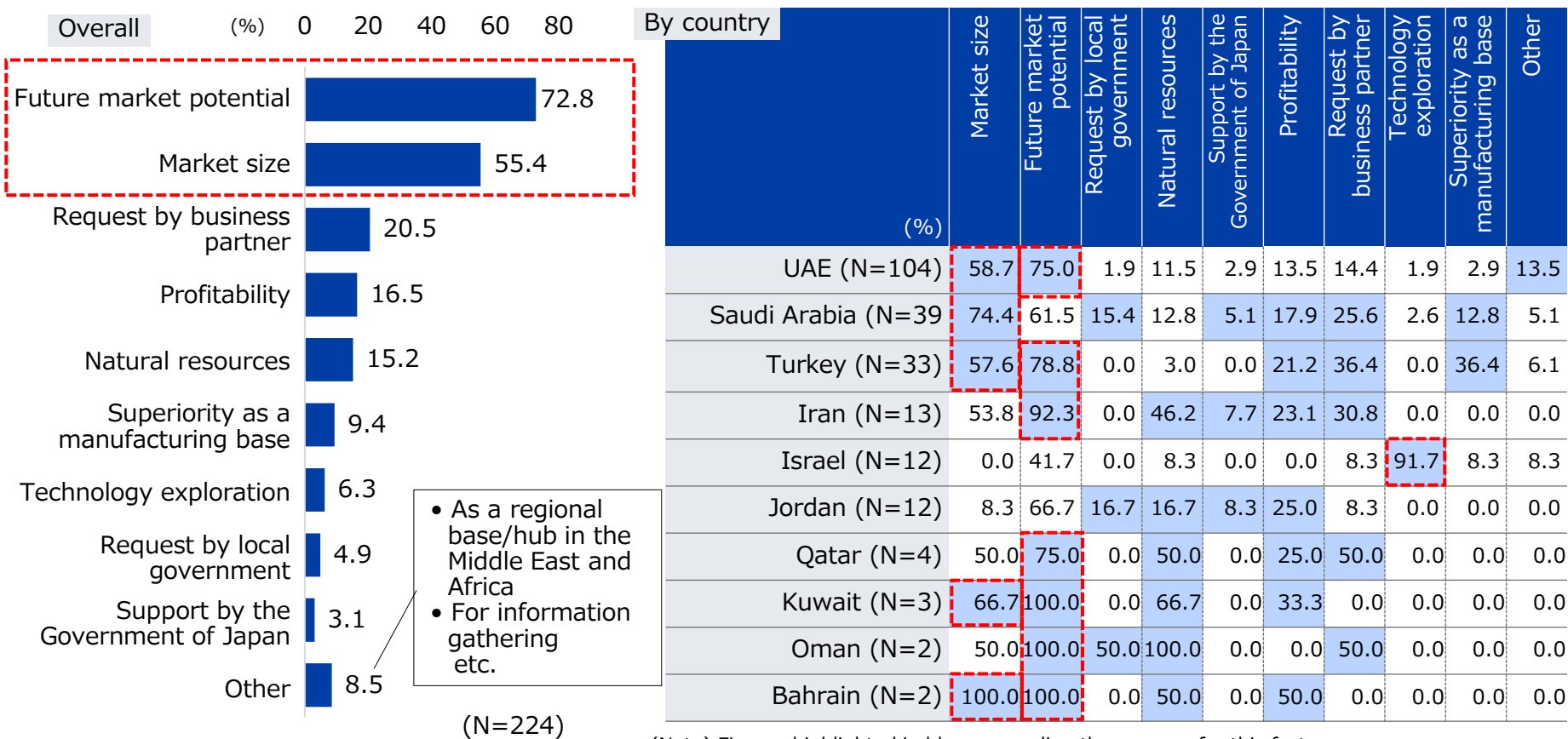
(N=16)

III. Investment Environment in the Middle East

1 | Reasons for Maintaining Presence in the Middle East

- More than 70% of the companies cited "Future market potential" as a reason for setting up bases in the Middle East. Also, more than 50% of the companies cited "Market size".
- More than 90% of the companies in Israel cited "Technology exploration".

Reasons for Maintaining Presence in the Middle East (Multiple Answers)

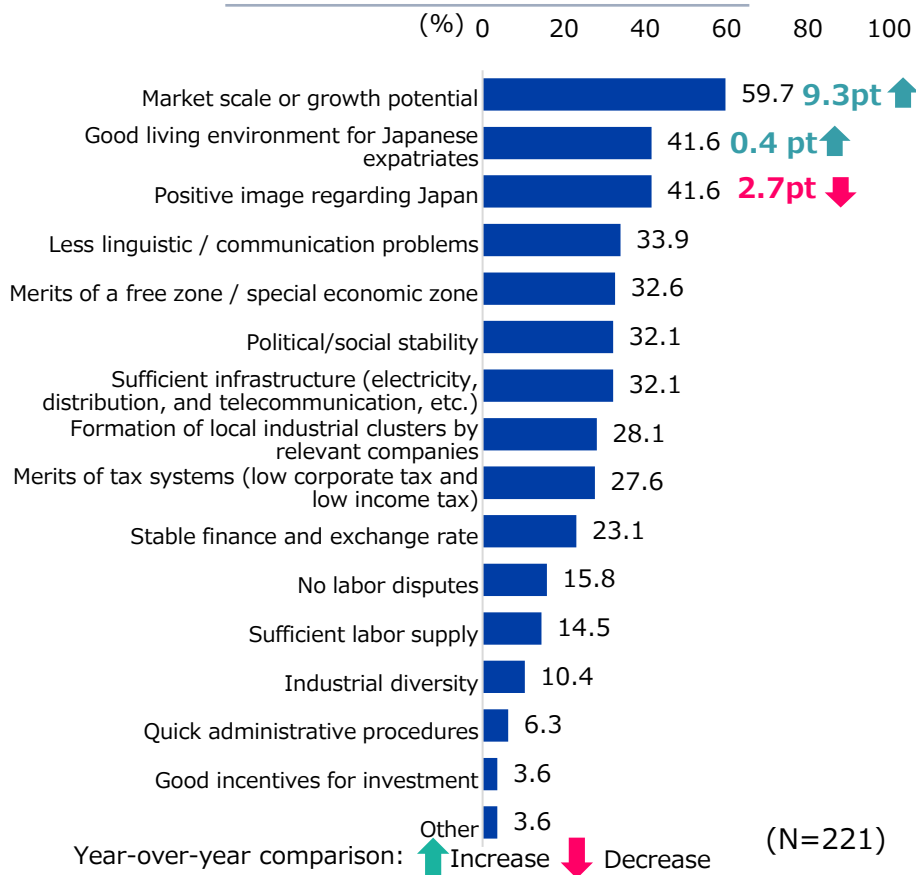


(Note) Figures highlighted in blue: exceeding the average for this factor.

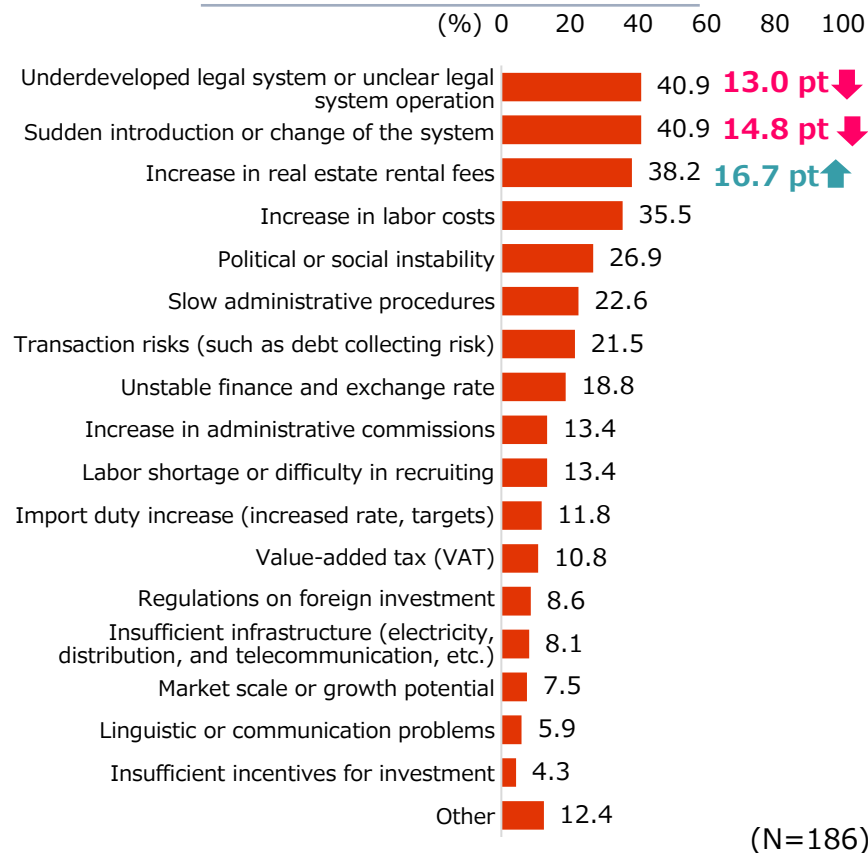
2 | Investment Environment Advantages and Challenges (Whole Middle East)

- As for investment environment advantages, “Market scale or growth potential” was the most popular (59.7%, up 9.3 points in comparison to the previous year), followed by “Good living environment for Japanese expatriates” and “Positive image regarding Japan” (both 40%). The percentage for “Positive image regarding Japan” decreased by 2.7 points in comparison to the previous year.
- As for challenges, “Underdeveloped legal system or unclear legal system operation” and “Sudden introduction of new business regulation” topped the list (both 40%), followed by “Increase in real estate rental fees” (38.2%, up 16.7 points in comparison to the previous year).

Advantages of the Investment Environment (Multiple answers)



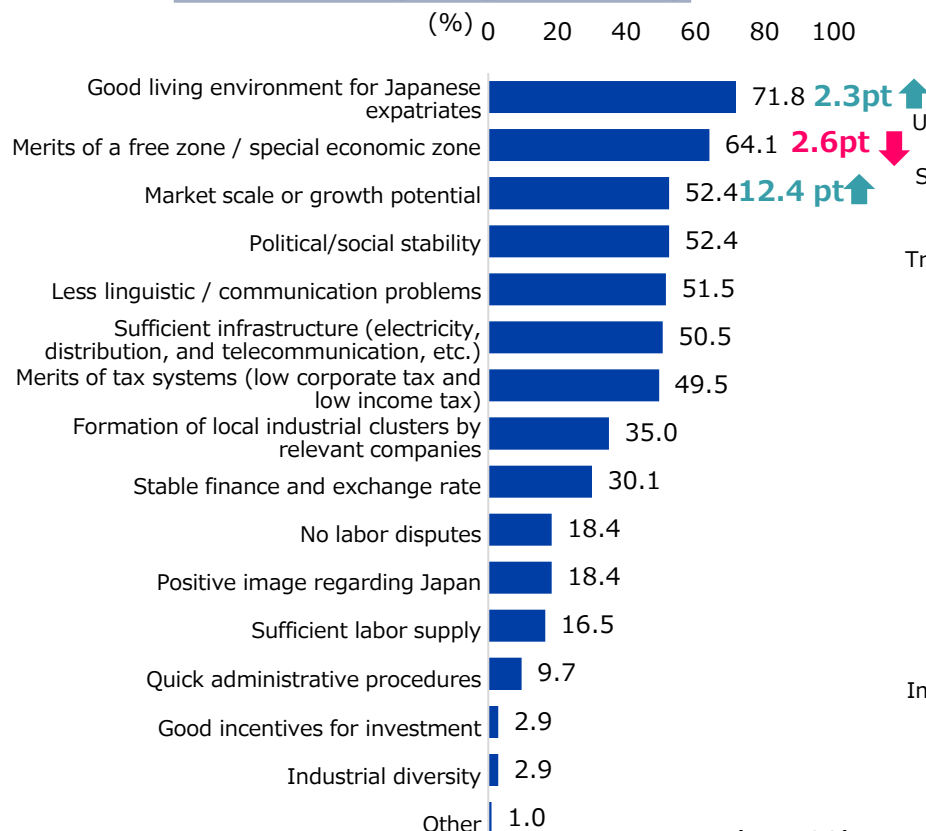
Challenges of the Investment Environment (Multiple answers)



3 | Investment Environment Advantages and Challenges (UAE)

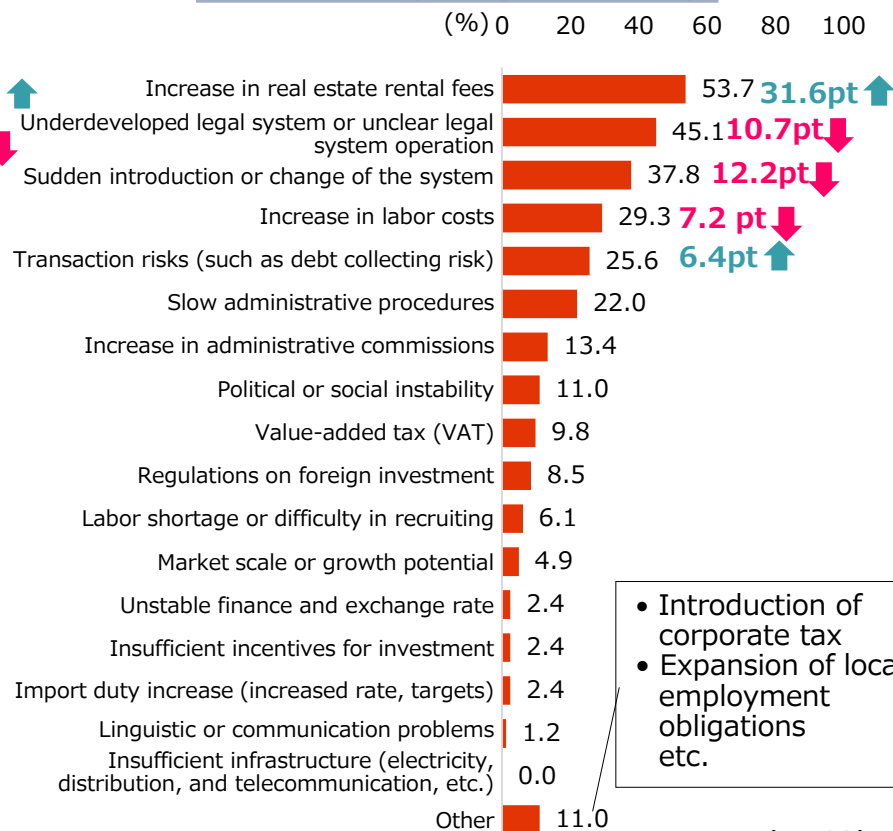
- As for advantages, “Good living environment for Japanese expatriates” topped the list (more than 70%), followed by “Merits of a free zone / special economic zone” (64.1%). The percentage for “Market size and growth potential” increased to 52.4%, up 12.4 points in comparison to the previous year.
- As for challenges, “Increase in real estate rental fees” was the most common answer (more than 50%, up 31.6 points in comparison to the previous year).

Advantages of the Investment Environment (Multiple answers)



(N=103)

Challenges of the Investment Environment (Multiple answers)



(N=82)

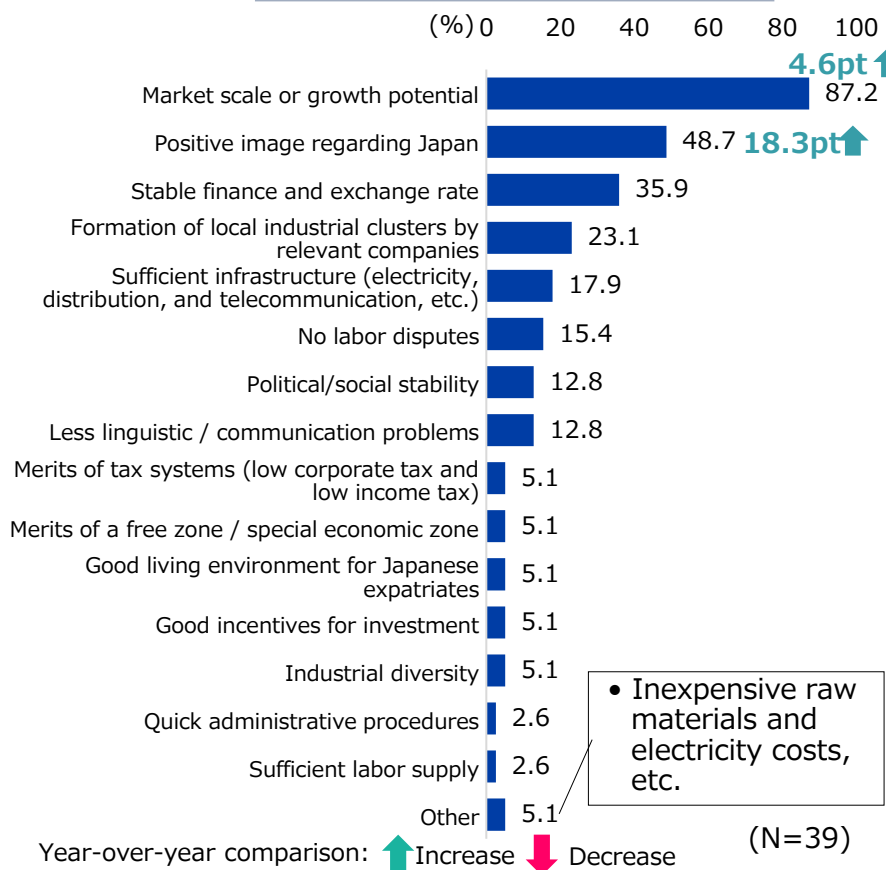
• Introduction of corporate tax
• Expansion of local employment obligations etc.

Year-over-year comparison: ↑ Increase ↓ Decrease

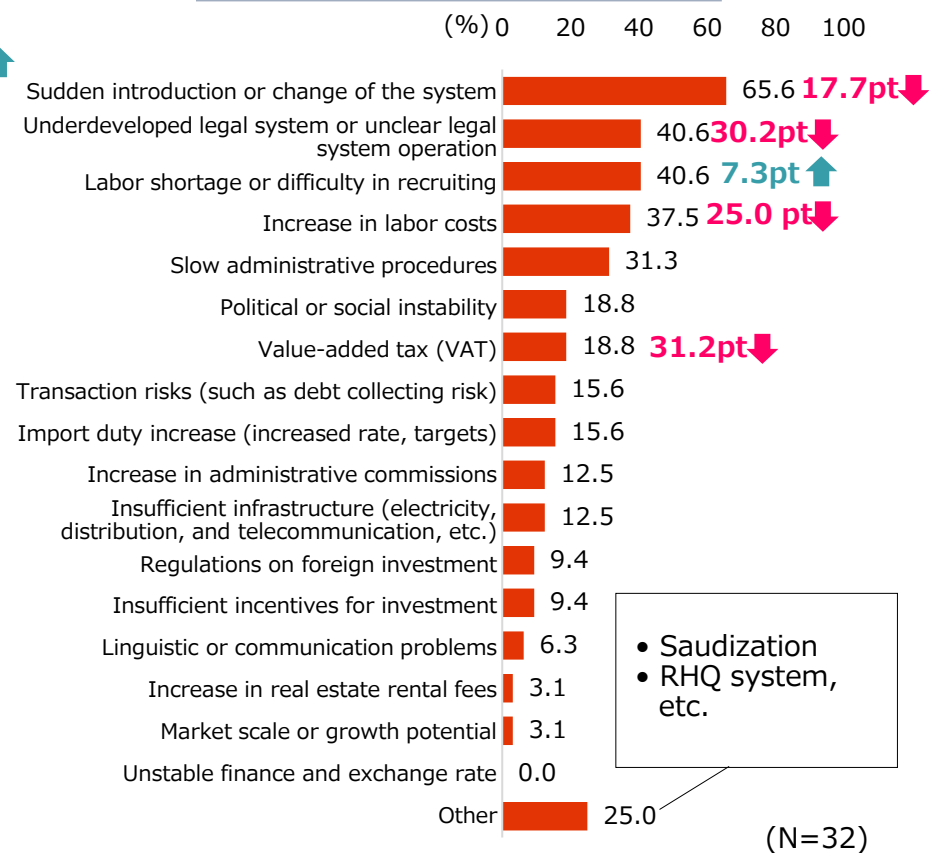
4 | Investment Environment Advantages and Challenges (Saudi Arabia)

- As for advantages, the highest number (87.2%) of companies cited “market scale or growth potential,” followed by “Positive image regarding Japan” (approximately 50%, up 18.3 points in comparison to the previous year).
- As for challenges, legal system issues topped the list, but their points decreased from the previous year. The percentage for “Labor shortage or difficulty in recruiting” increased by 7.3 points in comparison to the previous year.

Advantages of the Investment Environment (Multiple answers)



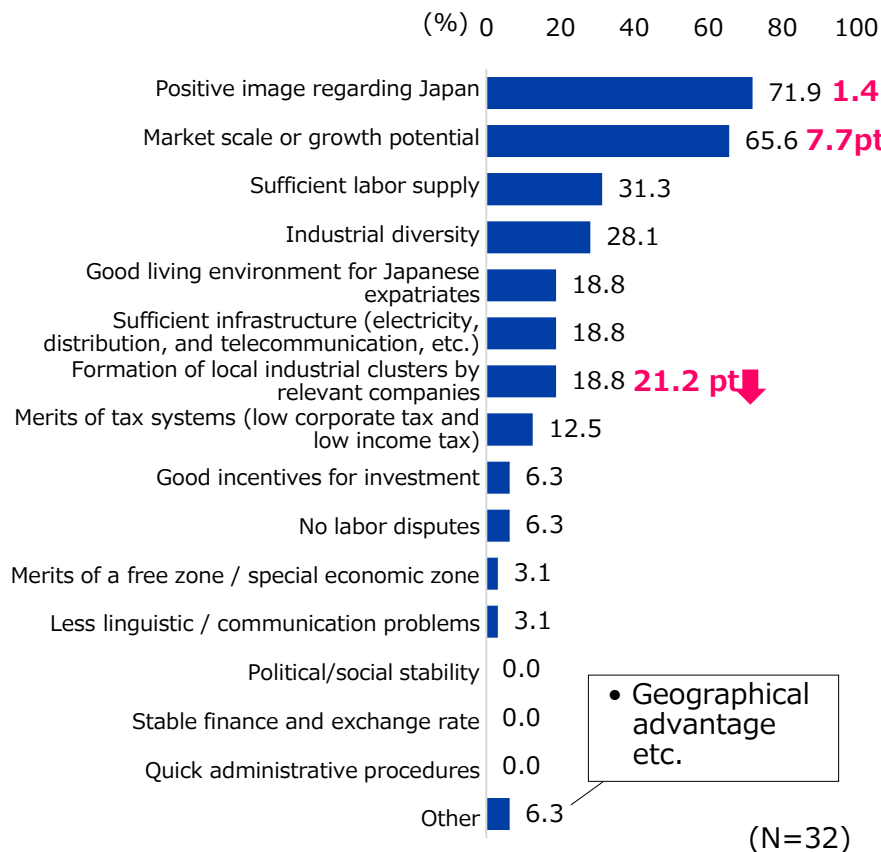
Challenges of the Investment Environment (Multiple answers)



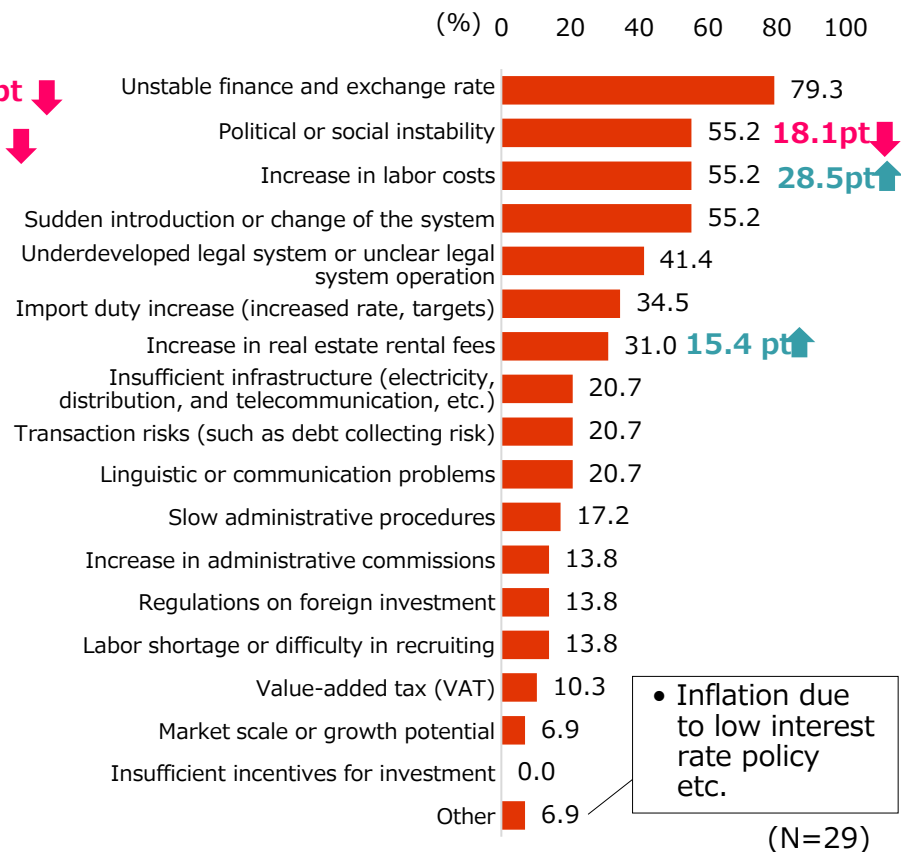
5 | Investment Environment Advantages and Challenges (Turkey)

- As for advantages, “Positive image regarding Japan” topped the list (71.9%), followed by “Market scale or growth potential” (65.6%).
- As for challenges, “Unstable finance and exchange rate” topped the list (approximately 80%). The percentage for “Increase in labor costs” increased by 28.5 points in comparison to the previous year, and that for “Increase in real estate rental fees” increased by 15.4 points.

Advantages of the Investment Environment (Multiple answers)



Challenges of the Investment Environment (Multiple answers)



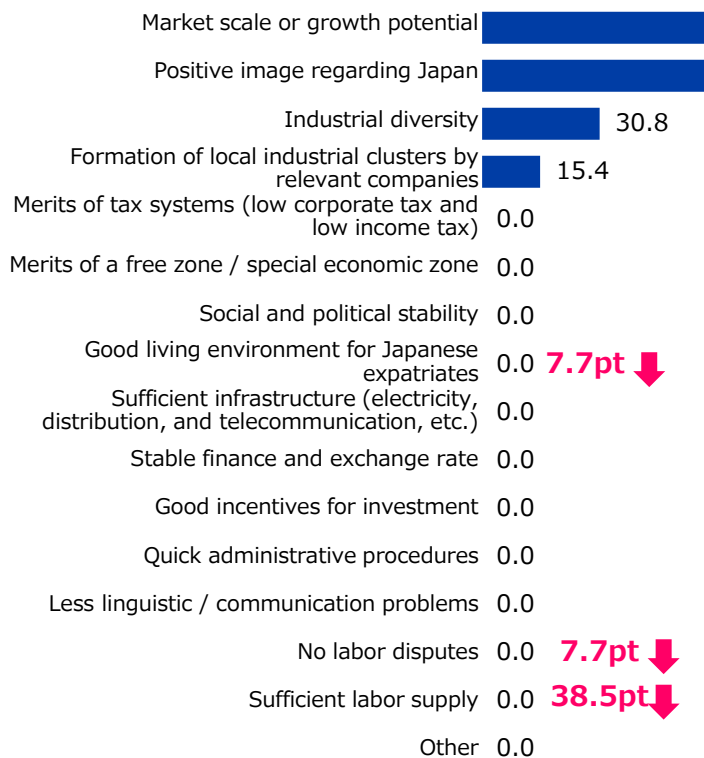
Year-over-year comparison: ↑ Increase ↓ Decrease

6 | Investment Environment Advantages and Challenges (Iran)

- As for advantages, "Market scale or growth potential" topped the list (more than 90%), followed by "Positive image regarding Japan" (60%, down 15.4 points in comparison to the previous year). In addition, 0% was given for many items.
- As for challenges, approximately 70% (the highest) of the companies cited "Political or social instability," followed by "Increase in real estate rental fees" and "Unstable finance and exchange rate" (both a little less than 50%).

Advantages of the Investment Environment (Multiple answers)

(%) 0 20 40 60 80 100

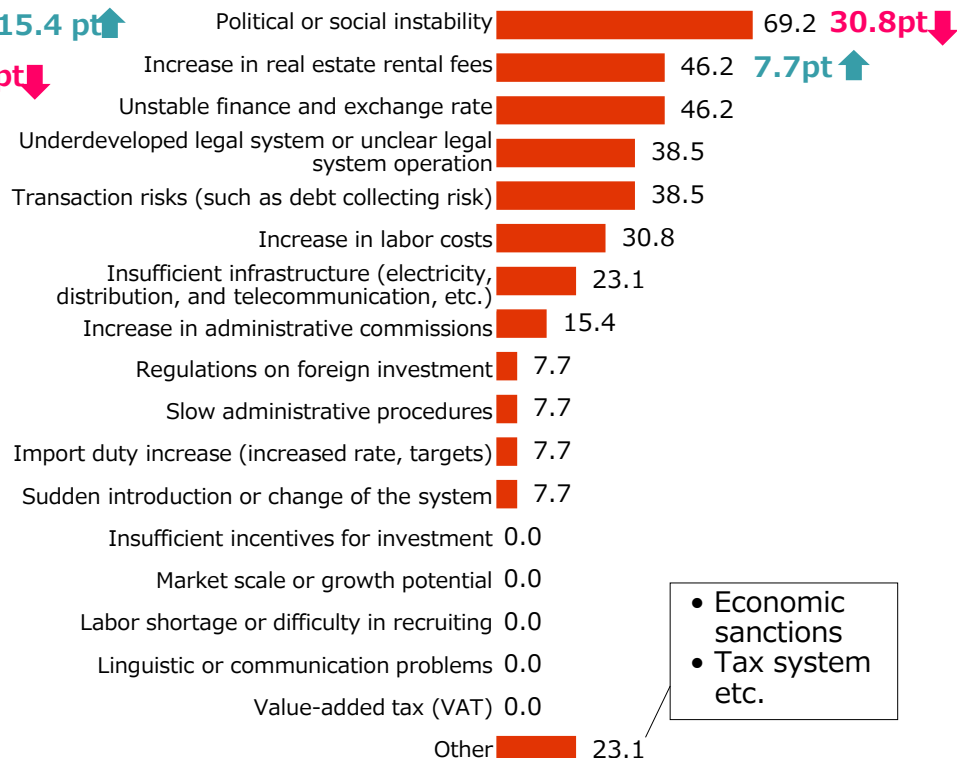


Year-over-year comparison: ↑ Increase ↓ Decrease

(N=13)

Challenges of the Investment Environment (Multiple answers)

(%) 0 20 40 60 80 100



• Economic sanctions
• Tax system etc.

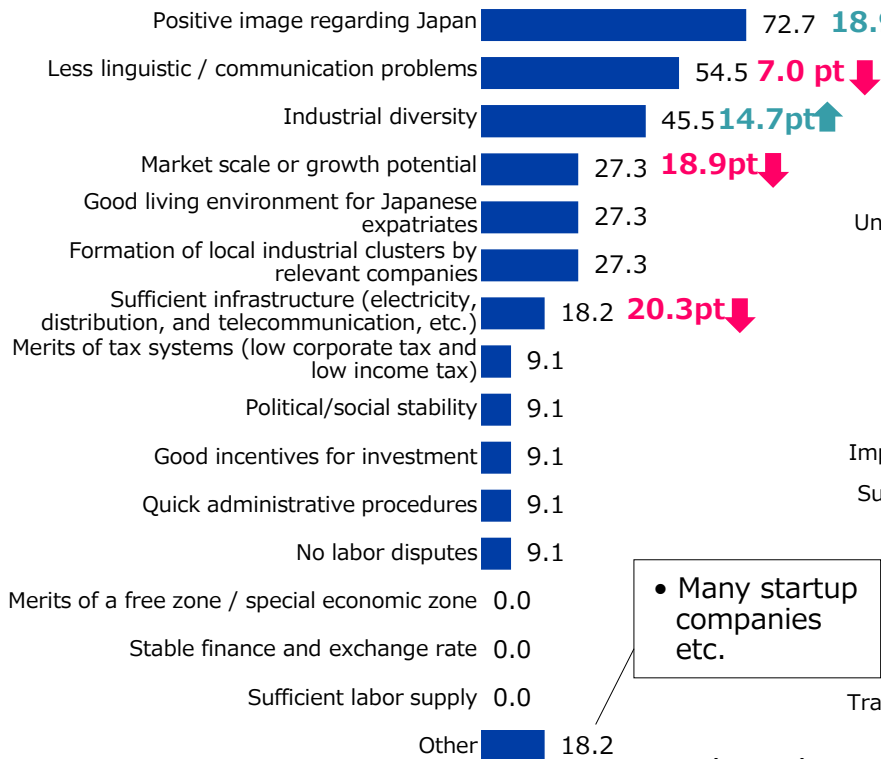
(N=13)

7 | Investment Environment Advantages and Challenges (Israel)

- As for advantages, “Positive image regarding Japan” topped the list (more than 70%, up 18.9 points in comparison to the previous year).
- As for challenges, the percentage for “Increase in real estate rental fees” increased to 90%, up 28.5 points in comparison to the previous year, and that for “Increase in labor costs” increased to 80%, up 10.8 points. Also, the percentage for “Political or social instability” was 50%.

Advantages of the Investment Environment (Multiple answers)

(%) 0 20 40 60 80 100

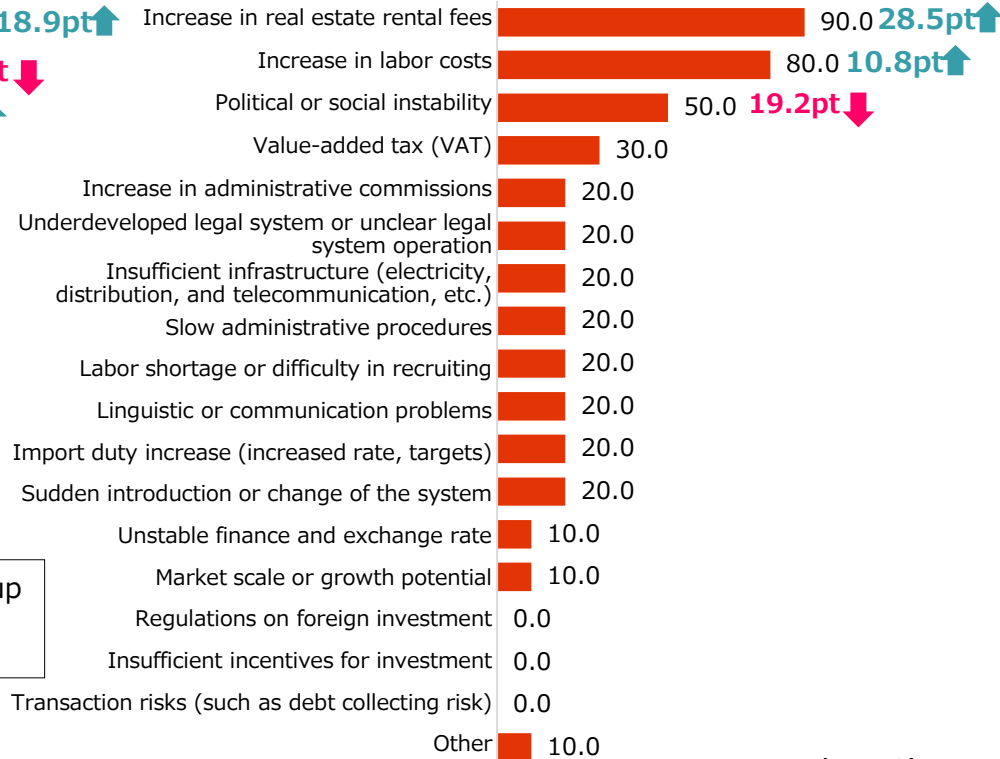


• Many startup companies etc.

(N=11)

Challenges of the Investment Environment (Multiple answers)

(%) 0 20 40 60 80 100



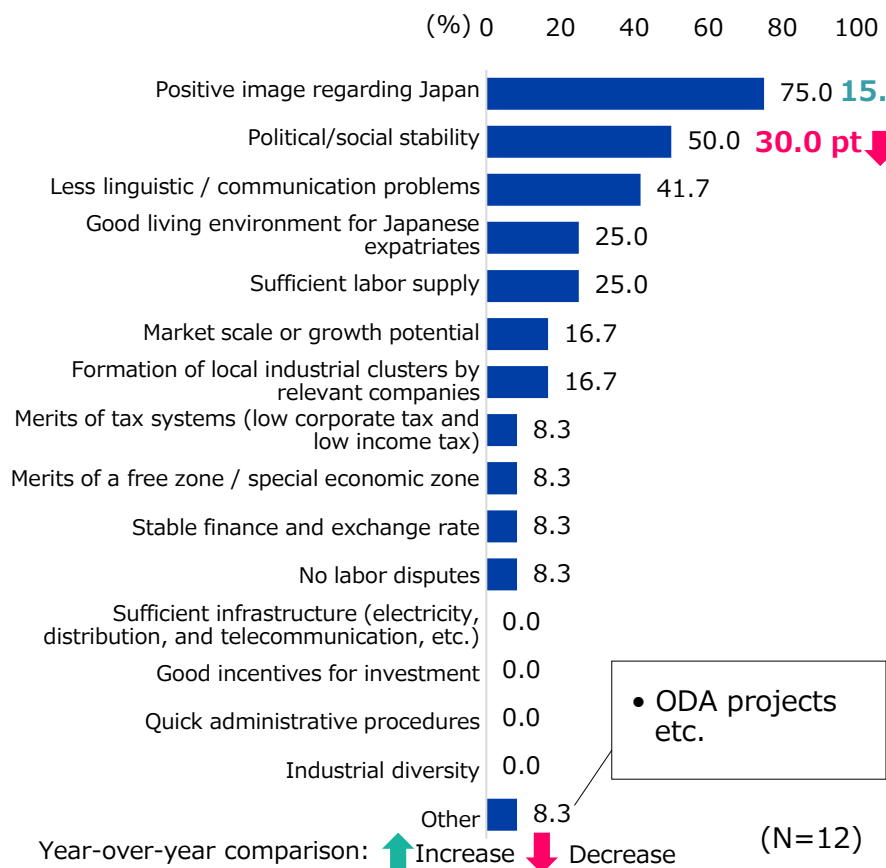
(N=10)

Year-over-year comparison: ↑ Increase ↓ Decrease

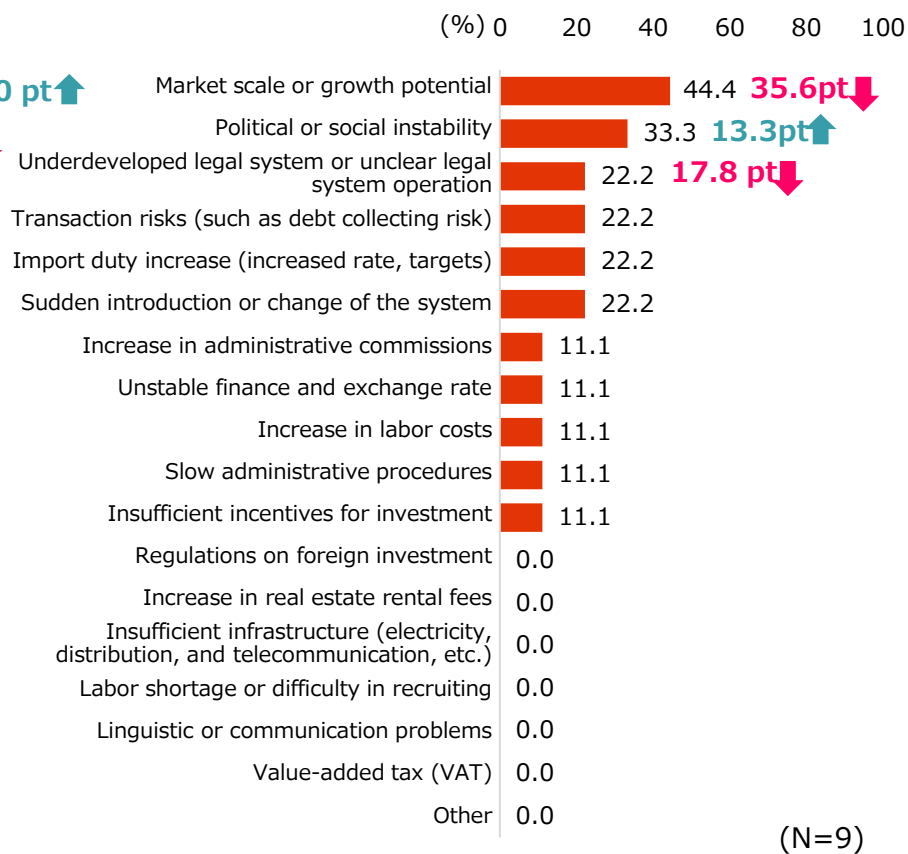
8 | Investment Environment Advantages and Challenges (Jordan)

- As for advantages, “Positive image regarding Japan” topped the list (75.0%). “Social and political stability,” which had been the top answer last year, moved to second place (50%, down 30.0 points).
- As for challenges, “Market scale or growth potential” topped the list (44.4%, down 35.6 points in comparison to the previous year), followed by “Political or social instability” (33.3%, up 13.3 points).

Advantages of the Investment Environment (Multiple answers)



Challenges of the Investment Environment (Multiple answers)



9 | Investment Environment Advantages (Other Countries)

- In Qatar, “Stable finance and exchange rate” are the top appeals, while in Kuwait, “Less linguistic / communication problems” and “No labor disputes” are the top appeals. In Oman, “Good living environment for Japanese expatriates”, “No labor disputes”, and “Positive image regarding Japan”, as well as in Bahrain, “Market scale or growth potential” attracted 100% approval each.

Advantages of the Investment Environment (Multiple answers)

(%)	Qatar (N=4)	Kuwait (N=3)	Oman (N=2)	Bahrain (N=2)
Merits of tax systems (low corporate tax and low income tax)	25.0	0.0	0.0	50.0
Merits of a free zone / special economic zone	25.0	0.0	50.0	0.0
Market scale or growth potential	25.0	66.7	50.0	100.0
Political/social stability	50.0	33.3	50.0	50.0
Good living environment for Japanese expatriates	25.0	0.0	100.0	50.0
Sufficient infrastructure (electricity, distribution, and telecommunication, etc.)	25.0	33.3	50.0	50.0
Stable finance and exchange rate	75.0	33.3	0.0	50.0
Formation of local industrial clusters by relevant companies	50.0	0.0	50.0	50.0
Good incentives for investment	0.0	0.0	0.0	0.0
Quick administrative procedures	25.0	0.0	0.0	50.0
Less linguistic / communication problems	25.0	66.7	50.0	50.0
No labor disputes	25.0	66.7	100.0	50.0
Sufficient labor supply	0.0	0.0	0.0	50.0
Positive image regarding Japan	25.0	66.7	100.0	50.0
Industrial diversity	0.0	0.0	0.0	0.0
Other	0.0	0.0	0.0	0.0

(Note) Items in red circles are the top items in each country.

10 | Investment Environment Challenges (Other Countries)

- In Qatar, “Underdeveloped legal system or unclear legal system operation,” “Increase in real estate rental fees,” and “Sudden introduction of new business regulation” topped the list, while in Kuwait, “Slow administrative procedures” attracted 100% approval.

Challenges of the Investment Environment (Multiple answers)

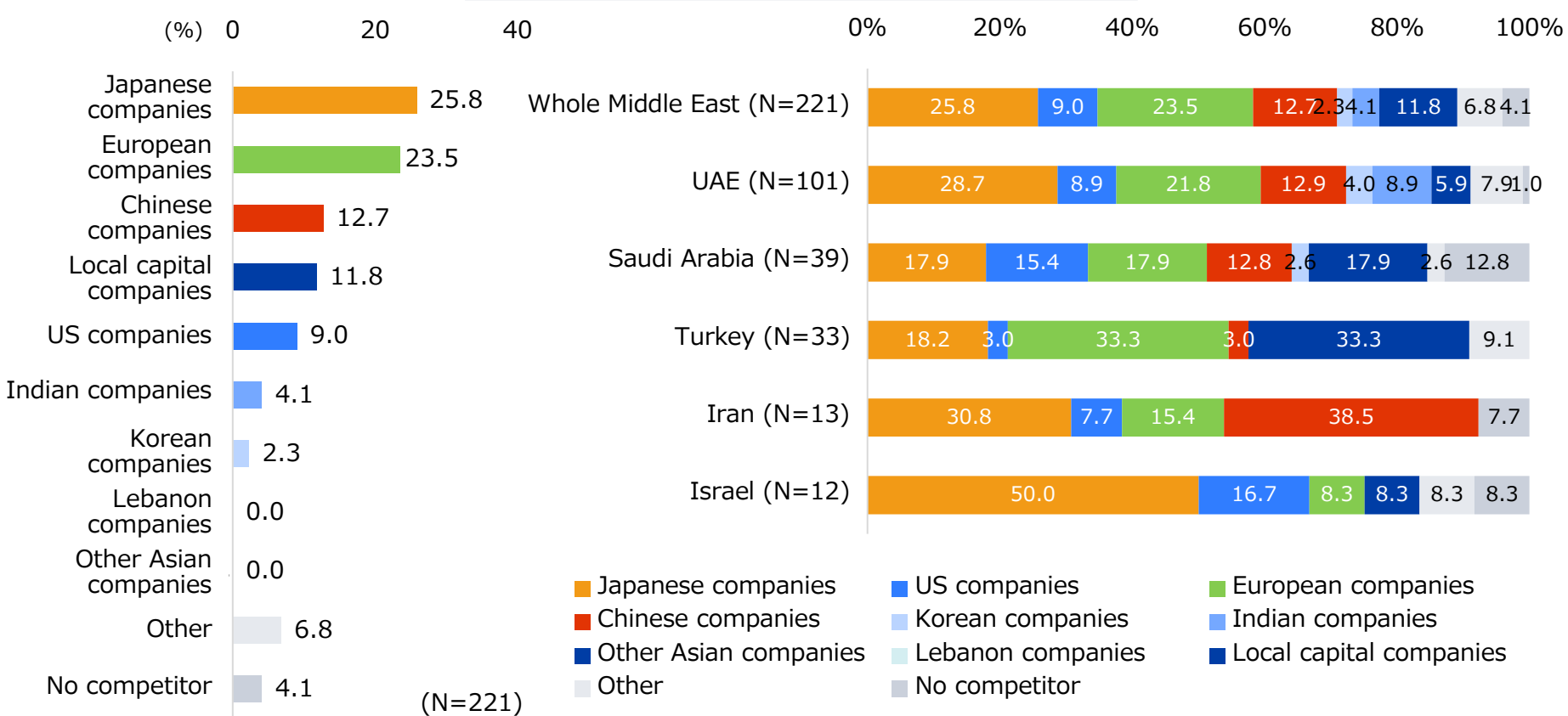
(%)	Qatar (N=4)	Kuwait (N=3)	Oman (N=2)	Bahrain (N=2)
Increase in administrative commissions	25.0	0.0	0.0	0.0
Underdeveloped legal system or unclear legal system operation	50.0	66.7	0.0	50.0
Regulations on foreign investment	0.0	33.3	0.0	0.0
Political or social instability	0.0	66.7	0.0	0.0
Increase in real estate rental fees	50.0	0.0	0.0	0.0
Insufficient infrastructure (electricity, distribution, and telecommunications, etc.)	0.0	0.0	0.0	0.0
Unstable finance and exchange rate	0.0	33.3	50.0	0.0
Increase in labor costs	0.0	0.0	50.0	0.0
Slow administrative procedures	25.0	100.0	50.0	0.0
Insufficient incentives for investment	0.0	66.7	0.0	0.0
Transaction risks (such as debt collecting risk)	0.0	33.3	0.0	0.0
Market scale or growth potential	0.0	0.0	50.0	50.0
Labor shortage or difficulty in recruiting	0.0	33.3	0.0	0.0
Linguistic or communication problems	0.0	0.0	0.0	0.0
Value-added tax (VAT)	0.0	0.0	0.0	0.0
Import duty increase (increased rate, targets)	0.0	0.0	0.0	0.0
Sudden introduction or change of the system	50.0	0.0	50.0	0.0
Other	0.0	0.0	0.0	0.0

(Note) Items in red circles are the top items in each country.

11 | Competition with third-country companies

- As for the companies with the most competitive relationships, Japanese companies accounted for the most (25.8%), followed by European companies (23.5%).
- By country, Israel has the largest percentage of Japanese companies (50%). In Saudi Arabia, Japanese companies, European companies, and local capital companies are on a par. In Iran, Chinese companies accounted for the most (38.5%), while in Turkey, European companies and local capital companies topped the list (both 33.3%).

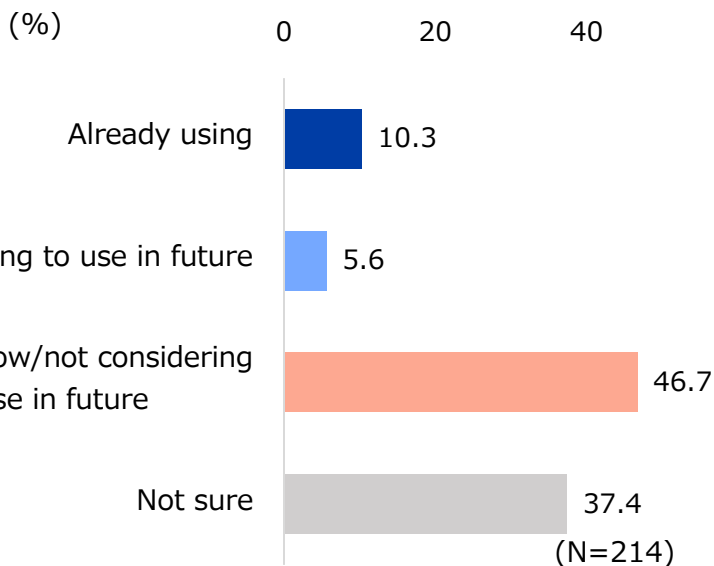
Companies with the most competitive relationships



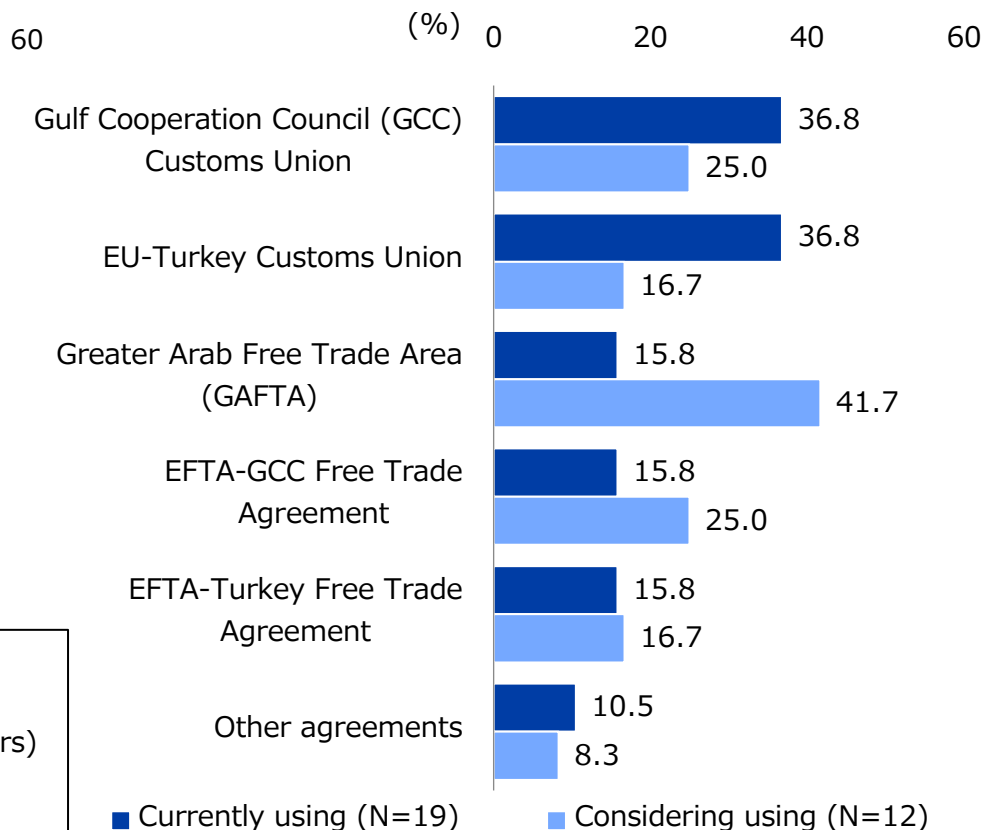
12 | Usage of FTA & Customs Union (Whole Middle East)

- 10.3% of the companies are currently using existing (issued) FTAs / customs unions inside and outside the Middle East. 5.6% of the companies are considering using them in the future.
- A little less than 40% of the companies currently using FTAs / customs unions answered that they are using the "GCC Customs Union" and the "EU-Turkey Customs Union". "GAFTA" is the most popular for future use consideration.

Current Usage of FTAs, EPAs, and Customs Unions (Multiple Answers)



FTA or Customs Union You Are Currently Using or Considering Using (Multiple Answers)



FTAs / EPAs / customs unions that are expected to be concluded and come into effect in the future

- Japan-Turkey EPA (multiple answers)
- EPAs with Thailand, Indonesia, and ASEAN (multiple answers)
- GCC countries
- Egypt
- EU, etc.

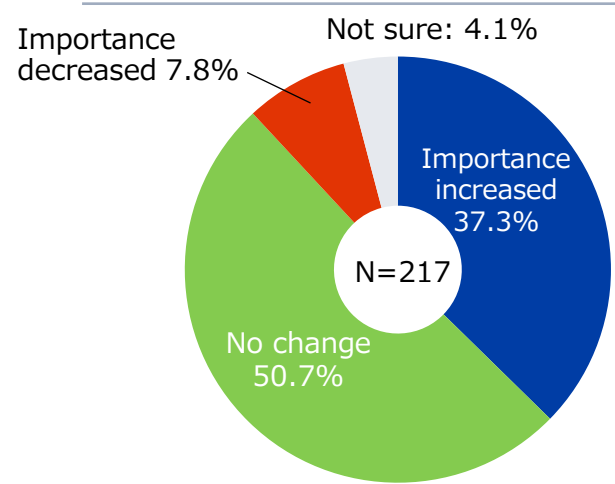
JETRO

IV. Business Areas with Future Promise

1 | Positioning of the Middle East in the Global Business Strategy (Comparison between Five Years Ago and Five Years from Now)

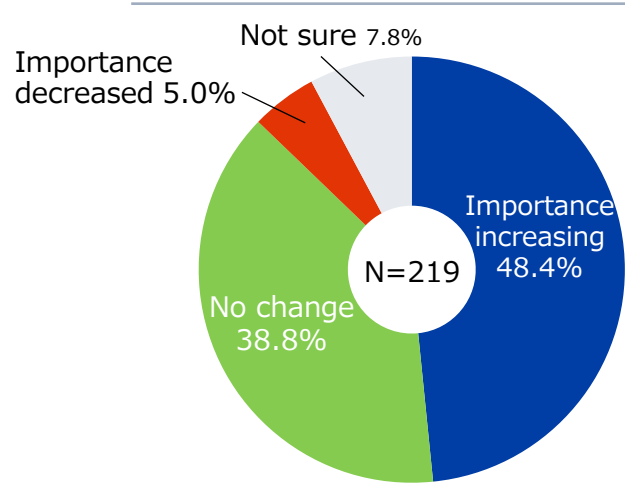
- Half of the companies answered that the importance of the Middle East “had not changed” compared to five years ago.
- The percentage of the companies answered that the “importance will increase” over the next five years increased to 48.4%.

Positioning Compared to Five Years Ago



- Importance increased**
 - Market growth / potential
 - Increase in crude oil prices
 - Supplier of new energy
- No change**
 - Importance as a source of energy
- Importance decreased**
 - Political instability
 - Economic sanctions
 - Changes in business policies

Positioning Over the Next Five Years

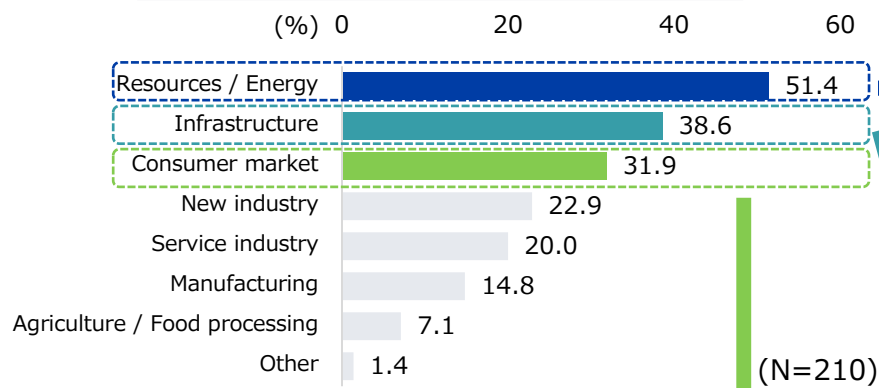


- Importance increasing**
 - Supply base for green energy
 - Population growth, growth markets
 - Increase in business opportunities
- No change**
 - Importance as a resource/energy source
- Importance decreasing**
 - Shrinkage of overseas business
- Not sure**
 - It is unclear whether economic sanctions will be lifted

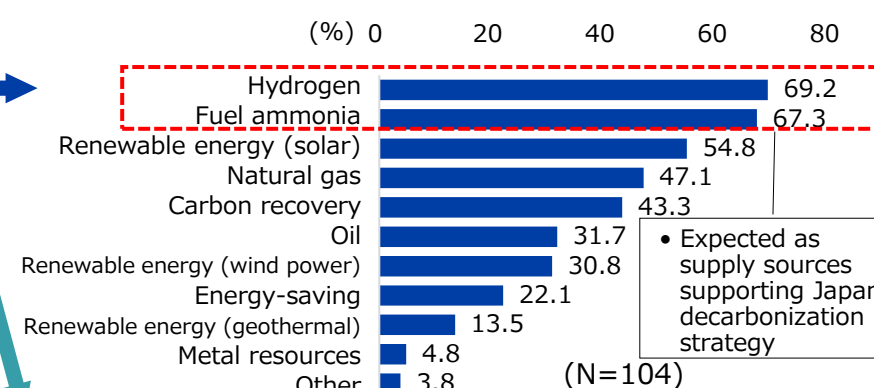
2 | Business Areas with Future Promise (1)

- “Resources / Energy” topped the list of business areas with future promise (50%), followed by “Infrastructure” (38.6%) and “Consumer market” (31.9%). The ranking remained unchanged from the previous year.
- In “Resources / Energy,” “Hydrogen” and “Fuel ammonia” (both approximately 70%) surpassed “Renewable energy (solar)”. In “Infrastructure,” “Electrical power” topped the list, while in “Consumer market,” “Food” topped the list.

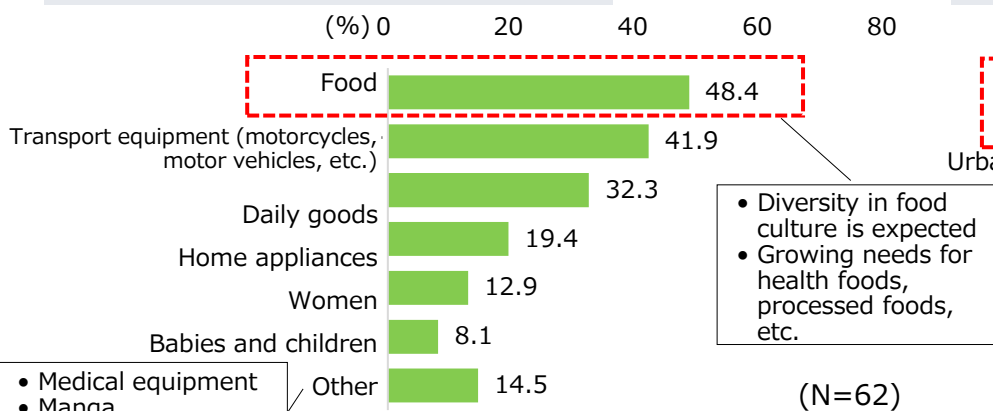
Promising Business Field in the Future (Multiple Answers)



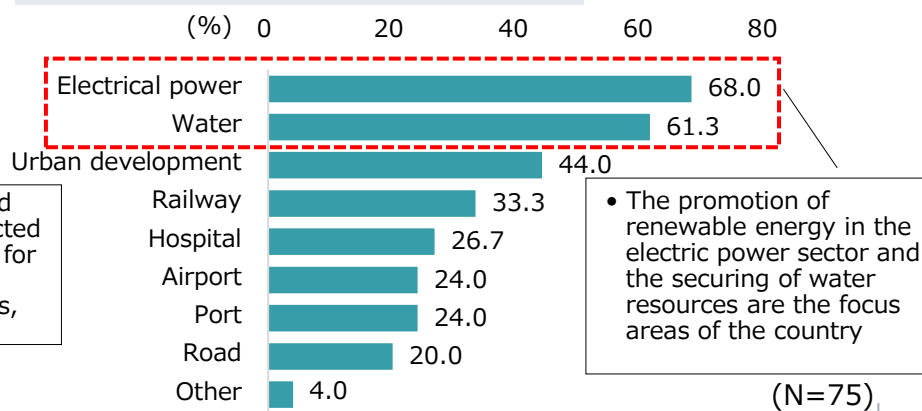
Resources / Energy (Multiple Answers)



Consumer Market (Multiple Answers)

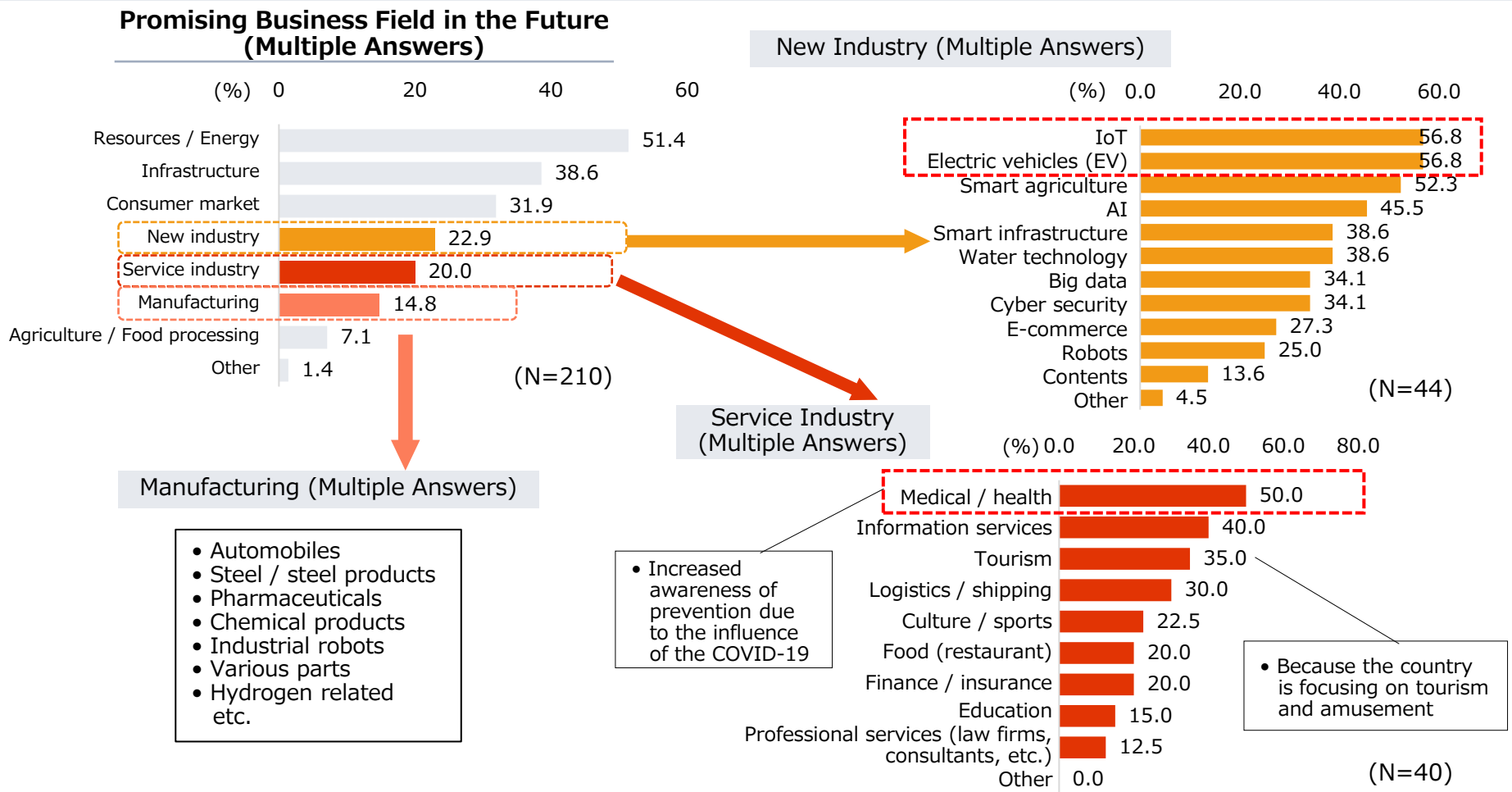


Infrastructure (Multiple Answers)



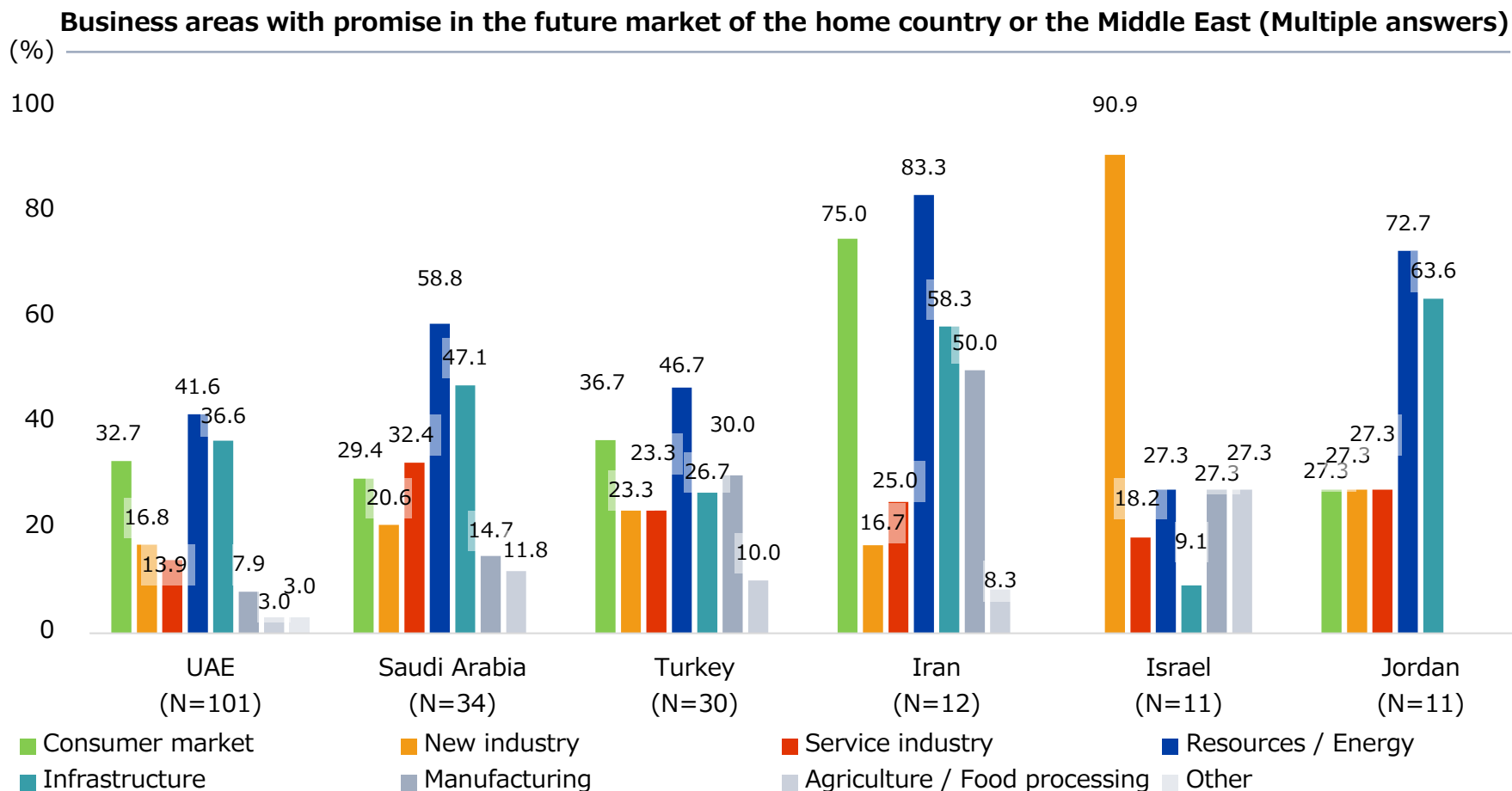
2 | Business Areas with Future Promise (2)

- The percentages for “New industry” and “Service industry” were 20% each. The percentage for “Manufacturing” increased to 14.8%, up 4.6 points in comparison to the previous year.
- In “New industry,” “IoT” and “Electric vehicles (EV)” accounted for the most (both approximately 60%). In “Service industry,” half of the companies cited “Medical / health.”



3 | Business Areas with Future Promise (by country)

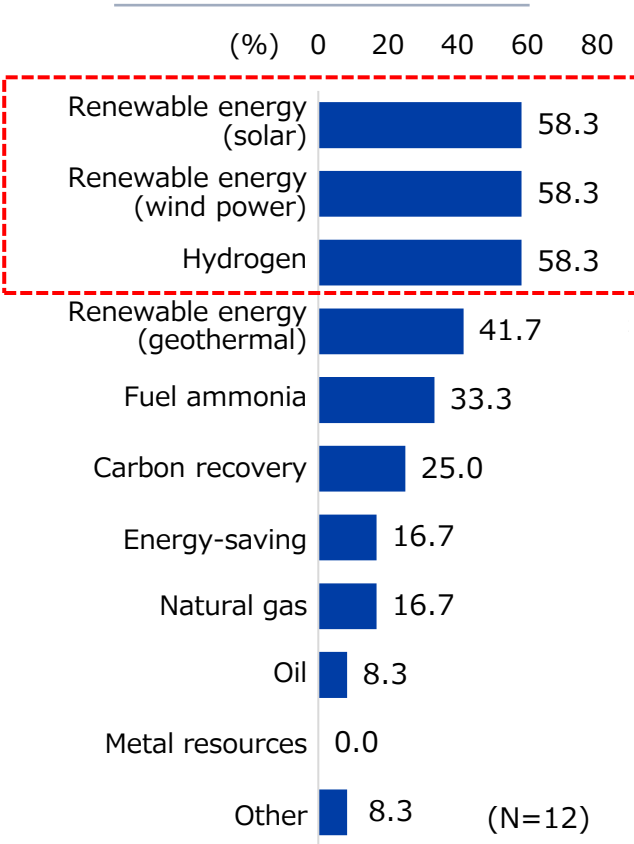
- By country, “Resources / Energy” was the most common answer in all countries except Israel. “Consumer market” ranked second in Turkey and Iran, while “Infrastructure” ranked second in the UAE, Saudi Arabia, and Jordan.
- For Israel, more than 90% of the companies cited “New industry”.



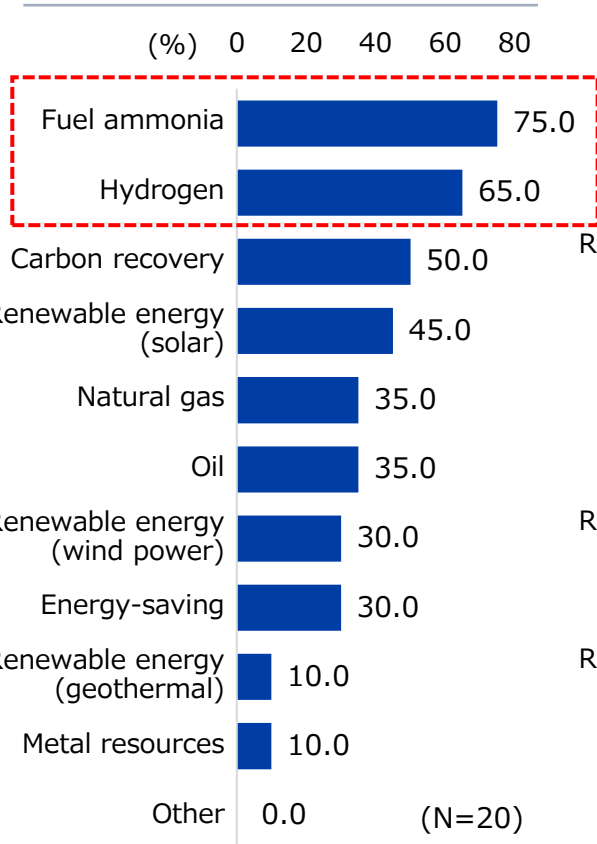
4 | Business Areas with Future Promise (Resources and Energy/Country)

- In Turkey, “Renewable energy (solar)”, “Renewable energy (wind power)” and “Hydrogen” topped the list (approximately 60% each). Also, the percentage for “Renewable energy (geothermal)” was approximately 40%.
- In Saudi Arabia, “Fuel ammonia” was the most common answer (75.0%), surpassing “Hydrogen.” On the other hand, in the UAE, “Hydrogen” was the most common answer (75.6%), surpassing “Fuel ammonia.”

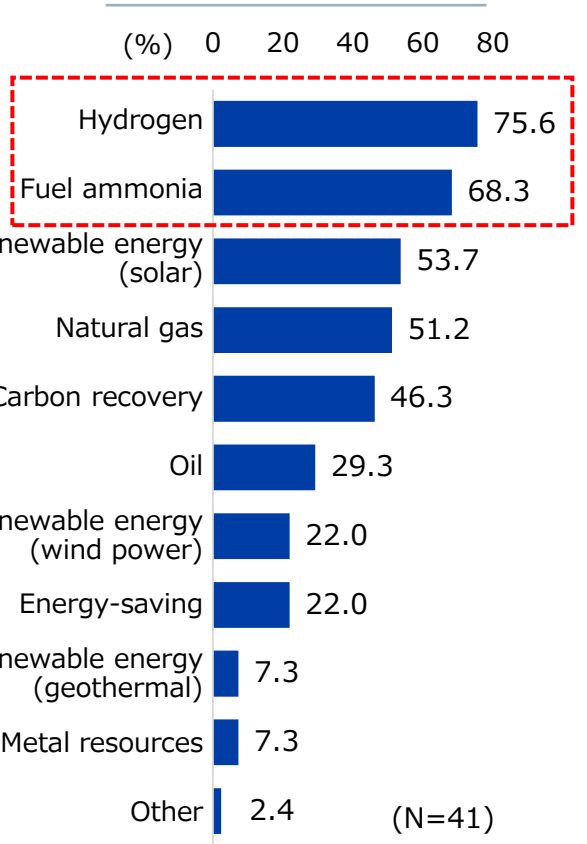
Turkey (Multiple Answers)



Saudi Arabia (Multiple Answers)

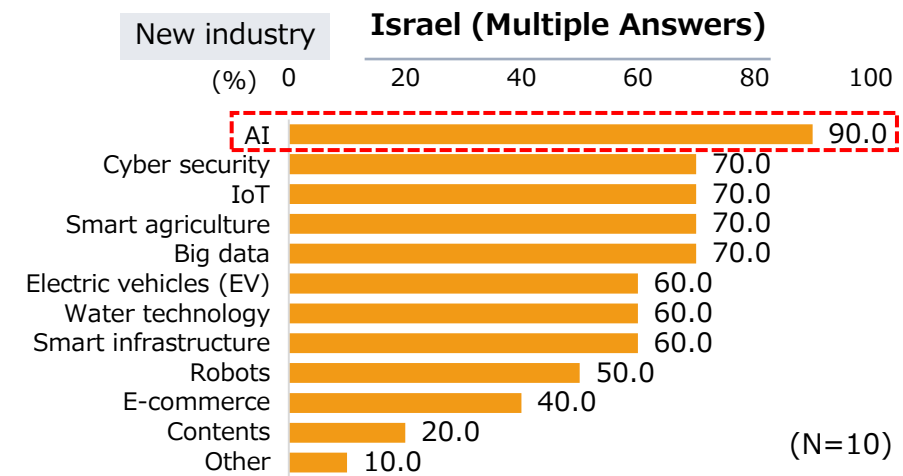
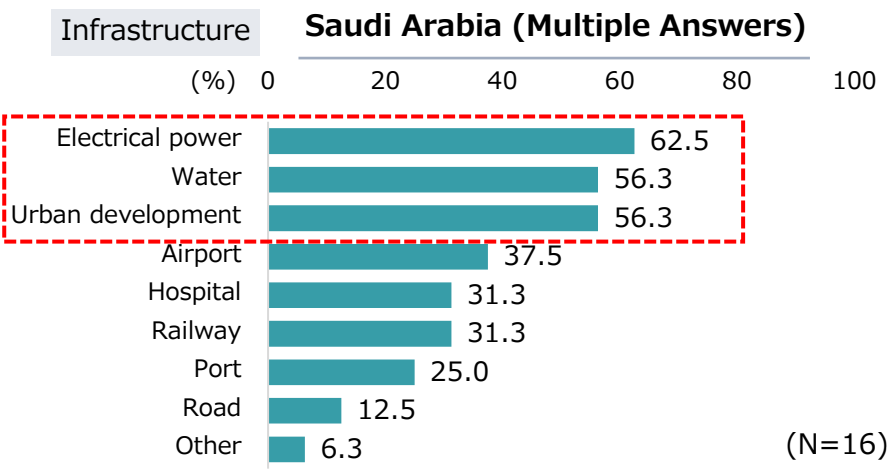
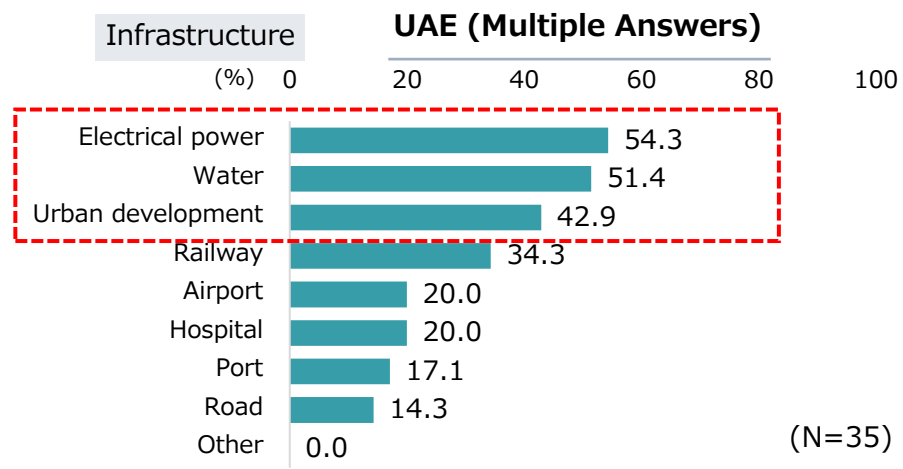
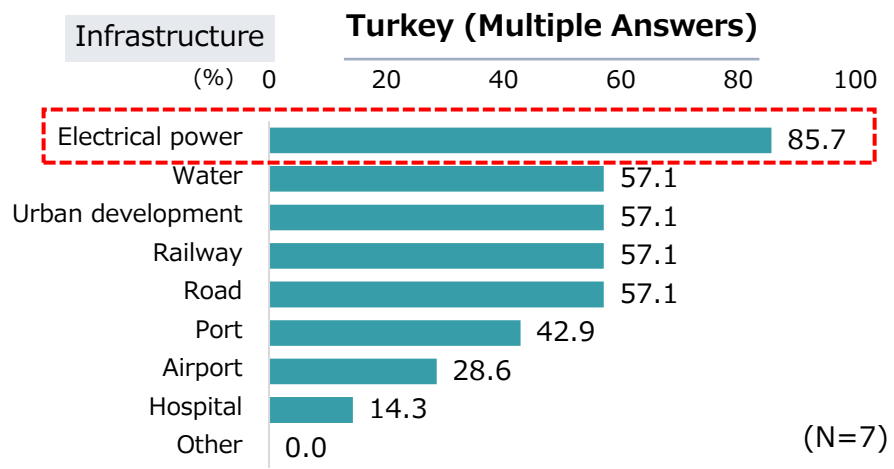


UAE (Multiple Answers)



5 | Business Areas with Future Promise (Infrastructure and New Industry / By Country)

- Looking at “infrastructure” by country, “Electrical power” is particularly high (85.7%) in Turkey. In Turkey, UAE, and Saudi Arabia, “Electric power” was followed by “Water” and “Urban development” at the top.
- In Israel, as for “New industry,” “AI” was the top answer (90%).



6 | [Reference] Business Areas with Future Promise (Green)

- The 27th Conference of the Parties to the Framework Convention on Climate Change (COP27) was held in Egypt and COP28 will be held in the UAE, consecutively in the Middle East and Africa region and Arab countries.
- In the Gulf countries and Africa, moves toward decarbonization such as renewable energy (solar / wind power), hydrogen projects, and emissions trading (carbon credits) are gaining momentum.

	Overview	Main agenda, goals, etc.
COP27	<ul style="list-style-type: none"> ● Date: November 6 to 18, 2022 (extended to November 20) ● Country/city: Sharm el-Sheikh, Egypt 	<ul style="list-style-type: none"> ● <u>Establishment of the “Loss and Damage (Related to Adverse Effects of Climate Change)” Fund.</u> ● Support for climate observation and early warning systems ● Discussion on the Global Goal on “Adaptation” (GGA), including drought and flood countermeasures, and its support measures. ● Discussion on the “Mitigation” Work Program (MWP), including emission reduction, and its support measures. ● Pursuit of the “1.5°C target” and adherence to the “gradual reduction of coal-fired thermal power generation” (no progress).
COP28	<ul style="list-style-type: none"> ● Period: November 30 - December 12, 2023 (planned) ● Country/city: Dubai, UAE 	<ul style="list-style-type: none"> ● Discussion on the “1.5°C target” and reduction/abolition of fossil fuels. ● Discussion on the details of the “Loss and Damage” Fund. ● Discussion on the “Mitigation” Work Program (MWP), the Global Goal on “Adaptation” (GGA), and financing for goal achievement.



(Photo) Taken by JETRO

(Source) JETRO Regional Analysis Report Feature Article (Only in Japanese) “Green Businesses in the Middle East and Africa Attracting Attention Toward COP27”

7 | [Reference] Business Areas with Future Promise (Consumer Market)

Kinokuniya Bookstore (UAE) |

Selling books in stores in the UAE or via e-commerce

- Kinokuniya Bookstore, a major Japanese bookstore and publisher, opened a store in Dubai, UAE, which was its first store in the Middle East, in 2008, and then opened a store in Abu Dhabi in 2020.
- English and Arabic versions of books from around the world, as well as a small number of Japanese versions are sold. In addition, miscellaneous goods such as stationery and toys are also sold.
- Although they ought to be censored in Islamic countries, Japanese contents such as manga and anime are popular, and the sales space is expanding.
- E-commerce started in 2012, and even during the COVID-19 crisis, sales via e-commerce were strong. SNS is also used for promotion.



(Photo) Provided by Kinokuniya

(Source) JETRO Regional Analysis Report Feature Article (Only in Japanese) “Developing e-commerce by understanding local culture and customs / UAE Kinokuniya Bookstore”

77 media (Saudi Arabia) |

Distributing Japanese anime videos in Saudi Arabia

- 77 media in Saudi Arabia operates shufu.tv, an on-demand video streaming platform specializing in Japanese anime.
- Japanese anime is popular among Saudis of all ages because of the variety of its stories, originality, quality, etc.
- While there are many illicit sites, the company conducts business negotiations with copyright holders in Japan and officially distributes their videos in Arabic.
- Since it is necessary to comply with government regulations based on Islamic values, the company does not handle contents with political statements, excessively violent depictions, or excessive exposure of skin.

(Source) JETRO Regional Analysis Report Feature Article (Only in Japanese) “Online distribution of official versions of popular Japanese anime “(Saudi Arabia)

8 | Future Investment Destinations: Rankings and Company Comments (Multiple Answers) (1)

	Country	Share (%)	Reason (Company Comments)	N=196
1	Saudi Arabia	66.8	Market size and growth potential, decarbonization (renewable energy/new energy, hydrogen/ammonia), infrastructure/NEOM project investment, petroleum business, consideration of relocation of RHQ (regional headquarters)	
2	UAE	55.1	Decarbonization (renewable energy/new energy, hydrogen/ammonia), crude oil/natural gas, growth potential, hub in the Middle East, luxury goods sales market, re-export base	
3	Iran	31.1	Growth potential, population and market size	
4	Qatar	27.6	Natural gas/oil, improvement of relationships with Gulf countries such as UAE, decarbonization/new industries, economic expansion	
5	Egypt	27.0	Infrastructure investment, market size, natural resources, decarbonization/new energy, future growth potential, financial trends	
6	Turkey	21.9	Economic scale, infrastructure investment, manufacturing industry, third country collaboration/regional hub, market expansion	
7	Oman	19.9	Decarbonization (renewable energy/hydrogen), oil/gas development, market expansion	
8	Israel	18.9	Startups, improvement of relationships with Arab countries, new technology/innovation, increased consumption	
9	Iraq	18.9	Population/economic scale, growth potential, oil/energy, power/infrastructure demand, automobiles	
10	Kuwait	14.3	Oil/gas, resource development, economic trends	

8 | Future Investment Destinations: Rankings and Company Comments (Multiple Answers) (2)

	Country	Share (%)	Reason (Company Comments)	N=196
11	Morocco	12.8	Growing demand, carbon-neutral business, French-speaking business	
12	Bahrain	11.2	Oil, economic trends, medical	
13	Jordan	7.1	Sales market, strategic point in the Middle East region (point of contact with Iraq), decarbonization-related industries, medical care	
14	Algeria	5.6	Growing demand, natural gas business	
15	Libya	4.1	Growing demand, automobiles	
16	Tunisia	4.1	New development, growth potential, follow-up after TICAD	
17	Lebanon	3.1	New business development, sales market	
18	Sudan	2.0	Economic growth, trends in democratization	
*	Other	5.1	There were answers such as "Pakistan" and "Africa".	

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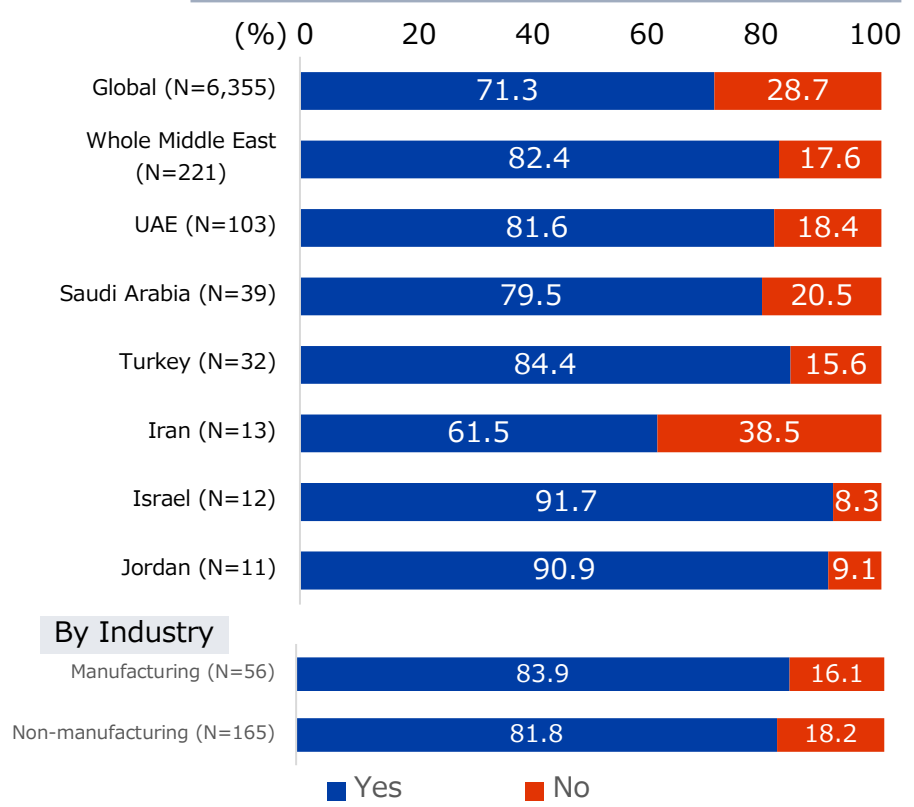


V. Reference

1 | Dealing with decarbonization (1)

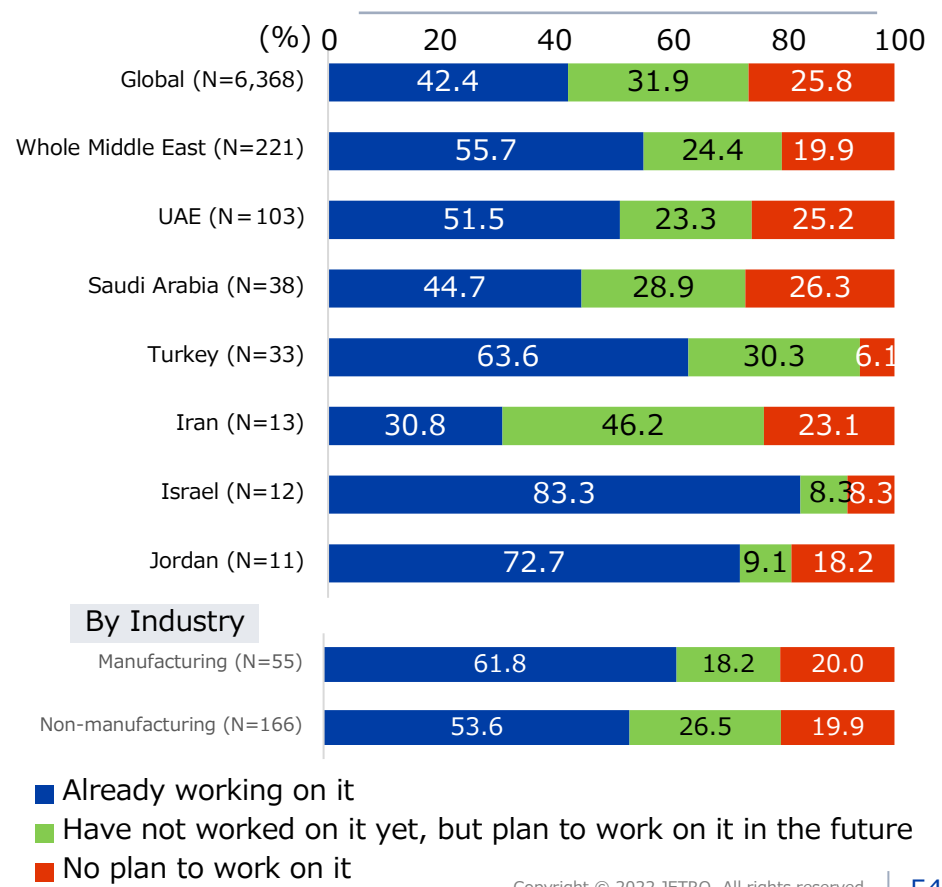
- 82.4% of the companies recognize issues related to decarbonization (reduction of greenhouse gas emissions) in their supply chains as management issues, exceeding the global average.
- The percentage of companies already working on decarbonization is 55.7%, exceeding the global average. When combined with companies that have not yet worked on it but plan to do so in the future, the figure exceeds 80%.

Do you recognize the issue of decarbonization as a management issue?



(Note) "World" covers all regions except Russia.

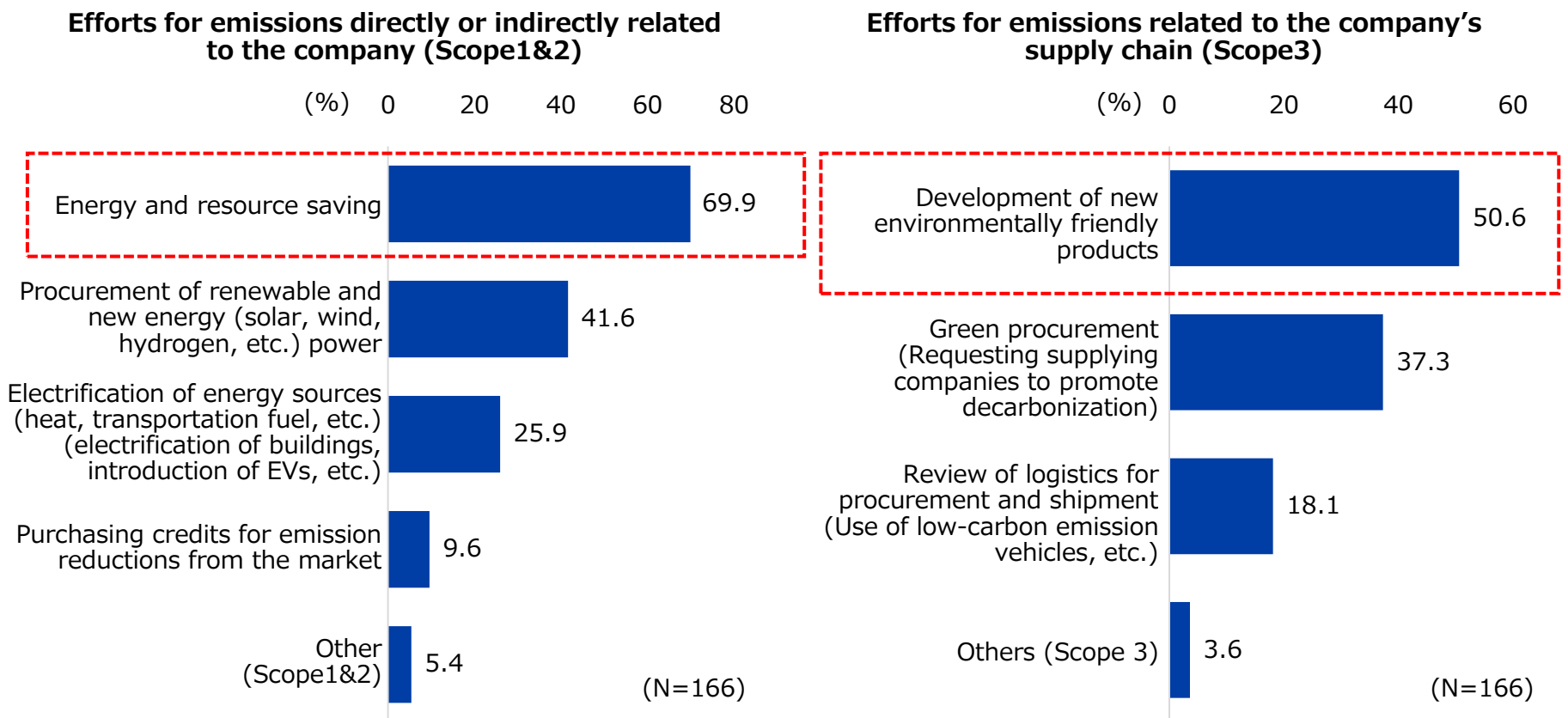
Status of Decarbonization Efforts



1 | Dealing with decarbonization (2)

- As for efforts for emissions directly or indirectly related to the company, “Energy and resource saving” was the most common (approximately 70%), followed by “Procurement of renewable and new energy power” (40%).
- As for efforts to reduce emissions related to the company’s supply chain, 50% (the highest) of the companies cited “Development of new environmentally friendly products”.

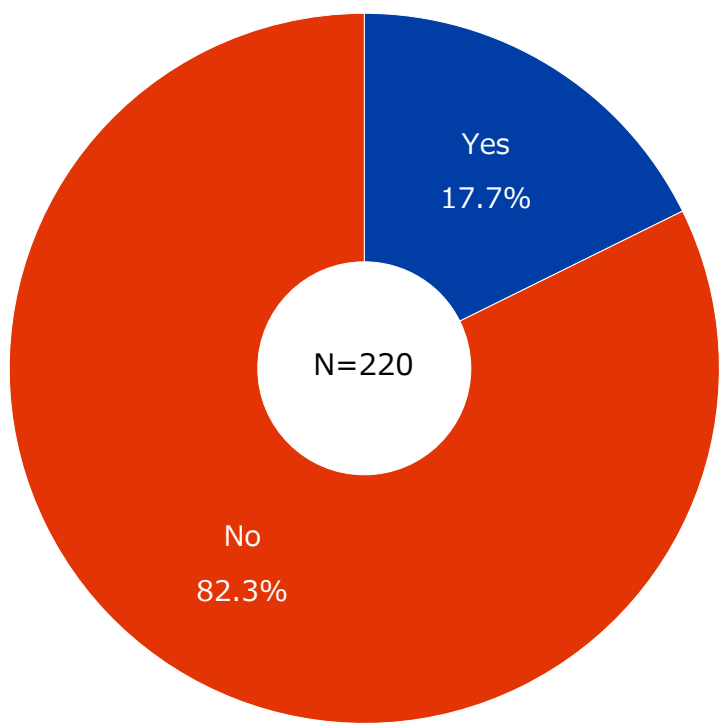
Details of Specific Initiatives (Including Those Under Consideration) (Multiple Answers)



1 | Dealing with decarbonization (3)

- Only 17.7% of the companies have numerical targets unique to their local base regarding emission reduction and use of renewable energy. Approximately 70 % of them are set by the headquarters.
- For the majority of the companies that do not have numerical targets unique to their local base, their headquarters has numerical targets, but there is no obligation to achieve targets at their local base.

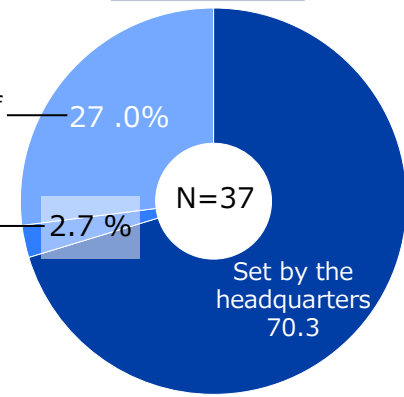
Are there numerical targets unique to the local base regarding emission reduction and use of renewable energy?



Voluntarily set by the local base
(Click here if a specific figure is set at the local base under the direction of the headquarters)

If "Yes"

Set by the local base to meet customer requests

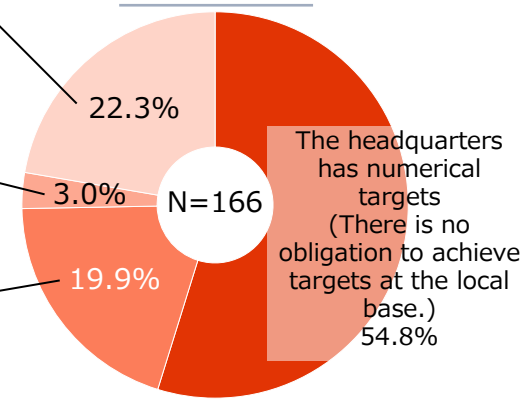


The headquarters has no numerical targets as well

If "No"

In response to requests from customers, planning to set out own numerical targets in the near future

Set by the headquarters
There are numerical targets (They are shared with the local base as effort targets)



For Inquiries, Please Contact:

**Japan External Trade Organization
(JETRO)**

**Overseas Research Department
Middle East and Africa Division**



03-3582-5180



ORH@jetro.go.jp



**6F ARK Mori Building, 1-12-32,
Akasaka, Minato-ku, Tokyo
107-6006**

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