Significant shifts in regional dynamics

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- **Significant regional dynamics are shifting in MENA. Libya has come in from the cold to form new partnerships. Iran's return to the international and regional folds is making strong headway, though the path ahead will be a rocky one.**
- **Reforms sweeping through Oman reflect the sultanate's commitment to resuming fiscal consolidation. Given security and social stability concerns, we expect some austerity measures to be rolled out gradually.**
- **While oil price volatility appears to be subsiding, the US administration's NOPEC bill threatens to send prices through the floor.**
- **Rapid diversification across GCC markets is bringing with it new market prospects for Chinese businesses to explore. Strategic investment opportunities are emerging in e-commerce and security sectors.**

GDP Growth: Lower for some, higher for others

In its April Regional Economic Outlook, the IMF revised its growth forecast for the MENA region to 4% for 2021, a 0.9% upgrade from October. Oil importers are expected to bear the brunt, but the overall outlook for the region is in line with wider global trends.

- Fourteen of 22 economies saw their growth forecasts lowered for 2021. This outlook is due mainly to the slow rate of vaccine inoculations, muted growth in the oil sector and geopolitical tensions.
- The picture is rosier for countries like Iran, Egypt, Saudi Arabia and the UAE, where fiscal support was relatively strong during the COVID-19 pandemic. These countries are expected to surpass pre-pandemic GDP levels in 2022.
  - The IMF had cut its growth forecast for Saudi Arabia in January, from 3.1% to 2.6%. It revised its projection up to 2.9% in the April report.
  - Interestingly, the IMF estimates that Iran managed to post positive growth last year at 1.5% and expects it to expand by 2.1% this year. This is a significant improvement compared to the estimated 5% contraction issued in October.
    - We expect a degree of sanctions relief this year to help achieve the newly revised GDP growth forecast. However, ongoing talks pertaining to the Joint Comprehensive Plan of Action (JCPOA) are likely to be lengthy and challenging.
- For the GCC, the IMF forecasts growth at 2.7% this year, up from 2.3% in October. This upward revision is supported by higher oil prices and early vaccine rollouts in most Gulf economies.
  - Suffering from the deepest contraction out of all the Gulf countries, Kuwait is forecast to post 0.7% growth in 2021, following an 8.1% contraction last year.
  - Growth in Qatar is forecast at 2.4% in 2021, up from a 2.6% decline in 2020 and 0.8% growth in 2019.

Table 1 – MENA Dashboard[1]

MENA Oil Exporters	Real GDP Growth (%)		Fiscal Balance (% of GDP)	
	2020	2021f	2020	2021f
Algeria	-6.0	2.9	-12.7	-18.4
Bahrain	-5.4	3.3	-18.3	-9.1
Iran	1.5	2.5	-8.4	-6.8
Iraq	-10.9	1.1	-18.3	-9.2
KSA	-4.1	2.9	-11.1	-3.8
Kuwait	-8.1	0.7	-9.4	-6.9
Libya	-59.7	131.0	-103.0	0.3
Oman	-6.4	1.8	-17.3	-4.4
Qatar	-2.6	2.4	1.3	1.4
UAE	-5.9	3.1	-7.4	-1.3
Yemen	-5.0	0.5	-9.6	-6.1
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	5.0	-1.3	-2.0
Egypt	3.6	2.5	-7.0	-7.5
Jordan	-2.0	2.0	-8.9	-7.7
Lebanon	-25.0	...	-9.9	...
Mauritania	-2.2	3.1	2.1	-2.5
Morocco	-7.0	4.5	-7.6	-6.4
Palestine	-11.0	5.7	-10.7	-10.5
Somalia	-1.5	2.9	...	...
Sudan	-3.6	0.4	-5.9	-4.5
Syria	...	...	...	...
Tunisia	-8.8	3.8	-10.6	-9.3
Average Ex-Syria	-6.7	4.0	-9.4	-6.4

    - Because Qatar underwent a less severe contraction than its Gulf neighbours in 2020, we believe that continued preparation for the 2022 FIFA World Cup will be a major contributor to growth over the next two years.
- The IMF expects oil prices to average only around USD 47 pb in 2021, up from USD 42 pb in 2020. The recent increase in oil prices will boost confidence, supporting non-oil GDP in MENA, which is expected to expand by 3.3% in 2021.
  - Oil GDP is forecast to grow by 5.8%, but this primarily reflects a surge in Libya's oil production by over 230% following the reopening of oil fields and ports in late 2020.
  - In the short-term, however, oil activity will remain subdued, reflecting the OPEC+ production curbs and continued US sanctions against Iran.
- Among the slower growth rates will be oil importers. The IMF forecasts a sluggish recovery rate at 2.3% this year, 0.4 percentage points lower than October's figures.
  - Growth forecasts for Jordan, Morocco and Tunisia were trimmed by 0.2-1.4 percentage points due to their high dependence on contact-intensive sectors such as tourism.
  - One bright growth spot amongst the region's oil importers is Mauritania, where the IMF now expects

[1] Arabia Monitor; IMF.

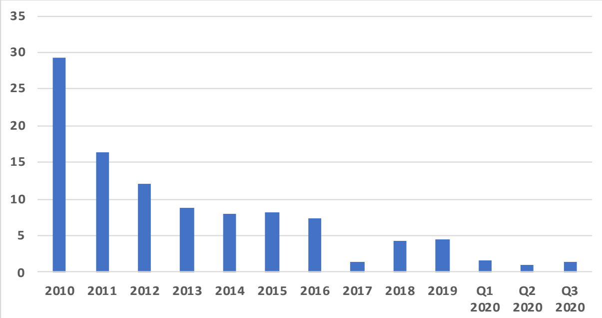
3.1% growth, revised up from 2%. The upbeat forecast comes on the back of stronger expansion in the extractive sector, as well as public investment.

Iran: Sanctions, sequencing stand in the way

As another round of indirect negotiations between Iran and the US continues in Vienna this week, both sides remain committed to reaching a deal. However, sanctions and sequencing remain sticking points to any resolution.

- It has been a busy month in Vienna, with the third round of talks concerning the JCPOA set to begin this week. EU diplomats have largely acted as mediators during these talks, shuttling back and forth between US and Iranian delegations.
  - Indirect talks have helped to bring negotiations back on track. However, they have also prolonged the process; face-to-face dealings would almost certainly yield a much quicker turnaround.
- Nevertheless, the administration of Iran's president, Hassan Rouhani, has set an ambitious target of returning to the deal before he leaves office in June.
  - In a press conference, Rouhani announced that during his remaining 100 days in office, he intends to rid Iran of both COVID-19 and sanctions.
- While Rouhani has set a high bar for himself, the US is willing to compromise on sequencing and the lifting of some sanctions, but only if it is confident that Iran will comply with the terms of the nuclear deal.
  - During last week's negotiations, the US compartmentalised sanctions into various categories. This breakdown includes nuclear-related sanctions, non-nuclear sanctions and sanctions pertaining to the administration of former US president Donald Trump that have a non-nuclear pretext.
    - The US is now ostensibly willing to lift nuclear-related sanctions and to review Trump-era sanctions to determine whether they should also be lifted. However, it is only prepared to do so if the Iranians act accordingly.
    - It is likely that the US will lift some sanctions before the Iranians take any action.
- Domestic politics within Iran have made the circumstances complicated. However, with Supreme Leader Ali Khamenei behind the deal, hardliners will not stand in its way. But they may cause delays.
  - If the US were to lift sanctions, Tehran has stated that the manifestation of any such overtures would need to be verified by its government ministries.
    - For example, the oil ministry would need to verify that Iran could indeed sell oil. Similarly, the transport ministry would have to ensure that this oil could be delivered to buyers. Furthermore, the Central Bank would then be asked to confirm the receipt of funds.
    - While Rouhani asserts that this process will not be overly time-consuming, it is an area in which we might witness delays. The aforementioned hardliners may well complicate any verification process.
- Regionally, the negotiations have had geopolitical ramifications. A potential Saudi Arabia-Iran rapprochement now looms after it was leaked that the two countries had engaged in talks.

Figure 1 – FDI inflows into KSA[2]



  - While neither side has confirmed that talks took place, an official from the administration of Iraq's Prime Minister Mustafa al-Kadhimi revealed that meetings between the two regional foes occurred earlier this month. The Iraqi administration, which has been acting as a mediator, stated that another session is scheduled for May.
  - Since US President Joe Biden took office, Saudi Arabia has had to shift gears; it no longer enjoys unconditional US support.
  - With JCPOA negotiations moving towards a deal, there is fresh impetus for Saudi Arabia to engage in diplomacy with Iran.
  - While Riyadh and Tehran are unlikely to become allies any time soon, talks could deter further proxy attacks. Such a development would almost certainly help to diffuse regional tensions.

Saudi Arabia: Steady she goes

As part of its latest outlook, the IMF revised its forecast for Saudi Arabia's 2021 GDP growth from 2.6% to 2.9%, compared with a 5.4% contraction in 2020. Growth this year is underscored by the government's decision to curb oil output cuts gradually, as well as continued efforts to attract foreign investment.

- With Saudi Arabia starting to unwind its 1M bpd production cuts, the revival of the oil sector will support overall economic recovery for the rest of the year.
  - Output resumption will be conducted at a gradual rate, starting with 250K bpd in May, followed by 350K bpd and 400K bpd in June and July respectively. This recovery notwithstanding, the average oil production levels for this year are likely to remain similar to 2020 levels (9.2M bpd).
  - Oil production could start increasing in 2022, with oil GDP growing by an average of 4% for 2022 and 2023, following a 7.2% contraction in 2020.
  - Despite uncertainty regarding short-term global oil demand and the rising OPEC+ supply, oil price risks appear to be generally balanced, with a slight upward bias. This will be key for accelerating the kingdom's oil GDP recovery.
- Meanwhile, the vaccination campaign has picked up. More than 7.7M people (around 23% of the population) have been inoculated.
  - Our outlook regarding the likelihood for business activities to resume at full normalcy remains

[2] Arabia Monitor; Invest Saudi.

unchanged. It could take until H2 of 2022 for private sector losses to be fully recovered.
- The government's ongoing rollout of investment plans and the growing focus on privatisation will likely pick up some of the slack. This will also be key to financing the budget deficit.
- Based on revenues of USD 226B, the government is budgeting for a YoY deficit of USD 37.5B in 2021. This accounts for around 4.9% of GDP, compared to a deficit of around 12% in 2020 and 4.7% in 2019.

➢ While Saudi Arabia's efforts to attract foreign investment and to improve its business environment are work in progress, the new privatisation law bodes well for the kingdom's recovery.
- As part of the Private Sector Participation (PSP) Law, the kingdom aims to increase private sector participation to around 65% of GDP, up from the current 40%. It aims to reach USD 4B worth of infrastructure deals over period of 9 years. This will be achieved via plans to privatise 100 initiatives in 16 different sectors.

➢ Progress on privatisation has been much slower than anticipated since its launch in 2016. Yet despite setbacks, the new law is expected to facilitate the process by removing requirements such as obtaining approvals and waivers from the cabinet.

➢ Following a four-year process, the Saudi Grains Organisation (SAGO) recently became fully privatised.
- Saudi Arabia managed to raise USD 800M from the recent sale of its two remaining flour mills. This follows a USD 740M sale of two other mills in July 2020.
  - The Second Milling Company was sold for USD 568M to a group comprising the Abdulaziz Al-Ajlan Sons Company for Commercial and Real Estate Investment, Al-Rajhi International Investment Company (RAII), Nadec and Olam International.
  - The Fourth Milling Company was sold to Alana International Alliance, Abdullah Al-Othaim Markets and the United Feed Industry Company for USD 229M.
- This means that SAGO will step away from state tenders and give import responsibilities to the private sector. We do not expect this to take effect immediately.

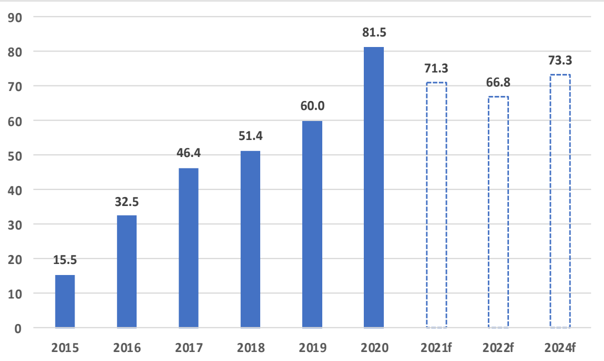
➢ Given the mounting fiscal pressures and the acceleration of diversification plans, we expect to see strong privatisation activity in the kingdom going forward. Yet more is needed to achieve the ambitious targets laid out in Saudi Arabia's Vision 2030.

Oman: Pro-growth reforms gathering pace

The IMF revised Oman's 2021 GDP growth forecast from a negative 0.5% contraction to a positive 1.5% growth. This follows a deep 10% contraction in 2020. With recovery underway, Oman's fiscal balance is expected to improve. This will come on the back of higher revenues and the resumption of fiscal consolidation.

➢ In its latest economic outlook, the IMF's forecast for Oman is much more optimistic. Following fiscal adjustments implemented in 2020, such as a 15% cut in government spending and the introduction of a 50% excise tax on sweetened drinks, the fiscal deficit is now forecast at 4.4% of GDP.
- This would be the sultanate's eighth consecutive budget deficit. That said, it is a significant improvement from the 16.8% GDP deficit forecast in October and the 17.3% deficit estimated for 2020. The revision of Oman's fiscal deficit is primarily a result of higher oil prices.
- The IMF figures are more bullish than those of the Omani government. Its 2021 budget, which marks the start of Oman's tenth five-year plan, adopts a prudent tone in both its revenue and expenditure projections, with a deficit of USD 5.7B. This is equivalent to 8% of GDP.
  - Based on revenue of USD 22.3B (a 19% YoY decrease), this is considered the lowest deficit since 2015. The oil price assumption is a conservative average of USD 45 pb for 2021.

Figure 2 – Oman Gross Government Debt[3]



➢ Given that the 2021 budget's top priority is to reduce the deficit, Oman is enhancing the efficiency of its fiscal and financial management through several initiatives in line with its 2020-2024 medium-term fiscal plan.
- One significant change is the transfer of the oil and gas sector expenditure burden from Petroleum Development Oman (PDO), which is estimated to be around USD 6B, to the newly formed state-owned Energy Development Oman (EDO).
- The idea is that this spending will be removed from the state budget and that EDO will now finance its share of PDO, independently of the government.

➢ The government's commitment to proceed with gradual fiscal consolidation is reflected in the introduction of a 5% VAT in April and the probable introduction of personal income tax on high-income earners next year.
- The VAT will help the sultanate generate about USD 1B in revenue annually, which is the equivalent of around 1.5% of GDP. During its first year, the tax is expected to have an initial inflationary effect. This impact is forecast to subside gradually.
- However, Oman's VAT is amongst the lowest internationally, with nearly 490 essential commodities subjected to zero-rate tax (the highest number of commodities across the GCC). Its impact on individual spending patterns could therefore be minimal.
  - The IMF forecasts inflation to rise to 3.8% this year, up from the negative 0.8% in 2020. This is expected to hold steady, averaging at 2.3% through 2022-23.

[3] Arabia Monitor; IMF.

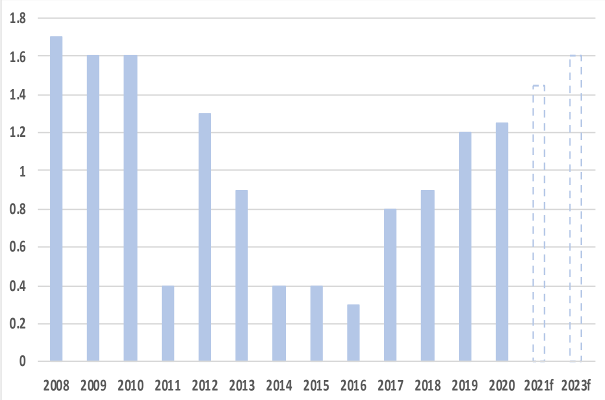
- Meanwhile, the Ministry of Finance announced that Oman is more than halfway towards meeting its financing needs of USD 11B this year.
  - After borrowing USD 4.6B and withdrawing USD 1.5B from the country's sovereign wealth fund, the Oman Investment Authority (OIA), Oman has around 4.7B remaining to cover its financing needs. The rest will be raised through the debt market.
  - Oman has already tapped the debt market this year, selling USD 3.25B in a three-part offering in January.
- The increasing debt level is forecast to push debt servicing costs to 4.4% of GDP in 2021, up from 3.6% in 2020. This will likely offset some of the additional non-oil revenue and apply downward pressure on the sultanate's fiscal position.
  - The higher debt could reduce withdrawals from the OIA, whose assets have been declining and are estimated to be at USD 18B, around 25% of GDP.

Libya GNU: Already put to the test

Libya's interim Government of National Unity (GNU) has already been put to the test, just over a month after taking its seat. Although the country is stable enough to open for business, drawing in diplomats and investors alike, choppy waters lie ahead.

- A number of embassies in Libya, including those of China, France and Spain, have already reopened following extended closures during the civil war.
- We are also witnessing a return of foreign contracts to Libya. An uptick in domestic activity will be needed to increase FDI, but we could rapidly see inflows approach the peak of USD 4.7B in 2007.
- Activity is expected to increase rapidly within Libya's capital-starved energy and infrastructure sectors. Indeed, the government is set to issue tenders to resume work at key facilities to boost oil output. Notable players such as France's Total and Italy's Eni are expected to play a critical role in supporting this expansion.
  - Total's CEO, Patrick Pouyanné, met with Libya's National Oil Corporation (NOC) chairman Mustafa Sanalla this month to discuss increasing the company's presence in Libya.
- However, oil output is threatened by a budget dispute which has delayed much-needed funds from arriving at Libya's facilities. The NOC has invoked *force majeure* to close three major oil fields.
  - The closures come after payment delays following the government's inability to fulfil its commitments. The issue has been exacerbated by parliament (House of Representatives, HoR) rejecting the budget. This has delayed the disbursement of requisite funds and decreased output.
  - The GNU now has until 30 April to submit a new draft.
    - With the United Nations Support Mission in Libya (UNSMIL) reinforcing the state's call to pass the budget, the next draft is likely to proceed. However, delays should still be expected.
- Libya's domestic security situation continues to threaten the country's stability. However, the possibility of worsening security conditions in neighbouring Chad following the death of the former president Idriss Déby may make matters worse.

Figure 4 – Libyan Oil Production (Mb/d)[4]



  - Déby died on 20 April from wounds he allegedly sustained while visiting troops battling rebels from the Front for Change and Concord in Chad (FACT) in the country's north-west. This comes after the former president won his sixth term in office in the 11 April election.
    - Rebels from FACT were employed in Libya as mercenaries under Field Marshal Khalifa Haftar prior to the formation of the GNU.
    - It has been suggested that the same FACT rebels have now returned to Chad.
  - The death of Déby, whom both France and the US supported, has created a political vacuum that could pose a threat to Libya's stability. It is likely that armed groups are currently jockeying to fill it.
    - As Mahamat Déby takes his father's place, Chad's (and by extension Libya's) stability are a new source of geopolitical risk.

Iraq: Switching power provider (but not yet)

Sino-Iraqi relations are deepening, as evidenced by the latest round of transactions this month, namely in Iraq's energy sector. China is on its way to becoming the largest stakeholder in the country, offering Baghdad an opportunity to shift its economic dependence from neighbouring Iran. Iraq will need to navigate these new waters carefully.

- The US oil and gas giant ExxonMobil is leaving Iraq after ten years at the West Qurna 1 oil field. The state-owned China National Petroleum Corporation (CNPC) and China National Offshore Oil Corporation (CNOOC) have both been floated as potential buyers of Exxon's shares. These are signs of increasingly complex times.
  - If the acquisition takes place, Beijing would have a majority stake, with China's Petrochem owning 33% of the shares.
- Furthermore, the China Petroleum and Chemical Corporation (Sinopec) has secured a 49% stake in the Mansuriya gas field as part of a 25-year contract. Iraq's state-owned Midland Oil Company owns the remaining shares.
  - The Mansuriya field, located near the border with Iran, is set to produce 300 million standard cubic feet of gas per day. This will largely be used for electricity generation.

[4] Arabia Monitor; National Oil Corporation.

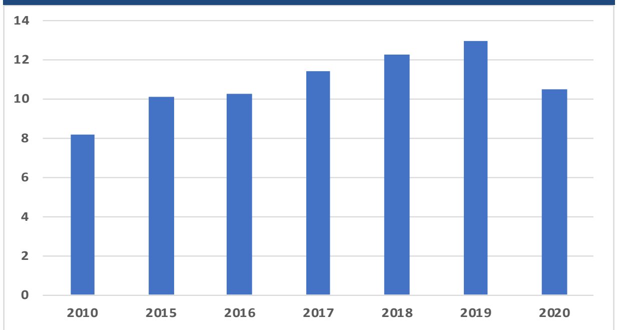
- Iraq has traditionally relied on Iran for its electricity, counting on US waivers to bypass sanctions imposed by Washington on Tehran.
- Despite these developments, Iraqi self-sufficiency in terms of electricity is unlikely to be achieved in the short term. It might even be years before the electricity sector finds its footing.

Morocco: Bolstering new ties

As Morocco continues to roll out the most effective COVID-19 vaccination programme on the African continent, the pressure on its economy is beginning to ease. However, the extension of a night curfew during Ramadan could delay this recovery until at least Q3 2021, particularly in key sectors.

- Morocco's economy is forecast to grow by 4.9% this year, up from a sharp 7.7% contraction in 2020. The government is more optimistic, forecasting 5.3% growth with a 14.5% expansion in Q2 2021 compared to a tepid 0.7% in Q1.
- Growth this year will be driven by the 18% rebound in the agricultural sector. This follows a 13.7% QoQ improvement in agricultural activity last quarter, which allowed the country to emerge from a two-year drought.
  - Heavy rains throughout late 2020 and the first months of 2021 have helped the national dam's filling rate to reach 50%.
- Morocco's COVID-19 vaccination programme, which started at the end of January, is also expected to drive growth. The programme accounts for over half of all vaccinations in Africa.
  - So far, 8.3M Moroccans, around 23% of the population, have received at least their first dose, with more than 12% of the population fully vaccinated.
- Additionally, the extent of the rebound will depend partly on the resurgence of the hospitality industry, which accounts for around 11% of GDP.
  - The success of the vaccination programme in Morocco has exceeded expectations and bodes well for the revival of the sector. It is desperately needed. The country suffered a 54% YoY loss in tourism revenue last year, reaching USD 3.8B.
- Morocco is expected to begin receiving international tourists by the end of H1 this year.
  - Many could hail from countries that have made similar strides in their vaccination efforts, such as Israel and the UAE. However, we do not expect the return of tourists to fill the vacuum immediately.
  - The Ministry of Tourism projects that around 200K Israelis will visit Morocco this year. This follows the post-Ramadan resumption of direct flights, which were launched in December.
    - An estimated 50,000 Israeli tourists visited Morocco in 2019.
- Meanwhile, several bilateral business deals between Israel and Morocco are in the process of being signed. This could drive economic upturn and pave the way for untapped growth opportunities. In March, a trade partnership agreement was signed between Morocco's largest corporate group, the General Confederation of Enterprises of Morocco (CGEM), and a technology company by the name of Israeli Employers and Business Organizations (IEBO).
  - As part of the deal, a bilateral Business Council has been set up to promote trade missions, as well as information and experience exchange common

Figure 5 – Morocco's Tourist Arrivals (millions)[5]



interest. These include R&D, innovation and technology.
  - Going forward, we expect both countries to develop existing relations, and to cooperate beyond traditional sectors to boost trade. Trade between the two countries already amounts to USD 30M.

On the geopolitical front, the US recognition of Moroccan sovereignty over Western Sahara hangs in the balance; the Biden administration is reviewing this recognition following domestic opposition in the US.

- We believe the geopolitical implications are too great for President Biden to renege on his predecessor's recognition of Western Sahara.
  - This comes despite 27 US senators from both parties having signed a letter urging Biden to pull out from the decision to recognise Moroccan sovereignty over the Western Sahara.
- On the ground, Morocco's position has been bolstered, not only by US support, which is still shaky, but also by its GCC allies' unwavering backing.
  - Perhaps as a result, Moroccan forces reportedly conducted a drone strike for the first time to target Polisario Front fighters. This is potentially a turning point in the conflict as the kingdom asserts its dominance in the region.

Energy Outlook: NOPEC back on the table[6]

A US House Panel has passed a bill to subject OPEC+ to lawsuits for boosting petroleum prices. This is not the first time a so-called No Oil Producing and Exporting Cartels (NOPEC) bill has appeared in the US Congress, with similar bills having been presented (unsuccessfully) for more than 20 years.

- The introduction of the bill this year comes just after the OPEC+ coalition threw caution to the wind by agreeing to unwind cuts during a still-economically fragile period.
  - The decision on 1 April to loosen production quotas will add over 2M bpd to the market by July 2021.
  - As justification, the alliance bets it can reclaim lost market share as demand turns bullish on the back of successful vaccination drives, as well as strong manufacturing activity in Europe, MENA, and Asia.

[5] Arabia Monitor; Visit Morocco.

[6] This section is a guest author contribution courtesy of Robin Mills & Maryam Salman, Energy Analysts.

- Oil prices have risen by about 33% this year and are currently in the range of USD 66-68 pb, much lower than the level of USD 100 pb in 2008, when a similar bill was passed.

- Despite 16 previous bills having failed to gain traction in Congress, this one has caused OPEC+ to encourage members to lobby against it.
  - OPEC+ has called on its members to engage with the US administration over the bill by explaining the disadvantages for the US should the bill become law.
  - Saudi Arabia's relations with the US are more fragile under President Biden; Saudi hawks in the administration have often banked on the NOPEC bill as a way to punish the Saudis and other producers.
- The current environment, while significantly more stable than last year, remains uncertain; indications of a NOPEC bill gaining favour could threaten to send oil prices through the floor again.
  - Qatar, a core OPEC+ Gulf member, quit the cartel in 2018 after six decades, partly due to the risk that the passing of a NOPEC bill could harm its liquefied natural gas (LNG) expansion plans in the US.
- OPEC+ highlighted several risks for the US in a letter written by Secretary General Mohammed Barkindo.
  These include the weakening of the immunity principle at a global level by undermining important trade and energy relations between the US and OPEC+ member states. Increased volatility for international oil markets was another mentioned risk; this could arguably jeopardise US interests overseas, affecting US oil-producing states and corporations.
  - For OPEC+ members, a NOPEC bill would result in a significant jolt to their economies and cut-throat competition for market share. Smaller producers would be the most affected.
- Nevertheless, the bill is still unlikely to gain any traction this year.
  - Congress has other priorities, and House Speaker Nancy Pelosi has never shown much interest in such a step.
  - The potential for passage of the bill would have major consequences on oil producing states like Texas and Pennsylvania, where Biden is already managing a tough balancing act between hydrocarbon-dependent economies and green energy policy goals.
  - Democrats are hoping to flip a seat in the Senate race in Pennsylvania in 2022, and a NOPEC bill might just be their undoing.
- Regardless, the pro-consumer sentiment of the bill could make it hard to ignore.
  - The current US administration has signalled that Riyadh should be held more accountable; these signals may yet find receptive ears.
  - Action against oil producing countries could also be a tempting policy under Biden's new climate strategy, even though Biden himself never endorsed the bill while in the Senate. Indeed, the Obama administration opposed any action during Biden's tenure as vice president.
- Ultimately, the bill may be more useful as leverage for the Biden administration with regard to oil producers, wider foreign policy and climate.

Figure 6 – Historic Brent Prices (USD pb)[7]

Sino-UAE: Ecommerce links deepen but drone market challenged

China's JD.com, one of the world's largest ecommerce players, has launched two major UAE partnerships.

- A partnership agreement was signed with Namshi (owned by Dubai's Emaar Malls), which will provide JD.com with local logistics, warehousing, marketing and content-creation support as part of its MENA expansion.
  - Chinese brands including Baleno, Dodogogo, Latit and Mo&Co will be sold on the Namshi platform. This follows plans to launch several fashion and lifestyle brands from China this year.
- Additionally, UAE-based B2B marketplace Tradeling is partnering with JD.com to list brands and products on its wholesale platform.
  - Meanwhile, Tradeling will be able to galvanise JD.com's logistics and warehouse capabilities.
- JD.com is the world's fourth-largest ecommerce retailer, generating over USD 110B in revenue last year. In 2019, JD.com occupied 9% of the total global online gross merchandise volume (GMV), following Taobao (15%), Tmall (14%) and Amazon (13%).[8]

For the past decade, MENA has been the most important drone market for China, with Saudi Arabia and the UAE topping the client list.

- Recently, the UAE agreed to buy 10 to 15 Golden Eagle CR500 helicopter drones and 20 MR40 unmanned aircraft vehicles (UAVs), for USD 9M and USD 7M respectively.
- However, President Biden's plan to proceed with USD 23B in arms sales to the UAE, including 18 MQ-9B Reaper UAVs, could pose challenges to China's ambitions. Israel has also tapped into the market.
- Furthermore, while the US is keen to limit missile-based weapons systems in the region, Biden's move sends a clear foreign policy signal to US arms manufacturers, motivating them to market their products in the MENA region with continued intensity.

[7] Qamar Energy.
[8] Activate Consulting 2020; Reuters 2021.

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