Recovery hangs in the balance

Florence Eid-Oakden, Ph.D, Chief Economist
Ghalia Al Bajali, Leila Lajevardi, Mingqiao Zhao, Bouchra Abaakil, Analysts
Robin Mills, Maryam Salman, Energy Analysts

- **Saudi Arabia's central bank and the Public Investment Fund (PIF) are set to play a more prominent role in powering the domestic recovery at a time when the government is seeking to maintain fiscal consolidation.**
- **The announcement of a crown prince in Oman reflects the leadership's thoroughgoing reform efforts. More will be needed in improving FDI appeal, and in employment generation.**
- **The latest attack in Iraq increases instability in the already fragile country and could set a precedent for resumption of violence if the government does not intervene rapidly.**
- **As the Biden administration takes office and starts talks with Iran, critical choices will be made given the impact on oil markets and on Iranian elections this June. This will be an opportunity to tackle Iran's thorny regional policies.**

Table 1 – MENA Dashboard[1]

MENA Oil Exporters	Real GDP Growth (%)		Fiscal Balance (% of GDP)	
	2020	2021f	2020	2021f
Algeria	-5.5	3.2	-16.4	-16.4
Bahrain	-4.9	2.3	-13.1	-9.2
Iran	-5.0	3.2	-9.6	-6.8
Iraq	-12.1	2.5	-17.5	-13.1
KSA	-5.4	3.1	-10.6	-6.0
Kuwait	-8.1	2.5	-8.5	-10.7
Libya	-66.7	76.0	-102.9	-43.2
Oman	-10.0	-0.5	-18.3	-16.9
Qatar	-4.5	2.5	3.0	3.3
UAE	-6.6	1.3	-9.9	-5.1
Yemen	-5.0	0.5	-9.2	-6.0
Average	-12.2	8.1	-19.4	-11.8
Average Ex-Yemen	-12.9	9.6	-20.4	-12.4

MENA Oil Importers	Real GDP Growth (%)		Fiscal Balance (% of GDP)	
	2020	2021f	2020	2021f
Djibouti	-1.0	7.0	-1.5	-3.0
Egypt	3.5	2.8	-7.5	-8.2
Jordan	-5.0	3.4	-9.1	-7.4
Lebanon	-25.0	...	-16.5	...
Mauritania	-3.2	2.0	-3.8	-0.8
Morocco	-7.0	4.9	-7.8	-6.0
Palestine	-12.0	8.2	-15.4	-12.7
Somalia	-1.5	2.9	...	...
Sudan	-8.4	0.8	-6.9	-4.3
Syria	...	...	...	...
Tunisia	-7.0	4.0	-8.1	-5.1
Average Ex-Syria	-6.7	4.0	-9.4	-6.4

Saudi Arabia: Investing its way to recovery

The slow start to the vaccination programme, voluntary cuts to oil output, and tight fiscal policy indicate that Saudi Arabia's recovery in the first part of this year will be slow going. But the overall outlook augurs well for the kingdom as it makes headway with its Vision 2030 diversification plans.

- In our recently published report on Saudi Arabia's 2021 budget, we discussed how the non-oil sector is expected to support growth this year, primarily via the rise in investment income from the Public Investment Fund (PIF), the kingdom's sovereign wealth fund.
  - In 2020, Crown Prince Mohammed Bin Salman (MBS) announced that the PIF will be the engine of growth over the coming two years as it plans to inject more than USD 40B into the economy. This is expected to rise each year after 2025.
  - From its current assets of USD 400B, between 75% and 80% are already invested at home. In 2019, local investments made by the PIF reached USD 15.5B and are estimated to have increased to USD 25B last year.
- The PIF has already stepped up its investments, unveiling its most ambitious project to date – the creation of a carbon-free city "The Line", which will stretch along a 170km strip of NEOM, MBS's USD 500B flagship development.
  - With the project estimated to cost between USD 100B and USD 200B, the PIF will be the anchor investor and will finance the initial construction which will begin this quarter.
  - The new green city, which is being touted as part of the Vision 2030 strategic plan, will have no cars, roads or carbon emissions and will be run by 100% clean energy and artificial intelligence to better the lives of the 1 million residents it plans to host.
  - The city is projected to contribute to NEOM by creating 380K jobs and adding USD 50B to the economy by 2030.
- To build on additional investments, MBS announced earlier this week that the PIF will double its assets to USD 1T by 2025 – making it the largest sovereign wealth fund globally.
  - The new five-year plan set outs that around USD 320B will be contributed to the non-oil GDP by 2025 and around USD 800B will be invested in new sectors over the next 10 years.
  - To finance the projects in the pipeline, the PIF plans to use a mix of its own equity and issue bonds. The PIF has an estimated USD 400B in reserves.
  - To provide flexibility in its financial strategy, the PIF is also planning to obtain a loan worth up to USD 7B from international banks. Fundraising is set to be completed in early 2021.
    - Once completed, it would be the third time the PIF has tapped support from banks for funding.
    - In 2018, the Fund raised its first USD 11B debut loan targeted to deliver Saudi Arabia's Vision 2030 reform plans.

[1] Arabia Monitor; IMF.

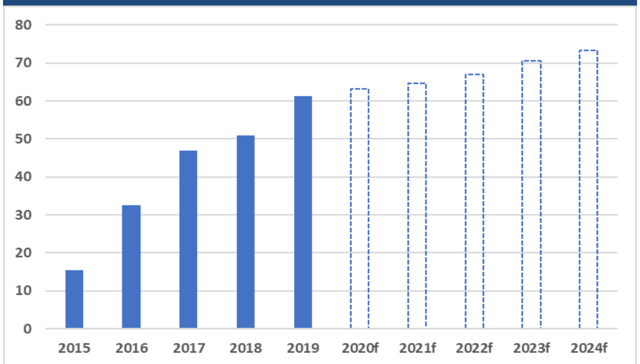
- As part of its continued plans to overhaul the economy, Saudi Arabia replaced the Saudi central bank's (SAMA) governor, Ahmed AlKholifey, with Fahad Al-Mubarak, who was the governor from 2011 to 2016 and had most recently been the Minister of State.
- The reason for change has not been given, but we see this as part of the central bank's new mandate in regulating the financial system and supporting economic growth. Separately, SAMA's new twin mandates under the Vision 2030's "Financial Sector Development Program" are positive developments for Saudi Arabia's digital economy and are further testimony to the strong reform momentum taking place.
  - SAMA released an "Open Banking Policy" as part of a series of initiatives that it has introduced over the last three years to help grow a fintech ecosystem in the kingdom.
  - Set to go live in H1 of 2022, the policy is expected to reinforce Saudi Arabia's competitiveness across the region.
    - Open banking in MENA is very new, which means it has untapped potential – Bahrain is currently the regional pioneer.
    - Given the region's reputation for embracing new technologies, we believe the market will expand rapidly. By 2022, it is forecast that 71% of SMEs and 64% of adults across the region will be using open banking.
- The central bank has also issued rules for crowdfunding activities, which aim to regulate the licensing provisions for companies in fintech and to encourage the use of modern financing products.
  - Among the new regulations, there is a requirement that the entity which applies for licensing should have a minimum paid-up capital of USD 1.3M. The central bank will have the right to alter the minimum capital as per market conditions.
  - Setting up a regulated framework reduces barriers to entry via the increase in private sector opportunities and addresses the lack of SME financing as a new segment of investors enter the market.
  - In 2020, the global crowdfunding market was estimated at over USD 205B and is set to grow annually by 9.6%, and to add an additional USD 90B by 2024.
  - The share of this market in Saudi Arabia is projected to reach USD 3.3M by 2025 and is currently estimated at USD 7B in MENA. The increase in mobile penetration across the region has been a major catalyst in allowing fintech platforms to grow.

Oman: Reforms to reap rewards

The new constitutional decrees issued by Sultan Haitham bin Tariq Al Said, appointing Oman's first-ever crown prince and reducing centralisation of power, reaffirm the Sultanate is moving ahead with overdue reforms.

- On January 11, a new State Basic law was issued, creating the position of crown prince and putting in place the mechanisms to ensure a stable transfer of power in the Sultanate.

Figure 2 – Oman Gross Government Debt[2]



  - One year after taking power, Sultan Haitham has appointed his eldest son, Dhi Yazan bin Haitham as crown prince. He has been the Minister of Culture, Youth and Sport since August 2020.
  - By introducing a transparent transition of power, Oman has removed succession worries from its risk profile.
- The announcement of a crown prince reflects Haitham's thoroughgoing efforts to decentralise his powers and renew the modernisation strategy of his predecessor, the late Sultan Qaboos bin Said.
  - In August 2020, Haitham also gave up portfolios that were previously held by Qaboos, delegating his authority as Minister of Finance and Minister of Foreign Affairs, and he widened the circle of decision-makers in his cabinet in hopes of making room for more inclusivity and efficiency in the public sector.
- A separate decree was issued creating a new law for Oman's bicameral parliament. New rules have been introduced on how the Council of Oman, whose two chambers include an appointed Council of State and an elected Consultative Council, will operate.
  - While details of both decrees are set to be published by the end of this month, the basic law mainly underscores the role of the Council of Oman as a key contributor to Oman's comprehensive development.
  - Its key provisions include endorsing and amending laws, discussing development plans, setting the state's budget and proposing draft laws.

The streamlining of state powers comes at a time when economic reforms are needed, as Oman struggles with its weak finances and is the only country in the region that is forecast to remain in negative GDP territory of -0.5% in 2021.

- Despite some fiscal adjustments implemented in 2020, such as the 15% cut in government spending and the introduction of a 50% excise tax on sweetened drinks, which were intended to offset some revenue losses, the fiscal deficit is projected to remain relatively high over the next three years.
  - The deficit this year is forecast to reach 16.8% of GDP – the sultanate's eighth consecutive budget deficit. This is a slight improvement from the 18.3% of GDP deficit estimated for 2020.
- The Omani government is much more optimistic, as it forecasts the deficit to narrow to 8% of GDP in 2021 on

[2] Arabia Monitor; IMF.

the back of fiscal reforms about to be introduced, such as the 5% VAT in April.

- The USD 733M estimated in revenue from tax should provide a boost this year but more will be needed.
- However, given that the security and social stability concerns that have constrained fiscal consolidation in the past, remain, we expect austerity measures to be rolled out gradually.

➢ To fill the void, Oman has already tapped the debt market for the third time in less than three months with a USD 3.2B three-part tranche bond.
- On 14 January, it priced a USD 1.75B 10-year note with a yield of 6.25% but since then this has declined by 170 basis points, showing that the market is wide open for high-yielding EM issuers, despite Oman's junk rating by all three major credit agencies.
- Oman also issued a 30-year offering of USD 1B at a yield of 7.3% and reopened a USD 500M four-year bond at 4.45%.

➢ The sultanate's 2021 budget reveals that the government plans to borrow an additional USD 4.2B to meet its financing gap. This is expected to cover about 73% of the total USD 5.7B shortfall, with the remainder to be funded by the country's foreign reserves.

Kuwait: Fiscal squeeze looms

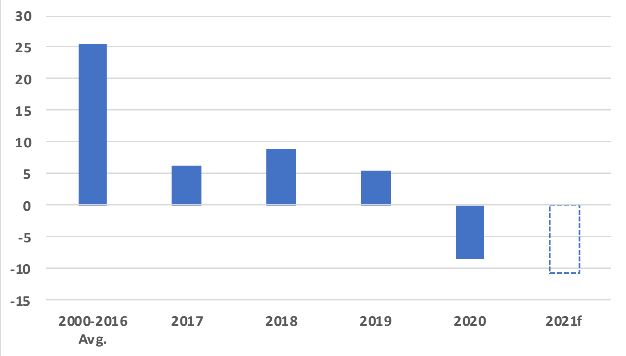
The resignation of the government in Kuwait has come at a critical time, in which the need to finance the mounting fiscal deficit cannot be overstated. Further delays in implementing reforms pose a risk to fiscal sustainability and diversification plans.

➢ On Sunday 24 January, Emir Sheikh Nawaf Al-Ahmad Al-Sabah reappointed Sheikh Sabah Al-Khalid Al-Sabah as prime minister and tasked him with forming a new government following the government resignation last week.
- This will be the third government that Sheikh Al-Sabah has formed since his first appointment as prime minister in December 2019.
- Just one month after its formation on December 5, 2020, the Kuwaiti government resigned in a standoff with parliament, with deputies accusing Al-Sabah of violating the provisions of the constitution when forming the government and failing to cooperate with the National Assembly.
  - o The motion to question Al-Sabah was submitted by three MPs and was supported by over half the 50 representatives in the assembly.
- Parliament resignation in Kuwait is not new. Recurring deadlock between Kuwait's executive and legislative branches has led to seven parliament dissolutions, 17 government resignations, and three appointed prime ministers since 2006.

➢ While in the past Kuwait has adapted well to change, this time the change in spending exigencies, combined with leadership change, brings renewed impetus. An urgent priority for the new government is to work with parliament to agree on a mechanism for securing bridge funding.

➢ The FY 20/21[3] budget deficit in the first nine months has widened to USD 17.8B, mainly driven by low oil revenues, which have declined by nearly 50% YoY.

Figure 3 – Kuwait Fiscal Balance (% of GDP)[4]



- The fiscal deficit so far has come in lower than government expectations amid weak CAPEX, but with the anticipated pick-up in spending by year-end, we expect the deficit to reach USD 46B, a 155% YoY increase.
- Overall expenditure in 2021 is budgeted at USD 706B – a USD 3B cut from last year's budget.

➢ The deficit could turn out to be narrower, in line with the Kuwaiti governments' forecast of USD 33B for 2021 if the uptick in oil prices continues, and if pandemic effects start to subside rapidly after the dissemination of vaccines.

➢ The deficit outcome also remains heavily contingent on whether the government and parliament reach an agreement over financing arrangements. The long-awaited debt law is an additional factor.
- Unlike other GCC countries, which have been actively raising capital from international debt markets, Kuwait has not tapped the market since 2017 when it issued USD 8B in bonds.
- Passing the revised debt law has become a priority and could provide extra flexibility, especially since public debt is estimated at 19.3% of GDP for 2020, the lowest among all MENA oil exporters.

Iraq: Baghdad's spectre of the past

Last week's double suicide bombings in Baghdad have fuelled government distrust and disapproval from Iraqi citizens. The latest attack increases instability in the already fragile country and could set a precedent for more violence and unrest if the government does not intervene rapidly.

➢ The Iraqi capital suffered a double suicide bombing last Thursday near Tayaran Square, which mirrored similar attacks in the same location in Baghdad in 2018.
- 32 people, mainly labourers and street vendors, were killed, and ISIS claimed responsibility.
  - o While the terrorist group has been driven out of Baghdad, sleeper cells have managed to survive and could expand their network if the government does not crack down on them.
  - o Iraqis do not have the confidence that their government would be able to intercept future attacks, especially as US troops – who have been vital in the surveillance and elimination of ISIS networks – leave the country.
- It is the first major attack on the capital since 2018.

[3] Fiscal year runs from April 1 to March 31.

[4] Arabia Monitor; IMF.

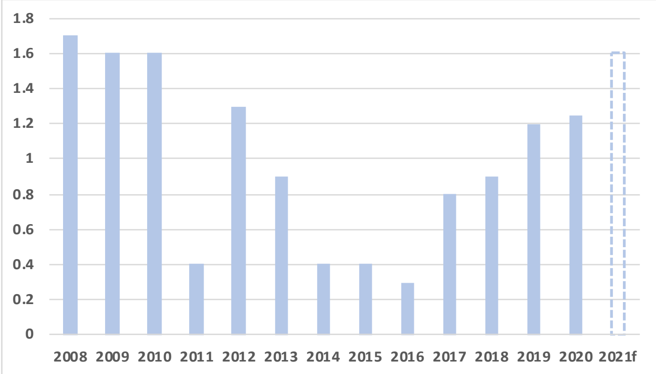
- Although ISIS claimed responsibility, Iraqis have been reluctant to accept this, instead pointing the finger at political parties fighting for power as the general election draws nearer.
  - As we expected, Prime Minister Mustafa Al-Kadhimi has postponed June's general elections to October 2021.
  - The country has a history of orchestrated attacks leading up to elections, meaning that we are likely to see violence ramp up before October.
- With Al-Kadhimi unable to stop the ongoing violence and intervene to improve the country's dire economic condition, it is only a matter of time until the situation boils over.
  - Having already sacked the security chief from his position, the government may embark on a more thorough cabinet reshuffle in an effort to save face. This will not, however, be a sustainable solution to the instability.

Libya: Bridging the divide

A voting mechanism has been established by the United Nations Support Mission for Libya (UNSMIL) – a necessary step to form a unity government in the country – but the situation will remain volatile until a unified government is formed and the country is rid of foreign mercenaries.

- Tremendous strides have been made in bridging the country's east-west divide during the last few months, including unifying the central bank and the exchange rate, opening domestic flights, and establishing the process for the selection of the interim government.
  - The new unified rate, which came into effect at the beginning of the month, is 4.48 LYD to 1 USD, although this rate is predicated on the ability to provide enough dollars to satisfy demand.
- The outgoing UN envoy, Stephanie Williams, has been at the forefront of the reconciliation process and has helped to establish the voting mechanism which will choose candidates from Libya's three regions.
  - Each region will put forth four names for the presidential council and prime minister position, with candidates needing 60% of the votes of members from the Libya Dialogue Forum in order to win.
- Another promising step has been the selection of Jan Kubis as the new permanent envoy to replace acting envoy Stephanie Williams and former permanent envoy Ghassan Salame.
  - Kubis is a Slovakian diplomat and has been serving as the UN special coordinator for Lebanon.
- The progress offers promise for Libyan oil markets, which have managed to restart and ramp up oil production after the initial informal ceasefire was reached in the fall.
  - The ceasefire has managed to position Libya just short of reaching its 1.3M bpd target.
  - The National Oil Corporation aims for another 300,000 bpd by the end of 2021, hoping to bring total output to 1.6M bpd – a level not seen since 2008.
  - However, output remains contingent on stability in the country, and is still reeling from the damage of facility closure during the oil blockades and civil war.
    - Waha Oil Co shut down a pipeline which had leaked causing a cut in oil output by 200k bpd. The pipeline was fixed a week after with production gradually resuming since.

Figure 4 - Libyan Oil Production (M, bpd)[5]



- Another hurdle comes in the form of the foreign mercenaries who remain ever present in the country.
  - The mercenaries, who act on the orders of foreign powers – namely Russia and Turkey – pose a threat to the country.
  - The groups, however, have upheld the ceasefire, showing promise for at least abiding by the peace-making process.

Morocco: A new horizon in 2021

While GDP growth is not expected to return to pre-pandemic levels until 2022, Morocco has reached a turning point, as the economy has seen off the worst during 2020. The IMF is expecting a 4.5% pick up in 2021 but have warned against the multiplying geopolitical risks in the Western Sahara.

- Following a difficult 2020, Morocco's economy is set to partially recover this year.
  - In Q1, as worries about new COVID-19 strands and vaccine distribution persist, GDP growth will be limited to a mere 0.5%, according to government forecasts.
  - This is largely due to the much-anticipated end of the drought that has plagued the country since 2018.
  - Agricultural revenues in December 2020 increased by 10.8% YoY, and the kingdom's water reserves are 50% full in January 2021, from 30% the month before.
    - The return of rainfall comes as a relief as agriculture accounts for 14% of the country's GDP and was a large contributor to the economic hardship of 2020.
- Another promising testament to Morocco's recovery is the government's recent pledge to repay part of a USD 3B IMF credit facility, suggesting the worst days for the economy are behind it.
  - The Ministry of Finance has declined post-program monitoring, as they are gearing up to repurchase USD 936M of the credit line this month, 2.5 years before the end of a three-year grace period.
- On the geopolitical front, Morocco is reaping the benefits of the recent US recognition of its sovereignty over the Western Sahara.

[5] Arabia Monitor; National Oil Corporation.

- Morocco has made Western Sahara its foreign policy priority for the last three decades, not only for the territorial and historic sentiments linked to the territory, but also for the opportunities it offers.

➢ The former Spanish colony has valuable resources, including fish-rich Atlantic waters, the largest phosphate reserves in the world, and, potentially, oil reserves.
  - More importantly, it offers a strategic road to lucrative markets in West Africa.
  - The kingdom's ambitious projects include a Morocco-Nigeria trans-African gas pipeline, which is also of interest to Morocco's Western allies as it could help reduce European reliance on Russian gas.

➢ As a result of the deal, the US has announced a USD 3B package in private investments in the region, and sales of USD 1B in drones and precision-guided weapons to Morocco.

➢ Critics of the agreement fear the deal will further destabilise the region, as the Polisario Front, backed by Algeria, have vowed to fight back.

➢ We do not expect words to escalate into actions, as Morocco has the backing of GCC states and the US, which gives it a military edge in the conflict.

Iran: Anticipation eclipses actuality

The promise of a US-Iranian rapprochement has taken centre stage in freshly sworn-in President Joe Biden's foreign policy agenda. While Washington and Tehran both wish to achieve a similar outcome, their pathways to getting there diverge, risking delays that the Rouhani administration will not be able to accept.

➢ While the aim for both administrations is to return to full compliance, President Rouhani is asking for sanctions to be lifted before reversing Iran's nuclear steps, while Biden is asking for Iran to comply with the terms before lifting sanctions.
  - While the divergence in the pathway back is an obstacle, both sides show some willingness to compromise. However, it will take time, likely longer than Tehran anticipates.
  - The US has the upper hand as the Islamic Republic has been counting on a return to the international markets to bolster its economy, which has taken a nosedive under the "maximum pressure" campaign rolled out by former US president Donald Trump.
    - The Iranian Rial (IRR) has lost 70% of its value since the US left the JCPOA, putting extra pressure on Tehran to rapidly negotiate a deal.
  - Expectations are high. Iran has factored in a return to the international oil markets when setting their 2021 budget.
    - The country's oil minister, Bijan Zanganeh said that the country hopes to export 2.3M bpd of crude in the new fiscal year beginning March 2021.

➢ The potential US envoy to the country, Robert Malley, an alumnus of the former Obama administration National Security Council, has been a staunch advocate for engagement with Iran.
  - Other members of Biden's foreign policy team, including Secretary of State Antony Blinken and National Security Advisor Jake Sullivan, all agree that the US and Iran have to take a seat at the negotiating table.

➢ In anticipation of Iran's return, the IRR strengthened to a five-month high against the USD.
  - On the US president's Inauguration day, the dollar was down to 228,000 IRR – a 17% gain for the IRR from 6 January.
  - A return to the deal would also bolster the economy by repatriating Iran's assets which have been frozen overseas, including USD 7B held in South Korea. This also factors into the IRR's climb.

➢ While promising, if a deal is not reached before the end of President Rouhani's term in office in June 2021, negotiations will become much more complicated. A hardliner is expected to take the reins as president after the June elections.
  - Iran's hardliners have been much more reluctant, uncompromising and stringent when it comes to engagement with the west.
  - The Supreme Leader, Ayatollah Khamenei, nonetheless stood behind the deal, albeit reluctantly, in 2015.
  - He is likely to do so again this time around regardless of whether a conservative or moderate administration is in power in Tehran.

Figure 5 - Iraq's 2021 Budget [6]

Spending Budget	USD, B	106.8
Current Spending	USD, B	87.8
Investment Spending	USD, B	19.0
Crude Exports (including KRG)	M, bpd	3.3
Oil Price	USD, pb	42.0
Expected Oil Revenue	USD, B	49.8
Expected Oil Revenue	IQD T	72.3
Non-Oil Revenue	USD, B	13.6
Deficit	USD, B	43.4

MENA Energy Outlook: Iraq's 2021 Budget

The absence of a formal Iraqi 2020 budget and a year-long financial crisis arising out of the COVID-19 pandemic and low oil and gas prices have resulted in a draft budget for 2021 with several points of controversy.

➢ Iraq's Cabinet has approved a draft 2021 budget with a record-setting deficit of USD 43.4B and highlighted "provisions" for sharing revenue with the semi-autonomous Kurdistan Regional Government (KRG).
  - The budget is based on expected oil revenues of USD 50B (at an oil price of USD 42 pb), representing 80% of total government revenues.
  - This is down from over 90% in some previous budgets and mandates the KRG to hand over 250k bpd of crude to the State Oil & Marketing Organisation (SOMO) in order to receive its share of the budget, which is not officially established, but has historically been 12.67% (assuming transfer of exports).

➢ OPEC+ cuts for 2021 will exert significant strain on the planned 3.25M bpd exports, diminishing prospects for higher oil revenues.

[6] Arabia Monitor; Iraq's Ministry of Finance.

- This assumes that Iraq will continue complying at a satisfactory level with gradually easing OPEC+ cuts.
- Iraq's transgressions in 2020 had become the cause for some tension between the cartel's leading producers and might continue to be so in 2021 if Iraq refuses to comply on the basis of a dire financial situation.

➢ If the KRG refuses to, or cannot, transfer its 250k bpd of exports, the federal government will deduct its value from KRG's budget share, along with the monies owed by the KRG to the Trade Bank of Iraq.
- This is contingent on parliamentary approval, but will certainly trigger backlash from Kurdish representatives, who say the KRG is unable to hand over their share to SOMO.
- This is because of existing long-term contracts with trading companies that had previously provisioned it with loans.

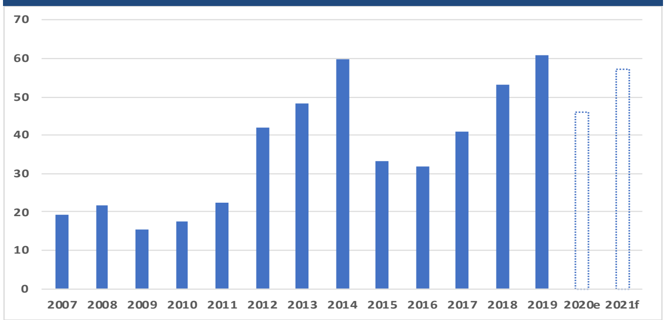
➢ The lack of Kurdish transfers, however, is only one of the many sticking points of the draft budget.
- For example, the budget proposes replacing cuts to public-sector employees' allowances with a progressive income tax system, which is unlikely to bring in enough revenue to make up for reinstating payroll spending.
- This has led to the deficit reaching a level USD 3.4B higher than it was in the initial draft of the budget (USD 40B).

➢ Iraq's largely cash-based economy will make implementation of the proposed tax changes difficult.
- Outcry is expected from higher-ranking government officials, who seem to be the main target of the income tax scheme.
- This might result in tensions and quarrels over vested political interests in parliament, further deterring a formal approval in coming weeks.

➢ The inability to make payroll cuts means there is much less room for investment spending than in previous budgets.
- Some projects that are included in the planned investment spending include the Al-Fao Terminal, the suspended Baghdad railway project, and a new Mosul airport, as well as hospitals and other investment projects.
- There is no funding for any wholly new investment projects, which raises concerns about Iraq's plans for expanding crude production capacity for higher export earnings, as well as gas and power developments to end reliance on Iran imports.

➢ The devaluation of the Iraqi Dinar (IQD) could allow the government to generate more dinars from dollar-denominated oil sales.
- However, this is likely to increase inflation and cost-of-living expenses and have a negative impact on contractors awaiting payment denominated in dinars.
- The IQD was devalued by 23% to the USD on 20 December, with the Central Bank of Iraq (CIB) confirming the devaluation with immediate effect.
- The official rate now stands at 1,450 IQD to 1 USD, some 270 IQD higher than the CBI's long-standing currency peg of 1 USD = 1,182 IQD.

Figure 6 – Sino-UAE Total Trade[7]



China-UAE New ventures: Leisure. renewables

➢ China-UAE trade holds up despite the pandemic. Between January and October 2020, bilateral trade between China and the UAE stood at USD 458.7B, poised to overtake the annual volume in 2019 (USD 487.7B), and despite the decline in oil prices.

➢ Recent developments are likely to see trade continuing to grow amid the global economic downturn, including increased oil imports and the construction of a trading hub.
- DP World's Dubai Traders Market (Jafza) in the Jebel Ali Free Zone will see the opening of Yiwu Market UAE by end of 2021, in partnership with Zhejiang China Commodity City Group.
- The market will host thousands of showrooms upon completion, spanning 200 thousand square meters, allowing businesses to benefit from Jafza's strategic location and tax reliefs.
- Yiwu is the top commodity-exporting city in China, while the UAE is responsible for re-exporting and transiting 60% of Chinese trade to the MENA region.
- The construction of the market will facilitate growing connections between Yiwu and Dubai, and further entrench Dubai's status as MENA's trading hub.

➢ Color China Entertainment Limited has signed partnership agreements with Multiple Events Dubai and Hunter International Travel & Tourism to explore commercial opportunities in entertainment performances and music education services.
- This includes establishing an offline training base in the UAE and offering online and offline Arab cultural entertainment performances.
- Entertainment and online education are two fast-growing sectors in both China and the UAE and present huge market potential given the increased spending power by their populations.

➢ While partnerships are being formed in new sectors such as in entertainment and online education, traditional EPC contractors are also exploring opportunities, for example China Gezhouba Group on renewable energy with Masdar, via a new MoU.
- This is part of a trend we have been seeing where Chinese and Emirati entities join forces to open up overseas markets and pursue project opportunities worldwide, tapping into their respective resources and strengths.

[7] Arabia Monitor; National Bureau of Statistics of China.

Disclaimer

The information contained herein does not constitute an offer or solicitation to sell any security or fund to or by anyone in any jurisdictions, nor should it be regarded as a contractual document. Under no circumstances should the information provided on this publication be considered as investment advice, or as a sufficient basis on which to make investment decisions. The information contained herein has been gathered by AM Ltd from sources deemed reliable as of the date of publication, but no warranty of accuracy or completeness is given. AM Ltd is not responsible for and provides no guarantee with respect to any of the information provided herein or through the use of any hypertext link.

Arabia Monitor is an independent research firm specialised in economic and market analysis, and strategy advisory on the Middle East and North African region, which it views as the new emerging market. Arabia Monitor's in-depth, locally informed analysis by Arab, Persian and Chinese speakers have placed it consistently ahead of the curve in identifying new trends within and around the region and understanding its geopolitics.

Arabia Advisors specialises in portfolio strategy and private placements. It works with firms, family offices and government-related organisations that are looking to streamline, re-balance or diversify their asset portfolios. Based in the UAE as an offshore company, Arabia Advisors services a regional and international client base with an interest in the Arab countries.

Arabia Monitor
Aston House| Cornwall Avenue| London N3 1LF
Tel +44 203 239 4518
info@arabiamonitor.com
www.arabiamonitor.com