

FY 2019 Survey on Business Conditions of Japanese Affiliated Companies in the Middle East

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Japan External Trade Organization (JETRO)

Middle East & Africa Division,
Overseas Research Department

Key Points

Expansion of operations in Israel and Turkey, while expectations for profits remain at the same level in the region.

1

[Operating Profit Forecast]

Regarding operating profit forecasts for 2019, about 50% of total companies in the Middle East reported a surplus. Looking at the forecast for 2020 in comparison with the previous year, 60% of companies expect to remain at the current level.

2

[Future Business Outlook]

Regarding future business development, about 50% of companies expect to maintain the status quo. Looking at the results by country, about 60% of firms in Israel and Turkey expect to expand business, while about half of firms in Iran expect to downsize. As promising fields, those in Israel point out "new industries" and those in Turkey "consumer markets," especially the "food market."

3

[Investment Environment]

In terms of challenges in the investment environment across the region, an undeveloped or unclear legal system ranked highest. The results show that all countries have their own distinctive issues.

Survey Overview

Objective

- To understand the actual conditions of Japanese-affiliated companies' business activities 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 251 companies (84 from UAE, 52 from Turkey, 25 from Saudi Arabia, 18 from Israel, 18 from Qatar, 15 from Iran, 14 from Jordan, 12 from Kuwait, 7 from Bahrain, and 6 from Oman)

Period

- September 9 - October 18, 2019

Response Rate

- The valid response rate was 91.9%. The survey was sent to 273 Japanese-affiliated companies in 10 Middle Eastern countries. Valid responses were received from 251 companies

Remarks

- This was the 7th survey for UAE and the 6th for Saudi Arabia. It was the 5th survey that covered all industries for Turkey, and the third survey that had been performed in Qatar. It was the second time it had been held in 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.

Notes

- All response rates are shown in 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

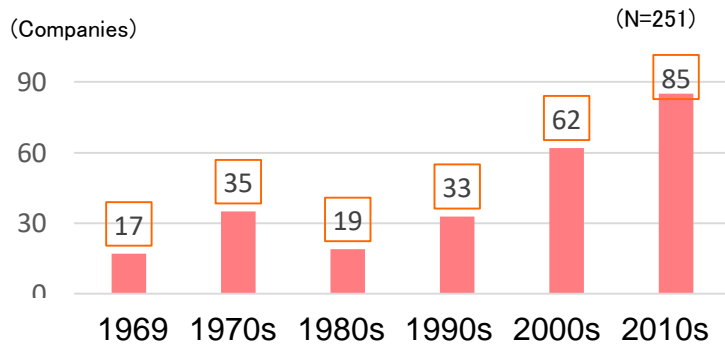


No. of Japanese-affiliated Companies (as of October 1, 2018)	No. of Locations	Y-o-Y
United Arab Emirates	342	1.5%
Turkey	193	-2.0%
Saudi Arabia	114	-0.9%
Israel and the Gaza Strip, etc.	72	9.1%
Qatar	37	-19.6%
Iran	30	-6.3%
Oman	20	0.0%
Bahrain	19	-5.0%
Jordan	19	0.0%
Kuwait	18	0.0%
Lebanon	7	0.0%
Yemen	0	0.0%
Iraq	-	-
Syria	-	-
Total	871	-0.7%

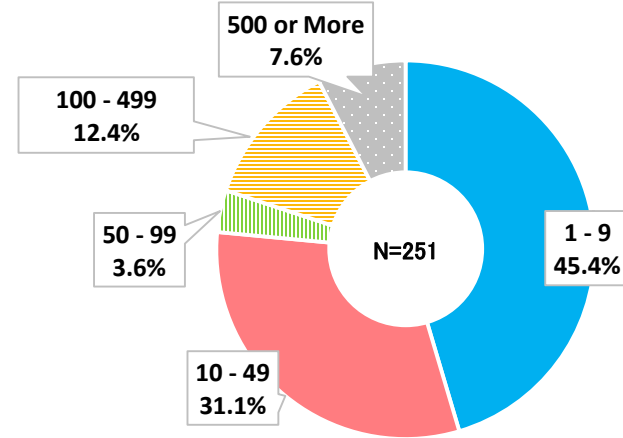
Source: Ministry of Foreign Affairs, "Annual Report of Statistics on Japanese Nationals Overseas (FY 2019 edition)"

Profile of Respondent Firms

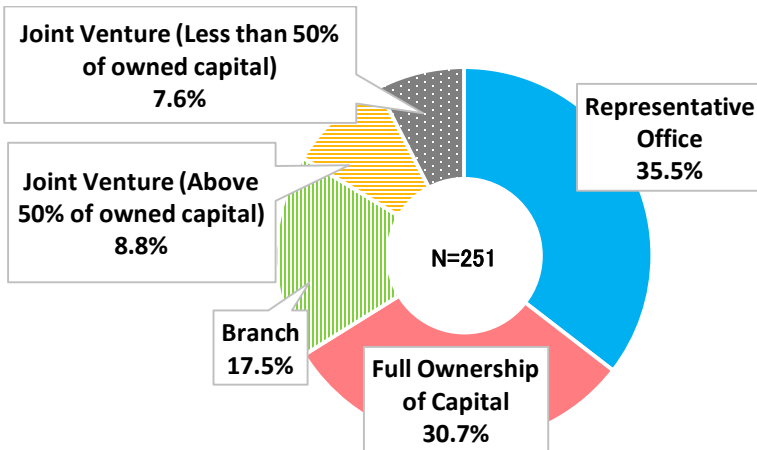
Year of Establishment



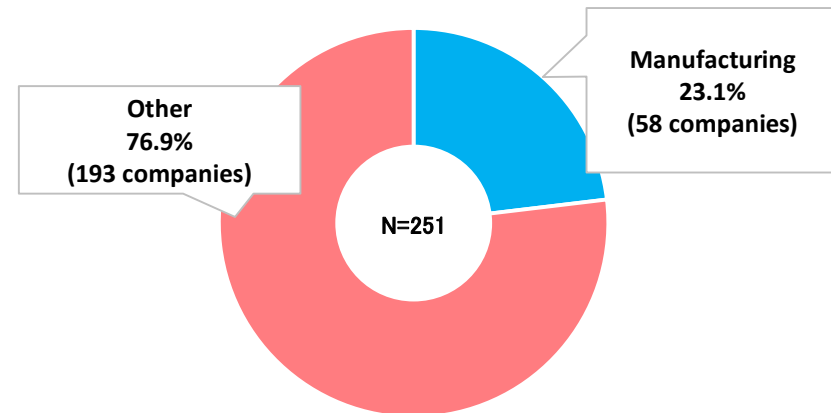
Total Number of Employees



Form of Overseas Base



Industry (Manufacturing/Other)



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

1. Operating Profit Forecast

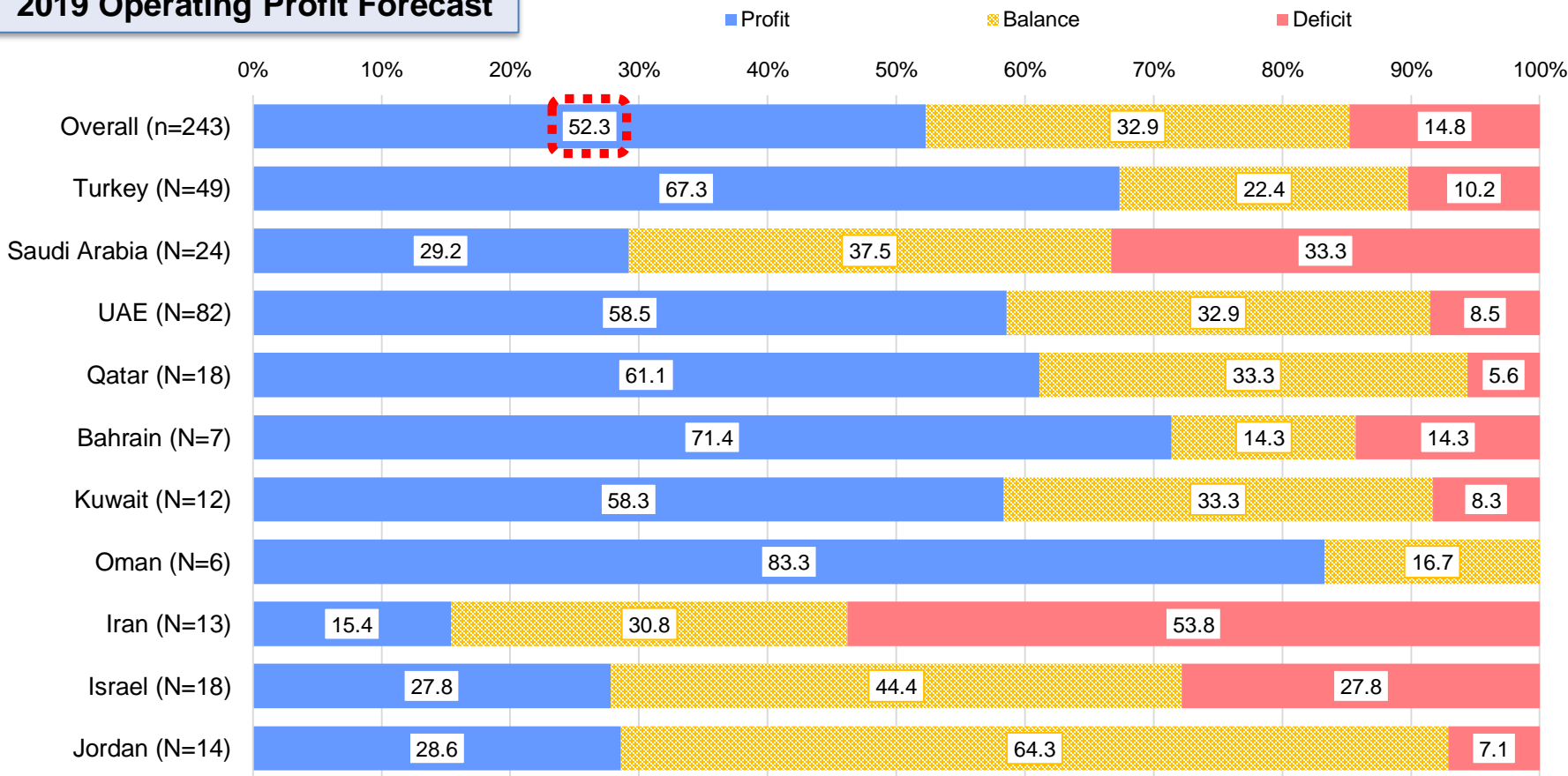
2. Future Business Outlook:

3. Investment Environment Advantages and Challenges

Operating Profit Forecast 1: Surplus rate approx. 50% in 2019

- Overall, approximately 50% of companies reported profit.
- As well as in Oman and Bahrain, there was a large percentage of companies profiting in Turkey, which has seen its currency depreciate. There was also profit seen in Qatar, which is dealing with diplomatic issues.
- In Iran, which is facing US sanctions, more than 50% of companies reported deficit. In Israel, less than 30% of companies reported profit, despite a strong economy.

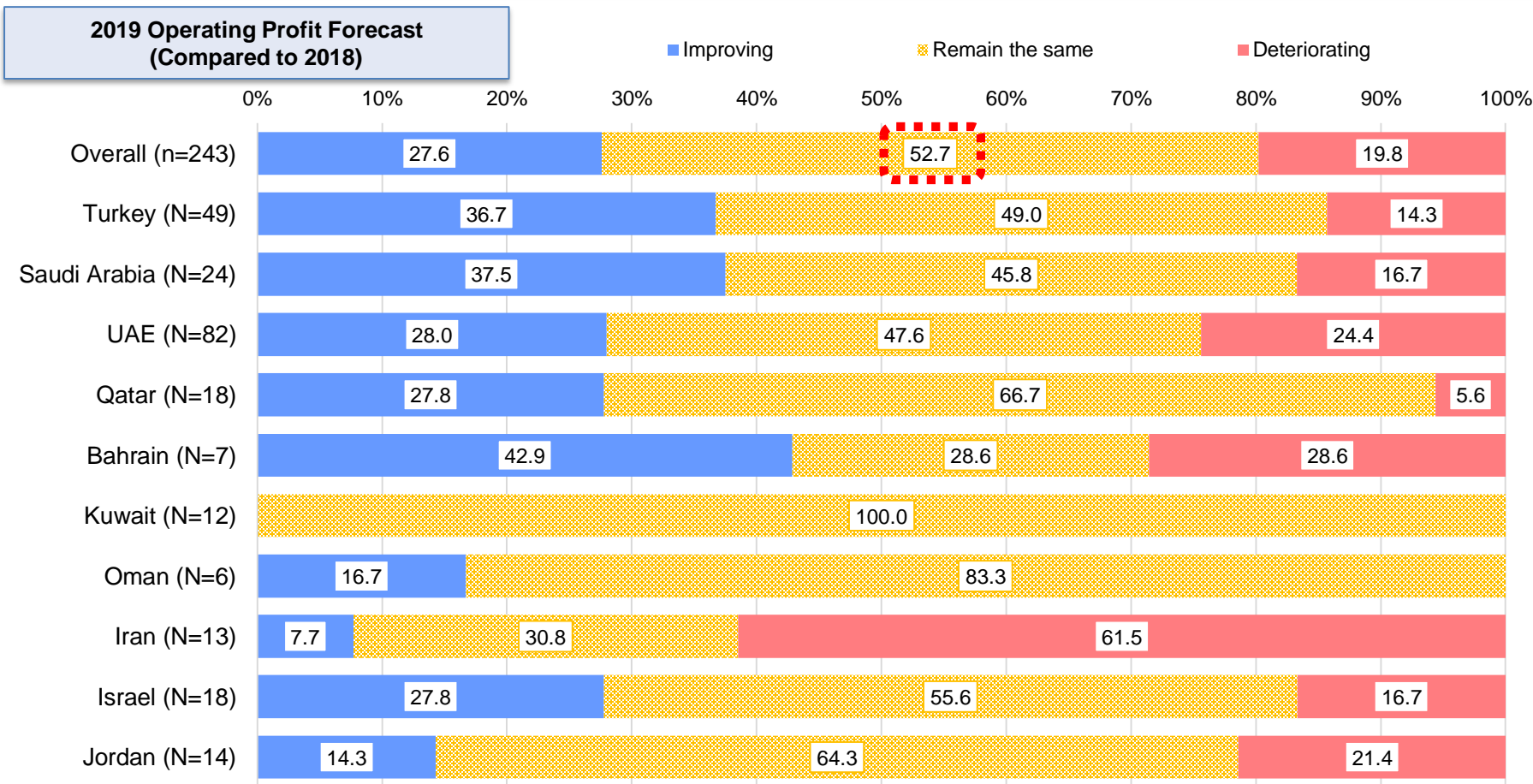
2019 Operating Profit Forecast



Operating Profit Forecast 2:

Approx. 50% respond “remain the same” for 2019 (Compared to 2018)

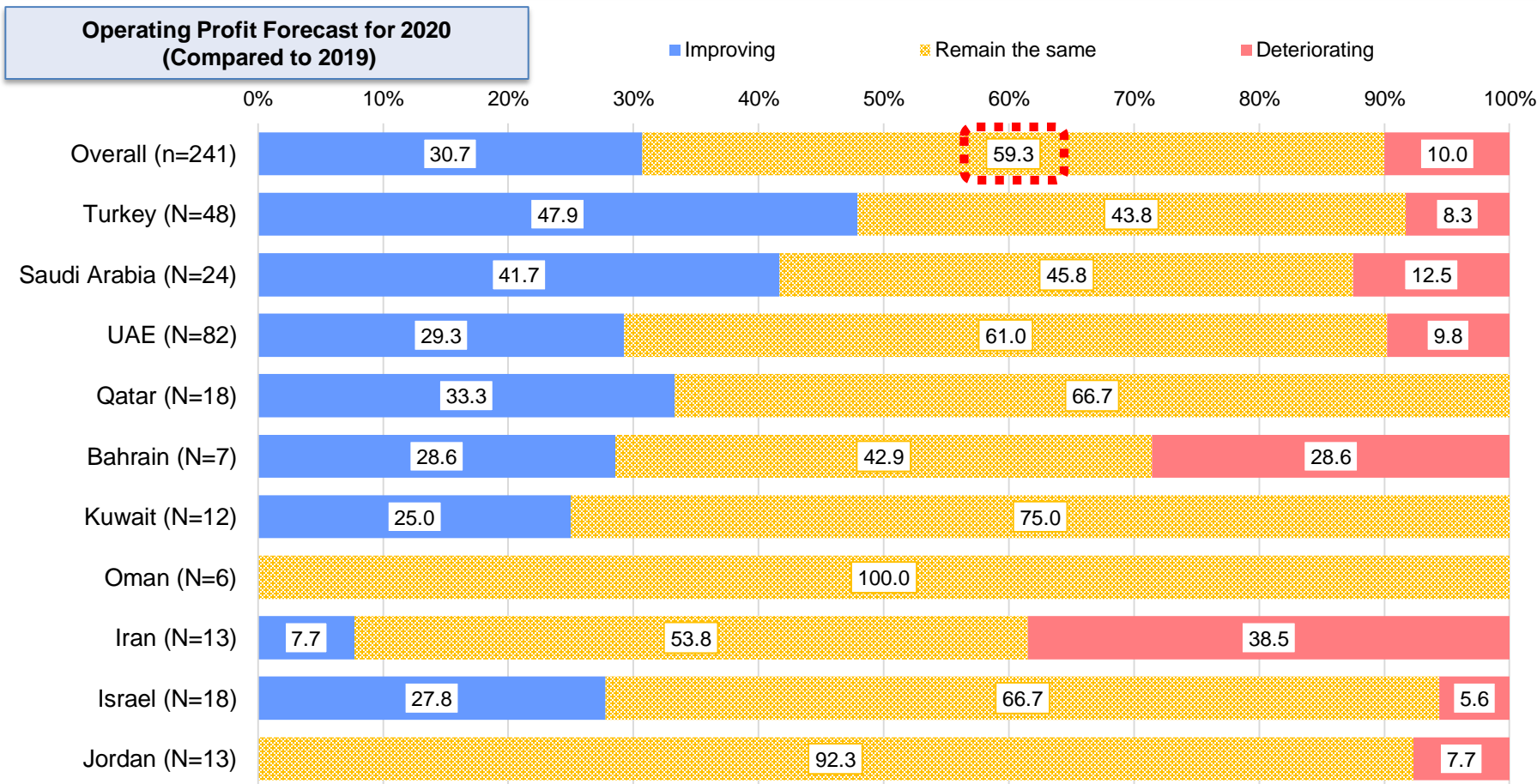
- Compared to 2018, approximately 50% of firms expected “remain the same” in their operating profit. This was frequently seen in all countries, except for Iran where around 60% responded with “deteriorating”.



Operating Profit Forecast 3:

About 60% respond that their outlook for 2020 (compared to 2019) was “remain the same”

- Overall, approximately 60% of firms responded “remain the same” in 2020 (compared to 2019). This was the same for all countries.
- In Iran, around 40% expected their profit would further “deteriorate” but the greatest proportion answered, “maintain the same” (53.8%).



Operating Profit Forecast 4:

A reason for the improvement in 2019 is "sales increase in local markets"

- The proportion responding "sales increase in local markets" was high for 2019 at approximately 70% of the total.
- "Expansion of exports" is also a major factor in the UAE and Israel.

2019 Operating Profit Forecast (Reasons for Improvement)

(Multiple answers)

(Unit: %)

	No. of firms responding	Sales increase due to export expansion	Sales increase in local markets	Effects of exchange rate fluctuation	Reduction in procurement costs	Reduction in labor costs	Reductions in other expenditures (Administrative, utility and fuel costs etc.)	Improvements in production efficiency (Manufacturing only)	Improvements in sales efficiency	Benefits from own/other country's trade restrictions	Benefits from own/other country's trade promotion measures, such as abolishment of tariffs, FTP/EPAs etc.	Other
Entire Region	66	37.9	69.7	1.5	18.2	7.6	16.7	7.6	18.2	1.5	0.0	10.6
Turkey	18	27.8	72.2	5.6	16.7	0.0	16.7	16.7	33.3	0.0	0.0	5.6
Saudi Arabia	9	11.1	66.7	0.0	22.2	22.2	44.4	11.1	22.2	11.1	0.0	22.2
UAE	23	65.2	73.9	0.0	21.7	4.3	13.0	0.0	8.7	0.0	0.0	4.3
Qatar	5	0.0	60.0	0.0	20.0	0.0	0.0	0.0	0.0	0.0	0.0	20.0
Bahrain	3	33.3	100.0	0.0	33.3	33.3	33.3	33.3	0.0	0.0	0.0	0.0
Kuwait	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Oman	1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0
Iran	1	0.0	100.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0
Israel	5	60.0	40.0	0.0	0.0	20.0	0.0	0.0	20.0	0.0	0.0	20.0
Jordan	1	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Operating Profit Forecast 5:

Reasons for deterioration in 2019 also relate to “sales decrease in local markets”

- The proportion responding “sales decrease in local markets” was high for 2019 at approximately 70% of the total.
- In Jordan and the UAE, this could be put down to “export slowdowns”.
- Firms in Iran were experiencing the impact of US sanctions, with the majority (57.1%) responding “effects from trade restrictions”

2019 Operating Profit Forecast (Reasons for Deterioration)

(Multiple answers)

(Unit: %)

	No. of firms responding	Sales decrease due to export slowdown	Sales decrease in local markets	Effects of exchange rate fluctuation	Increase in procurement costs	Increase in labor costs	Increase in other expenditures (Administrative, utility and fuel costs etc.)	Rising interest rates	Production costs insufficiently shifted to selling price of goods	Impacts from own/other country's trade restrictions (increased tariffs, export amount restrictions, sanctions, industry policies such as import substitutes)	Effects from own/other country's trade promotion measures, such as abolishment of tariffs, FT/PEPAs etc.	Other
Entire Region	47	38.3	72.3	21.3	14.9	25.5	14.9	2.1	23.4	19.1	0.0	12.8
Turkey	7	28.6	85.7	57.1	28.6	28.6	14.3	14.3	28.6	0.0	0.0	14.3
Saudi Arabia	4	0.0	100.0	0.0	50.0	50.0	25.0	0.0	25.0	0.0	0.0	0.0
UAE	20	55.0	80.0	10.0	10.0	15.0	5.0	0.0	40.0	25.0	0.0	10.0
Qatar	1	0.0	100.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0
Bahrain	2	0.0	50.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50.0
Kuwait	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Oman	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Iran	7	28.6	42.9	42.9	0.0	42.9	28.6	0.0	0.0	57.1	0.0	28.6
Israel	3	33.3	66.7	33.3	0.0	33.3	33.3	0.0	0.0	0.0	0.0	0.0
Jordan	3	66.7	33.3	0.0	33.3	33.3	0.0	0.0	0.0	0.0	0.0	0.0

Operating Profit Forecast 6:

A reason for continued improvement in 2020 is "sales increase in local markets"

- The primary reason for improvement in 2020 continued to be "sales increases in local markets". This was 75.7% of the total.
- However, in UAE, Kuwait, and Israel, a major factor was "increase in exports"

2020 Operating Profit Forecast (Reasons for Improvement)

(Multiple answers)

(Unit: %)

	No. of firms responding	Sales increase due to export expansion	Sales increase in local markets	Effects of exchange rate fluctuation	Reduction in procurement costs	Reduction in labor costs	Reductions in other expenditures (Administrative, utility and fuel costs etc.)	Improvements in production efficiency (Manufacturing only)	Improvements in sales efficiency	Benefits from own/other country's trade restrictions (increased tariffs, export amount restrictions, sanctions, industry policies such as import substitutes)	Benefits from own/other country's trade promotion measures, such as abolishment of tariffs, FTA/EPAs etc.	Other
Entire Region	74	40.5	75.7	2.7	13.5	4.1	8.1	5.4	17.6	0.0	0.0	6.8
Turkey	23	34.8	91.3	8.7	13.0	4.3	4.3	8.7	8.7	0.0	0.0	4.3
Saudi Arabia	10	0.0	70.0	0.0	10.0	10.0	30.0	10.0	30.0	0.0	0.0	10.0
UAE	24	66.7	75.0	0.0	20.8	0.0	4.2	0.0	25.0	0.0	0.0	4.2
Qatar	6	16.7	83.3	0.0	16.7	0.0	16.7	0.0	0.0	0.0	0.0	0.0
Bahrain	2	0.0	100.0	0.0	0.0	50.0	0.0	0.0	0.0	0.0	0.0	0.0
Kuwait	3	66.7	33.3	0.0	0.0	0.0	0.0	33.3	33.3	0.0	0.0	0.0
Oman	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Iran	1	0.0	100.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0
Israel	5	60.0	20.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	40.0
Jordan	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Operating Profit Forecast 7:

Reasons for deterioration in 2020 also relate to “sales decrease in local markets”

- The primary reason for deterioration in 2020 was “sales decreases in local markets”. This was 73.9% of the total.
- In Turkey this was due to a variety of factors, including “increase in labor costs”, “increase in procurement costs”, and “exchange rate fluctuations”.
- In the UAE, many responded with “export slowdowns” at 75.0%.

2020 Operating Profit Forecast (Reasons for Deterioration)

(Multiple answers)

(Unit: %)

	No. of firms responding	Sales decrease due to export slowdown	Sales decrease in local markets	Effects of exchange rate fluctuation	Increase in procurement costs	Increase in labor costs	Increases in other expenditures (Administrative, utility and fuel costs etc.)	Rising interest rates	Production costs insufficiently shifted to selling price of goods	Impacts from own/other country's trade restrictions (increased tariffs, export amount restrictions, sanctions, industry policies such as import substitutes)	Effects from own/other country's trade promotion measures, such as abolition of tariffs, FTA/EPAs etc.	Other
Entire Region	23	30.4	73.9	26.1	13.0	30.4	17.4	4.3	8.7	21.7	0.0	13.0
Turkey	4	25.0	75.0	50.0	50.0	75.0	25.0	25.0	0.0	25.0	0.0	0.0
Saudi Arabia	3	0.0	100.0	0.0	0.0	33.3	33.3	0.0	0.0	0.0	0.0	33.3
UAE	8	75.0	87.5	12.5	0.0	12.5	12.5	0.0	25.0	12.5	0.0	12.5
Qatar	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bahrain	2	0.0	50.0	50.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Kuwait	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Oman	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Iran	4	0.0	25.0	50.0	25.0	50.0	25.0	0.0	0.0	75.0	0.0	25.0
Israel	1	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Jordan	1	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

1. Operating Profit Forecast

2. Future Business Outlook:

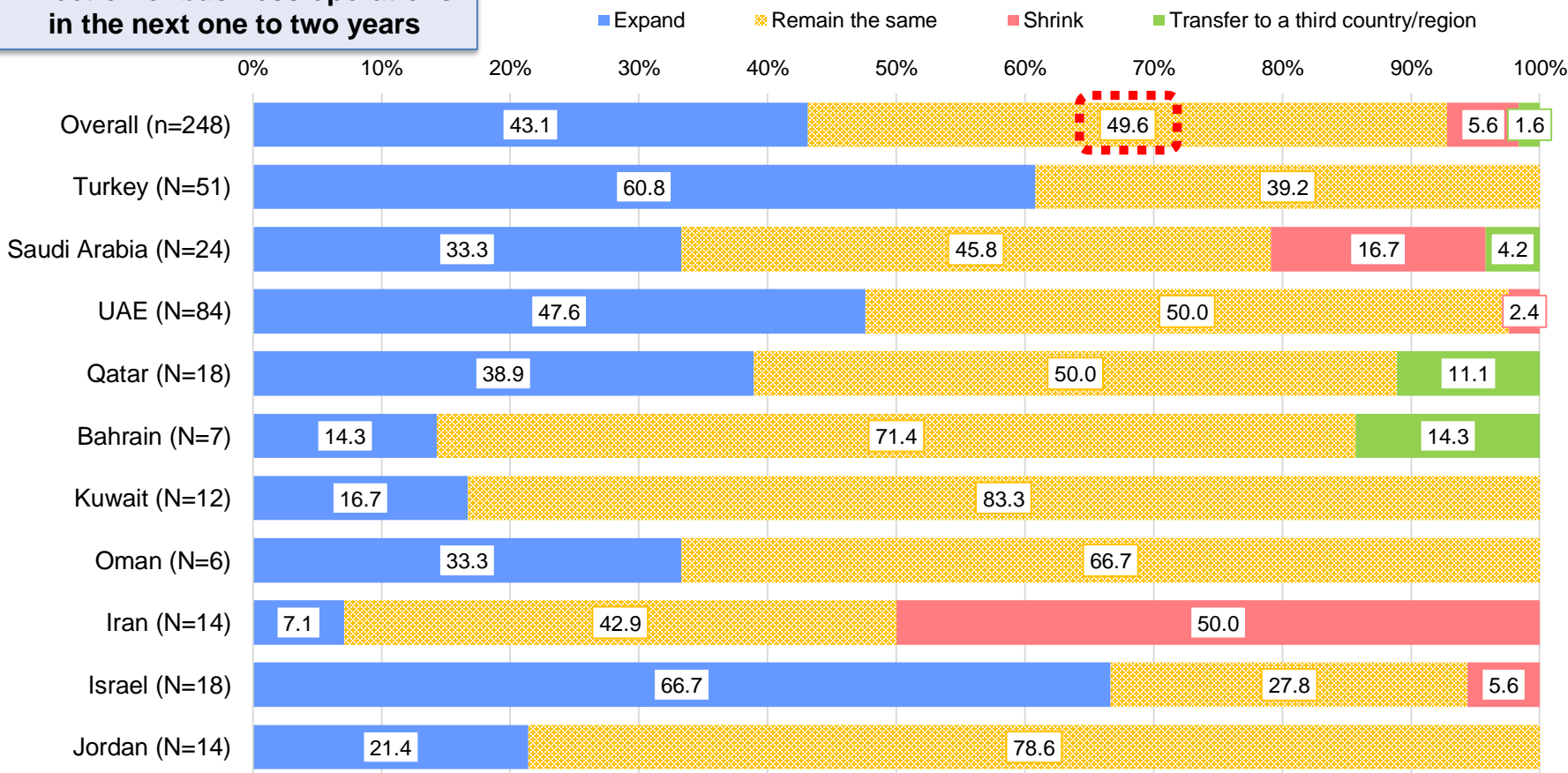
3. Investment Environment
Advantages and Challenges

Future Business Outlook 1:

Approx. 50% respond “remain the same”, with over 40% answering "expand"

- In regard to their future business outlook, approximately 50% responded “remain the same” with over 40% responding “expand” .
- In Israel, over 60% of companies intend to expand their business. In Iran, exactly 50% answered “shrink”.

Direction of business operations in the next one to two years

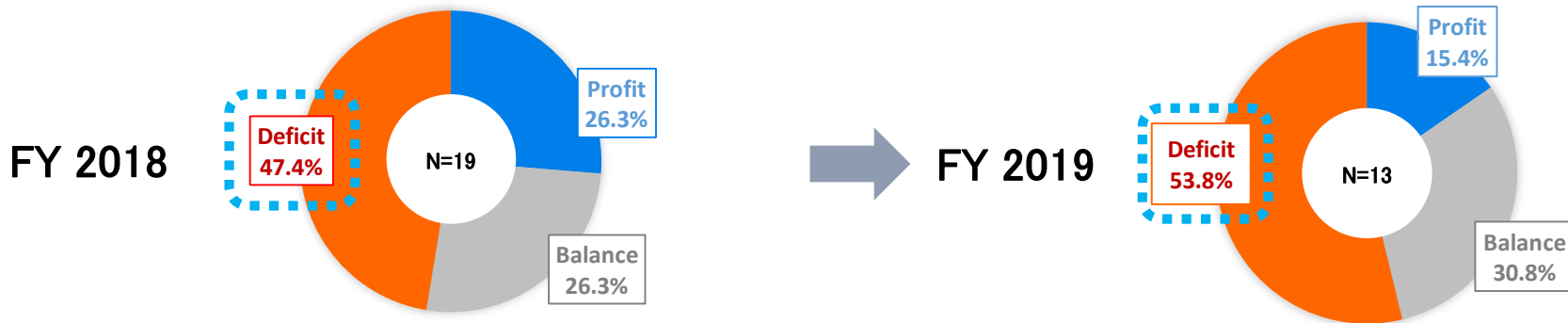


Future Business Outlook 2:

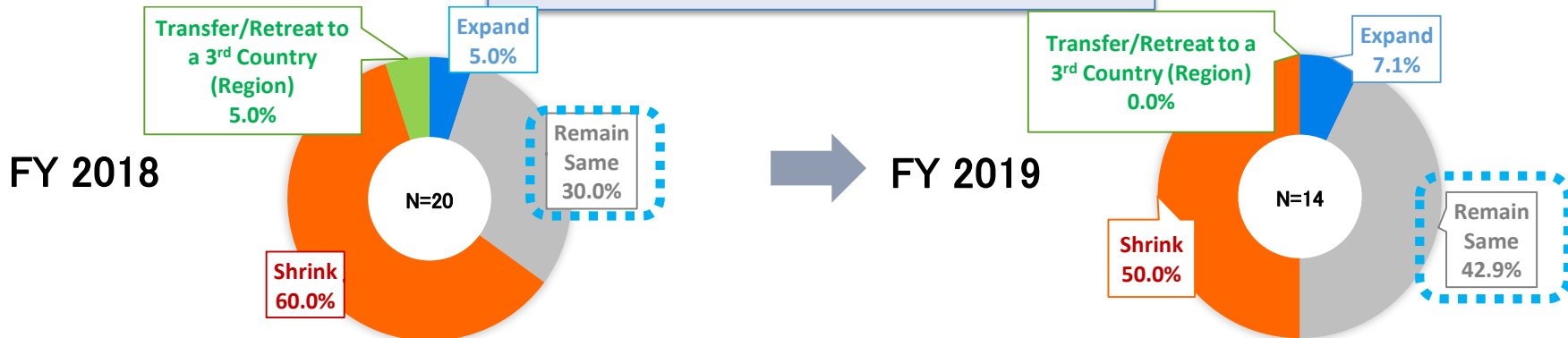
Iran saw an increase in “deficit” for survey year, and in “remain the same” for the future

- Iran, which is currently dealing with US sanctions, saw an increase in firms reporting a deficit over the previous year.
- However, around 13% of firms responded that their business would “remain the same” in the future, showing an increase. This reveals that companies are attempting to maintain a foothold; despite the tough situation they face.

Operating Profit Forecast for Survey Year



Direction of business operations in the next one to two years



Future Business Outlook 3:

The primary reason for expansion was “sales increases” and “high growth potential”

- The primary factors for business expansion included “sales increases in local markets” (68.2%) and “high growth potential” (53.3%).
- In Turkey, the UAE, Kuwait, and Oman, this can also be put down to “increase in exports” and to “reviewing production and distribution networks” in Iran.

Reasons for expansion

(Multiple answers)

(Unit: %)

	No. of firms responding	Sales increase due to export expansion	Sales increase in local markets	High growth potential	High receptivity for high value-added products/services	Cost decreases (procurement costs, labor costs etc.)	Deregulation	Ease of securing labor force	Reviewing production and distribution networks	Relationship with clients	Benefits from own/other country's trade restrictions (increased tariffs, export amount restrictions, sanctions, industry policies such as import substitutes)	Benefits from own/other country's trade promotion measures, such as abolishment of tariffs, FTPEPAs etc.	Other
Entire Region	107	44.9	68.2	53.3	20.6	5.6	3.7	1.9	14.0	24.3	0.0	1.9	6.5
Turkey	31	64.5	77.4	51.6	9.7	9.7	3.2	6.5	9.7	12.9	0.0	3.2	3.2
Saudi Arabia	8	0.0	50.0	50.0	0.0	0.0	25.0	0.0	12.5	12.5	0.0	0.0	25.0
UAE	40	55.0	75.0	50.0	32.5	7.5	2.5	0.0	25.0	42.5	0.0	2.5	0.0
Qatar	7	14.3	85.7	57.1	28.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Bahrain	1	0.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Kuwait	2	50.0	50.0	50.0	0.0	0.0	0.0	0.0	0.0	50.0	0.0	0.0	0.0
Oman	2	50.0	50.0	0.0	0.0	0.0	0.0	0.0	0.0	50.0	0.0	0.0	0.0
Iran	1	0.0	100.0	100.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0	0.0	0.0
Israel	12	16.7	25.0	66.7	33.3	0.0	0.0	0.0	0.0	8.3	0.0	0.0	33.3
Jordan	3	33.3	100.0	66.7	0.0	0.0	0.0	0.0	0.0	33.3	0.0	0.0	0.0

Future Business Outlook 4: Majority respond to expand their “sales function”

- Approximately 70% responded that they planned to expand their “sales function”, exceeding other answers.
- “Production of ubiquitous products,” and “value-added products” were notably high in Bahrain and Iran respectively.
- In Kuwait, there were also a high proportion of answers for “function of regional headquarters”, while in Israel, more than 50% of companies answered “R&D”.

Functions to be expanded (Multiple answers)

(Unit: %)

	No. of firms responding	Sales function	Production (ubiquitous products)	Production (high value-added products)	R&D	Function of regional headquarters	Logistics function	Administrative functions in providing services (shared service centers, call center, etc.)	Other
Entire Region	106	68.9	13.2	17.9	11.3	15.1	19.8	1.9	12.3
Turkey	31	77.4	25.8	19.4	12.9	12.9	25.8	3.2	0.0
Saudi Arabia	8	37.5	25.0	0.0	0.0	12.5	12.5	0.0	37.5
UAE	40	85.0	5.0	15.0	5.0	20.0	25.0	2.5	10.0
Qatar	7	28.6	0.0	28.6	0.0	14.3	14.3	0.0	28.6
Bahrain	1	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0
Kuwait	2	50.0	0.0	50.0	0.0	50.0	0.0	0.0	0.0
Oman	2	50.0	0.0	0.0	0.0	0.0	0.0	0.0	50.0
Iran	1	100.0	0.0	100.0	0.0	0.0	0.0	0.0	0.0
Israel	11	36.4	0.0	27.3	54.5	9.1	0.0	0.0	27.3
Jordan	3	100.0	33.3	0.0	0.0	0.0	33.3	0.0	0.0

Future Business Outlook 5:

“Impact from policies” is the primary reason for shrinking/withdrawing business

- Factors relating to shrinking or withdrawing business were primarily centered around “impacts from own/other country’s trade restrictions” at 38.9%. This exceeded the figure for “sales decreases”.
- This figure was 100% in Bahrain, 71.4% in Iran, and 50.0% in the UAE.

Reasons for "shrink," "relocation or withdrawal to third countries"

(Multiple answers)

(Unit: %)

	No. of firms responding	Sales decrease due to export slowdown	Sales decrease in local markets	Low growth potential	Low receptivity of high value-added products/services	Increase in costs (procurement and labor costs)	Strengthening of regulations	Difficulty of securing labor force	Reviewing production and distribution networks	Relationship with clients	Impacts from own/other country's trade restrictions (increased tariffs, export amount restrictions, sanctions, industry policies such as import substitutes)	Effects from own/other country's trade promotion measures, such as abolishment of tariffs, FTA/EPAs etc.	Other
Entire Region	18	11.1	33.3	11.1	11.1	16.7	11.1	0.0	0.0	5.6	38.9	0.0	33.3
Turkey	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Saudi Arabia	5	0.0	40.0	0.0	40.0	20.0	0.0	0.0	0.0	20.0	0.0	0.0	60.0
UAE	2	50.0	50.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	50.0	0.0	50.0
Qatar	2	0.0	50.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	50.0
Bahrain	1	100.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	100.0	0.0	0.0
Kuwait	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Oman	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Iran	7	0.0	0.0	0.0	0.0	28.6	28.6	0.0	0.0	0.0	71.4	0.0	14.3
Israel	1	0.0	100.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Jordan	0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

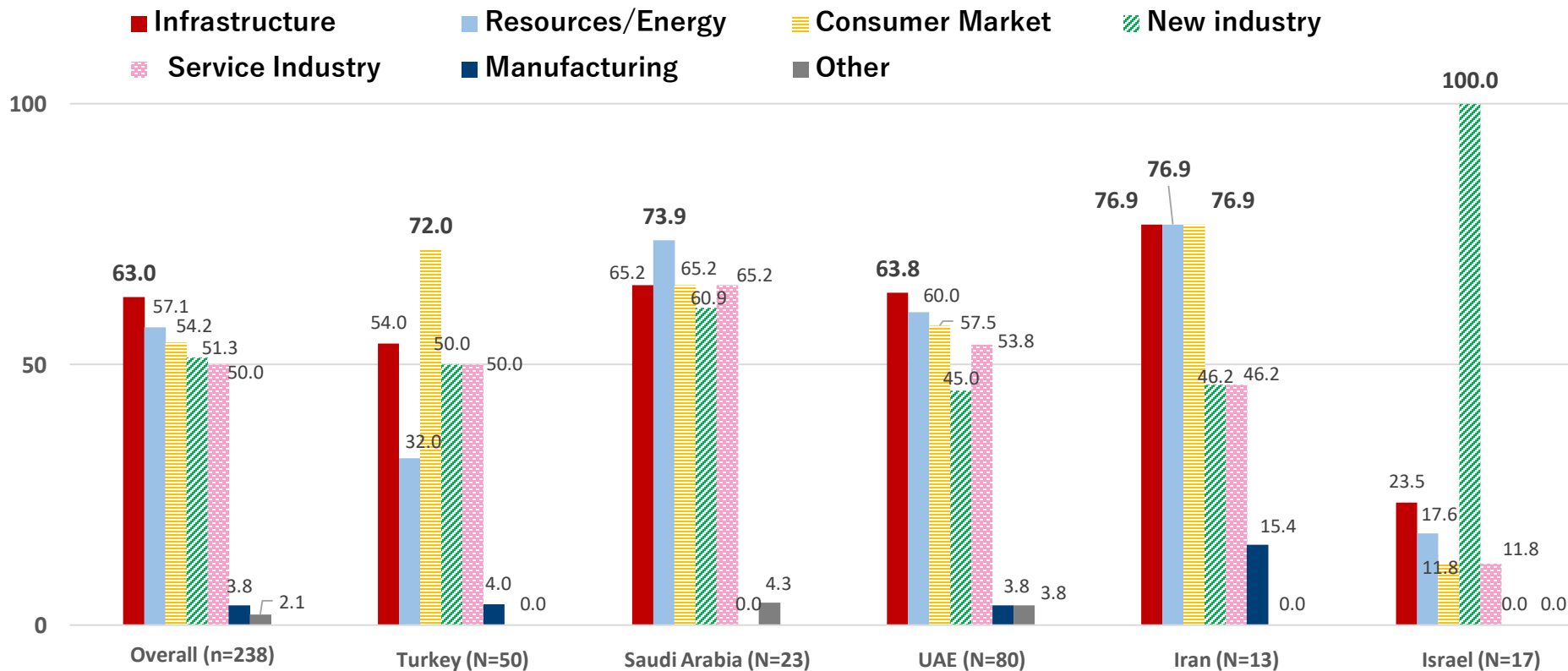
Business Areas with Future Promise 1: “Infrastructure” is overall highest

- Infrastructure had the most promise, at more than 60%, but high expectations were seen across fields such as “resources/energy”, “consumer market”, “new industry”, and “service industry”. One notable exception being “manufacturing”.
- 100% of firms in Israel had their sights set on “new industry”.

Business areas with promise in the future market of home country or the Middle East

(Multiple answers)

(Unit: %)



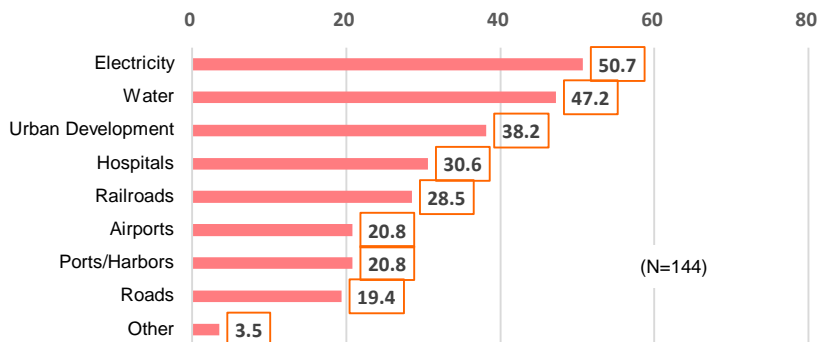
Business Areas with Future Promise 2: High expectations for “renewable energy” and “food market”

- “Electricity” and “water” ranked highest for infrastructure. A large percentage see promise in “renewable energy” in the field of resources/energy.
- For the consumer market, “food” received the highest amount of responses. In new industry, however, this was “IoT”, “AI”, and “smart infrastructure”.
- There was a high amount of interest in the consumer market even in Turkey, with “food” receiving the highest number of responses at 61.8%.

Promising fields in infrastructure

(Multiple answers)

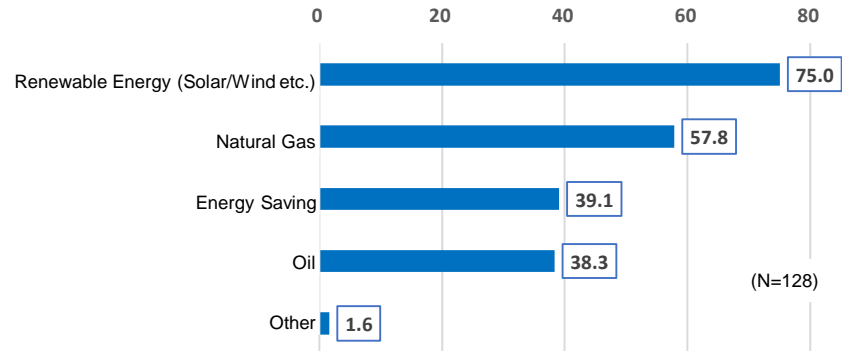
(Unit: %)



Promising fields in resources/energy

(Multiple answers)

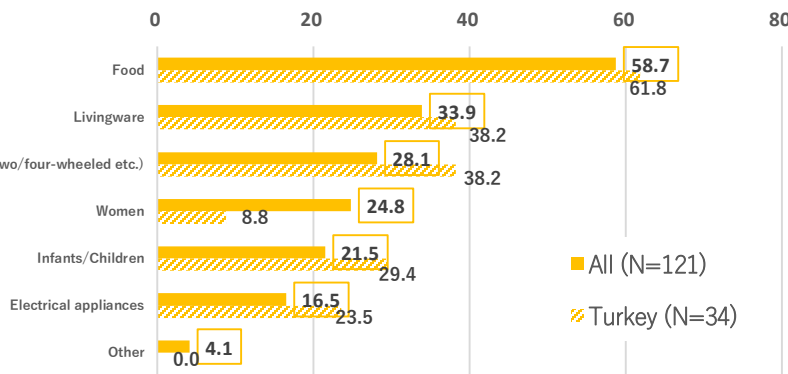
(Unit: %)



Promising fields in the consumer market

(Multiple answers)

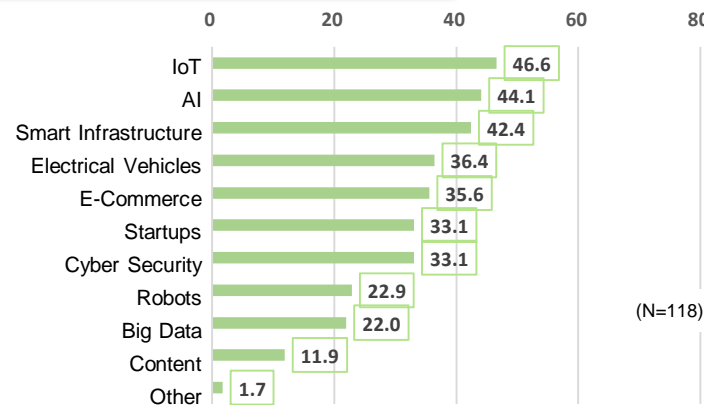
(Unit: %)



Promising fields in new industry

(Multiple answers)

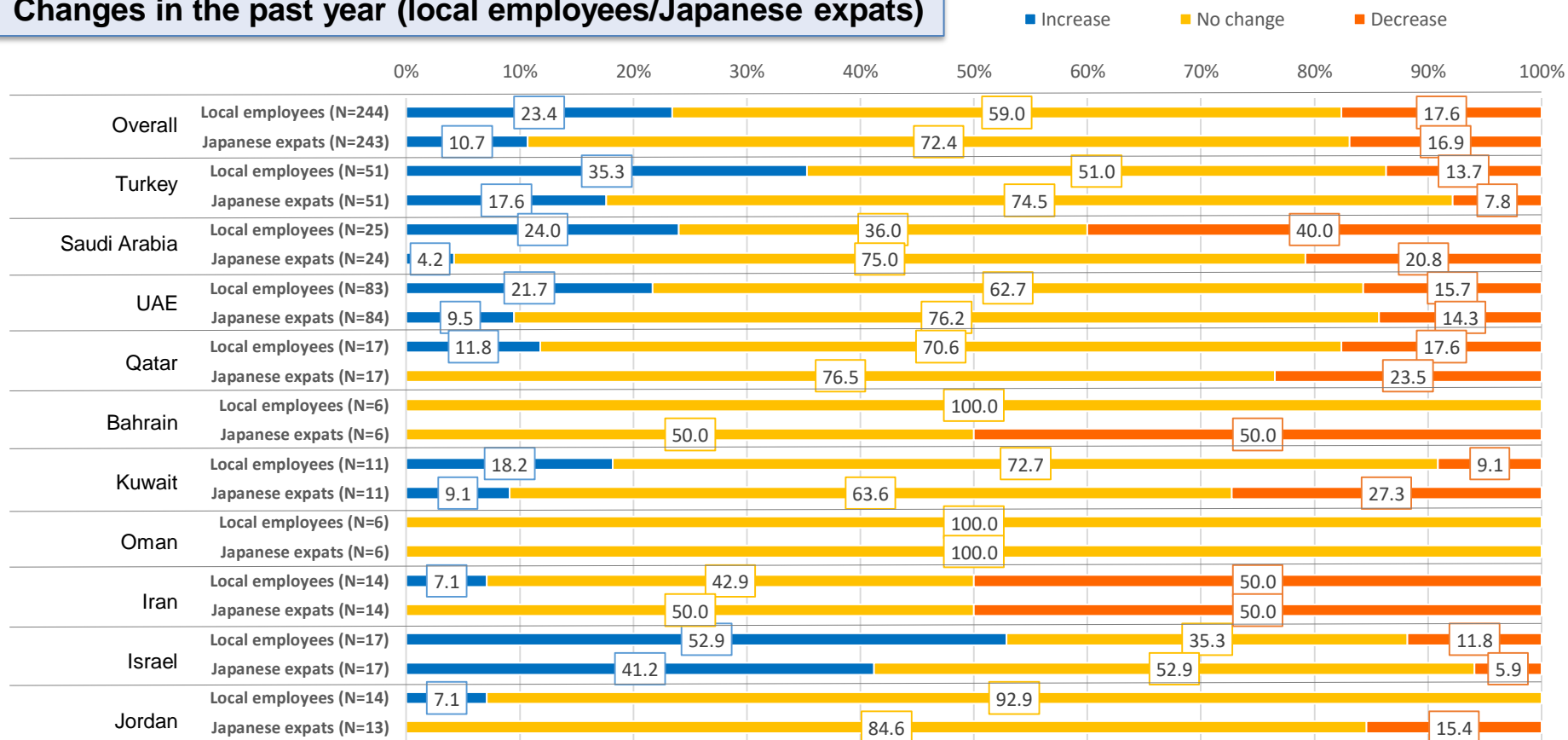
(Unit: %)



Changes in Human Resource Structure 1: Despite many answer “no change” in the past year, each country has unique features

- A large percentage of firms reported “no change” for local or Japanese staff in the past year.
- Although there was a trend towards increased staff in Israel, the reverse was seen for local employees in Iran, Bahrain, and Saudi Arabia.

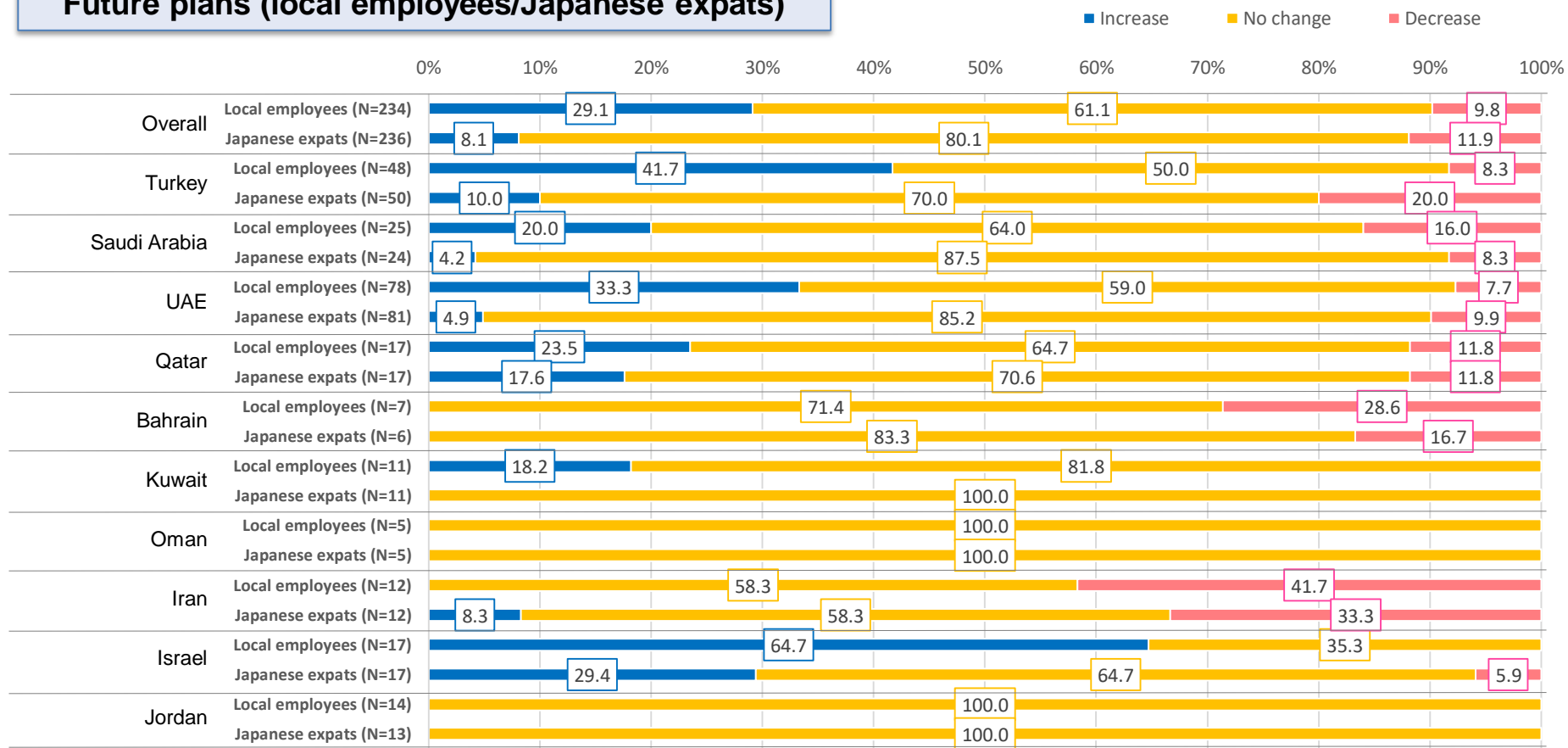
Changes in the past year (local employees/Japanese expats)



Changes in Human Resource Structure 2: Majority say “no change” in future

- A large percentage of firms reported “no change” in numbers of local or Japanese staff in the future. There was a trend towards freezing numbers of Japanese expats.
- However, in Israel and Turkey there was a trend towards increasing local employees. In Iran, which is facing US sanctions, the majority of firms answered “decrease.”

Future plans (local employees/Japanese expats)



1. Operating Profit Forecast

2. Future Business Outlook:

**3. Investment Environment
Advantages and Challenges**

Investment environment (all):

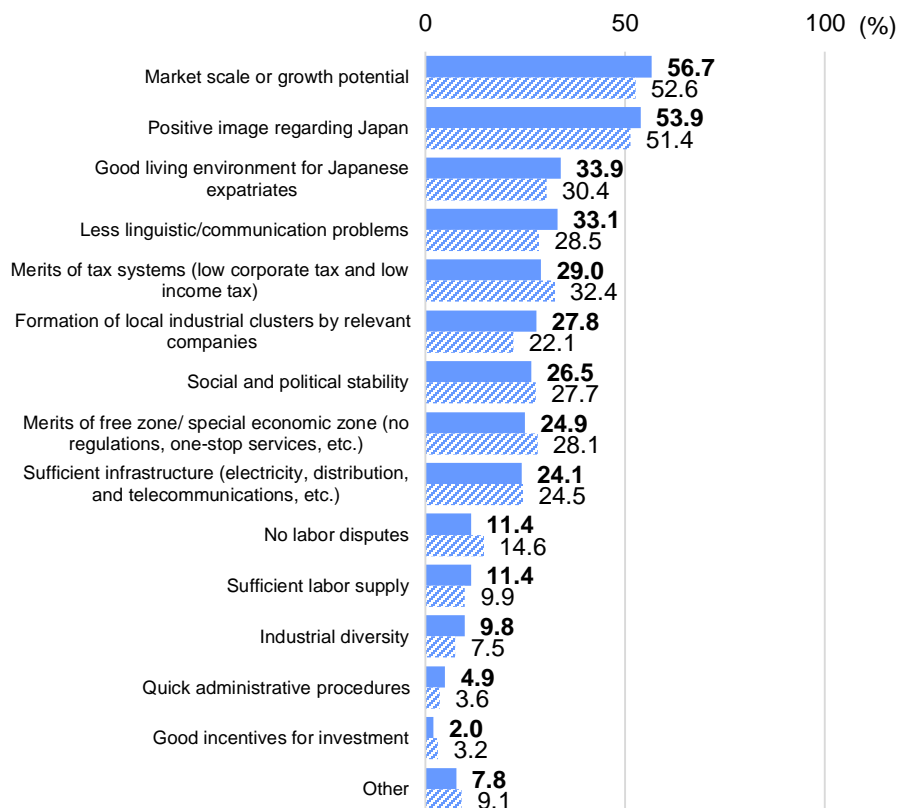
Advantages include “market scale and growth potential,” challenges include “legal system”

- Majority of companies (56.7%) responded “market scale and growth potential” as one of the attractions of the investment environment. This was followed by “positive image regarding Japan” at 53.9%
- Challenges included “underdeveloped legal system or unclear legal system operation” at 56.5, declined from the last year’s figure of 67.5%.

Advantages of the investment environment

(Multiple answers)

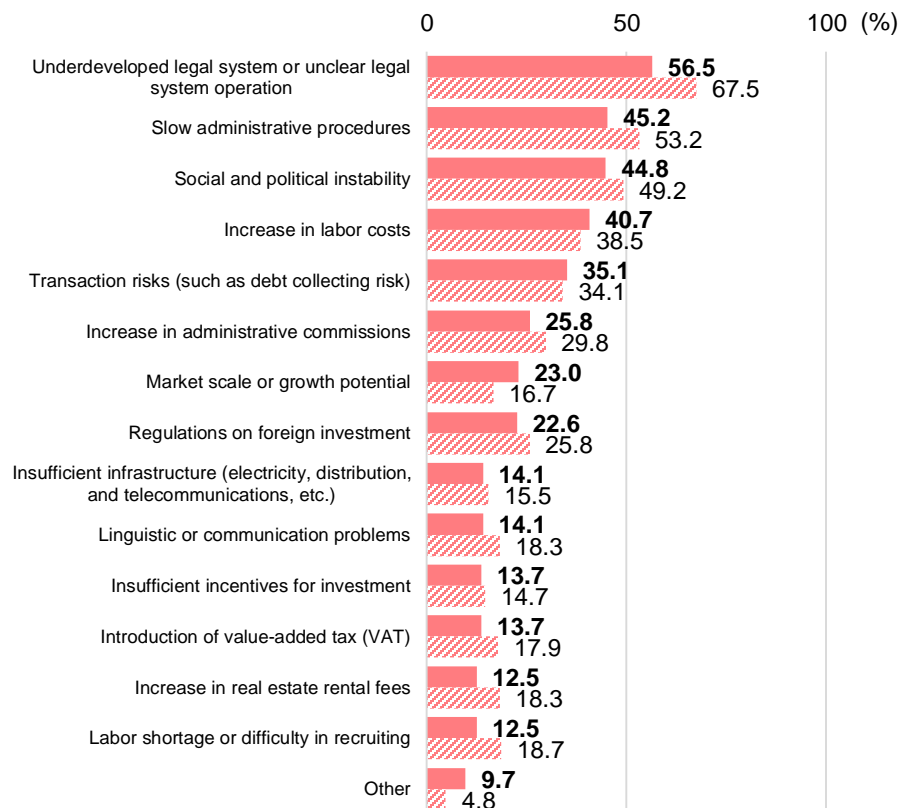
■ FY 2019 (n=245) ▨ FY 2018 (n=253)



Challenges of the investment environment

(Multiple answers)

■ FY 2019 (n=248) ▨ FY 2018 (n=252)



Investment environment (UAE):

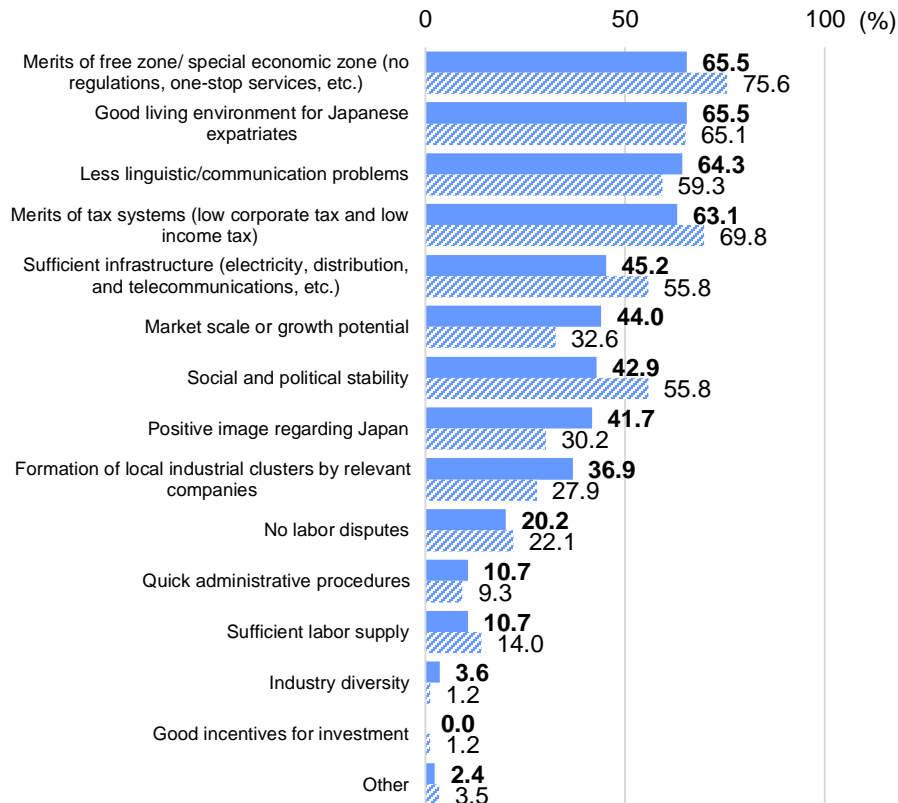
Advantages include “free zone/special economic zones,” and challenges include “legal system”

- Majority of firms saw the UAE’s “free zone and special economic zones” and its “good living environment for Japanese expatriates” as positives. However, there were fewer responses for “free zone” and “social and political stability” compared to last year.
- A majority of firms found the country’s “legal system” to be challenging, but this was improved over the previous year. “Cost increases” relating to labor and administrative commissions also ranked highly.

Advantages of the investment environment

(Multiple answers)

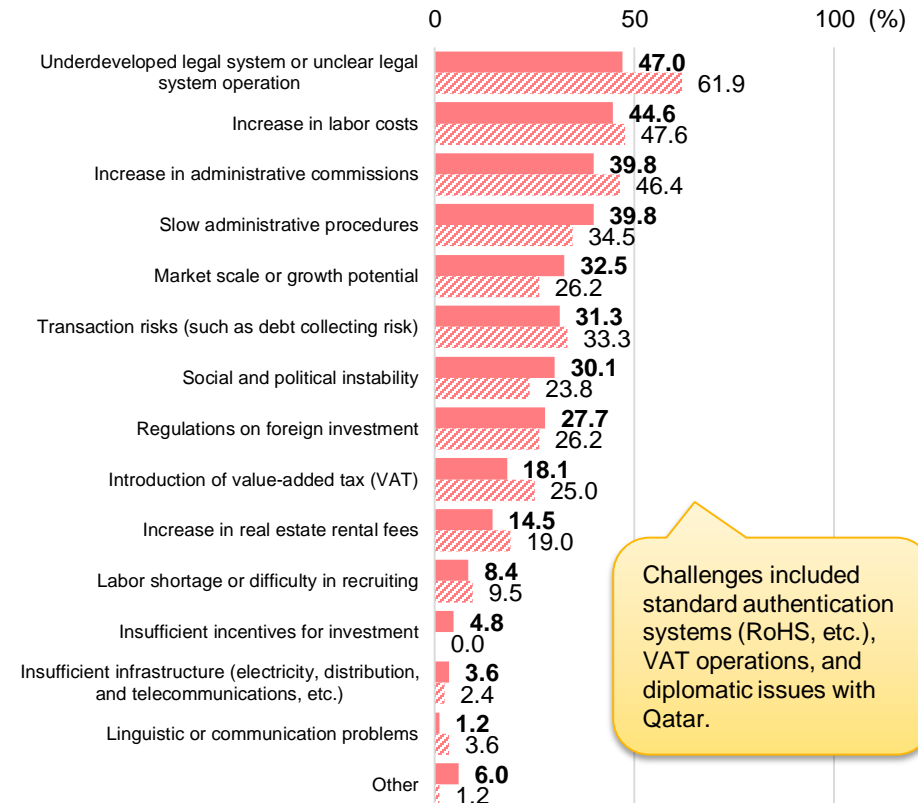
■ FY 2019 (n=84) ▨ FY 2018 (n=86)



Challenges of the investment environment

(Multiple answers)

■ FY 2019 (n=83) ▨ FY 2018 (n=84)



Challenges included standard authentication systems (RoHS, etc.), VAT operations, and diplomatic issues with Qatar.

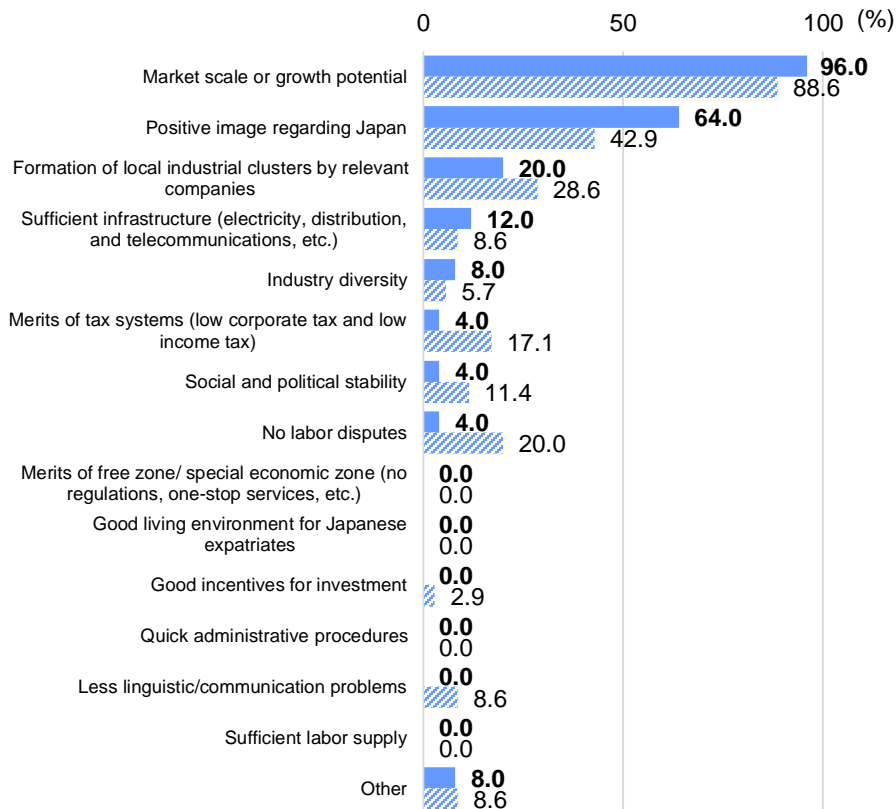
Investment environment (Saudi Arabia): Advantages include “market potential,” but many challenges exist including “legal system” and “procedures.”

- Overwhelmingly, Saudi Arabia’s main attraction was its “market scale or growth potential”. However, “positive image regarding Japan” had increased since the previous year.
- Challenges included a large number of responses for “legal system”, but there were major improvements to “slow administrative procedures” and “labor shortage” over the previous year.

Advantages of the investment environment

(Multiple answers)

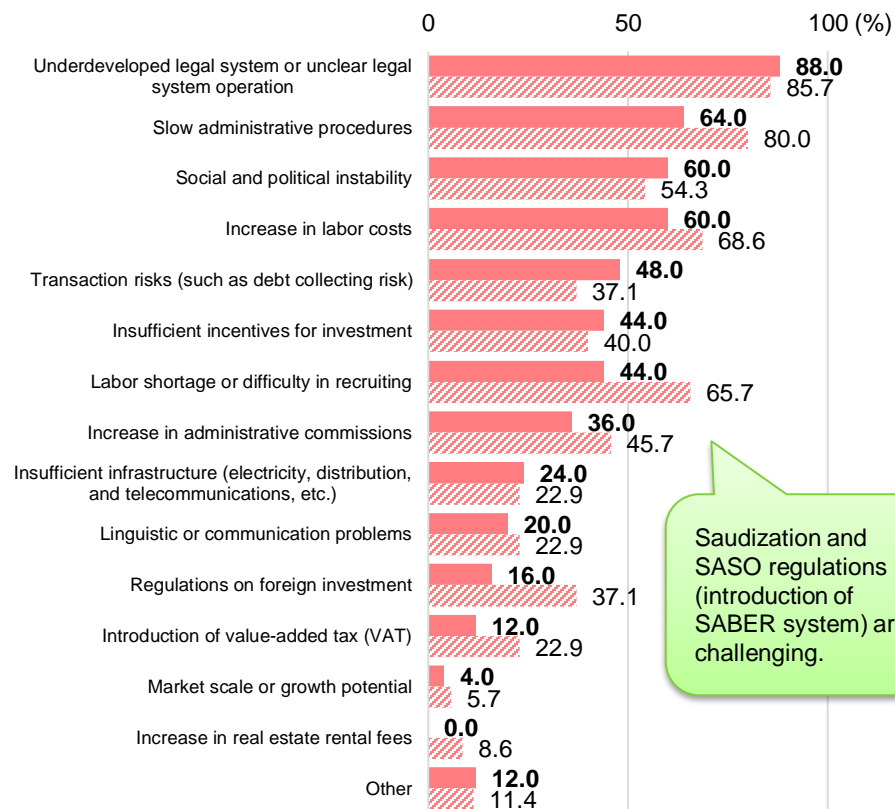
■ FY 2019 (n=25) ▨ FY 2018 (n=35)



Challenges of the investment environment

(Multiple answers)

■ FY 2019 (n=25) ▨ FY 2018 (n=35)



Saudization and SASO regulations (introduction of SABER system) are challenging.

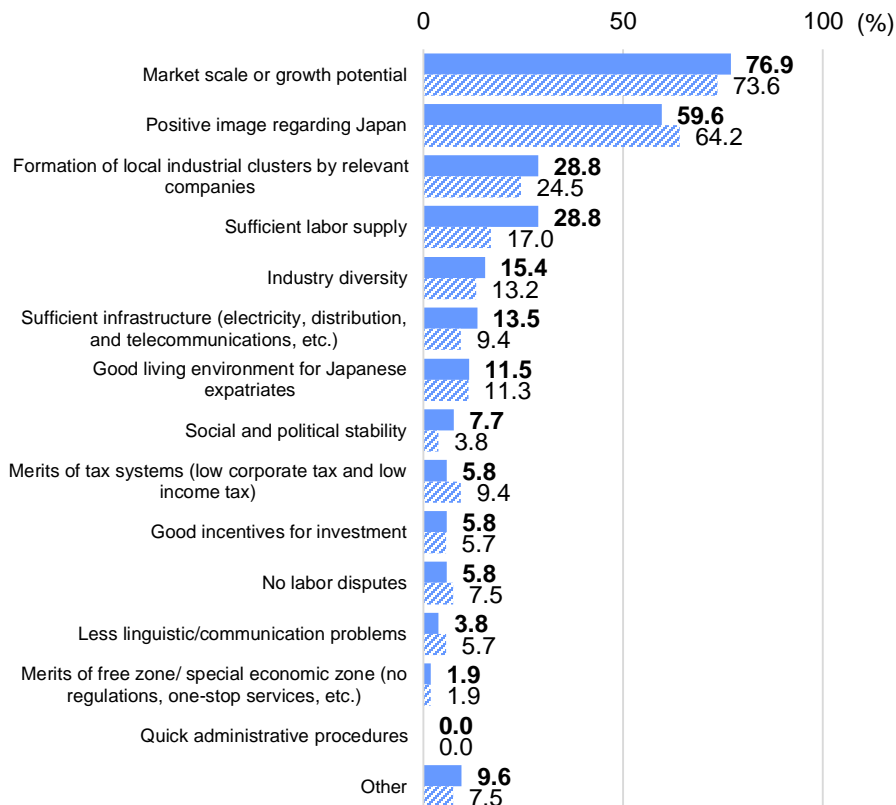
Investment environment (Turkey): Advantages include "market potential" and "positive image regarding Japan", challenges include "social and political instability"

- Turkey's main attractions include "market potential" and "positive image regarding Japan". These figures were almost the same as the previous year.
- However, the largest issue is "social and political instability". The underdeveloped legal system remains a challenge, but has improved over the previous year.

Advantages of the investment environment

(Multiple answers)

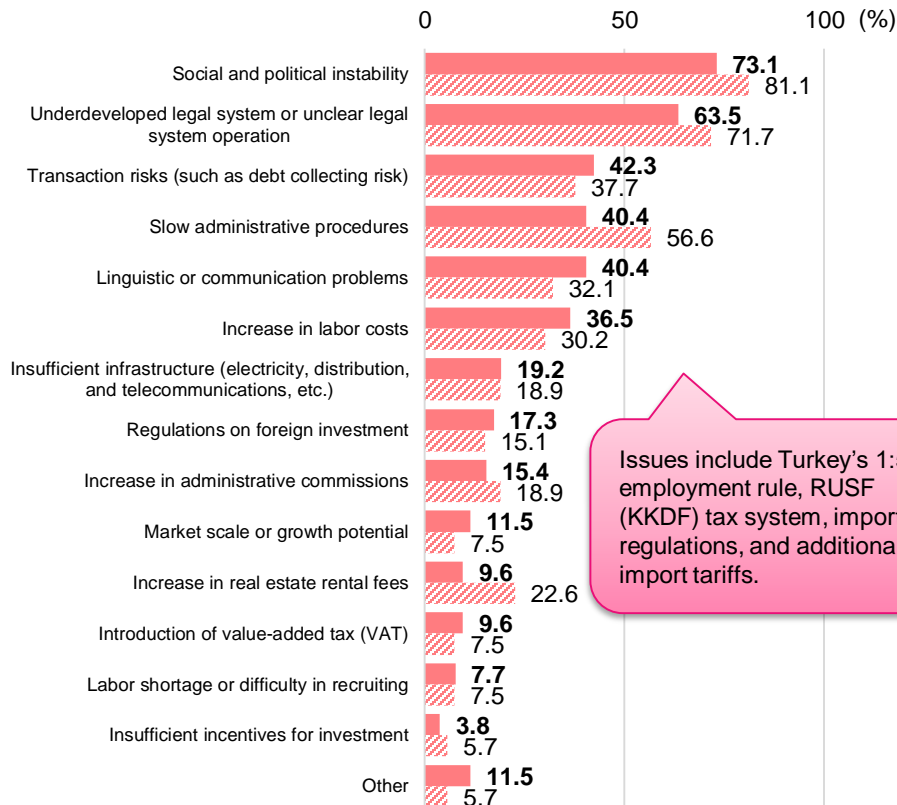
■ FY 2019 (n=52) ▨ FY 2018 (n=53)



Challenges of the investment environment

(Multiple answers)

■ FY 2019 (n=52) ▨ FY 2018 (n=53)



Issues include Turkey's 1:5 employment rule, RUSF (KKDF) tax system, import regulations, and additional import tariffs.

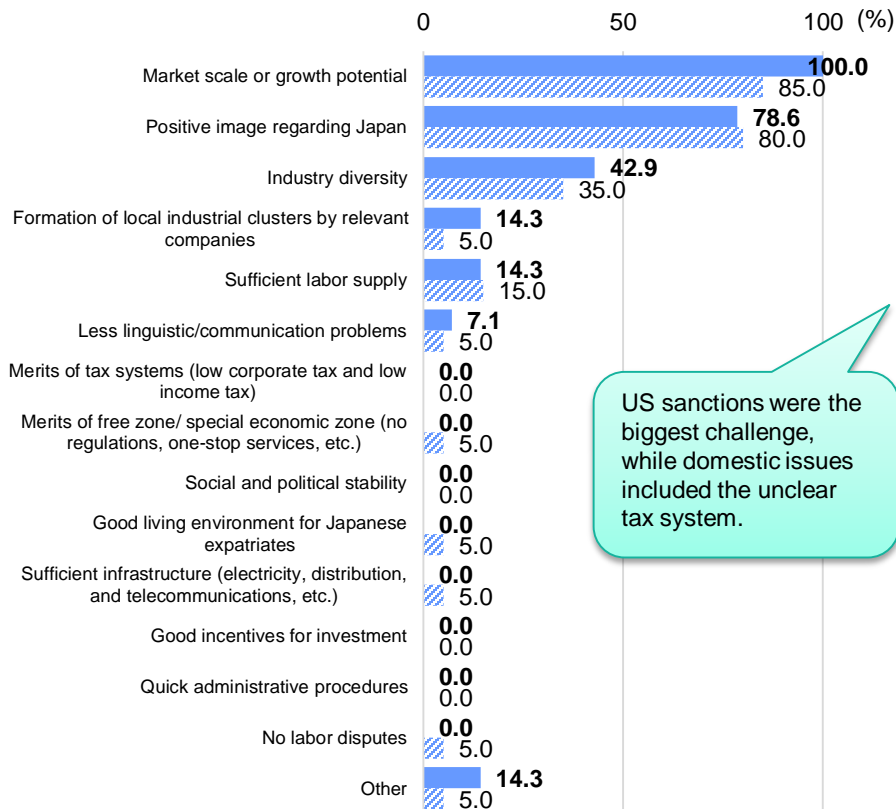
Investment environment (Iran): Attractive characteristics include "market potential" and "positive image regarding Japan," challenges included "legal system" and "instability"

- Iran's main attractions include "market potential" and "positive image regarding Japan". This was followed by "Industry diversity"
- However, the largest issue is "political and social instability". The "legal system" remained an issue, but there were improvements over the previous year.

Advantages of the investment environment

(Multiple answers)

■ FY 2019 (n=14) ▨ FY 2018 (n=20)

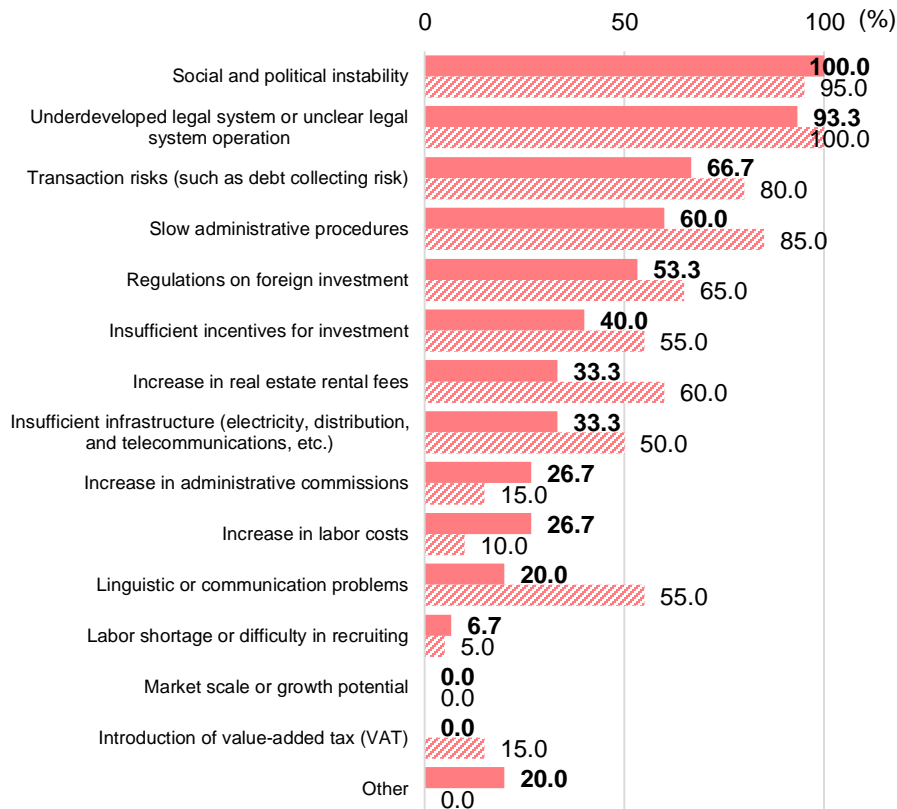


US sanctions were the biggest challenge, while domestic issues included the unclear tax system.

Challenges of the investment environment

(Multiple answers)

■ FY 2019 (n=15) ▨ FY 2018 (n=20)



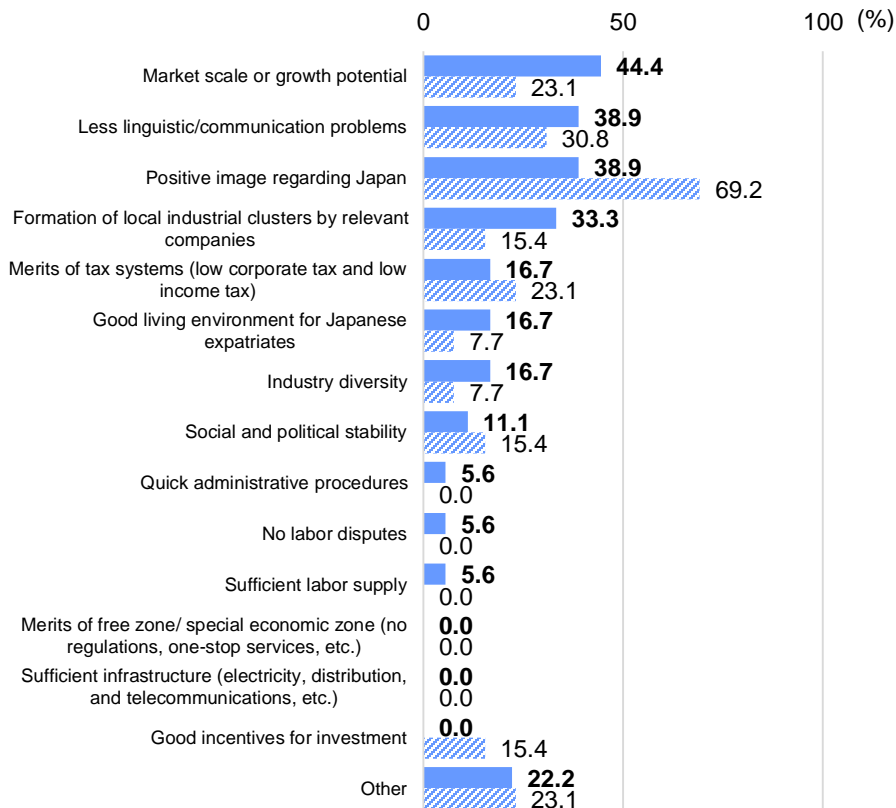
Investment environment (Israel): “Market potential” is the largest advantage, while “labor cost” is the most challenging.

- The highest number of responses was for “market potential”. “Positive image regarding Japan” had markedly decreased over the previous year.
- In terms of challenges, “labor costs” received the highest number of responses, revealing overall issues with expenses. However, “social and political instability” had markedly decreased over the previous year.

Advantages of the investment environment

(Multiple answers)

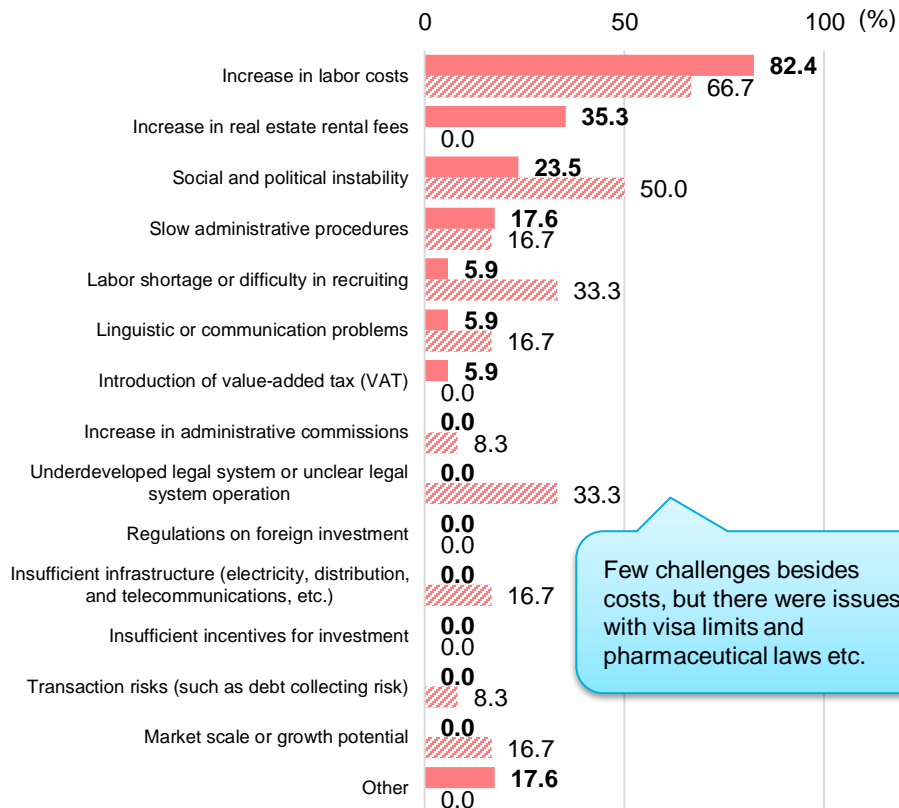
■ FY 2019 (n=18) ▨ FY 2018 (n=13)



Challenges of the investment environment

(Multiple answers)

■ FY 2019 (n=17) ▨ FY 2018 (n=12)



Few challenges besides costs, but there were issues with visa limits and pharmaceutical laws etc.



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