



FY2023

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

- Percentage of companies expecting operating profit at record high, with greater attention given to decarbonization business;
Most common investment problem is soaring personnel costs, while impacts of Middle East-specific geopolitics require careful attention -

Japan External Trade Organization (JETRO)

Research & Analysis Department

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Key Points of Survey Results

Percentage of companies expecting operating profit at record high, with greater attention given to decarbonization business

- The most common investment problem is soaring personnel costs, while impacts of Middle East-specific geopolitics require careful attention -

I. Operating Profit Forecast

Slightly less than 70% of respondents, the highest percentage since the survey started, said that they expected to report operating profit in 2023 thanks to growing demand, strengthening of sales structure, etc. The percentage of companies that are likely to see operating profit remain the same in 2024 increased.

II. Future Business Outlook

The proportion of respondents saying that their business will remain the same in the next one to two years is the largest, while that expecting expansion in their business over the same period fell from the prior survey. About half of respondents said that the Middle East share of their group would increase in the next five years.

III. Employment Environment

Just under 40% of companies, the lowest in major regions, said that there was a shortage of human resources.

IV. Investment Environment

Regarding the Middle East's position over the next five years, the majority of companies said that it would become more important due to great market potential and large market size. Among disadvantages of the Middle East as an investment destination, "soaring personnel costs" is cited by the higher percentage of companies than in the previous survey.

V. Promising Business Areas

Regarding resources/energy, the hydrogen, fuel ammonia, etc., sectors are regarded as promising. Other sectors drawing increasing attention include electric power, food, NEOM and other giga projects, and EVs, which are becoming increasingly popular.

VI. Impact of Global & Regional Affairs

In response to the question of what impact Russia's invasion of Ukraine has had, just under 40% of companies said "an increase in resource and fuel costs." Regarding the impact of strengthening ties between the Middle East and China, the majority reported "sales decrease."

Survey Overview

Survey Overview

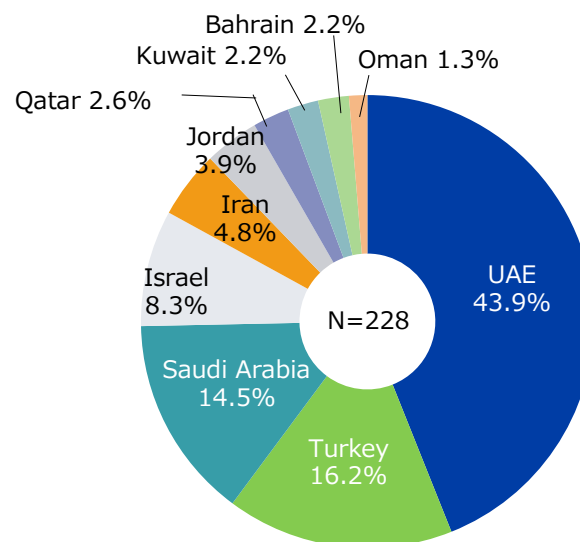
Objective	To understand the conditions of business activities of Japanese companies operating in 10 countries in the Middle East (United Arab Emirates (UAE), Turkey, Saudi Arabia, Iran, Jordan, Israel, Kuwait, Qatar, Bahrain, and Oman) through the survey and provide the results to the public.
Target companies	A questionnaire survey was conducted locally on Japanese companies based in the 10 countries. Valid responses were received from 228 companies. (UAE: 100, Turkey: 37, Saudi Arabia: 33, Israel: 19, Iran: 11, Jordan: 9, Qatar: 6, Kuwait: 5, Bahrain: 5, and Oman: 3)
Period	September 4 to September 27, 2023
Response rate	The valid response rate was 87.7%. Questionnaires were sent to 260 Japanese companies operating in 10 countries in the Middle East. Of these, valid responses were received from 228 companies.
Remarks	<ul style="list-style-type: none"> • This was the 11th survey for the UAE, the 10th for Saudi Arabia, the 9th for Turkey covering all industries, the 7th for Qatar, and the 6th for other countries. • JETRO conducted the survey by either notifying the target companies of a URL containing the survey form or by sending them a questionnaire in Japanese and English by e-mail and asking them to fill out and return the form. • The component percentages in the tables and charts have been rounded off to the 2nd decimal place. Therefore, the sum of the percentages of each answer may not be 100%. • "N" written in the report is the number of valid responses (parameter).

(Note) For the results of the global survey, refer to [FY 2023 Survey on Business Conditions of Japanese Companies Operating Overseas \(Global\)](#).

Map

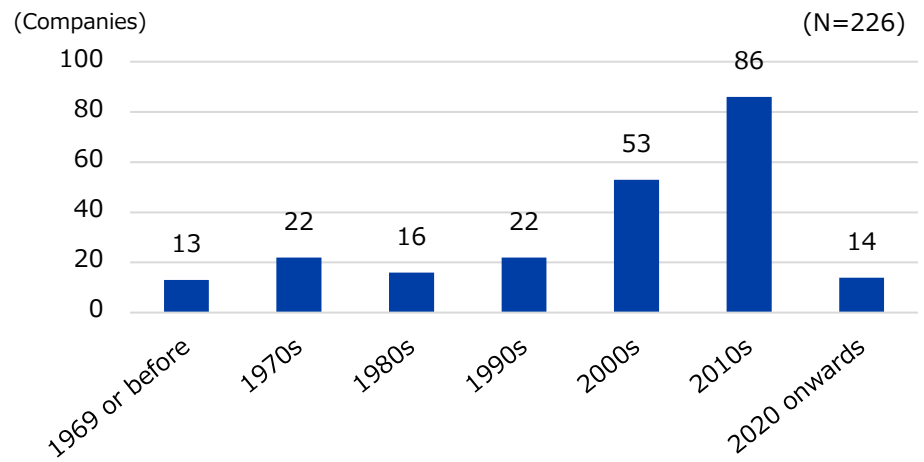


Breakdown of Respondent Companies

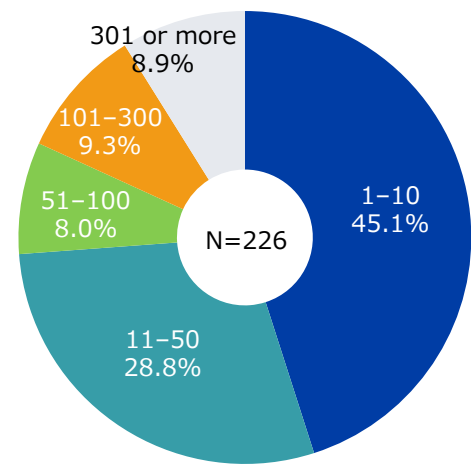


Respondent Company Profile

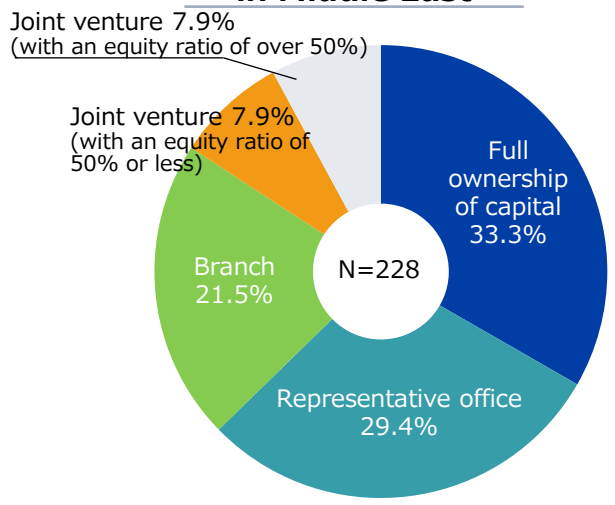
Year of Establishment



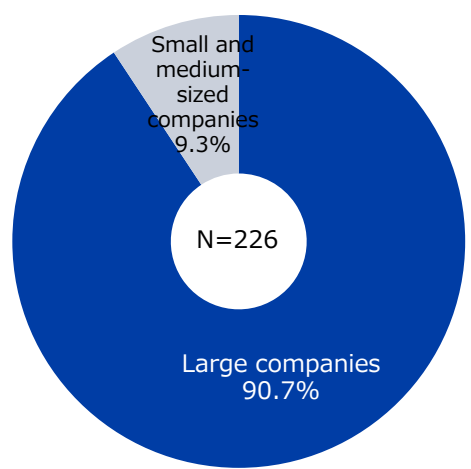
Total Number of Employees



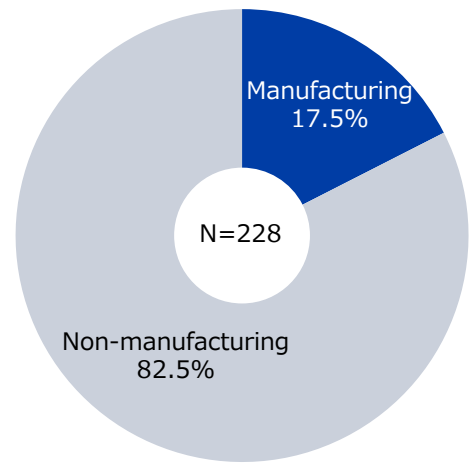
Type of Operation in Middle East



Classification of Japanese Headquarters



Industry (Manufacturing/ Non-manufacturing)

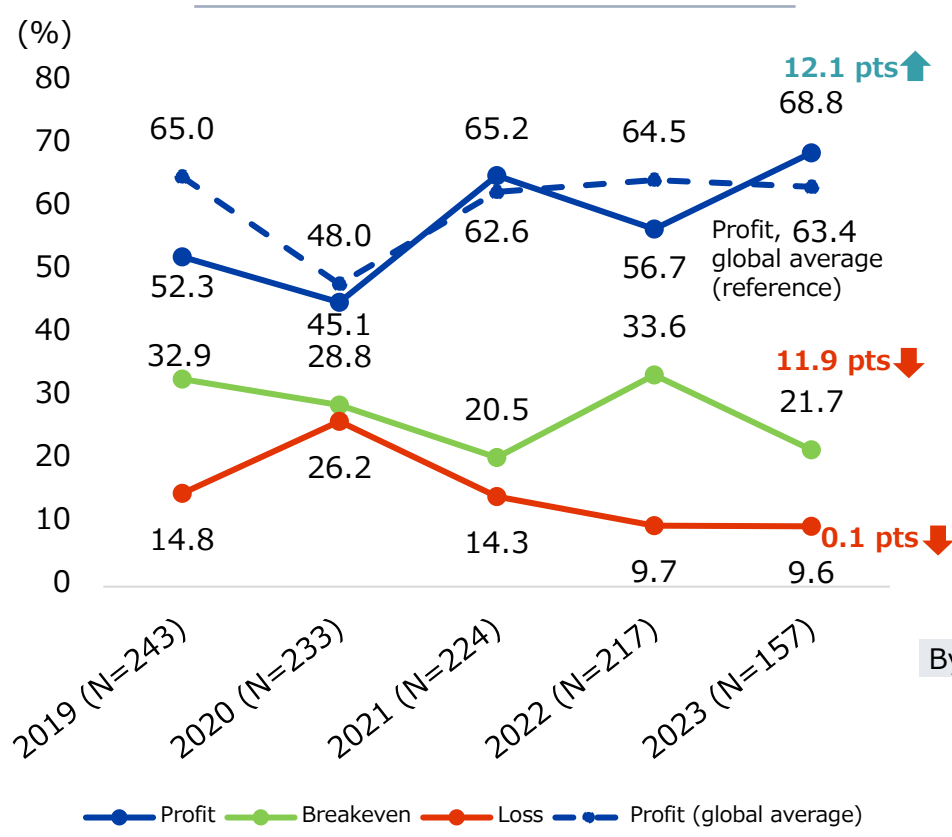


I. Operating Profit Forecast

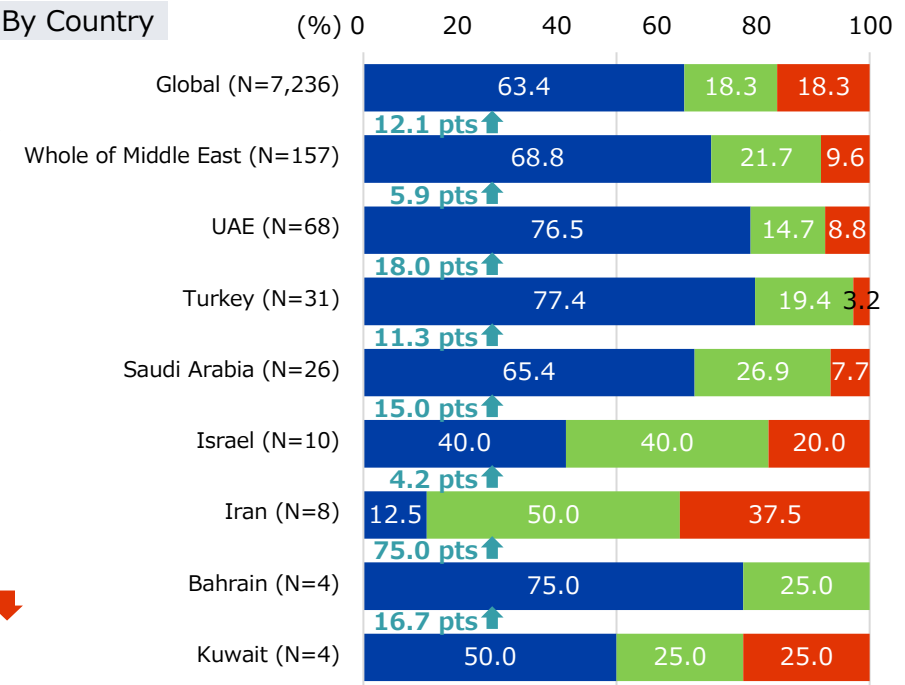
1 | 2023 Operating Profit Forecast (Overall Trend/by Country)

- The percentage of companies expecting operating profit in 2023 was 68.8%, the highest since the survey started and higher than the global average. This is an increase of 12.1 percent points from the previous year and 16.5 percent points from 2019 before the coronavirus pandemic. Meanwhile, the percentage of companies expecting operating loss in 2023 was 10% or lower as in the preceding year.
- In all countries, the percentage of companies forecasting operating profit increased from the previous year. More than 75% of respondents in Turkey and the UAE said that they would report operating profit in 2023.

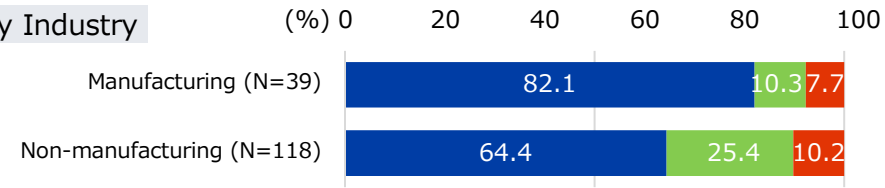
Trends in Operating Profit Forecast



By Country



By Industry



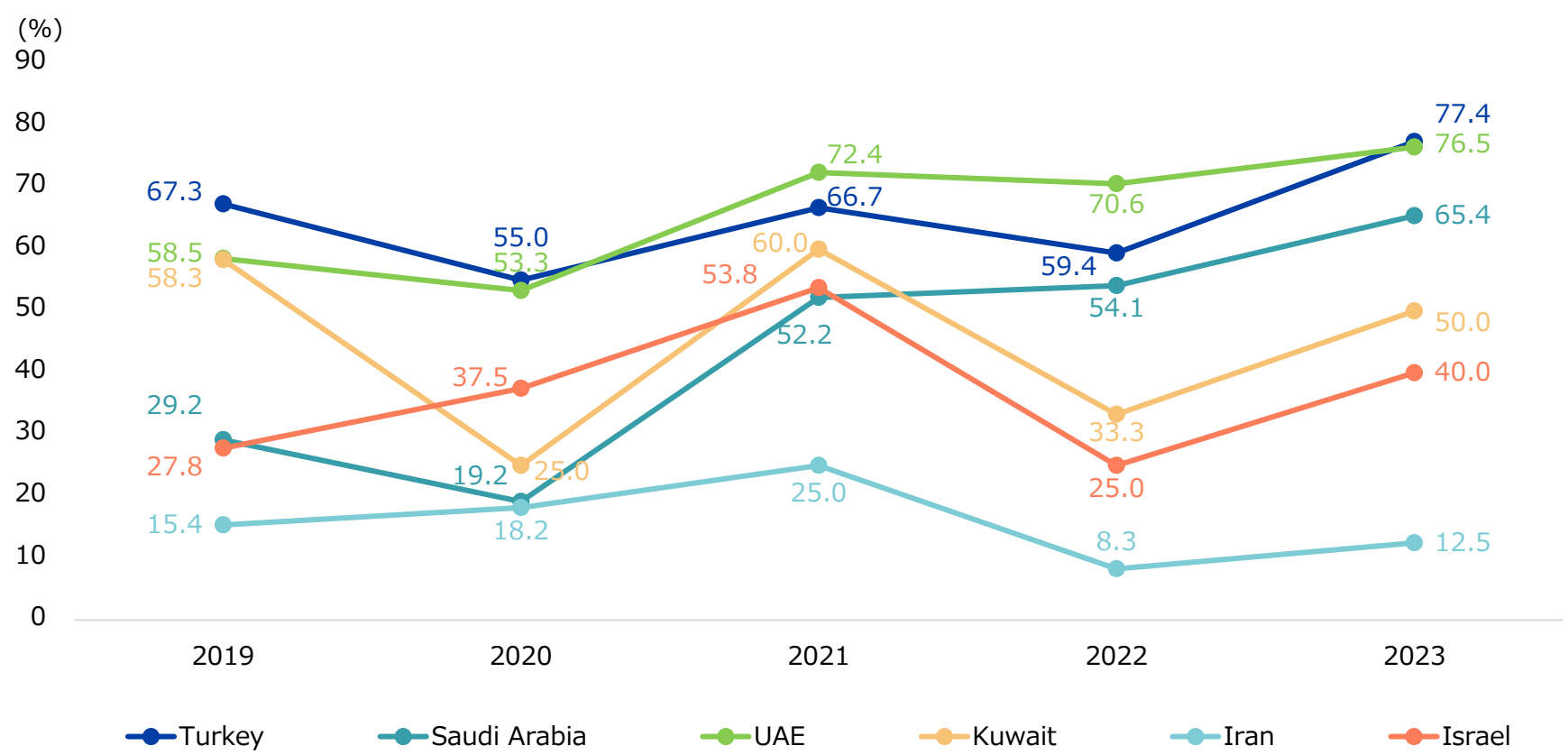
Compared to previous year: ↑ Up ↓ Down

(Note) In 2023, representative offices that do not generate operating profit/loss were not subject to questions about operating profit/loss.

2 | Trends in Operating Profit Forecast (by Country/Trends in the Percentage of Companies Expecting Profit)

- In 2022, the percentage of companies forecasting operating profit dropped in all countries except Saudi Arabia. However, it increased in all countries in 2023. In Saudi Arabia, it advanced by 11.3 percent points in 2023 from 2022.
- The degree of increase over the previous year is greater in Turkey (up 18.0 percent points) and Israel (up 15.0 percent points).

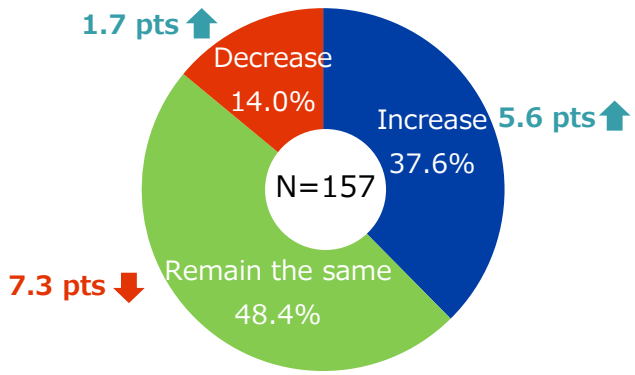
Trends in the Percentage of Companies Expecting Profit



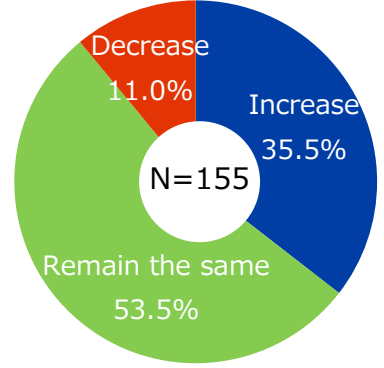
3 | 2023 Operating Profit Forecast and 2024 Outlook (Compared to Previous Year)

- 37.6% of companies, up 5.6 percent points from the preceding year, said that they expected an increase in operating profit in 2023 compared to the previous year. Just under 50% reported that operating profit was expected to remain flat in 2023.
- More than 50% of companies, up 5.1 percent points, expect that operating profit will level off in 2024. The percentage of companies expecting an increase in operating profit in 2024 fell by 2.1 percent points from 2023.

2023 Operating Profit Forecast (Compared to Previous Year)

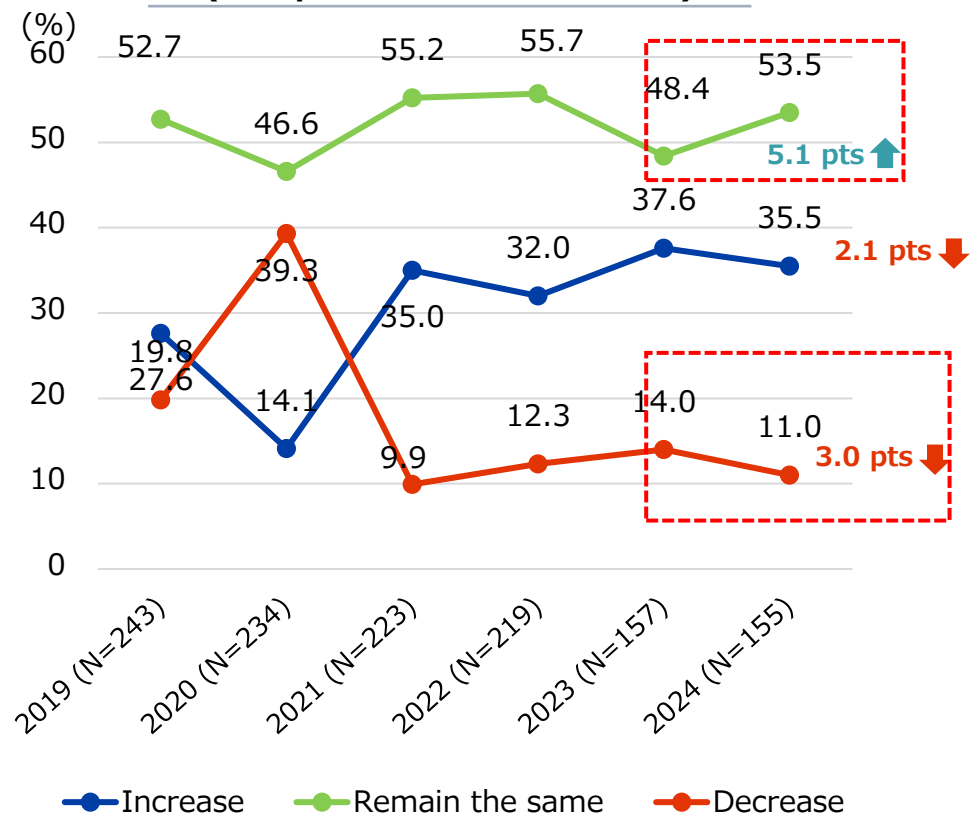


2024 Operating Profit Forecast (Compared to Previous Year)



Compared to previous year: ↑ Up ↓ Down

Trends in Operating Profit Forecast (Compared to Previous Year)

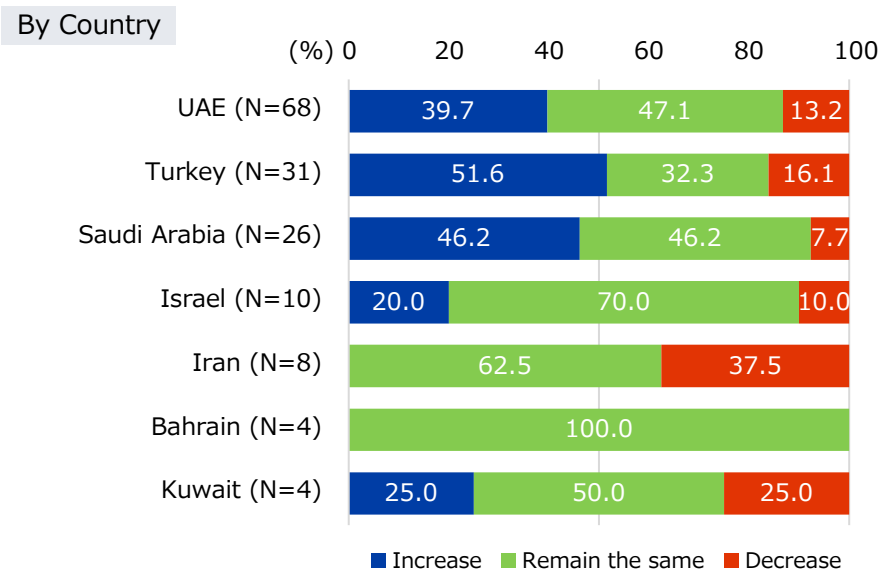


(Note) Forecast for 2019–2023; outlook for 2024.

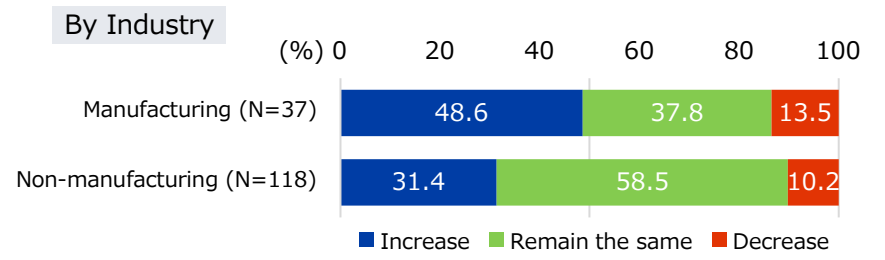
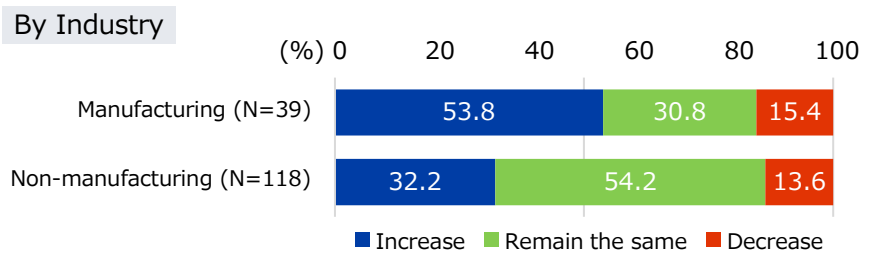
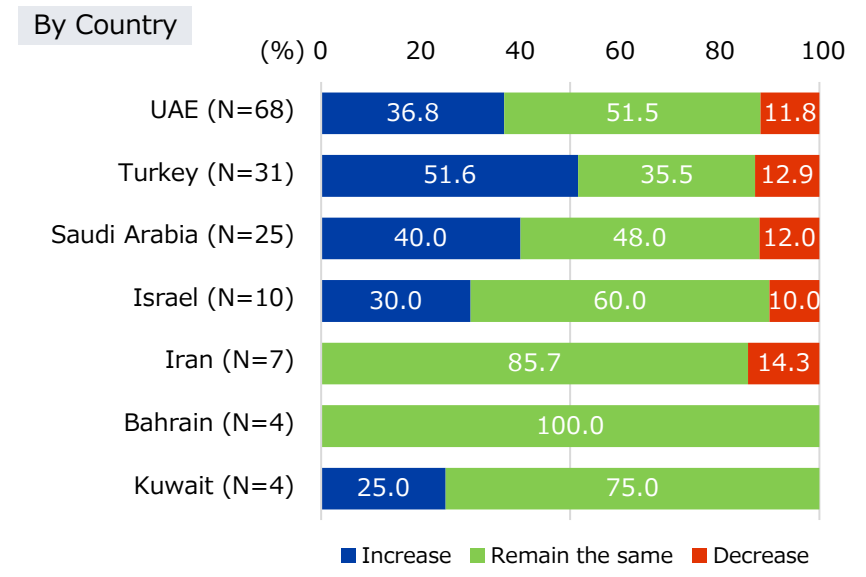
4 | 2023 Operating Profit Forecast and 2024 Outlook (Compared to Previous Year/by Country)

- About half of companies in Turkey and Saudi Arabia expect an increase in operating profit in 2023. 37.5% of companies in Iran said that operating profit was expected to decrease in 2023.
- The percentage of companies expecting a decrease in operating profit in 2024 declined in many countries. Instead, the percentage of companies forecasting that operating profit would remain the same in 2024 grew. In Turkey, the majority of companies reported an expected increase in operating profit in 2024.

2023 Operating Profit Forecast (Compared to Previous Year)



2024 Operating Profit Forecast (Compared to Previous Year)

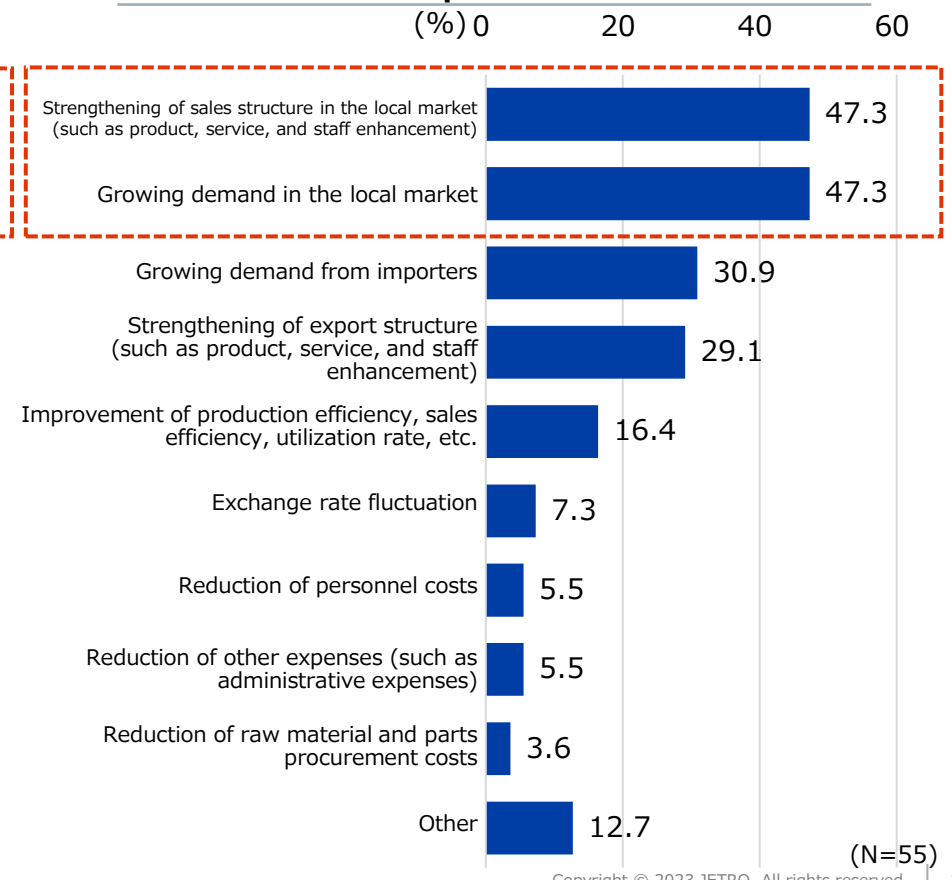
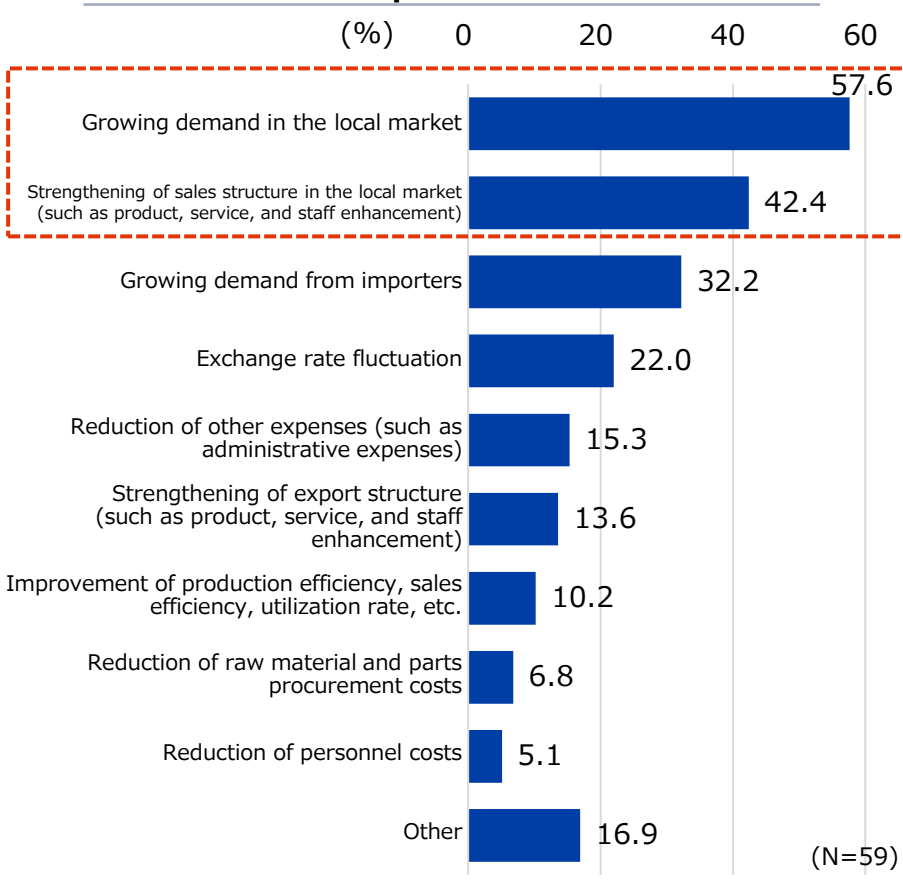


5 | 2023 Operating Profit Forecast and 2024 Outlook (Reasons for Increase)

- Major reasons for the expected increase in operating profit in 2023 are "growing demand in the local market" (cited by the majority of companies) and "strengthening of sales structure in the local market" (40%).
- Major reasons for the expected increase in operating profit in 2024 to remain the same, namely "strengthening of sales structure in the local market," and "growing demand in the local market," were each cited by about 50% of companies.

Reasons for Expected Increase in Operating Profit in 2023 (Compared to Previous Year)
 <Multiple Answers>

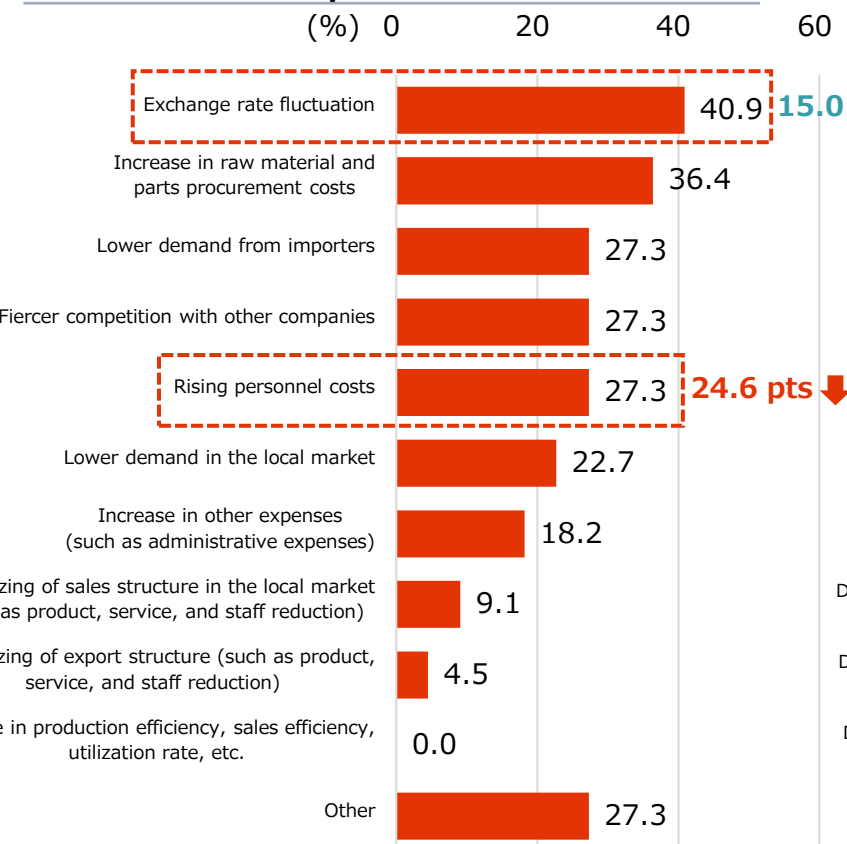
Reasons for Expected Increase in Operating Profit in 2024 (Compared to Previous Year)
 <Multiple Answers>



6 | 2023 Operating Profit Forecast and 2024 Outlook (Reasons for Decrease)

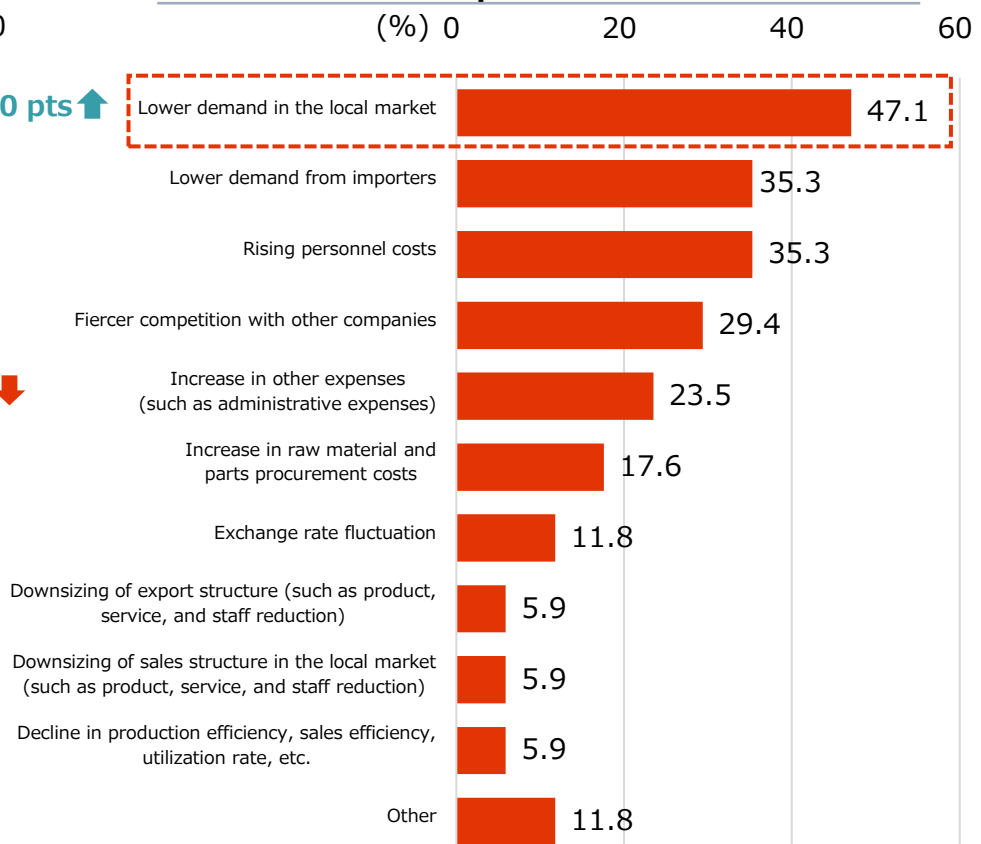
- The highest percentage (nearly 40%, up 15.0 percent points from the previous year) of companies cited “exchange rate fluctuation” as a reason for the expected decrease in operating profit in 2023. On the other hand, the percentage of companies citing “rising personnel costs” as the reason tumbled by 24.6 percent points.
- The primary reason for the expected decrease in operating profit in 2024 is “lower demand in the local market,” which was cited by roughly half of companies.

Reasons for Expected Decrease in Operating Profit in 2023 (Compared to Previous Year)
 <Multiple Answers>



(N=22)

Reasons for Expected Decrease in Operating Profit in 2024 (Compared to Previous Year)
 <Multiple Answers>



(N=17)

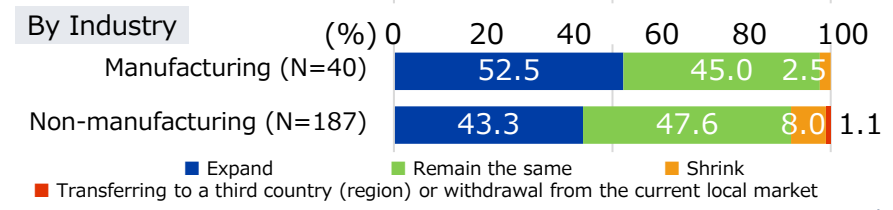
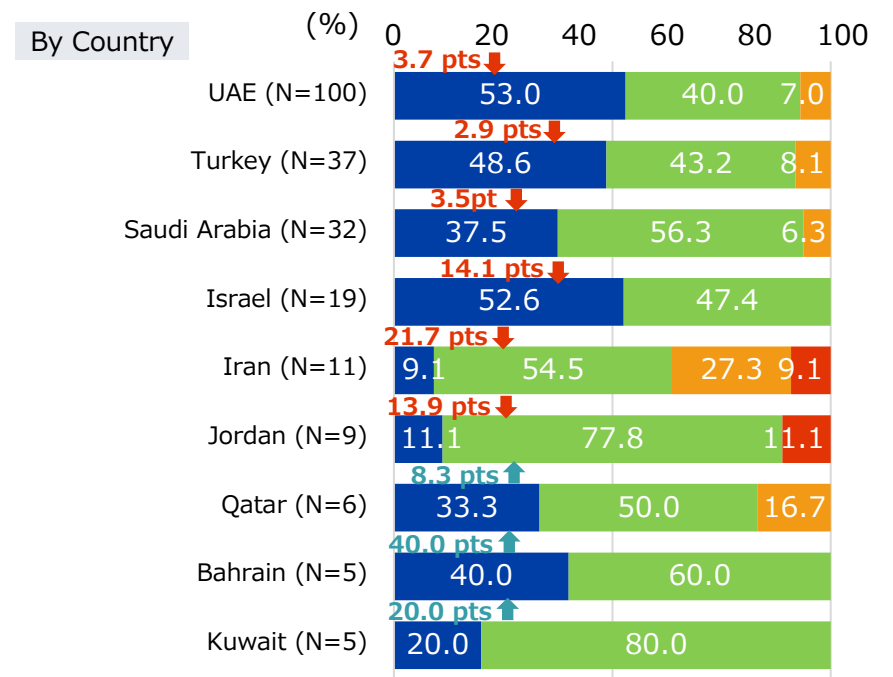
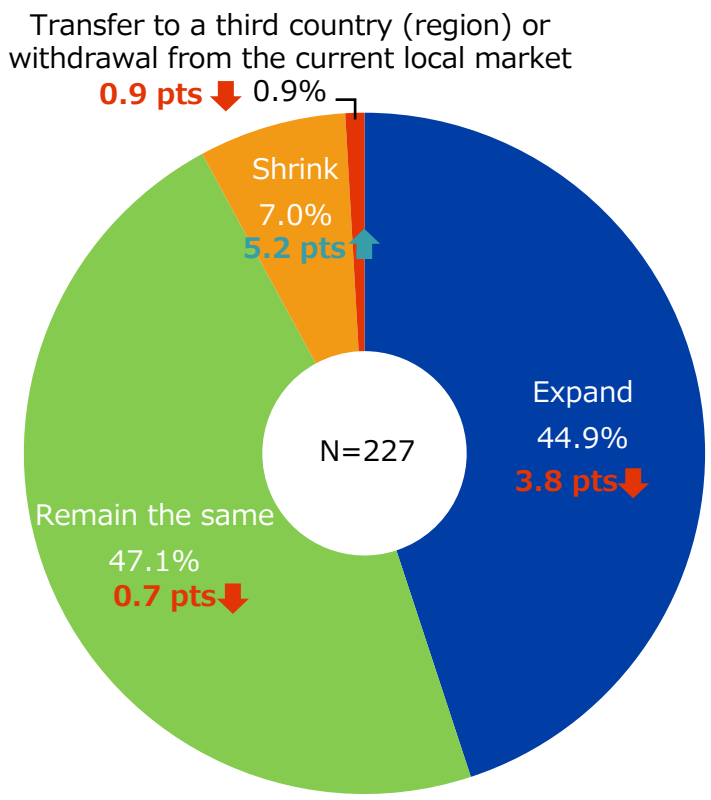
Compared to previous year: ↑ Up ↓ Down

II. Future Business Outlook

1 | Future Business Outlook (Overall Trend/by Country)

- The percentage of respondents reporting that their business will expand in the next one to two years was down 3.8 percent points from the previous year. As a result, the percentage of companies saying that their business will remain the same during the same period was the highest this year at 47.1%. The percentage of respondents expecting shrinkage in their business was up 5.2 percent points from the previous year.
- More than half of companies in the UAE and Israel said that their business would expand in the next one to two years. In Iran, the percentage of companies saying that their business will shrink has continued. In Qatar, Bahrain, and Kuwait, the percentage of companies expecting a business expansion was higher than in the preceding year.

Direction of Business Operations in the Next One to Two Years

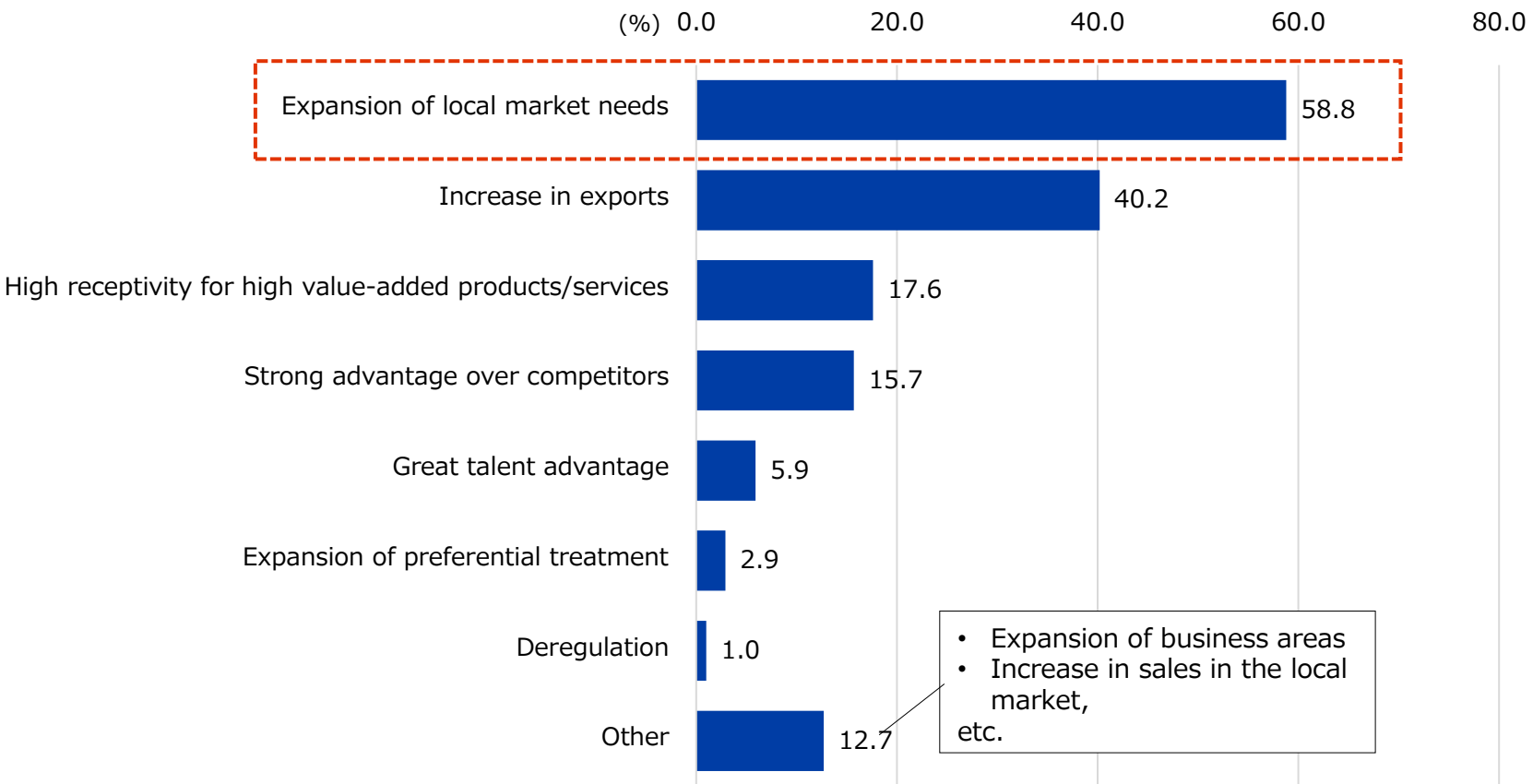


Compared to previous year: ↑ Up ↓ Down

2 | Future Business Outlook (Reasons for Expansion)

- The most common reason for business expansion is “expansion of local market needs,” which was cited by approximately 60% of companies. The second most common reason is “increase in exports” (40%).
- A number of companies said that “increase in exports” would be driven by expansion of sales channels to Africa, Europe, and Central Asia. “Other” reasons include expansion of business areas and increase in sales in the local market.

Reasons for Business Expansion (Multiple Answers)



(N=102)

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

- The percentage of companies that voted for “expansion of local market needs” was higher than the overall average in the UAE, Turkey, and Saudi Arabia.
- 16.7% of companies in Saudi Arabia cited “expansion of preferential treatment” as a reason for business expansion. The percentage of companies that selected “high receptivity for high value-added products/services” was 30.0% in Israel.

Reasons for Business Expansion <Multiple Answers>

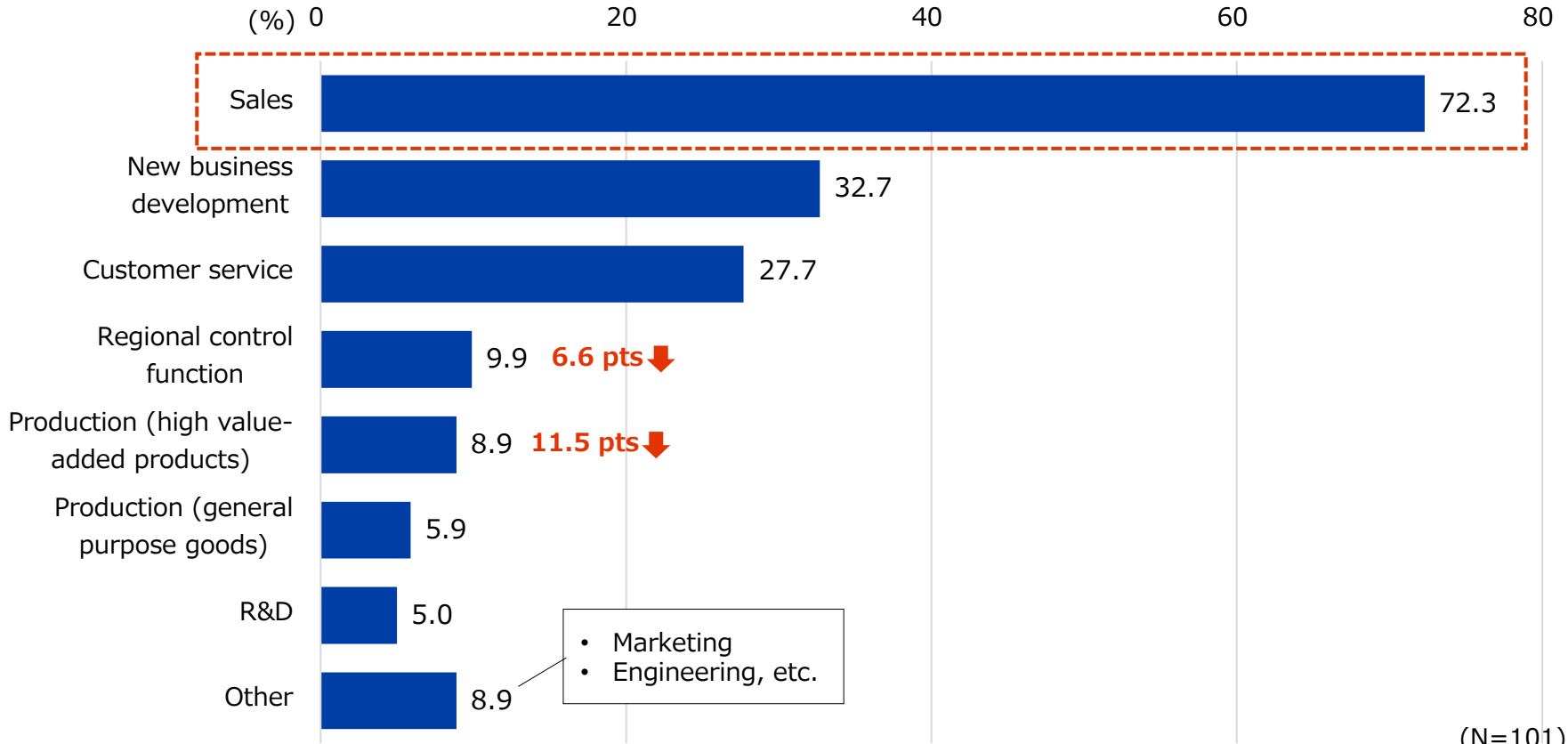
(%)	Expansion of local market needs	Increase in exports	High receptivity for high value-added products/services	Strong advantage over competitors	Great talent advantage	Expansion of preferential treatment	Deregulation	Other
Whole of Middle East (N=102)	58.8	40.2	17.6	15.7	5.9	2.9	1.0	12.7
UAE (N=53)	60.4	45.3	15.1	13.2	5.7	1.9	1.9	15.1
Turkey (N=18)	72.2	55.6	27.8	33.3	11.1	0.0	0.0	0.0
Saudi Arabia (N=12)	83.3	16.7	16.7	8.3	0.0	16.7	0.0	0.0
Israel (N=10)	20.0	20.0	30.0	20.0	10.0	0.0	0.0	20.0

(Note) Blue (light blue) cells are those that exceed the overall (average) ratio.

4 | Future Business Outlook (Functions to Be Expanded)

- More than 70% of companies stated that they would expand “sales” function, which was the highest for two straight years. “New business development” function was chosen by the second-highest percentage (about 30%) of companies.
- The percentage of companies that selected “production (high value-added products)” function was down 11.5 percent points from the previous year, while that for “regional control function” was down 6.6 percent points.

Functions to Be Expanded <Multiple Answers>



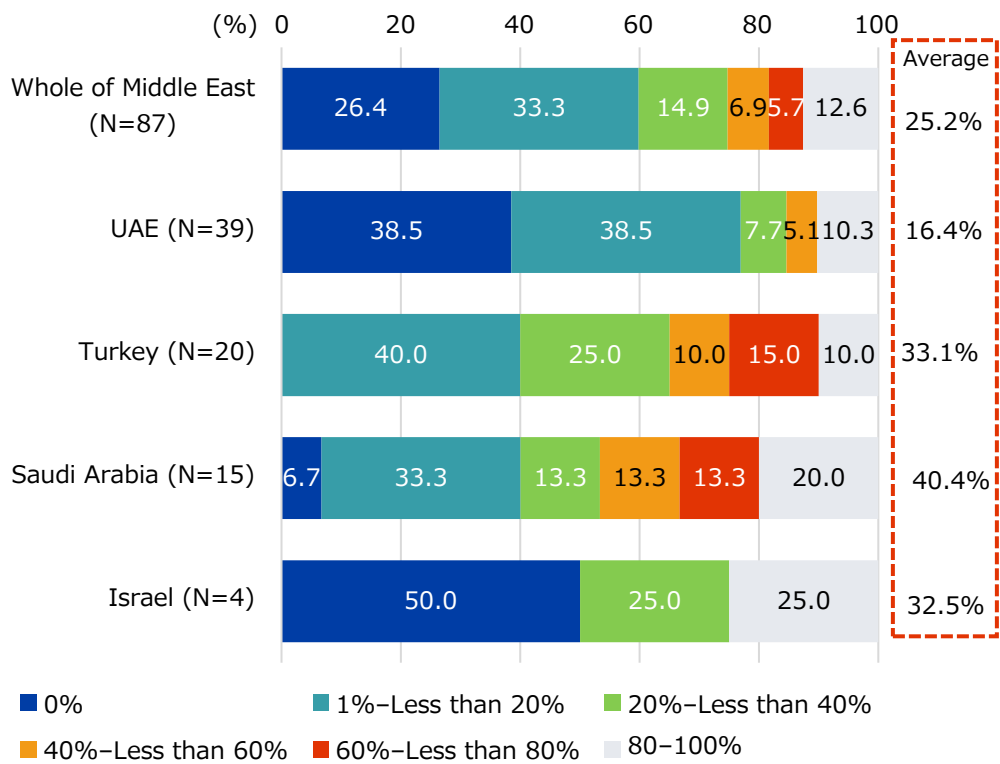
(N=101)

Compared to previous year: ↑ Up ↓ Down

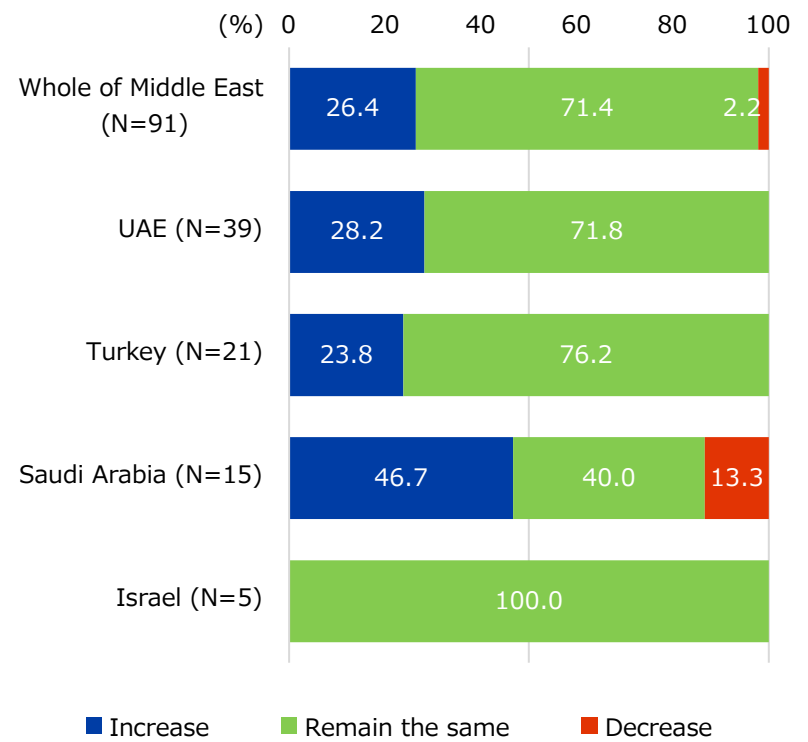
5 | Local Procurement Rate (Current/Next One to Two Years)

- The average local share of total procurement in the Middle East is 25.2%, lower than the global average of 46.4%. By country, the local procurement rate is just over 40% in Saudi Arabia. It is more than 30% in Turkey and Israel.
- As for the outlook for the next one to two years, roughly 70% of companies in the Middle East said that their local procurement rate would remain the same. In Saudi Arabia, 46.7% of companies stated that their local procurement rate would increase in the next one to two years, a higher percentage than that of companies that said it would remain the same.

Current Local Procurement Rate (in Value Terms)



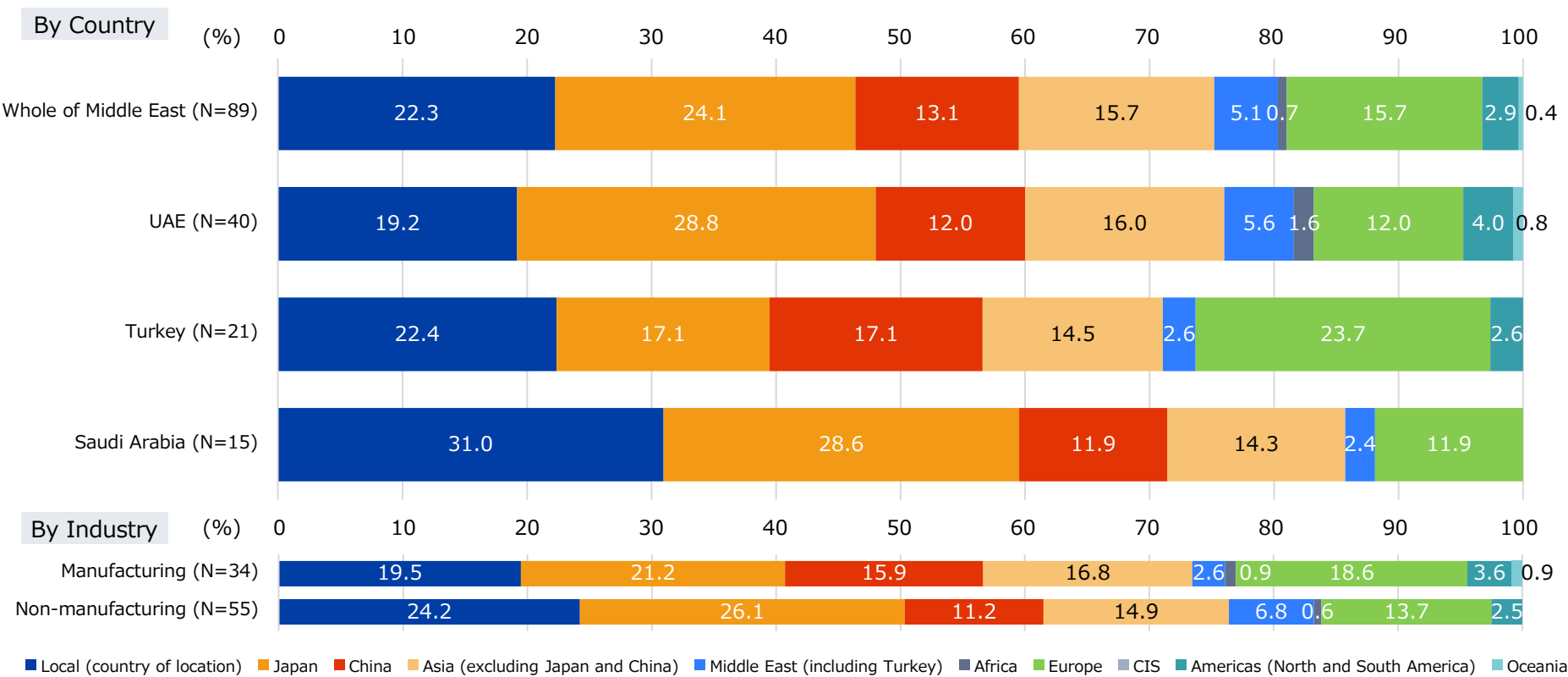
Local Procurement Rate Expected in Next One to Two Years



6 | Breakdown of Procurement Sources (Products, Parts, and Raw Materials)

- The breakdown of procurement sources of the Middle East as a whole shows that 24.1% of products, parts, and raw materials on average comes from Japan, and 22.3% from local sources (Middle Eastern countries where respondent companies operate, i.e. countries of location). China accounts for 13.1% of total procurement.
- In Turkey, procurement from Europe makes up more than 20% on average.

Breakdown of Procurement Sources for Products, Parts, and Raw Materials (in Value Terms)

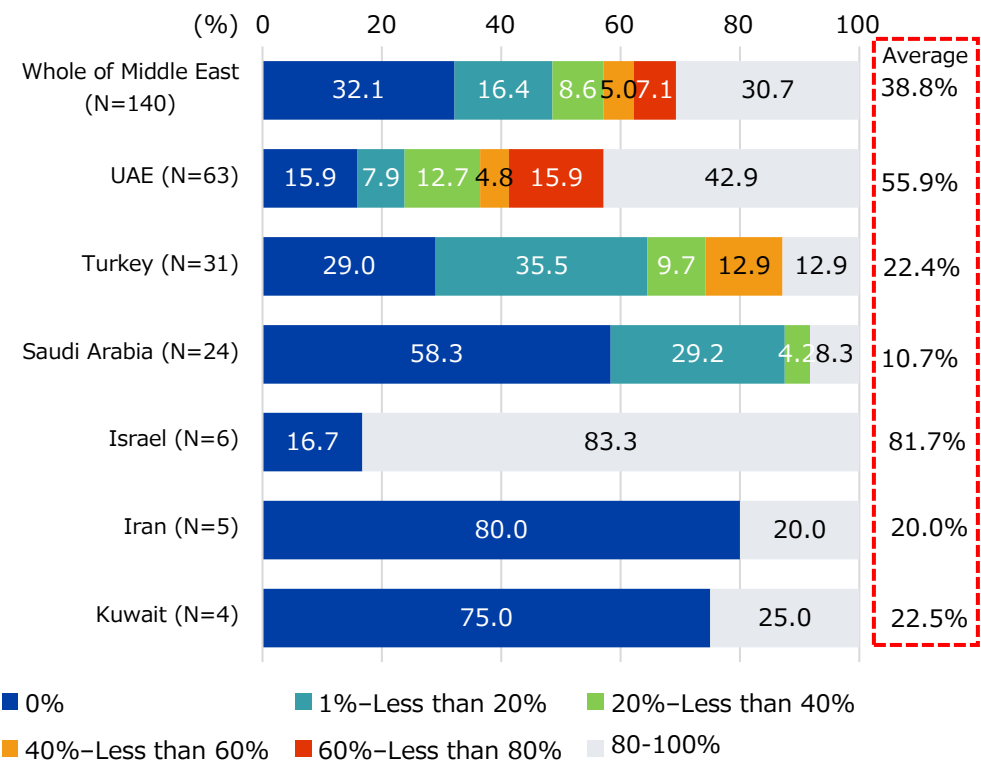


(Note) The average of the responses of each respondent company was calculated. The total of all procurement source ratios for each company is 100.

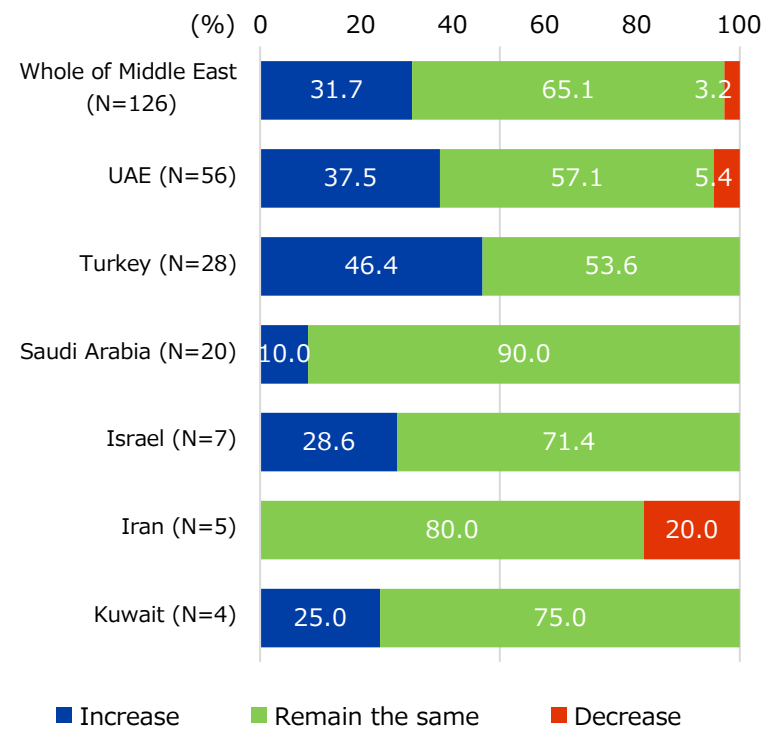
7 | Export Ratio (Current/Next One to Two Years)

- The average exports-to-total sales ratio in the Middle East is 38.8%. The corresponding ratio is just above 80% in Israel, and more than 50% in the UAE.
- As for the outlook for the next one to two years, the majority of companies in all countries surveyed said that their export ratio would remain the same. However, the percentage of companies that reported an expected increase in export ratio during that period was relatively higher at 46.4%. On the other hand, some companies in the UAE and Iran said that their export ratio would decrease over the same period.

Current Export Ratio (in Value Terms)



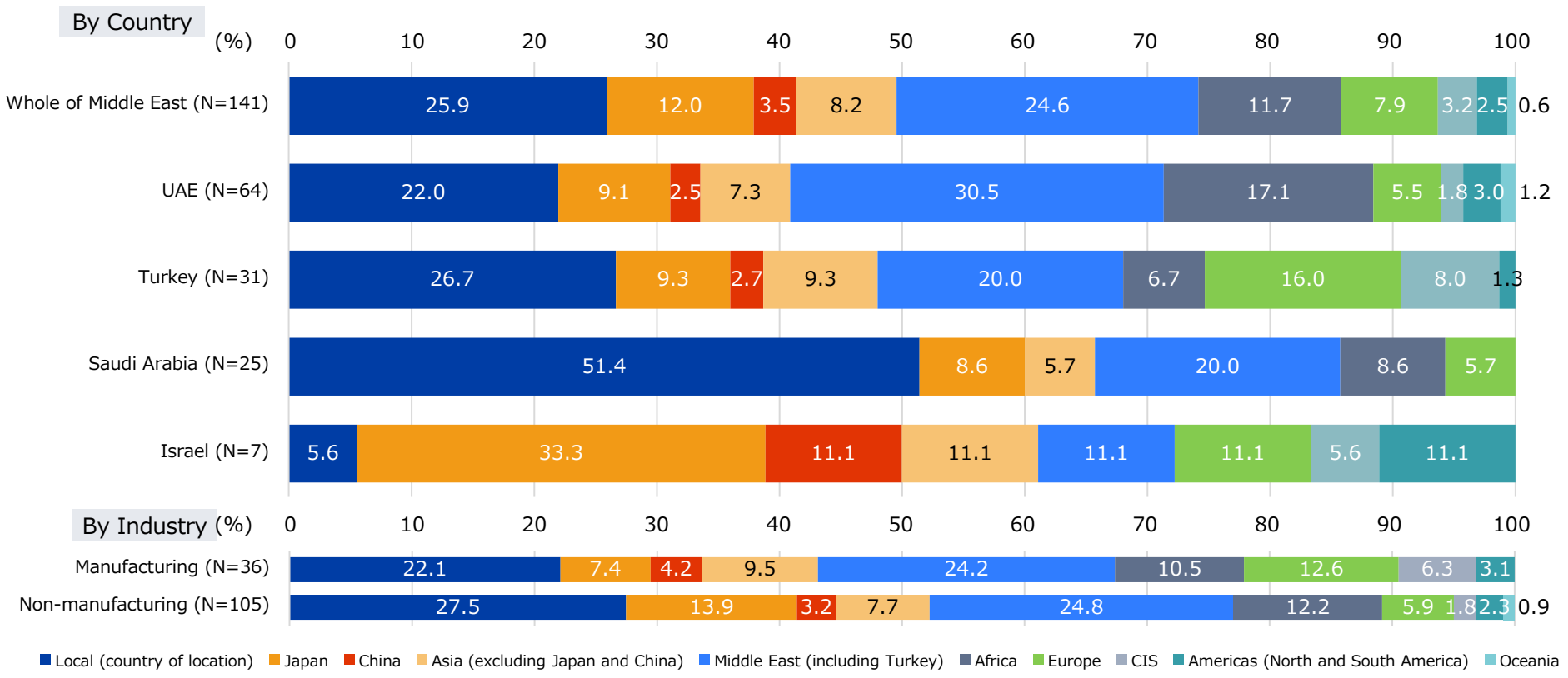
Export Ratio Expected in Next One to Two Years



8 | Breakdown of Sales Destinations (Products and Services)

- The breakdown of sales destinations of the Middle East as a whole shows that 25.9% of products and services on average are sold locally (countries of location), and 24.6% sold to Middle Eastern countries other than countries of location. An average of 12.0% of products and services are sold to Japan.
- It is noteworthy that in the UAE, Africa accounts for just over 15% on average of the total sales of products and services. Companies in Israel sell 33.3% of their products and services to Japan, a higher ratio than that of products and services sold locally, or to other Middle Eastern countries.

Breakdown of Sales Destination of Products and Services (in Value Terms)

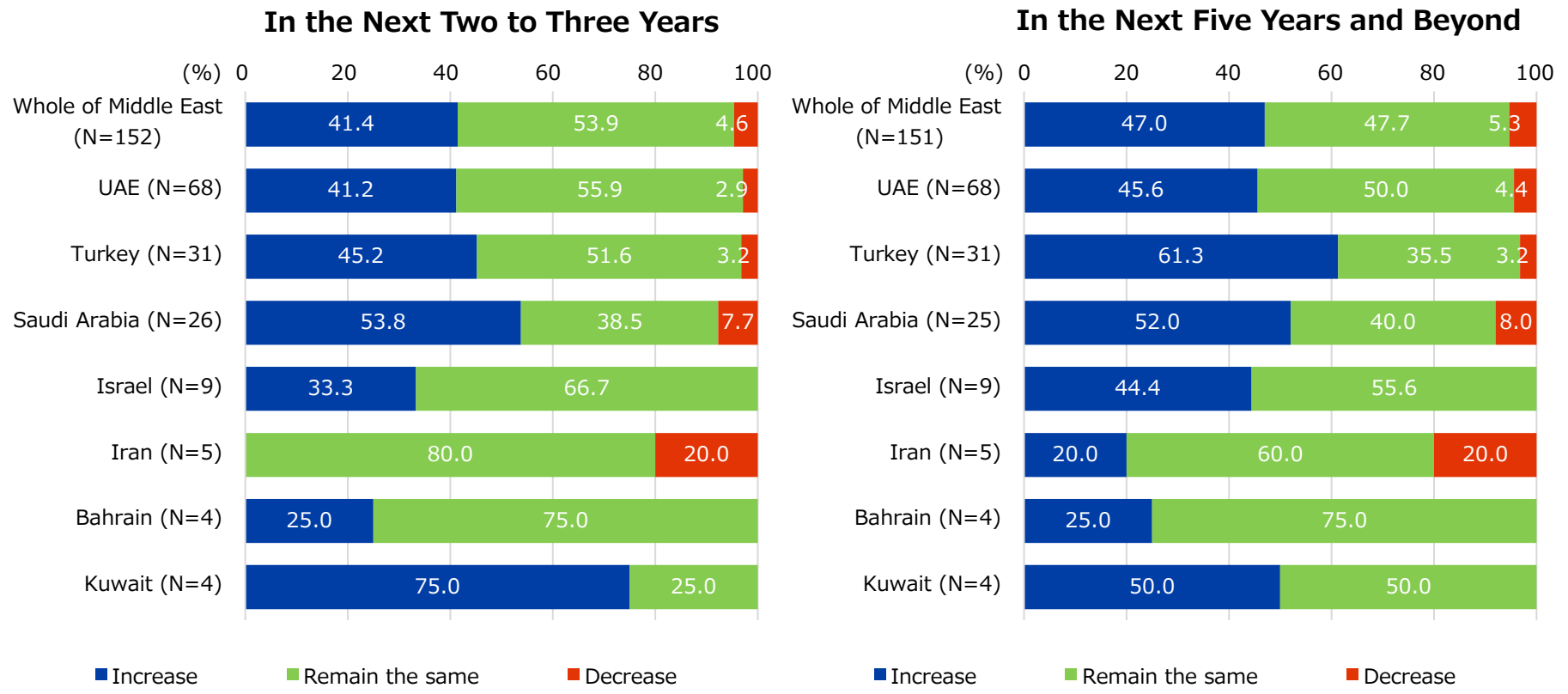


(Note) The average of the responses of each respondent company was calculated. The total of all procurement source ratios for each company is 100.

9 | Middle East's Share of the Total Group's Sales

- The majority of companies said they expected the Middle East's share of the total group's sales to remain the same in the next two to three years. In Saudi Arabia, a higher percentage of companies (more than half) said that their share would increase than that saying it would remain the same.
- As for the outlook for the next five years and beyond, the proportion of companies expecting their share to increase and that expecting it to remain the same are almost equal. In Turkey, more than 60% of respondents expect their share to increase in the next five years and beyond.

Middle East's Share of the Total Group's Sales

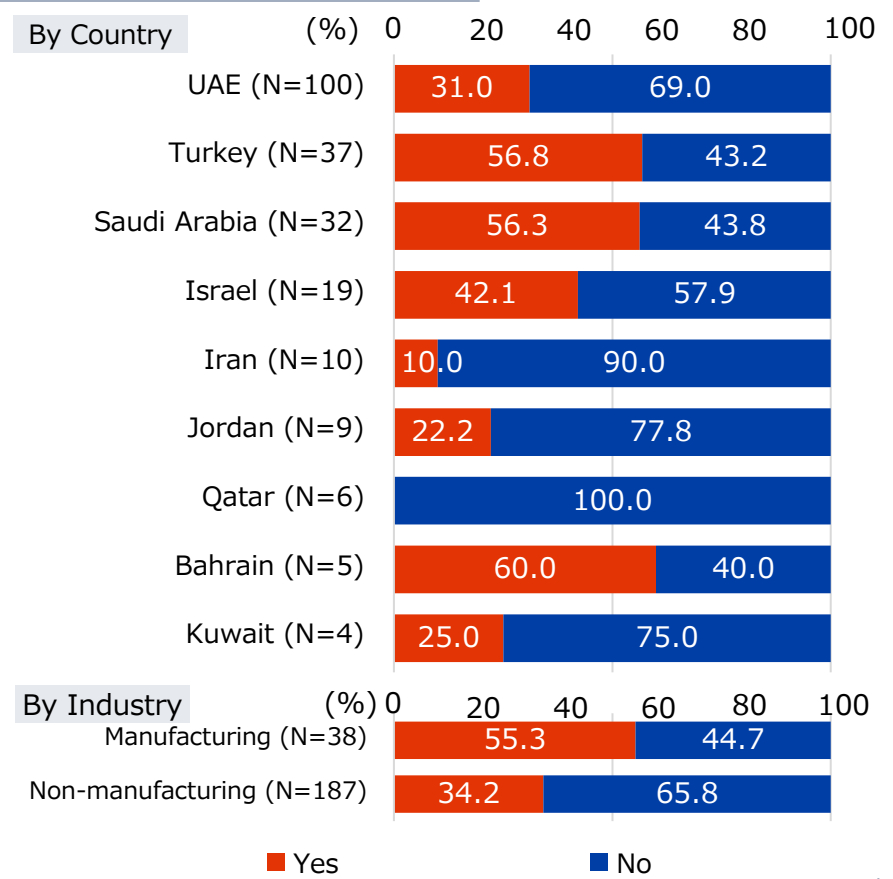
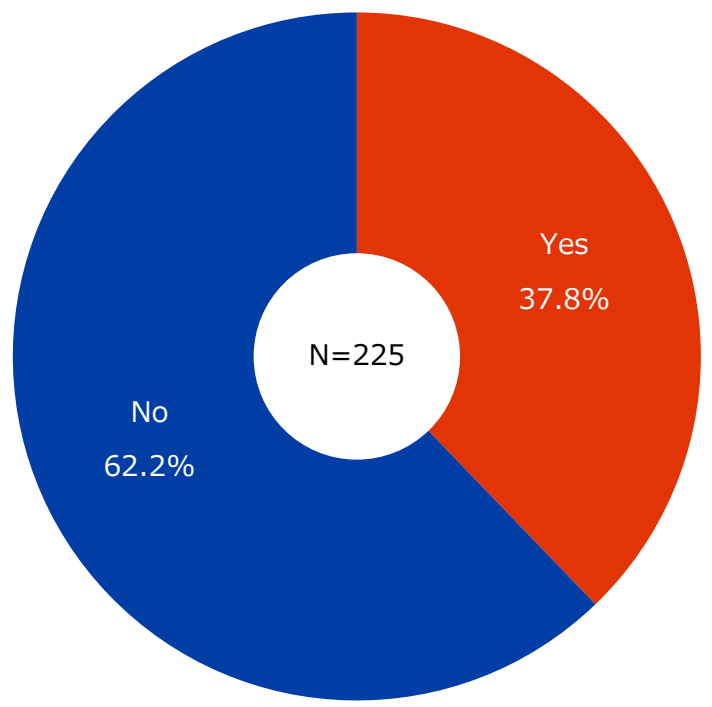


III. Employment Environment

1 | Employment Environment (1)

- In the Middle East, just under 40% of respondents said there was a shortage of human resources, below the global average (51.5%) and the lowest among major regions (ref. 42.9% in Africa).
- By country, about 60% of companies in Turkey, Saudi Arabia, and Bahrain face a shortage of human resources. The corresponding percentage for Israel is just above 40%.

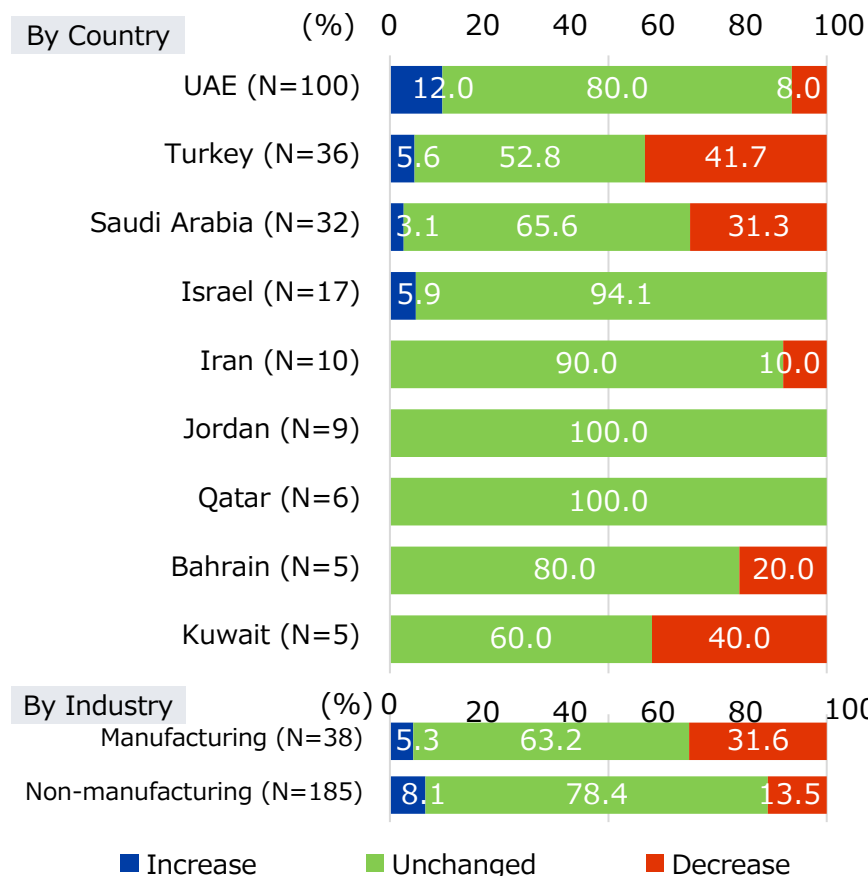
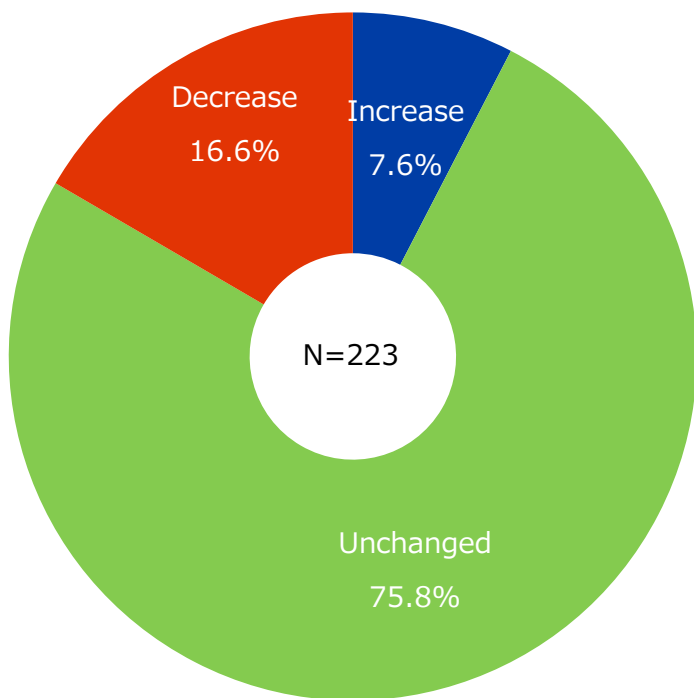
Are you suffering from a shortage of human resources?



1 | Employment Environment (2)

- 75.8% of respondents reported no change in the human resources and employment status in 2023 compared to August through September 2022. Meanwhile, the percentage of companies answering that the status has worsened was higher by 9 percent points than that saying that it has improved.
- The results by country show that companies that said the status had remained unchanged account for the majority in all countries. In Turkey and Saudi Arabia, the percentage of companies answering that the status has worsened was much higher than that reporting that it has improved.

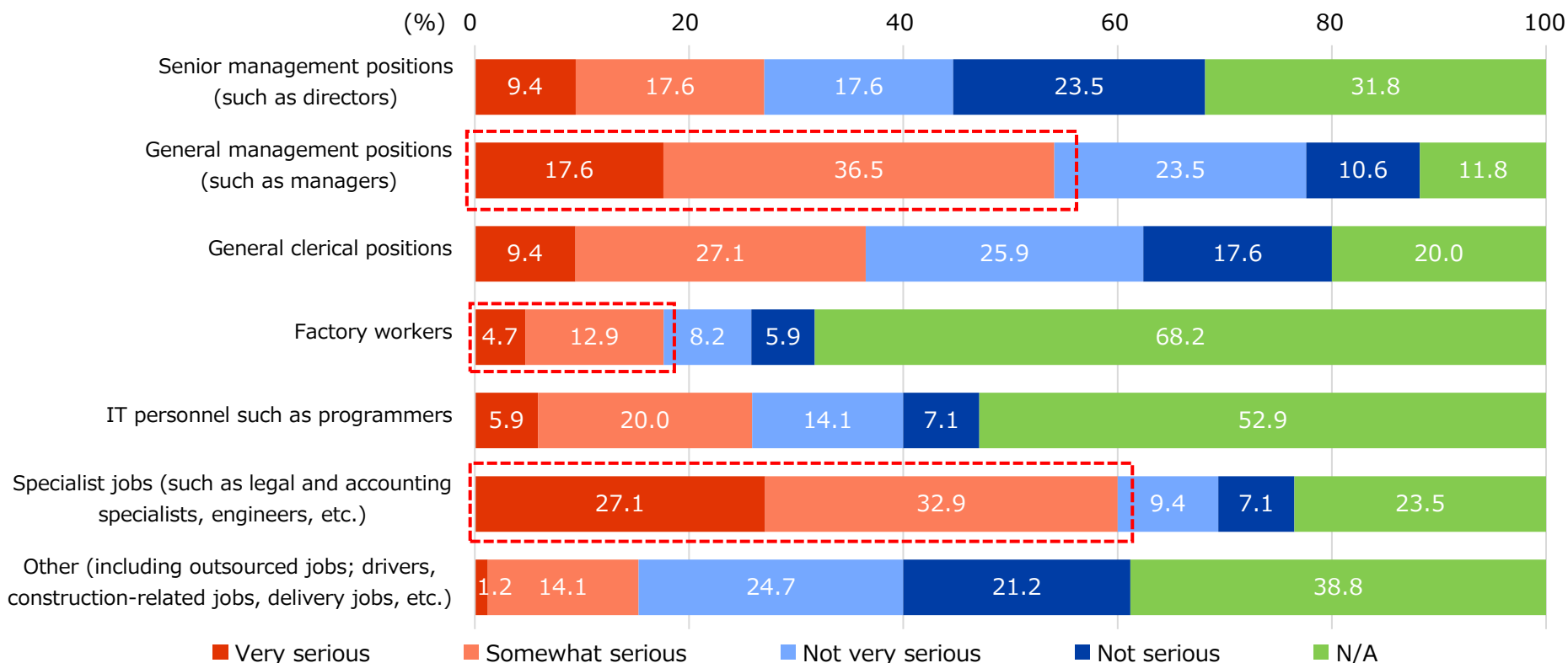
Changes in Human Resources and Employment Status (Compared to Aug.–Sept. 2022)



1 | Employment Environment (3)

- By job category, human resource shortages are most serious for specialist jobs, with nearly 60% of companies reporting that it is "very serious" or "somewhat serious." The corresponding percentage is just above 50% for general management positions.
- On the other hand, the corresponding percentage for factory workers is 17.6%, well below the global average of 55.6%.

Seriousness of Shortage of Human Resources (by Job Category)



(Note) These answers were received only from companies that said they were facing a shortage of human resources. "N/A" means that the company does not employ (or plan to employ) For factory workers, only answers from manufacturers are counted.

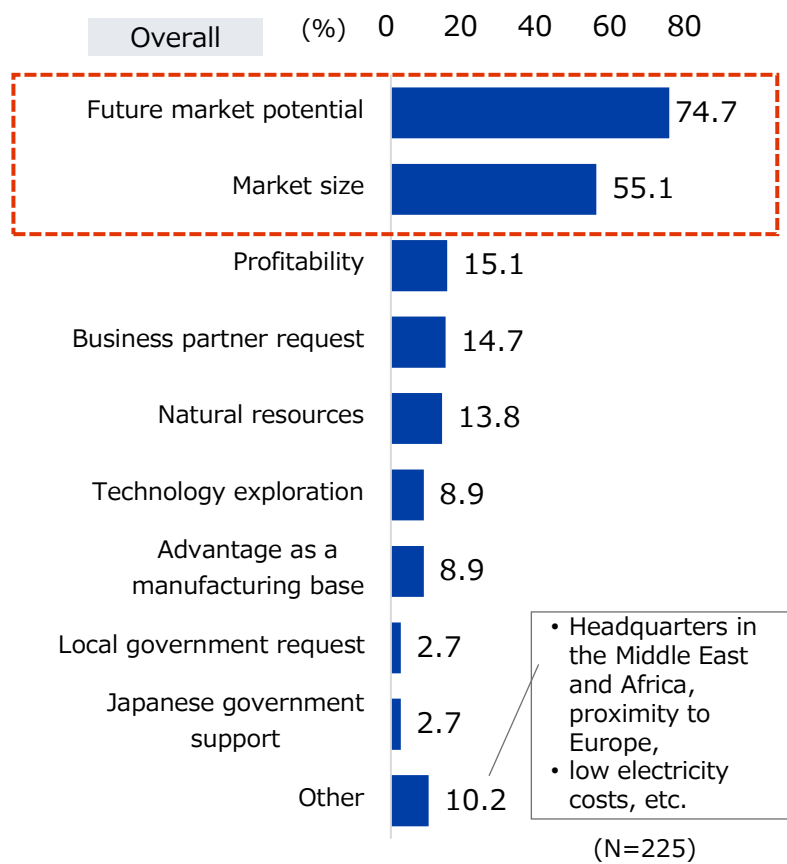
(N=85)

IV. Investment Environment

1 | Reasons for Maintaining Presence in the Middle East

- The most common reason for setting up a base in the Middle East is “future market potential,” as is the case with the previous survey, receiving votes from more than 70% of companies, which is followed by “market size” (more than 50%).
- Other noteworthy results include “technology exploration” in Israel, cited by slightly less than 80% of companies, and “advantage as a manufacturing base” in Turkey, by more than 30%.

Reasons for Maintaining Presence in the Middle East <Multiple Answers>



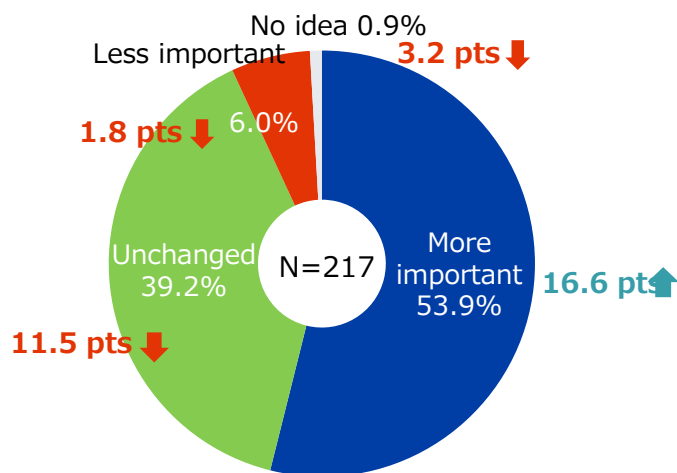
By Country	Reasons for Maintaining Presence in the Middle East										
	Future market potential (%)	Market size	Profitability	Business partner request	Natural resources	Technology exploration	Advantage as a manufacturing base	Local government request	Japanese government support	Other	
UAE (N=100)	81.0	56.0	15.0	14.0	13.0	3.0	2.0	1.0	1.0	10.0	
Turkey (N=37)	81.1	70.3	13.5	13.5	0.0	2.7	32.4	0.0	0.0	10.8	
Saudi Arabia (N=32)	78.1	65.6	12.5	28.1	15.6	3.1	9.4	12.5	3.1	6.3	
Israel (N=19)	21.1	0.0	0.0	0.0	0.0	78.9	5.3	0.0	0.0	21.1	
Iran (N=10)	80.0	80.0	20.0	20.0	50.0	0.0	20.0	0.0	0.0	0.0	
Jordan (N=8)	62.5	50.0	37.5	12.5	12.5	0.0	0.0	12.5	50.0	12.5	
Qatar (N=6)	83.3	33.3	16.7	0.0	50.0	0.0	0.0	0.0	0.0	0.0	
Bahrain (N=5)	80.0	80.0	40.0	20.0	0.0	0.0	0.0	0.0	0.0	20.0	
Kuwait (N=5)	80.0	60.0	20.0	20.0	40.0	0.0	0.0	0.0	0.0	20.0	

(Note) Blue (light blue) cells are those that exceed the overall (average) ratio.

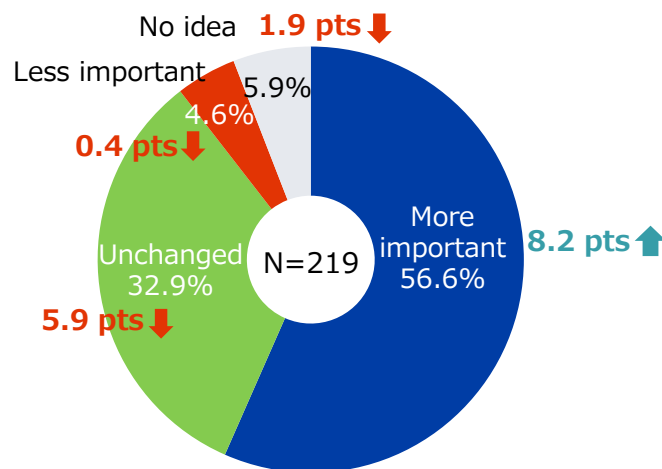
2 | Position of the Middle East in Overseas Strategy (Compared to Five Years Ago/Over Next Five Years)

- 53.9% of companies said that the Middle East’s position is more important than five years ago. This is an increase of 16.6 percent points from the previous survey.
- Regarding the Middle East’s position over the next five years, the percentage of companies saying that it will become more important increased further to 56.6%. This is an increase of 8.2 percent points from the previous survey.

Positioning Compared to Five Years Ago



Positioning Over the Next Five Years



“More important”

- Population growth
- Women's advancement into society (Saudi Arabia)
- New energy sector
- Energy security, crude oil procurement under the situation in Ukraine

“Unchanged”

- Geopolitical risk
- No significant change

“Less important”

- Instability
- Economic sanctions

“More important”

- Decarbonization-related (renewable energy, hydrogen, ammonia, etc.)
- Population growth, market prospects, and growth potential
- Geopolitical significance

“Unchanged”

- Importance as a resource and energy source
- Geopolitical risk

“Less important”

- Reduced influence due to increased decarbonization

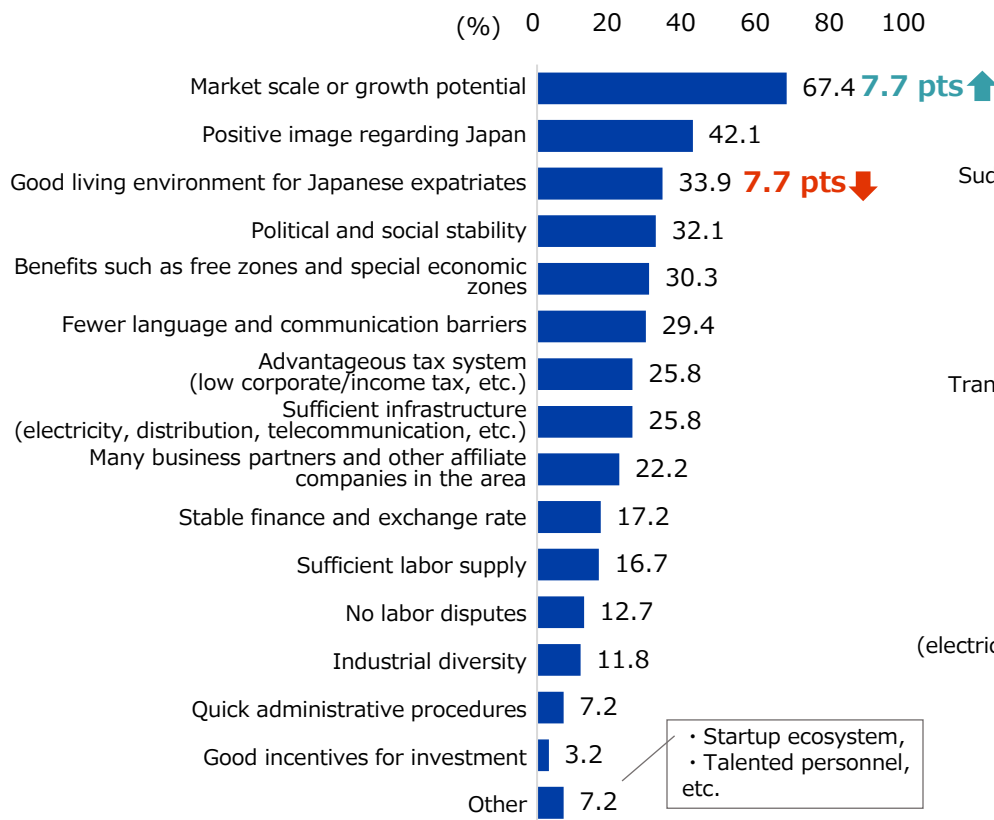
“No idea”

- Geopolitical risk, uncertainty

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

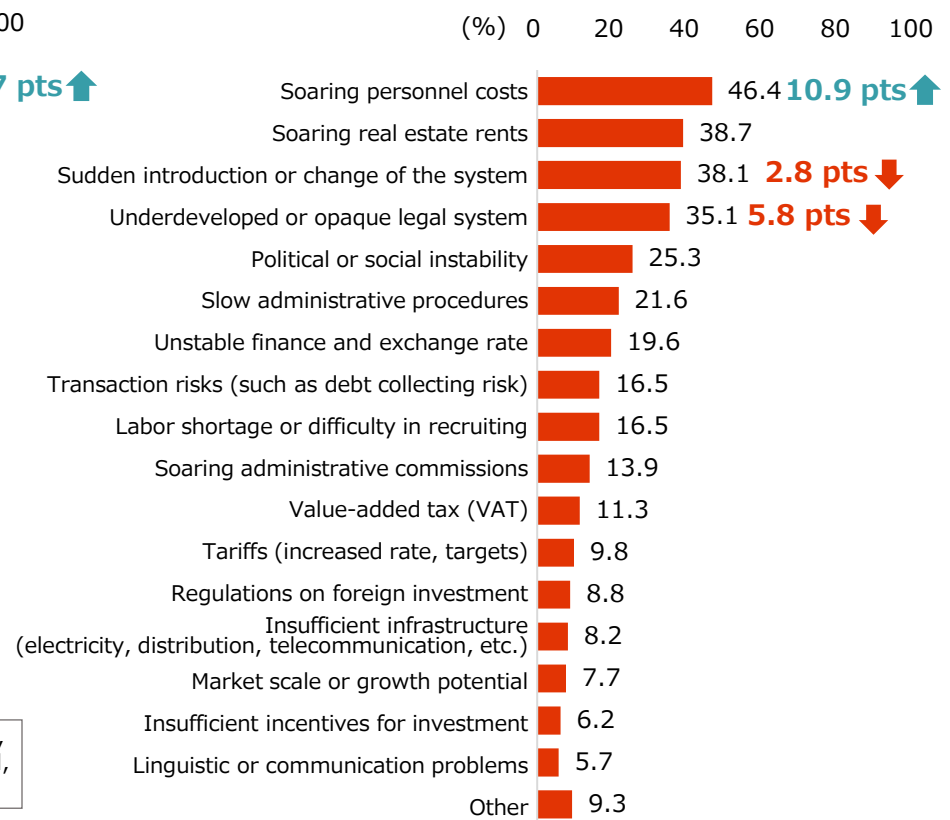
- “Market scale or growth potential” topped the list of advantages of investing in the Middle East, receiving votes from 67.4% of companies, up 7.7 percent points from the previous year. It was followed by “positive image regarding Japan” at 42.1%. The percentage of companies that cited “good living environment for Japanese expatriates” was down by 7.7 percent points from the previous year.
- As for disadvantages, “soaring personnel costs” topped the list, receiving votes from 46.3% of companies, up 10.9 percent points from the preceding year. “Soaring real estate rents” was second. The percentage of companies citing “sudden introduction or change of the system” or “underdeveloped or opaque legal system” slid from the previous year.

Advantages of the Investment Environment (Multiple answers)



• Startup ecosystem,
• Talented personnel,
etc.

Challenges of the Investment Environment (Multiple answers)



Compared to previous year: ↑ Up ↓ Down

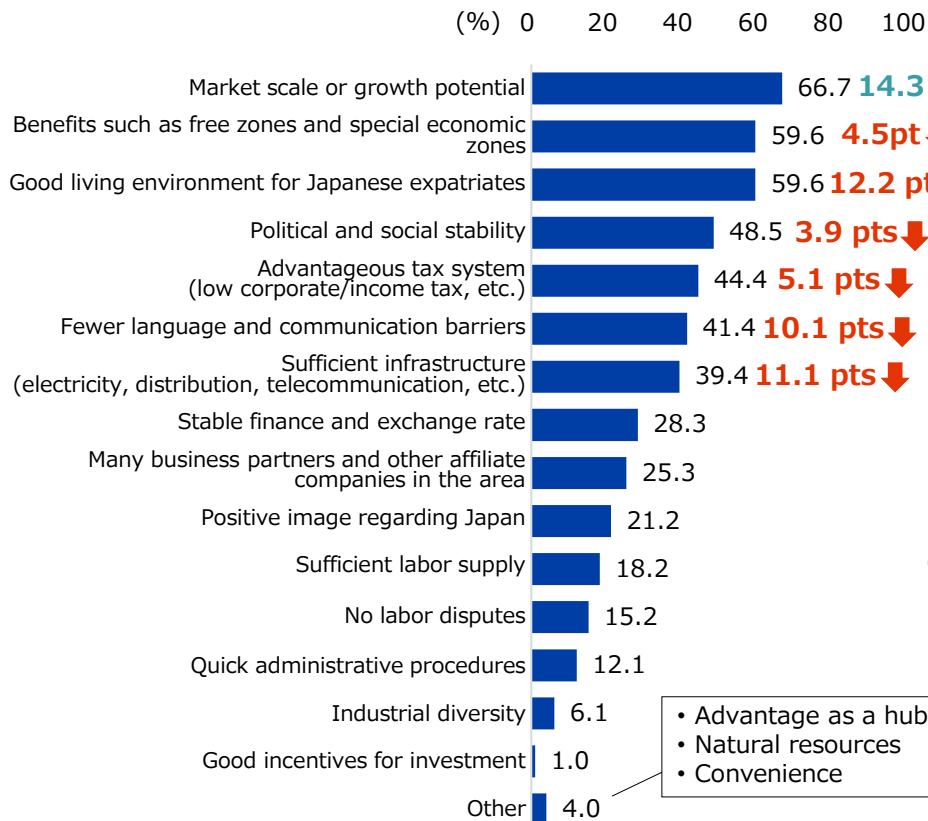
(N=221)

(N=194)

4 | Investment Environment Advantages and Challenges (UAE)

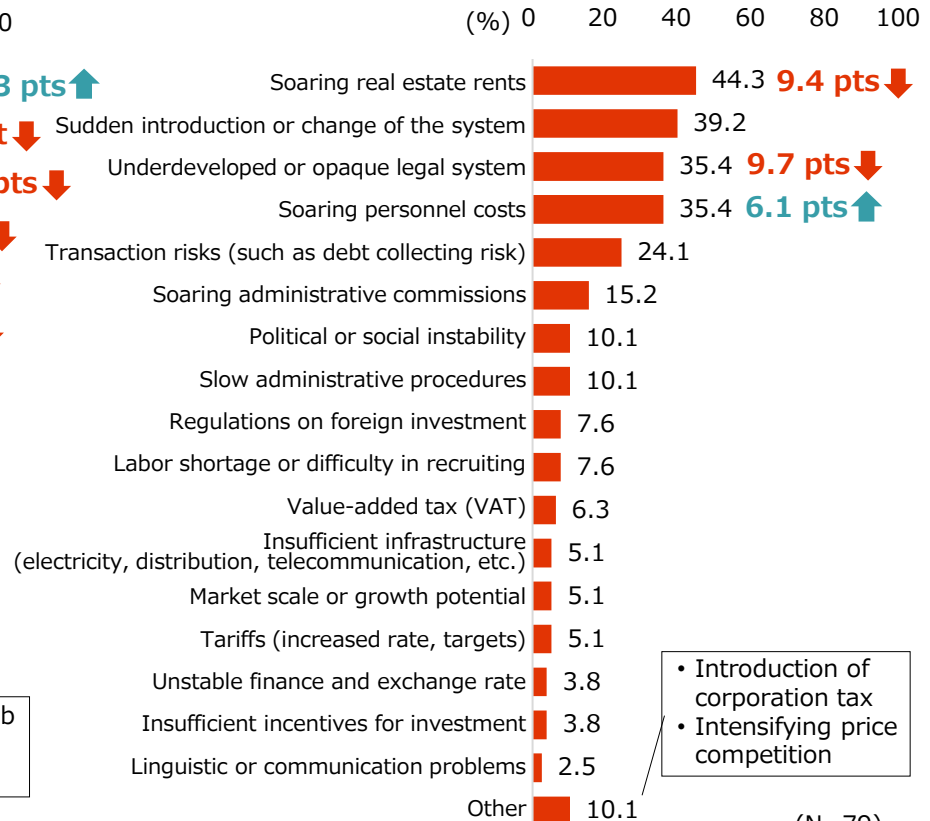
- “Market scale or growth potential” topped the list of advantages of the UAE as an investment destination, receiving votes from 66.7% of companies, up 14.3 percent points from the previous year. The percentage of companies citing “good living environment for Japanese expatriates,” which topped the list the previous year, was down 12.2 percent points.
- As for disadvantages, “soaring real estate rents” was the most common response, receiving votes from 44.3% of companies. However, compared to the previous year, the percentage was lower by 9.4 percent points. “Sudden introduction or change of the system” was the second most common response at 39.2%.

Advantages of the Investment Environment (Multiple answers)



- Advantage as a hub
- Natural resources
- Convenience

Challenges of the Investment Environment (Multiple answers)



- Introduction of corporation tax
- Intensifying price competition

Compared to previous year: ↑ Up ↓ Down

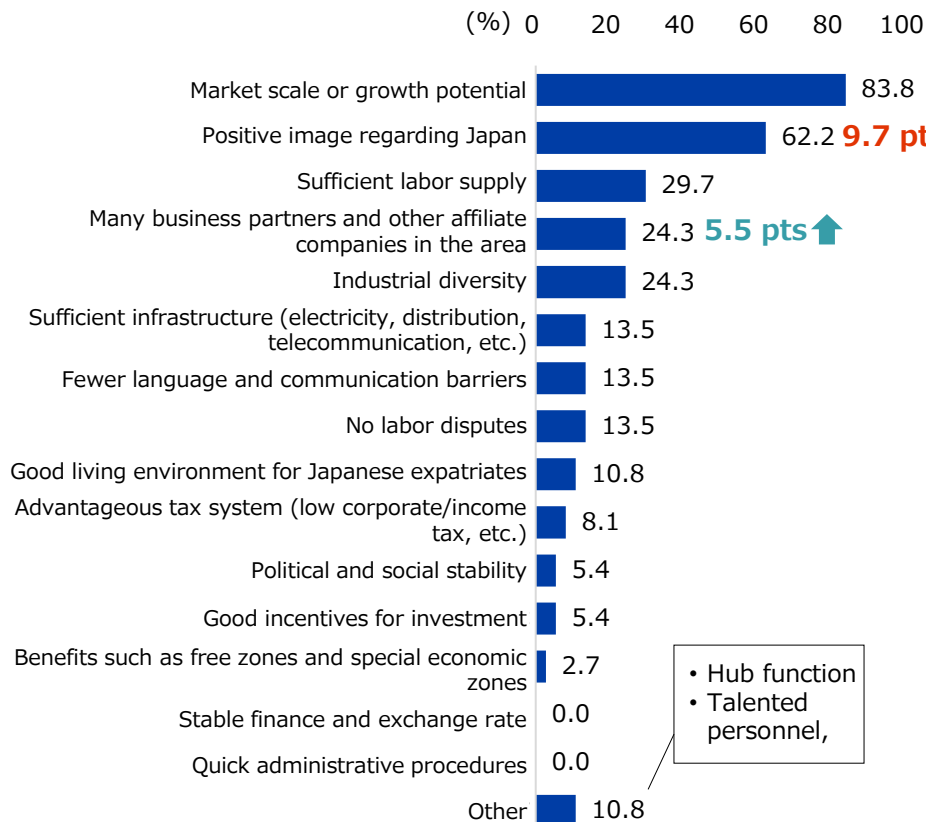
(N=99)

(N=79)

5 | Investment Environment Advantages and Challenges (Turkey)

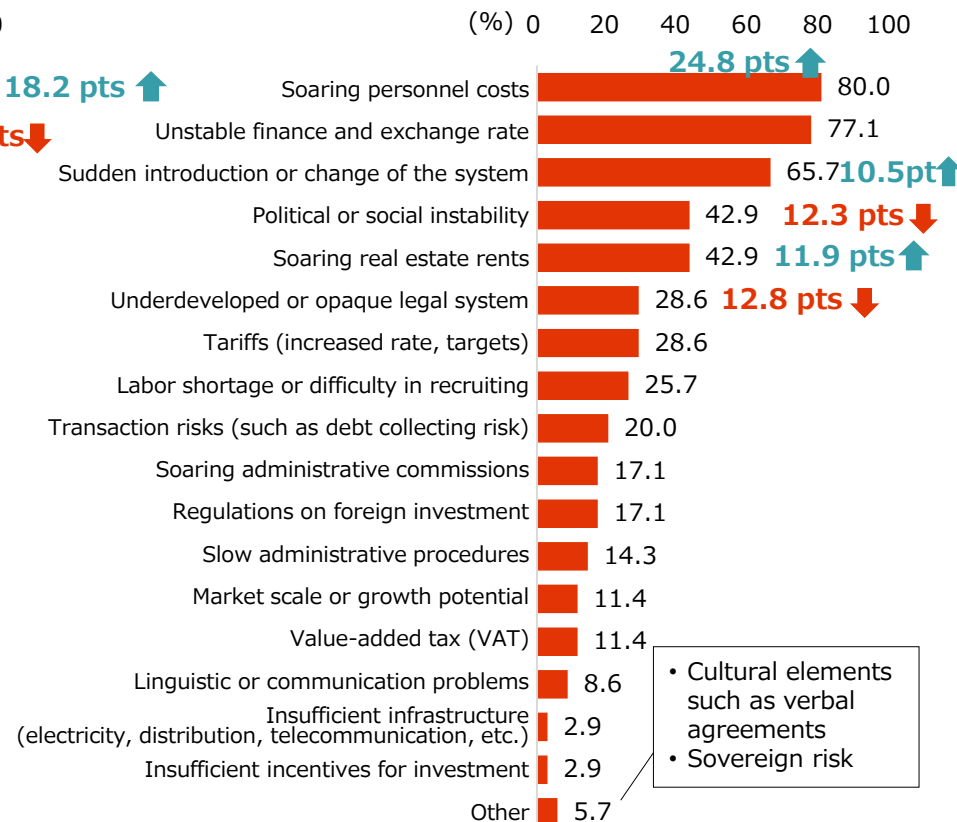
- As for advantages of Turkey as an investment destination, “market scale or growth potential” received the largest vote, 83.8% of companies, up 18.2 percent points from the previous year. The percentage of companies citing “positive image regarding Japan,” which topped the list the previous year, declined 9.7 percent points from the previous year to roughly 60%.
- Meanwhile, “soaring personnel costs” topped the list of disadvantages of investing in Turkey, with the percentage of companies citing it jumping 24.8 percent points from the previous year to 80%. Another sharp rise in the percentage was seen in “soaring real estate rents,” which recorded an 11.9-percent-point increase from the previous year.

Advantages of the Investment Environment (Multiple answers)



• Hub function
• Talented personnel,

Challenges of the Investment Environment (Multiple answers)



• Cultural elements such as verbal agreements
• Sovereign risk

Compared to previous year: ↑ Up ↓ Down

(N=37)

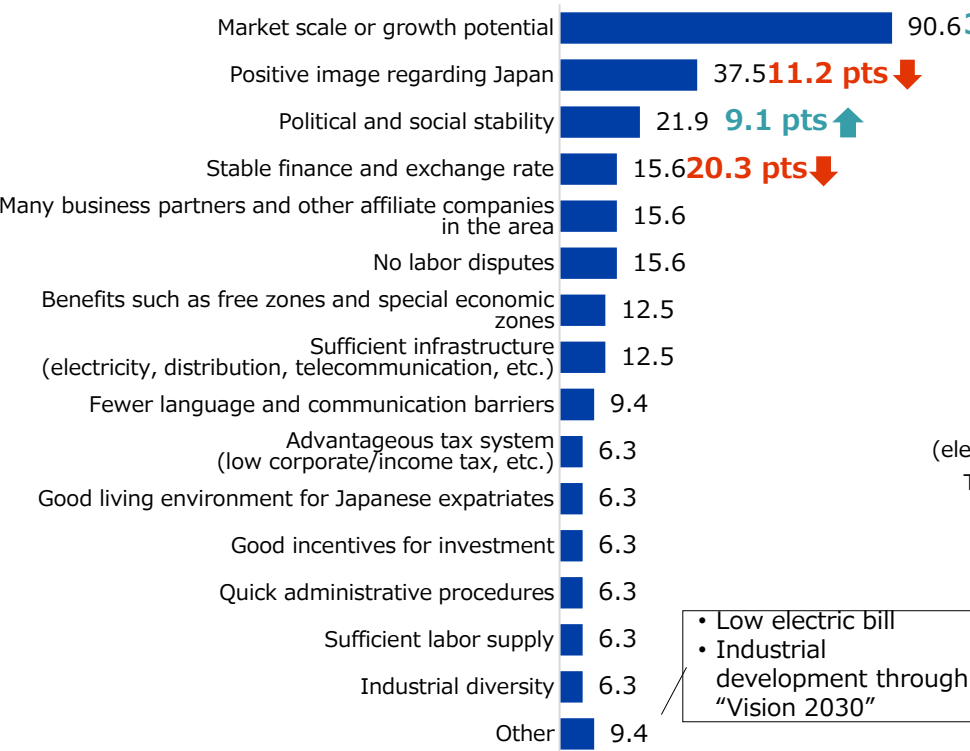
(N=35)

6 | Investment Environment Advantages and Challenges (Saudi Arabia)

- The overwhelming majority, more than 90%, of companies said that “market scale or growth potential” is the main attraction of investing in Saudi Arabia. “Positive image regarding Japan” drew less attention as an advantage, receiving votes from only 37.5% of companies, a decrease of 11.2 percent points compared to the preceding year. On the other hand, “political and social stability” attracted a higher percentage (up 9.1 percent points) of companies than a year earlier.
- “Soaring personnel costs” topped the list of disadvantages of Saudi Arabia as an investment destination, with the percentage of companies citing it jumping 23.2 percent points from the previous year. “Sudden introduction or change of the system” has become less of a disadvantage, with a lower percentage (down about 30 percent points) of companies voting for it.

Advantages of the Investment Environment (Multiple answers)

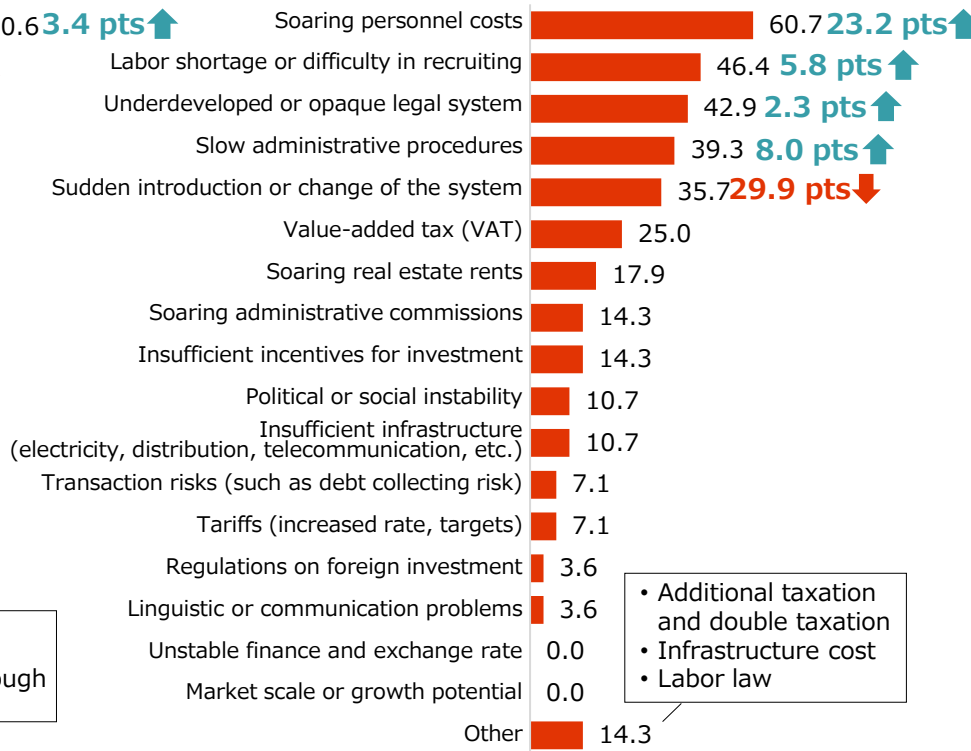
(%) 0 20 40 60 80 100



• Low electric bill
• Industrial development through “Vision 2030”

Challenges of the Investment Environment (Multiple answers)

(%) 0 20 40 60 80 100



• Additional taxation and double taxation
• Infrastructure cost
• Labor law

Compared to previous year: ↑ Up ↓ Down

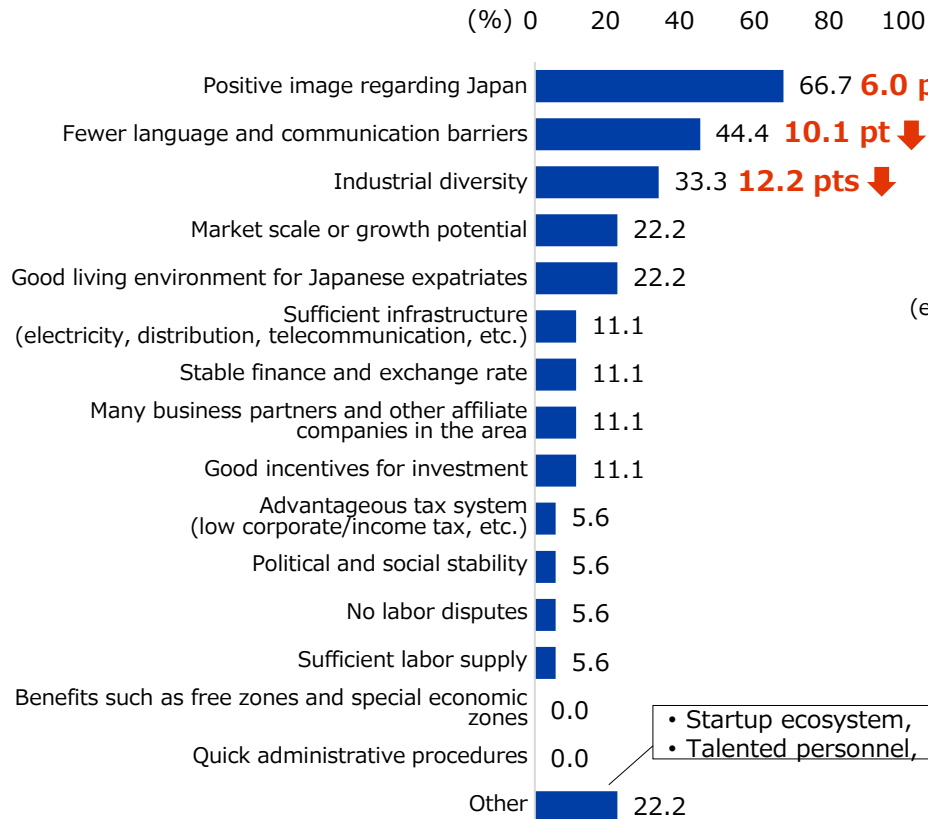
(N=32)

(N=28)

7 | Investment Environment Advantages and Challenges (Israel)

- “Positive image regarding Japan,” “fewer language and communication barriers,” and “industrial diversity” continued to be the three major advantages of Israel as an investment destination for two years in a row.
- “Soaring real estate rents” was the most serious disadvantage of investing in Israel, which was chosen by around 80% of respondents. The percentage of companies considering “political or social instability” as a disadvantage climbed 12.5 percent points from a year earlier, putting it in second with “soaring personnel costs.”

Advantages of the Investment Environment (Multiple answers)

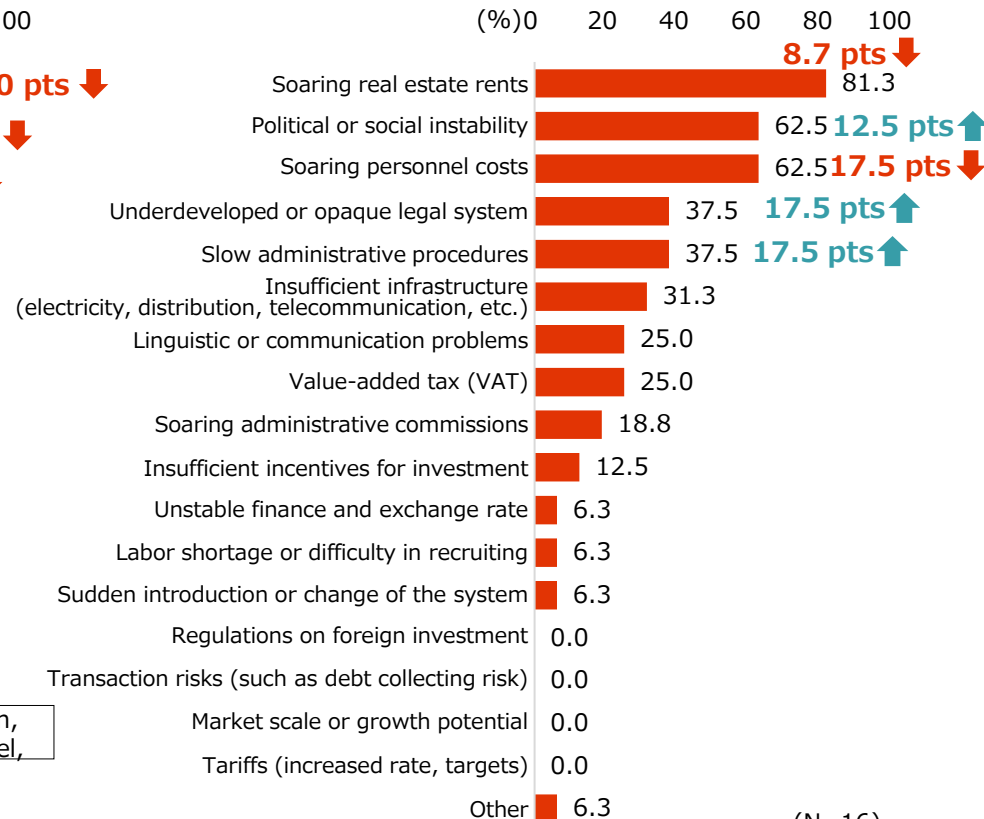


• Startup ecosystem,
• Talented personnel,

Compared to previous year: ↑ Up ↓ Down

(N=18)

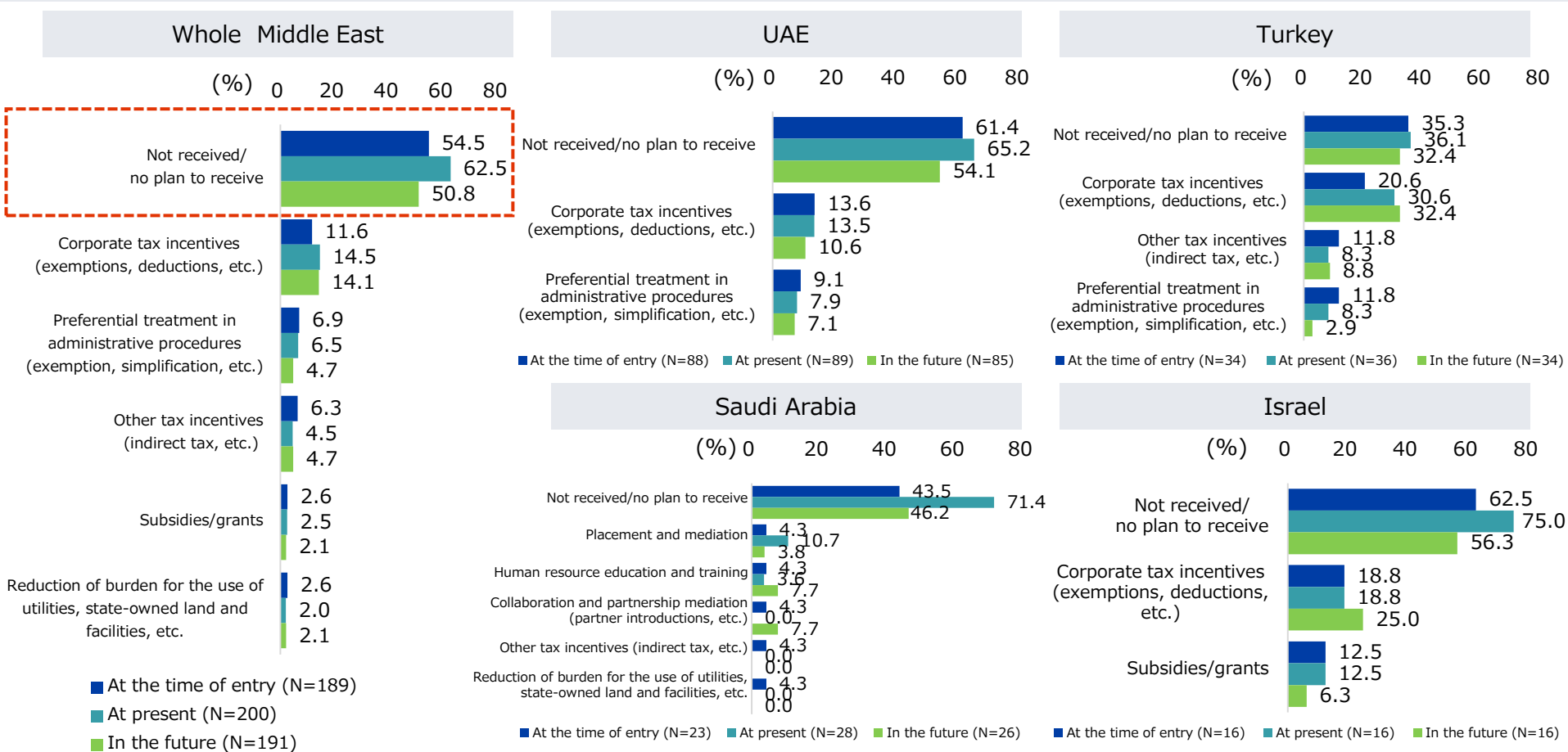
Challenges of the Investment Environment (Multiple answers)



(N=16)

8 | Incentives

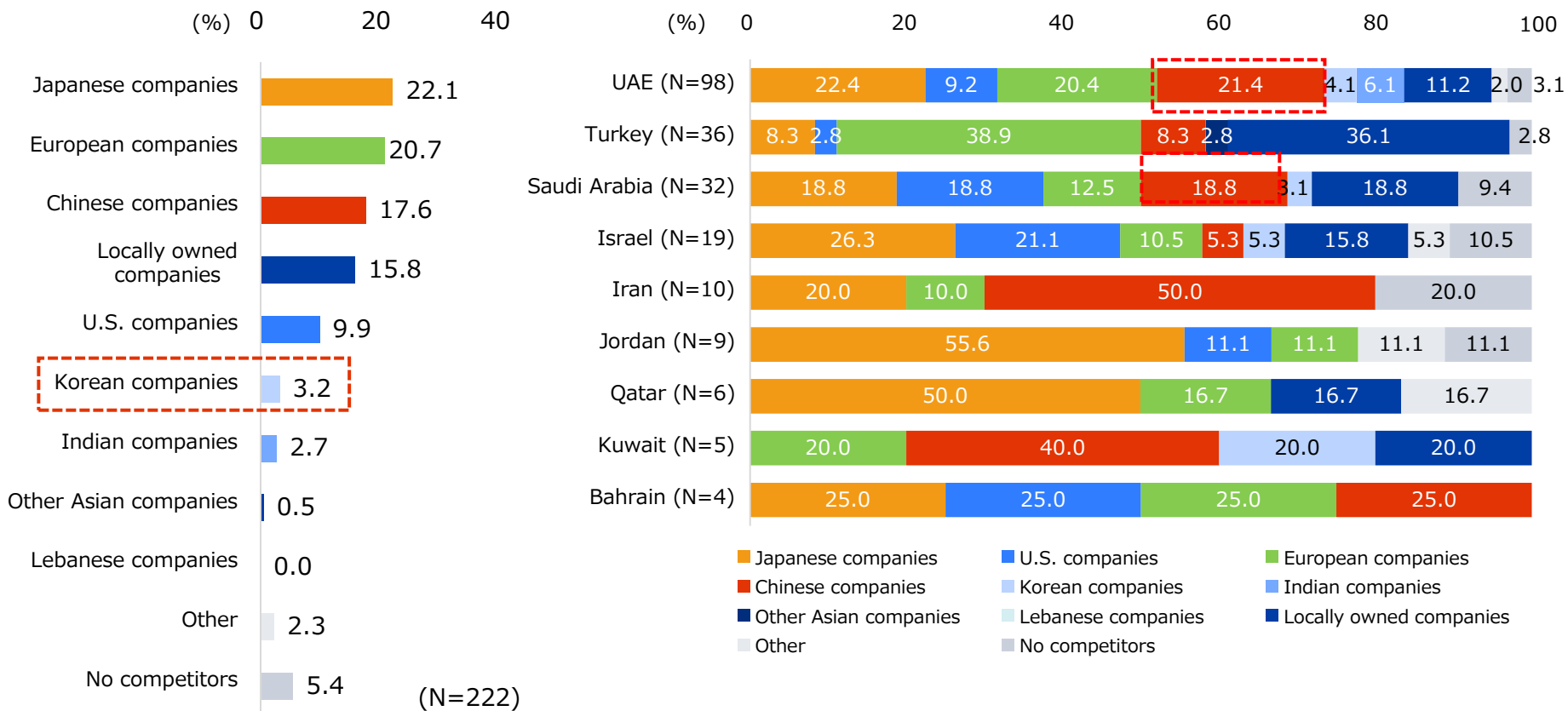
- The majority of companies in the Middle East said that they had neither received nor were planning to receive incentives. Among incentives, the highest percentage (just above 10%) of companies have received “corporate tax incentives.”
- By country, a relatively higher percentage of companies in Turkey and Israel said that they received incentives such as “corporate tax incentives.”



9 | Competition with Companies of Other Countries

- The top five companies on the list of companies with the most competitive relationships, i.e. from Japanese companies in first place to U.S. companies in fifth, remained the same from a year earlier. Korean companies have overtaken Indian companies this year to become companies with the sixth most competitive relationships.
- Roughly 20% of companies in the UAE and Saudi Arabia said they regarded Chinese companies as major competitors.

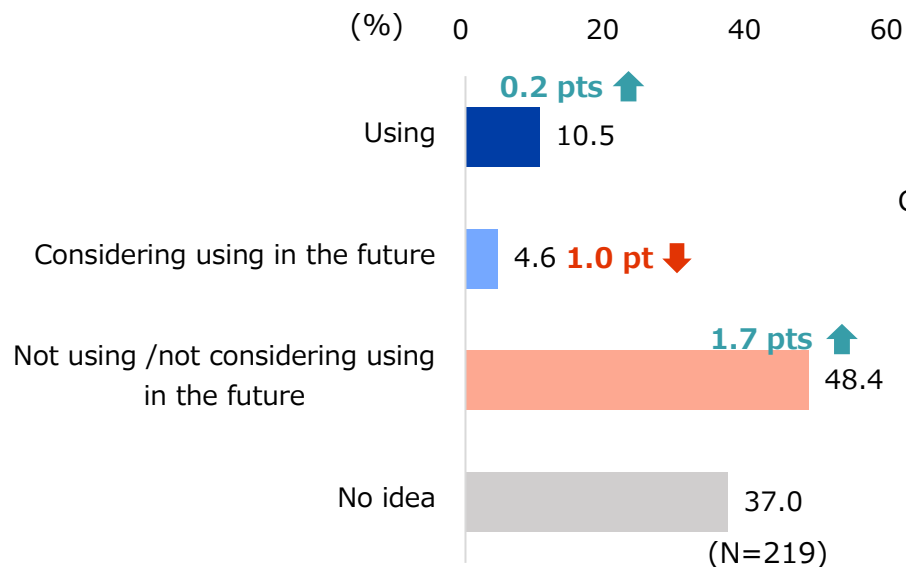
Companies with the Most Competitive Relationships



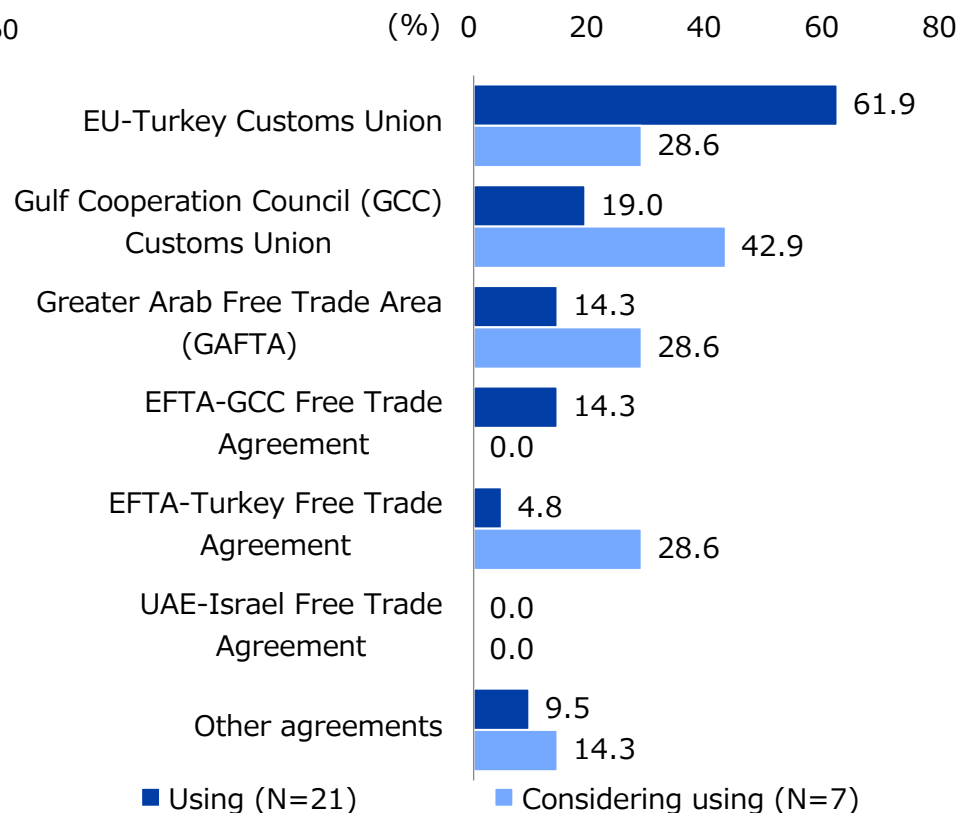
10 | Usage of FTAs and Customs Unions (Whole Middle East)

- The percentage of companies using FTAs and customs unions remained at the same level as the previous year. The percentage of companies answering that they are “considering using in the future” fell 1.0 percent point, while that answering that they are “not using/not considering using in the future” climbed 1.7 percent points.
- More than 60% of companies using FTAs and customs unions said that they were using the EU-Turkey Customs Union. Among FTAs and customs that companies are considering using in the future, Gulf Cooperation Council (GCC) Customs Union was the most common response.

Current Use of FTAs, EPAs, and Customs Unions <Multiple Answers>



FTAs and Customs Unions You Are Using or Considering Using <Multiple Answers>



FTAs, EPAs, and customs unions expected to be concluded and put into effect in the future

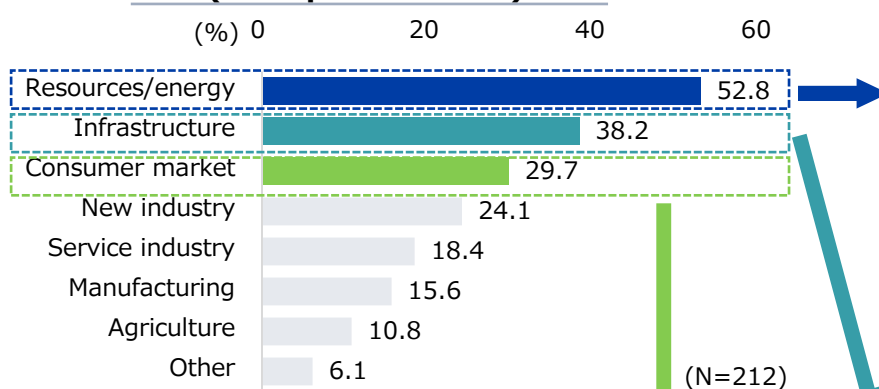
- Japan-Turkey EPA
- FTAs with Israel, UAE, and the GCC countries
- Thailand, Indonesia, ASEAN
- Turkey-Thailand, Turkey-Africa, Turkey-GCC etc.

V. Promising Business Areas

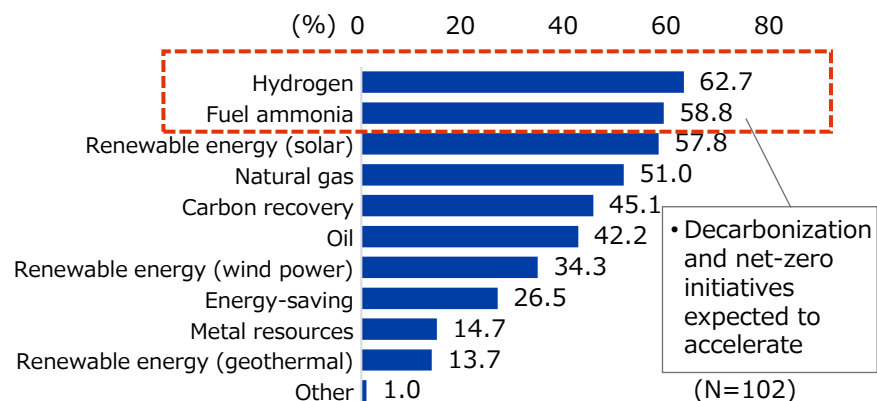
1 | Promising Business Areas (1)

- Major promising business areas are “resources/energy,” “infrastructure,” and “consumer market,” as was the case for the previous year.
- The results of the breakdown of each area are also the same as the previous year, with “hydrogen” and “fuel ammonia” topping the “energy” category, “electric power” and “water” topping “infrastructure,” and “food” topping “consumer market.”

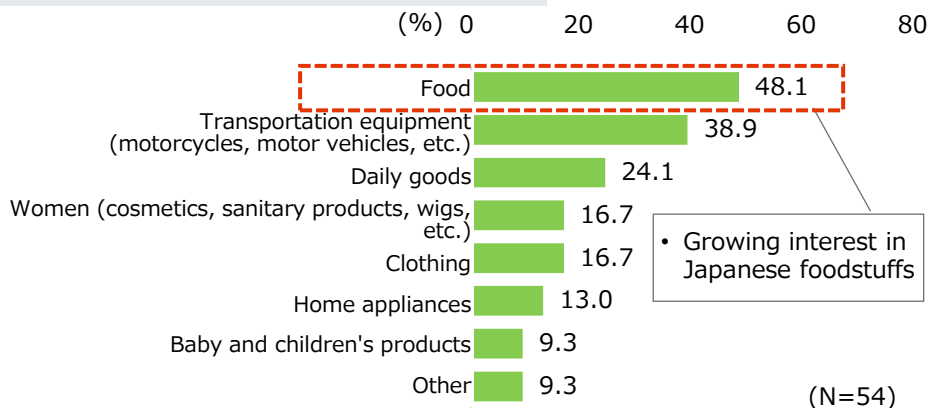
Promising Business Areas (Multiple Answers)



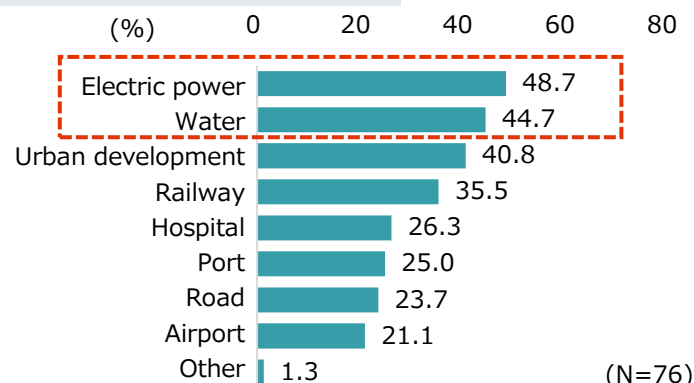
Resources/Energy (Multiple Answers)



Consumer Market (Multiple Answers)

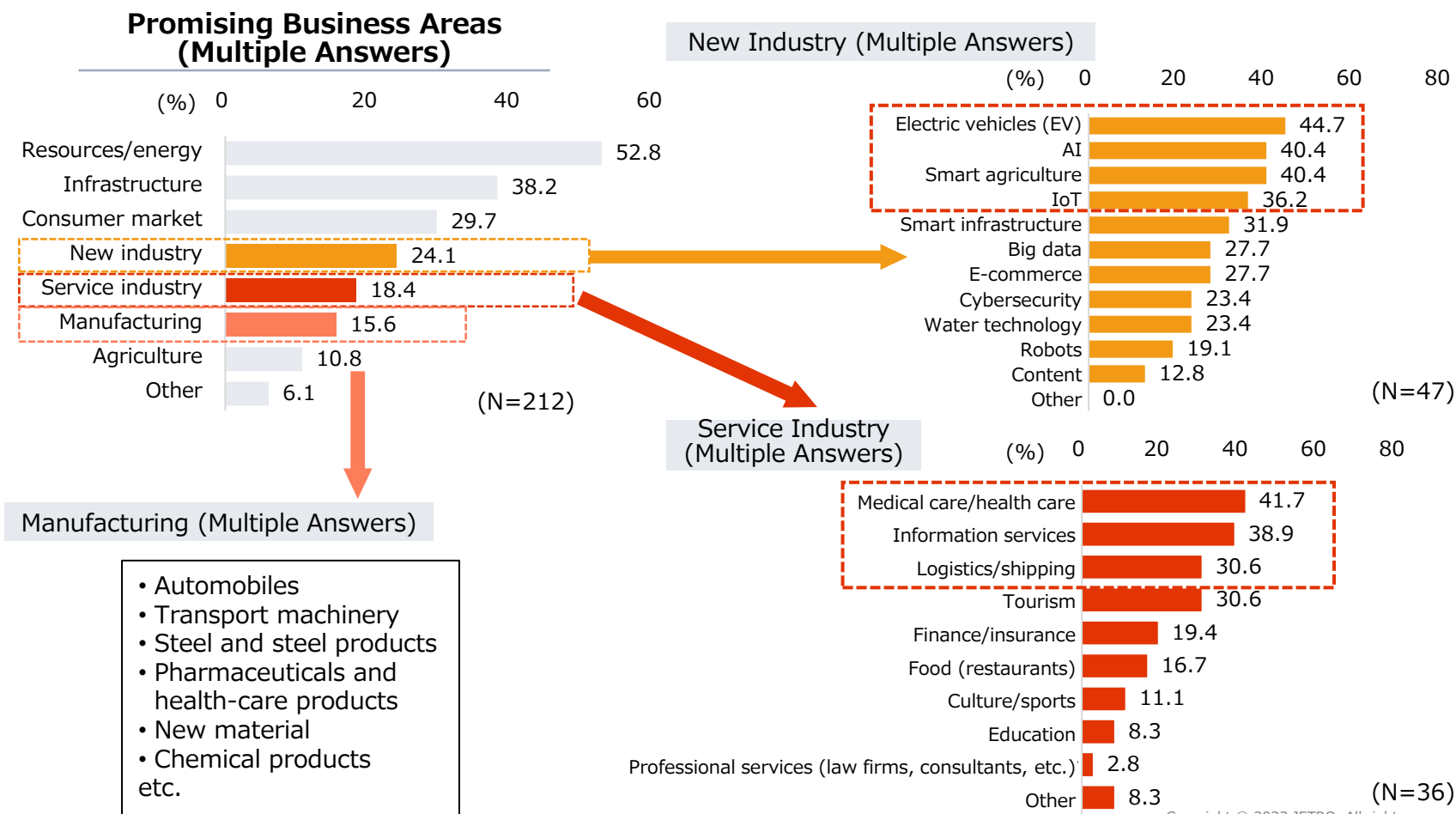


Infrastructure (Multiple Answers)



1 | Promising Business Areas (2)

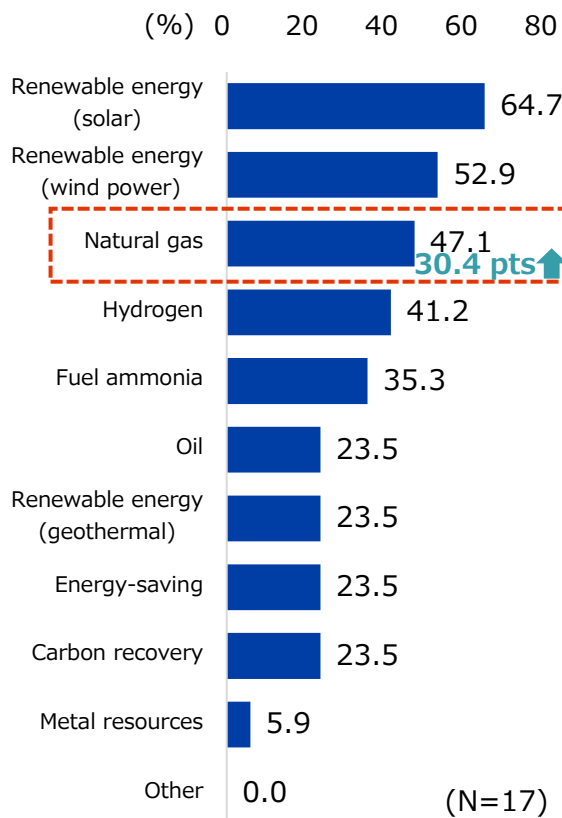
- Among “new industry,” “IoT” for which the largest proportion of companies voted in the previous survey, fell to fourth. “EV,” “AI,” and “smart agriculture” became the top three this year.
- In the “service industry,” “medical care/health care” and “information services” constituted the top two, the same results as last year. “Logistics/shipping” overtook “tourism” this year to become the third most promising sector.



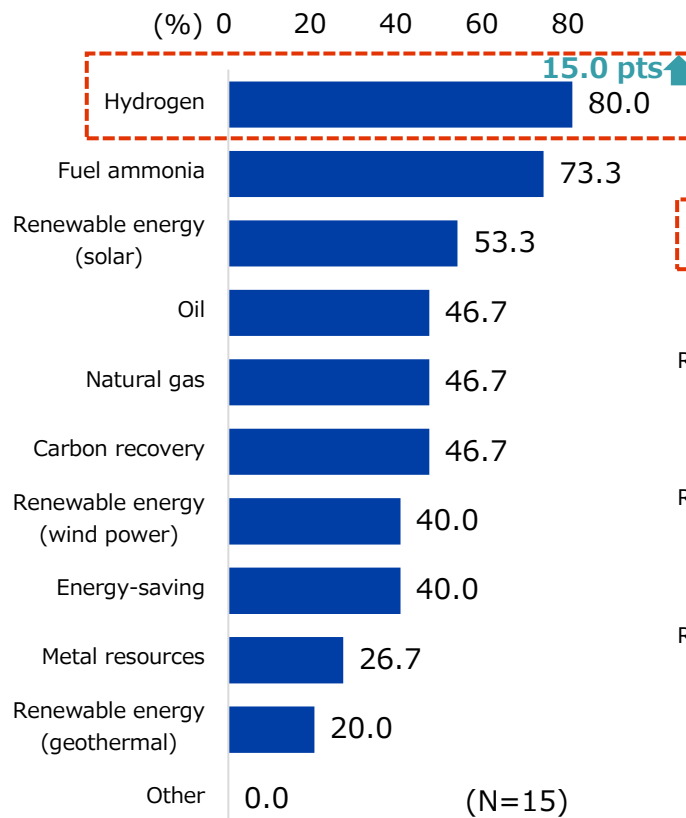
2 | Promising Business Areas (Resources and Energy/by Country)

- In “resources/energy,” “renewable energy (solar)” topped the list of most promising sectors in Turkey, as in the previous year. “Natural gas,” which was eighth the previous year, was third this year.
- In Saudi Arabia, “hydrogen” knocked “fuel ammonia” off the top spot. In the UAE, “carbon recovery” climbed from fifth in the preceding survey to second.

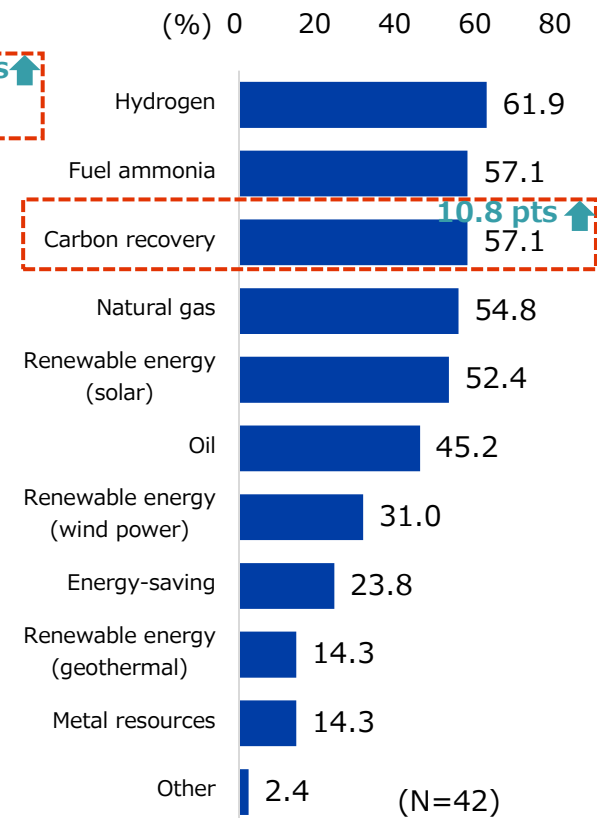
Turkey <Multiple Answers>



Saudi Arabia <Multiple Answers>



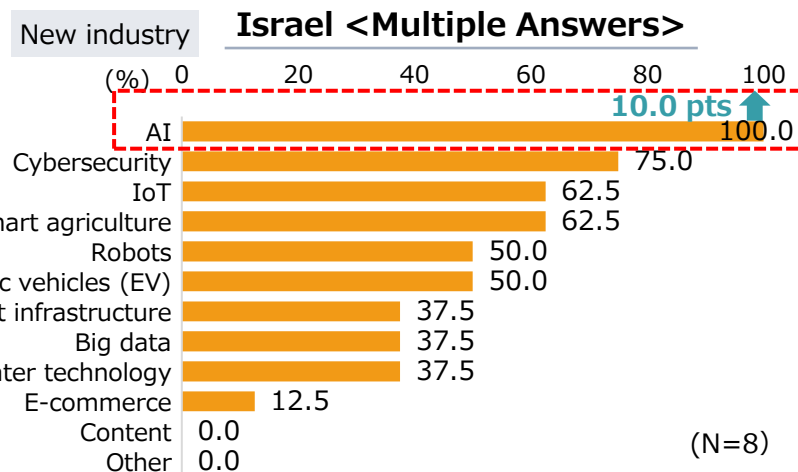
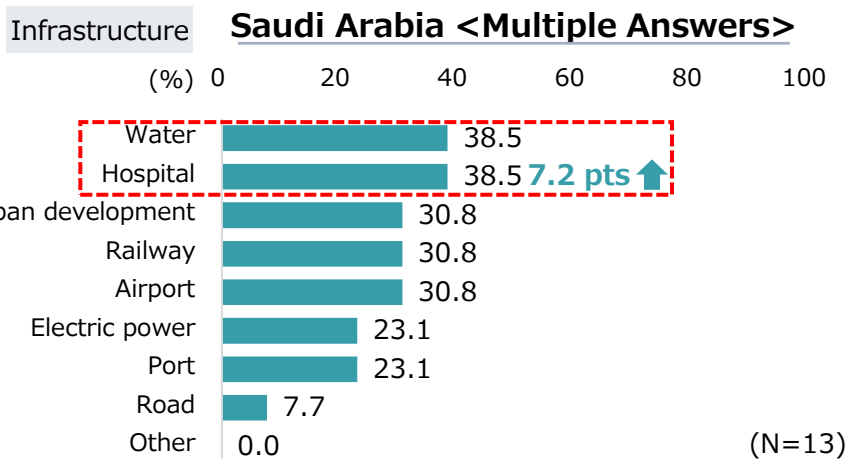
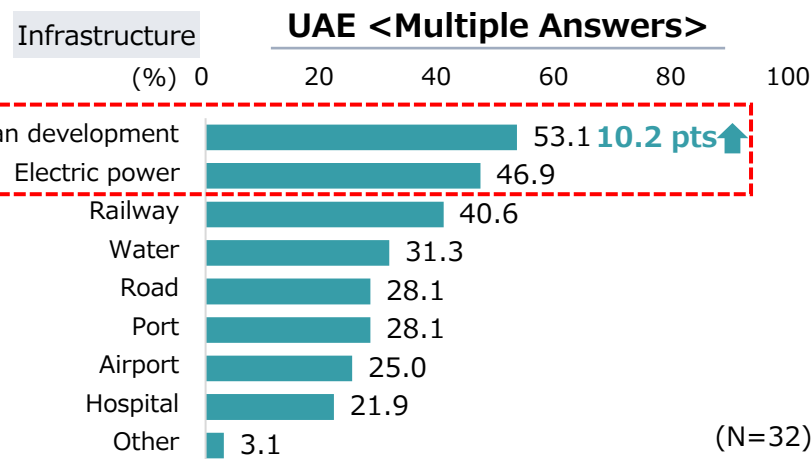
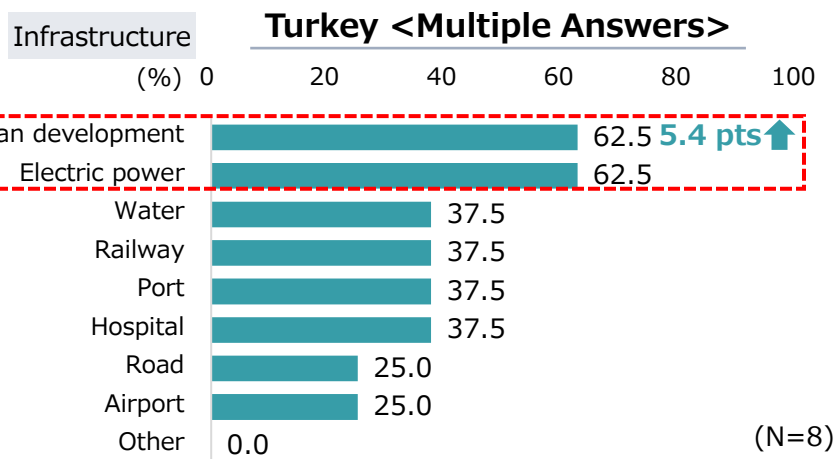
UAE <Multiple Answers>



Compared to previous year: ↑ Up ↓ Down

3 | Promising Business Areas (Infrastructure, New Industry/by Country)

- In "infrastructure," "urban development" was voted for by a larger proportion of companies than in the previous year in Turkey and the UAE to top the list of the most promising sectors. In Saudi Arabia, votes for "hospital" increased, putting it at the top of the list with "water."
- In "new industry" in Israel, the "AI" sector was recognized as having the greatest potential, as in a year earlier, receiving a unanimous vote this year from companies operating in the country. The second most promising sector and those below were more or less the same as the previous year.

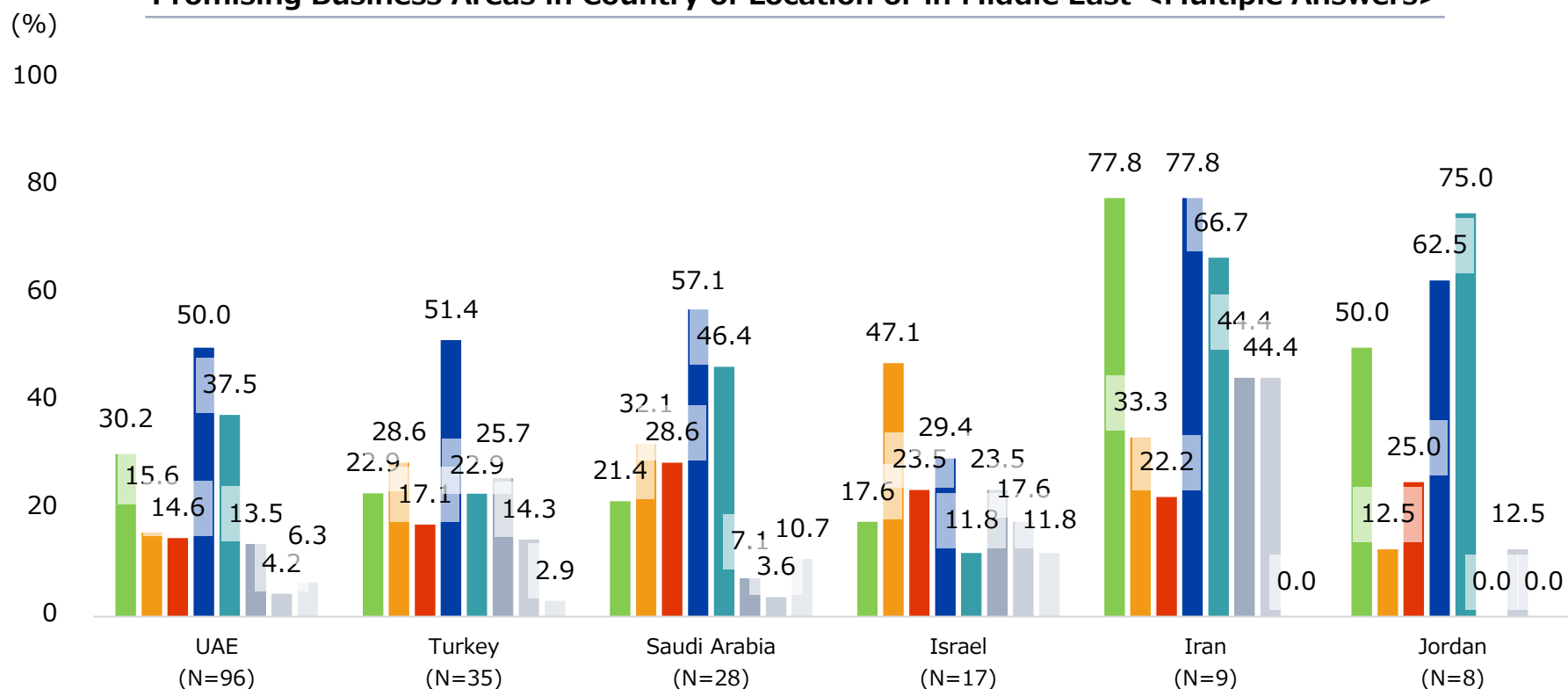


Compared to previous year: ↑ Up ↓ Down

4 | Promising Business Areas (by Country)

- By country, many companies in UAE, Turkey, Saudi Arabia, and Iran consider “resources/energy” as a promising area.
- Those in countries other than Israel have greater interest in the “infrastructure” area as well. The “consumer market” area drew increasing attention from companies in Iran and Jordan. The largest proportion of companies in Israel selected “new industry” as a promising area.

Promising Business Areas in Country of Location or in Middle East <Multiple Answers>



■ Consumer market
 ■ New industry
 ■ Service industry
 ■ Resources/energy
 ■ Infrastructure
 ■ Manufacturing
 ■ Agriculture/food processing
 ■ Other

5 | Reference: Green Energy

- Following COP27 held in Egypt, the 28th session of the Conference of the Parties to the United Nations Framework Convention on Climate Change (COP28) was held in Dubai, UAE, marking the second consecutive time the Middle East and Africa region has hosted the conference.
- UAE, the COP28 Presidency, emphasized the Climate Fund and energy transition. With the launch of the Loss and Damage Fund, a number of new pledges have been made in the energy sector, including hydrogen and renewable energy.

Overview of COP28

Schedule	November 30 to December 13, 2023
Host Country/ City	Dubai, United Arab Emirates (UAE) The Global Stocktake (GST), a comprehensive five-year assessment of progress against each of the goals set out in the Paris Agreement, was conducted for the first time.

Main Agenda	Results
Climate Fund	<ul style="list-style-type: none"> • Governments agreed to establish a Loss and Damage Fund. • The UAE announced the launch of US\$30 billion ALTERRA investment platform aimed at driving private capital toward climate investments. • As of December 4, commitments totaling more than \$57 billion were announced in areas such as renewable energy, food, and water.
Energy	<ul style="list-style-type: none"> • 130 countries have signed up to the pledge to triple global renewable power capacity by 2030 and double the annual rate of energy efficiency improvements every year to 2030. • 37 countries have signed a declaration of intent on the mutual recognition of certification schemes for clean hydrogen and hydrogen derivatives. • 66 countries support the Global Cooling Pledge, which aims to reduce CO₂ emissions from cooling equipment by at least 68% by 2050.



Photo by JETRO

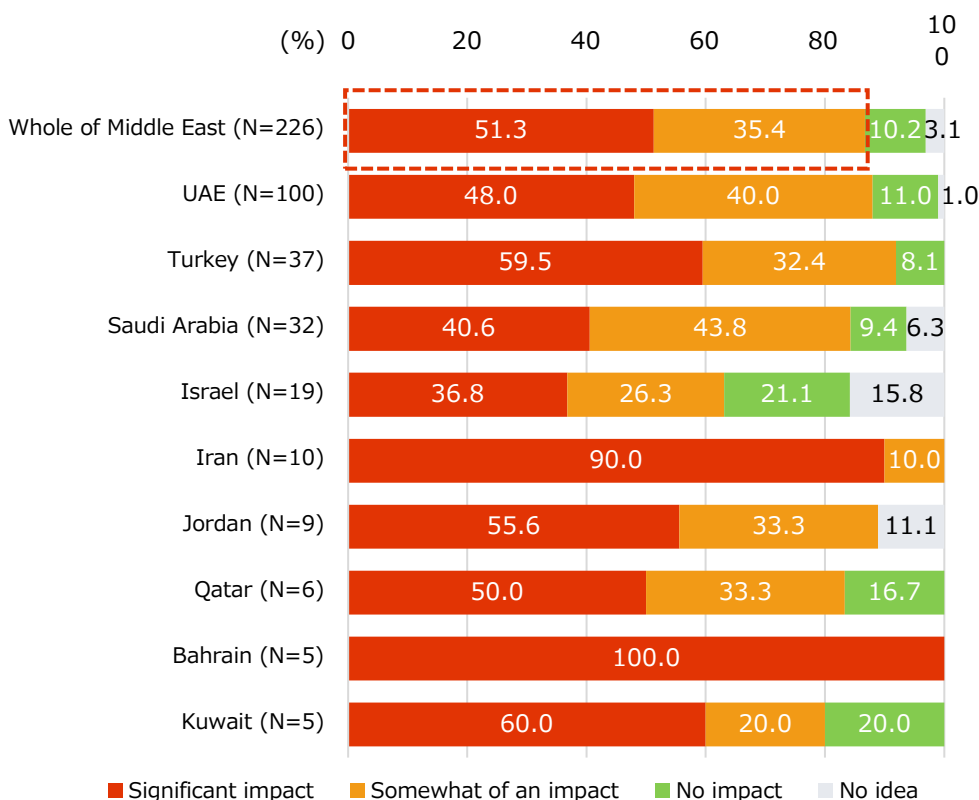
(Sources) Official website of COP28; and Special Issue of JETRO Business News (only in Japanese) "Responses of Countries and Regions to COP28."

VI. Impact of Global & Regional Affairs

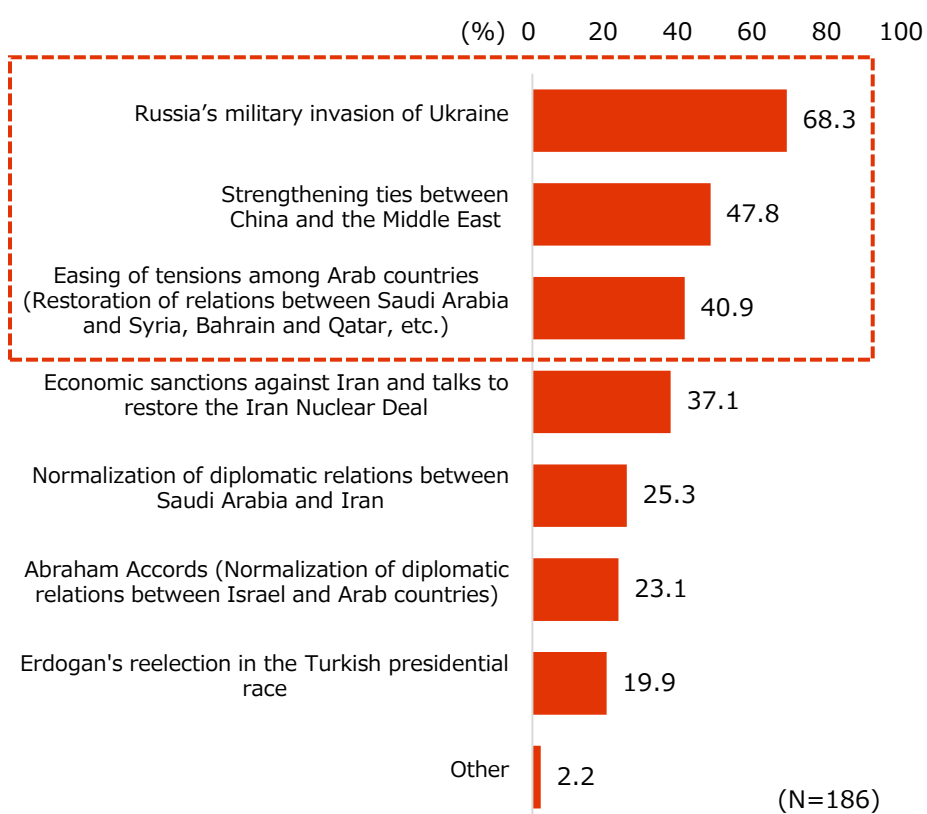
1 | Impact of Global & Regional Affairs on Business

- A total of 86.7% of companies said that political and diplomatic developments in global and regional affairs have a significant impact or somewhat of an impact on their business.
- Among developments affecting the company's business, "Russia's invasion of Ukraine" was the most common response, cited by just under 70% of companies. It was followed by "strengthening ties between China and the Middle East" (cited by just under half of companies) and "easing of tensions among Arab countries" (40%).

Impact of Political and Diplomatic Developments around the World and in the Middle East



Political and Diplomatic Developments Affecting Company's Business



2 | Impact of Russia's Invasion of Ukraine on Business

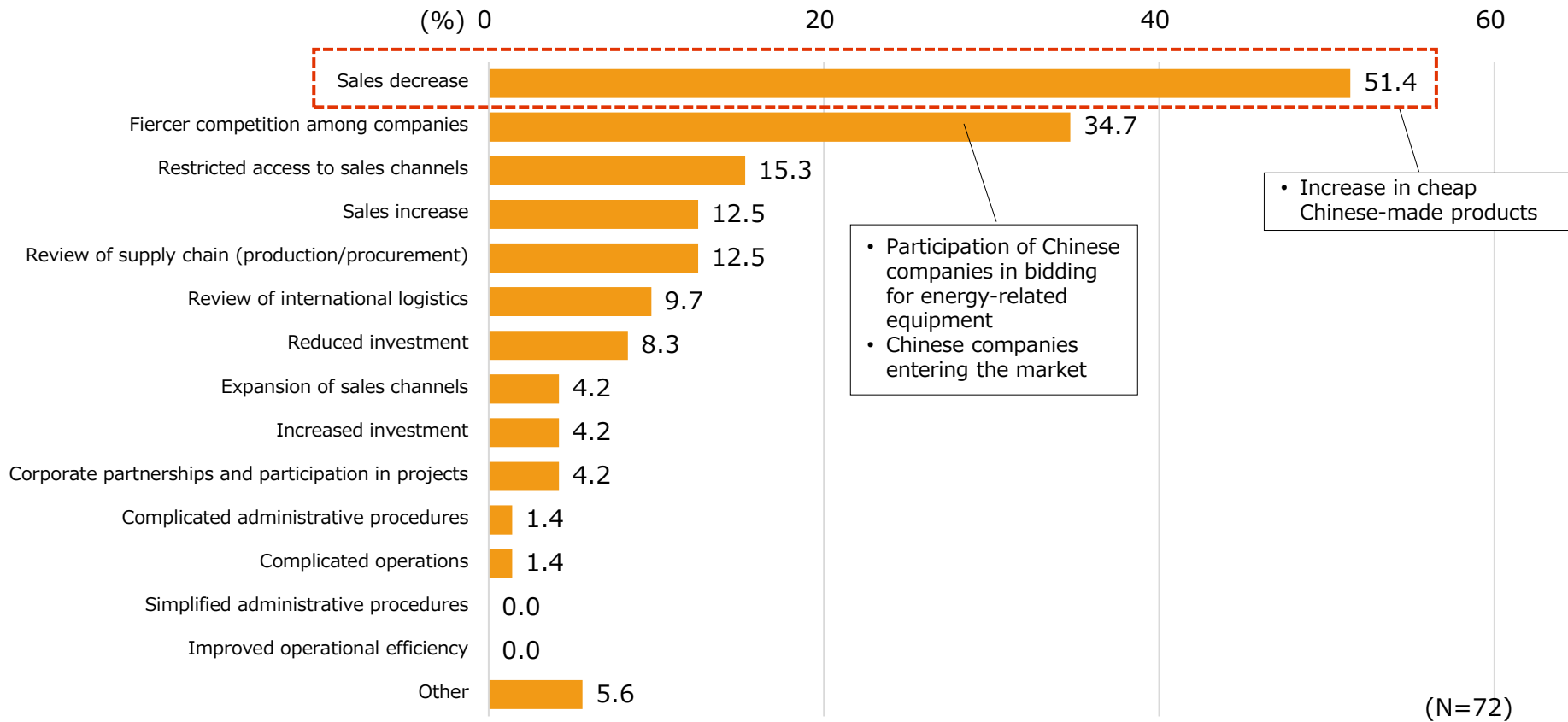
- "Increase in resource and fuel costs" topped the list of specific impacts of Russia's invasion of Ukraine on business, with 36.8% of respondents citing it.
- It was followed by "withdrawal from business with Russia" and "rise in raw material and parts prices," each receiving votes from more than 30% of companies.



3 | Impact of Strengthening Ties between the Middle East and China on Business

- “Sales decrease” topped the list of specific impacts of strengthening ties between the Middle East and China on business, cited by the majority of companies.
- It was followed by “fiercer competition among companies, receiving votes from about 35% of companies.

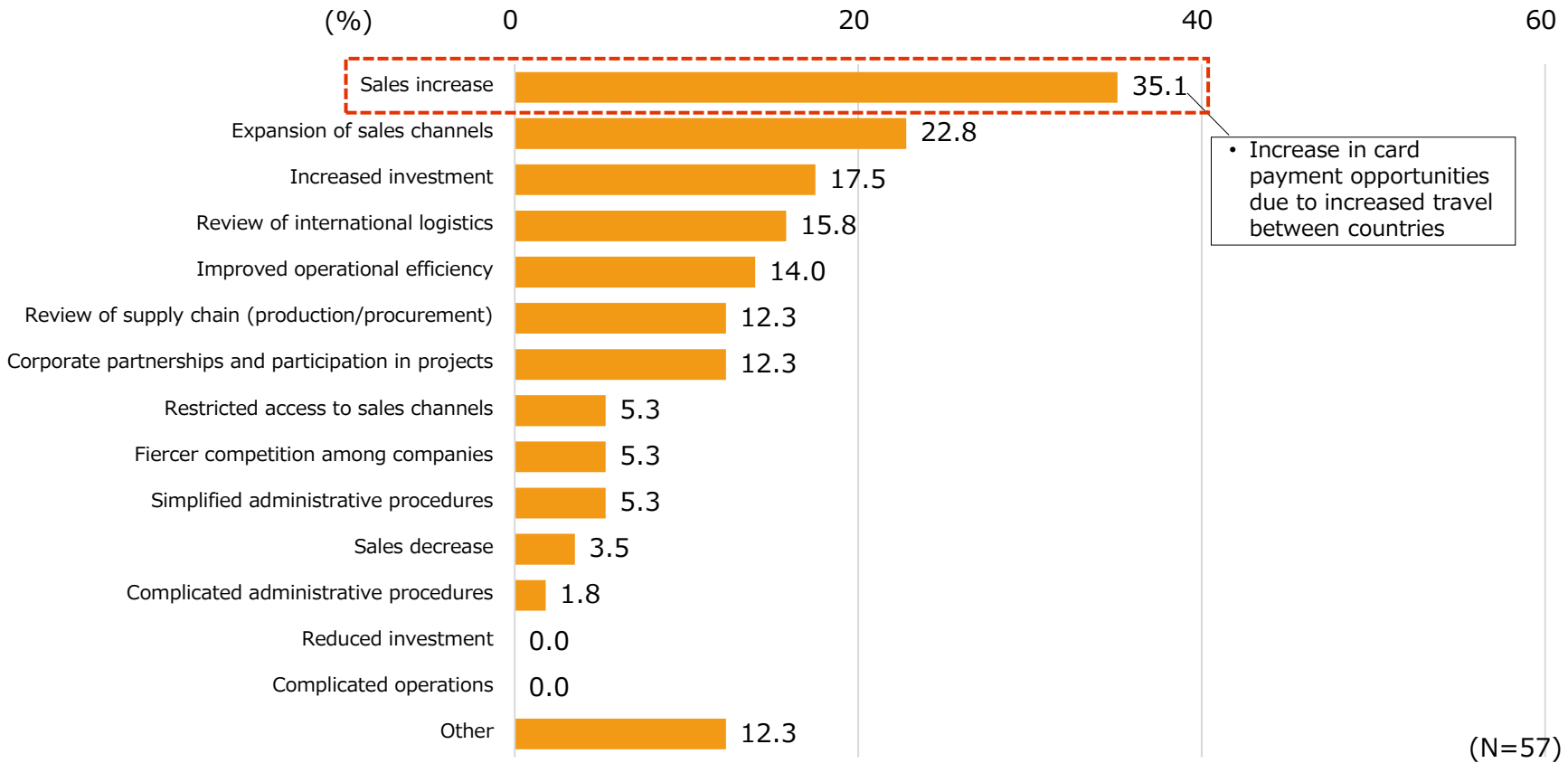
Strengthening ties between China and the Middle East



4 | Impact of Easing of Tensions among Arab Countries on Business

- “Sales increase” topped the list of specific impacts of easing of tensions among Arab countries on business, with 35.1% of companies citing it.
- It was followed by other positive impacts such as “expansion of sales channels” and “increased investment.”

Easing of tensions among Arab countries

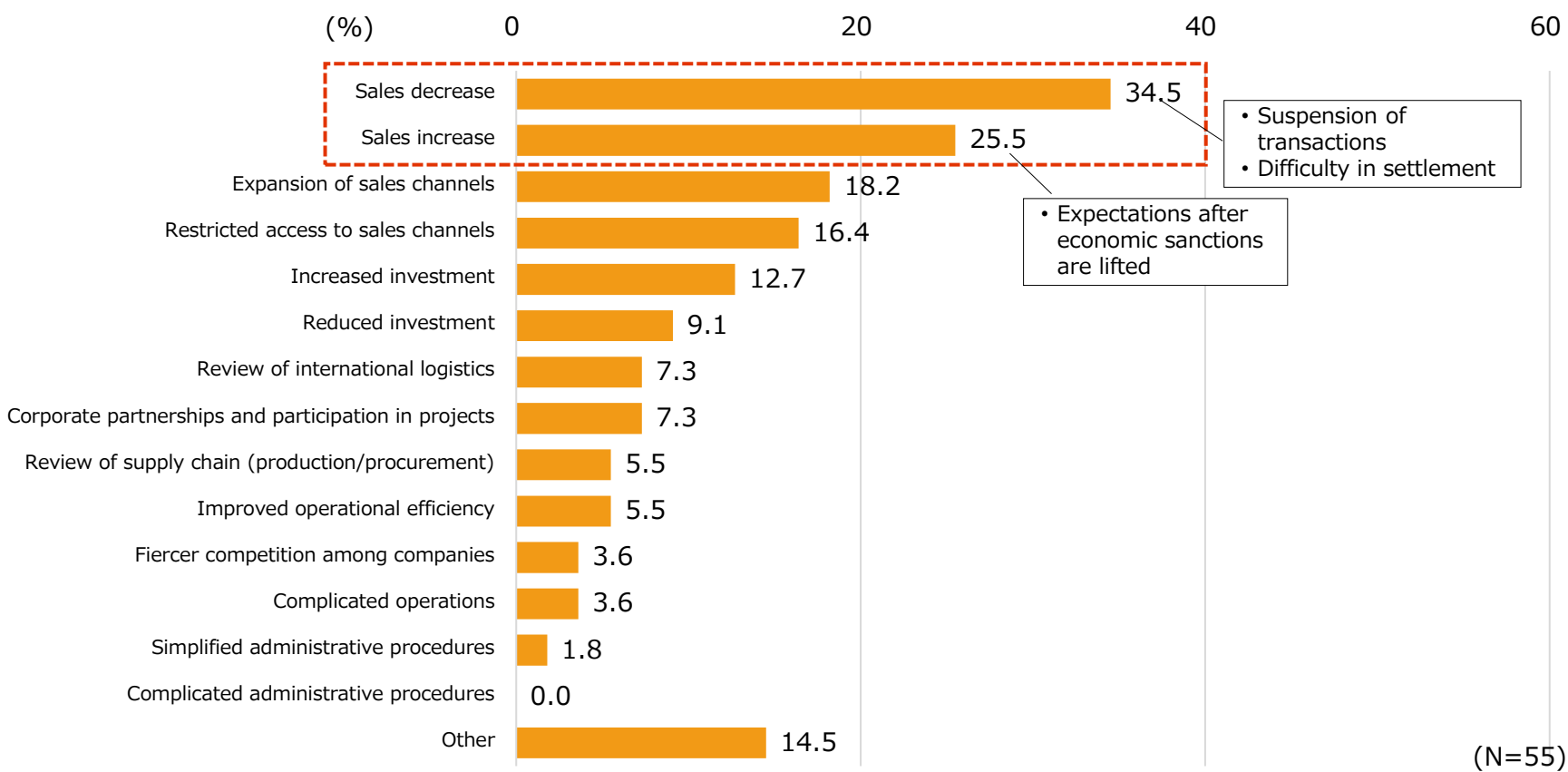


• Increase in card payment opportunities due to increased travel between countries

5 | Impact of Sanctions on Iran on Business

- “Sales decrease” topped the list of specific impacts of sanctions on Iran on business, with 34.5% of companies citing it.
- It is notable that sanctions on Iran have both positive and negative impacts on sales, sales channels, investment, etc.

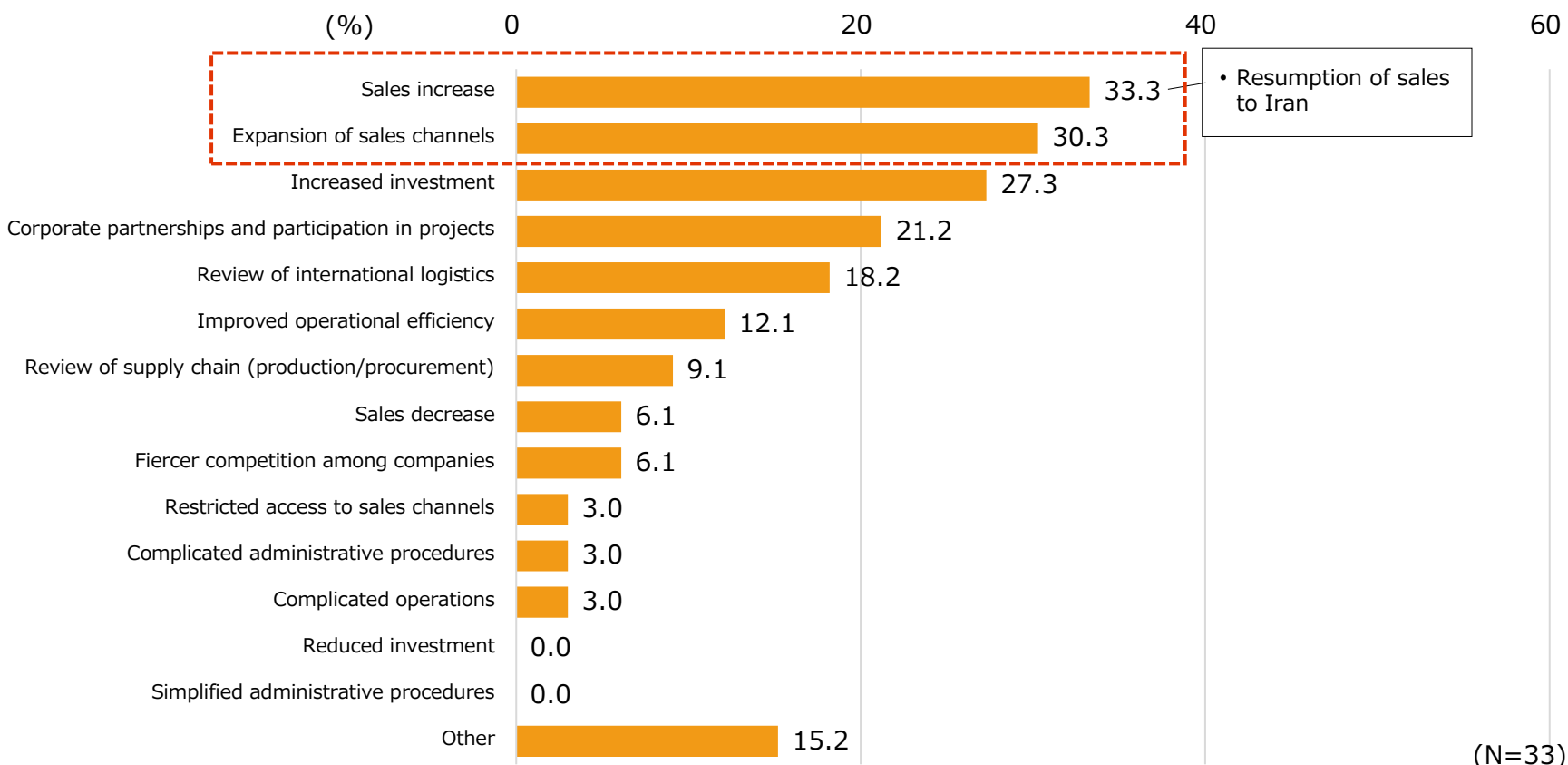
Economic sanctions against Iran and talks to restore the Iran Nuclear Deal



6 | Impact of Normalization of Diplomatic Relations between Saudi Arabia and Iran on Business

- “Sales increase” topped the list of specific impacts of normalization of diplomatic relations between Saudi Arabia and Iran on business, with 33.3% of companies citing it, followed by “expansion of sales channels” at 30.3%.
- Positive impacts on sales, sales channels, investment, etc. were the most common responses.

Normalization of diplomatic relations between Saudi Arabia and Iran

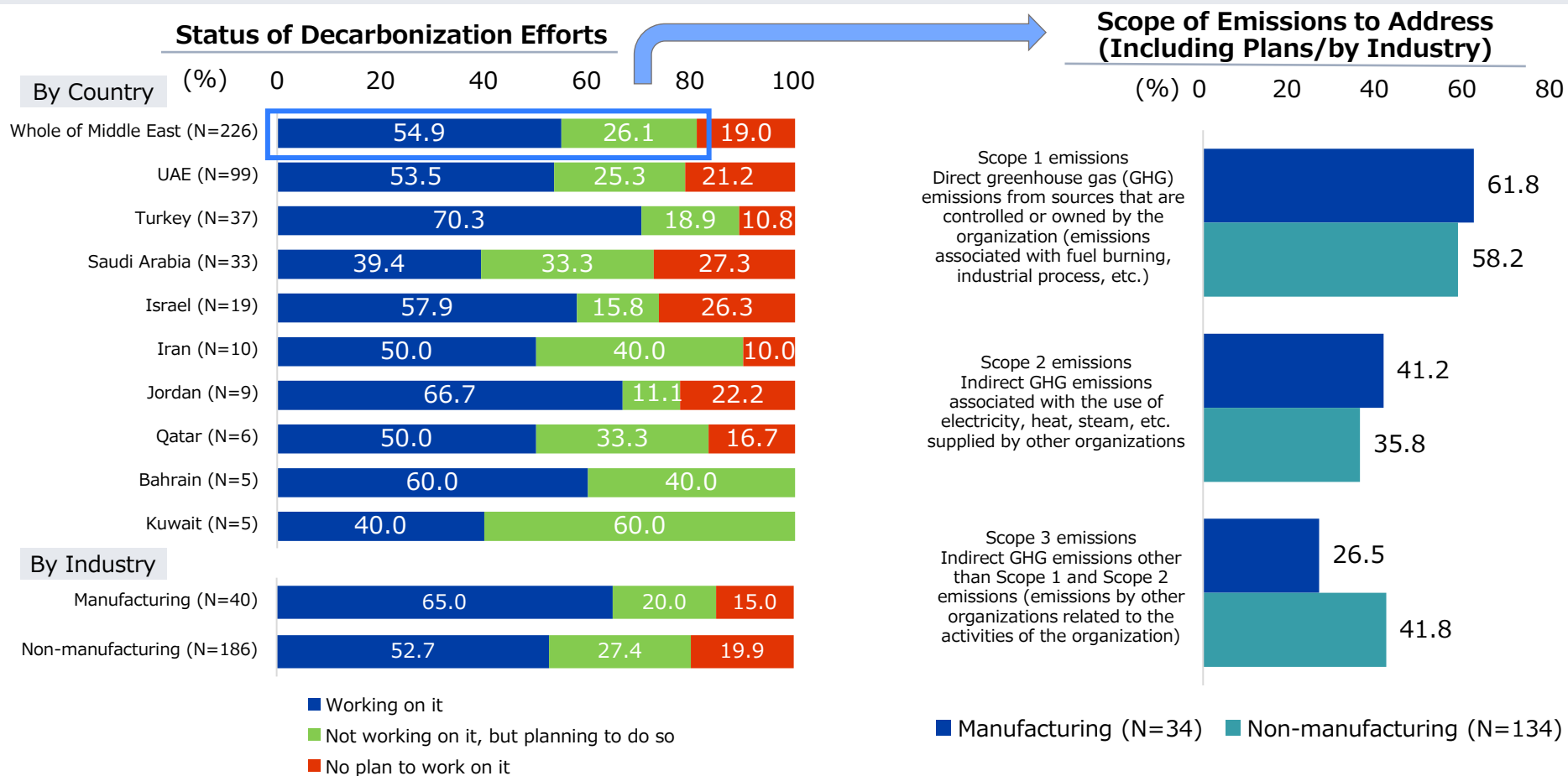


(N=33)

VII. Reference

1 | Decarbonization Efforts (1)

- In the Middle East, 81.0%, higher than the global average (77.6%), of companies said that they were working on, or planning to work on, decarbonization. In many countries, the majority of companies said they were already working on it. In Turkey, more than 70% are already working on it.
- The percentage of non-manufacturers working to address Scope 1 emissions, and that of manufacturers working to address Scope 3 emissions are higher than the respective global averages. Other percentages are on a par with or below the respective global averages.



1 | Decarbonization Efforts (2)

- Out of companies working on, or planning to work on, decarbonization, slightly less than 60% said that they were trying to reduce Scope 1 emissions, while just under 40% said that they were aiming to address Scope 2 emissions or Scope 3 emissions.
- Out of Scope 3 categories, “purchased goods and services” and “fuel- and energy-related activities” are the two categories most focused on, each receiving votes from nearly 40% of companies.

Specific Decarbonization Efforts (Including Those under Consideration) <Multiple Answers>

Scope of Emissions to Address (Including Plans/Whole of Middle East)

(%) 0 20 40 60 80

Scope 3 Categories of Priority (Including Those under Consideration)

(%) 0 20 40 60

Scope 1 emissions
Direct greenhouse gas (GHG) emissions that occur from sources that are controlled or owned by the organization (emissions associated with fuel burning, industrial process, etc.)

58.9

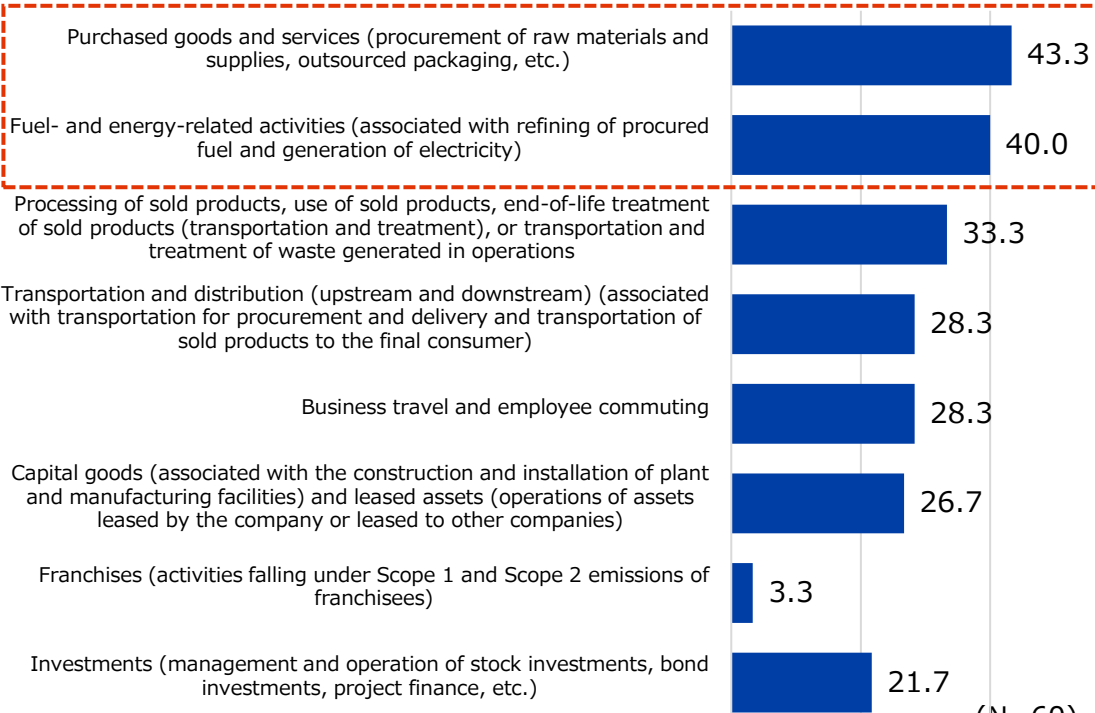
Scope 2 emissions
Indirect GHG emissions associated with the use of electricity, heat, steam, etc. supplied by other organizations

36.9

Scope 3 emissions
Indirect GHG emissions other than Scope 1 and Scope 2 emissions (emissions by other organizations related to the activities of the organization)

38.7

(N=168)



(N=60)

For inquiries, please contact:

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**Middle East and Africa Division,
Research & Analysis Department**



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