American Chamber of Commerce in Egypt

AmCham MENA

MENA-U.S. TRADE AND INVESTMENT REPORT 2023

Accelerating Green Investments in the MENA Region

11th AmCham MENA Regional Council Conference 2023

AMCHAM MENA
Regional Council

www.amchammena.org

The AmCham MENA Regional Council (AmCham MENA Council) was established in 2005 and now comprises the AmChams of Abu Dhabi-UAE, Dubai-UAE, Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Palestine, Qatar and Tunisia.

AmCham Egypt is the current Chair of the Council (as of March 2022), and AmCham Dubai is the Co-Chair. The Council's Secretariat resides at AmCham Egypt.

MISSION

To promote trade and investment between the United States and the MENA region.

OBJECTIVES

- Foster increased awareness among MENA region manufacturers and producers for potential business opportunities with the U.S.
- Promote closer ties with the U.S. market.
- Support and promote various investment and trade initiatives.
- Coordinate formal programs focusing on the promotion of U.S. business opportunities.
- Foster increased collaboration between members of the Council.
- Effectively link the different organizations and institutionalize their ongoing collaboration with the U.S. Chamber of Commerce.
- Organize regional trade and investment conferences and exhibitions.

THE MENA **LANDSCAPE**

The Middle East and North Africa (MENA) region is a geographic classification for a group of countries extending from Morocco in northwest Africa to Iran in southwest Asia. The diversity of countries makes for a heterogeneous region, encompassing a variety of income levels, economic landscapes, standards of living, and main imports and exports. There is also a diversity of definitions for this region. Some, like the World Bank, include Djibouti and Sudan in northeast Africa, or Turkey and Malta in Europe; others make a distinction of "the Arab MENA region," excluding these countries as well as Iran and Israel.

In terms of the business and economic environment, this report looks at MENA as three major groups: North Africa, the Levant and the Gulf, excluding the non-Arab countries Turkey, Iran and Israel. North Africa includes Algeria, Egypt, Libya, Morocco and Tunisia; the Levant covers Jordan, Lebanon, the Palestinian territories, Syria and to some extent Iraq; and the Gulf encompasses the oil-driven economies of the Gulf Cooperation Council (GCC)—Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE).

This report focuses on recent trends in investment and trade between the United States and the 11 member countries of the AmCham MENA Regional Council: Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, the Palestinian territories, Qatar, Tunisia and the United Arab Emirates (UAE).

The prominent feature of the North Africa group is its abundant labor force, supported by a large young population, and its range of high- and low-skilled jobs. North Africa's service sector is diversified and promising, drawing the interest of international and regional investors in sectors such as logistics and maritime services, shipbuilding and, most importantly, tourism. As a result, national governments across North Africa aim to increase their exports regionally and internationally.

The MENA region is endowed with significant natural petroleum resources that have drawn in global capital in oil-related industries. As of November 2022, the region's oil production averaged around 34.1 million barrels per day, dominated by the GCC. After decades concentrating on oil products, though, many Gulf countries are now adopting new strategies to diversify exports, led by high-tech components, and have enticed new investments to nontraditional sector projects.

Lastly, the Levant countries are the regional home of authentic folkloric arts and crafts, and vocational talent. Despite ongoing political instability in this area, these countries are also involved in agriculture and different cross-regional services.

Arab MENA Demographics (2021/22)

Metric	Total/Average
Total population (million)	486.2
Total land area (million sq. km)	11.2
Average population density* (people/sq. km)	43
Population growth rate (%)	1.3
Total labor force (million)	153.2
Top three countries by land area (million sq. km)*	
Algeria	2.4
Saudi Arabia	2.2
Libya	1.8
Top three countries by population (million)	
Egypt	109.2
Algeria	44.2
Iraq	43.5
Top three countries by population density (people/sq. km)*	
Bahrain	1,882
West Bank and Gaza	798
Lebanon	554
Top three countries by labor force (million)	
Egypt	30.2
Saudi Arabia	16.1
Algeria	12.3

Source: World Bank

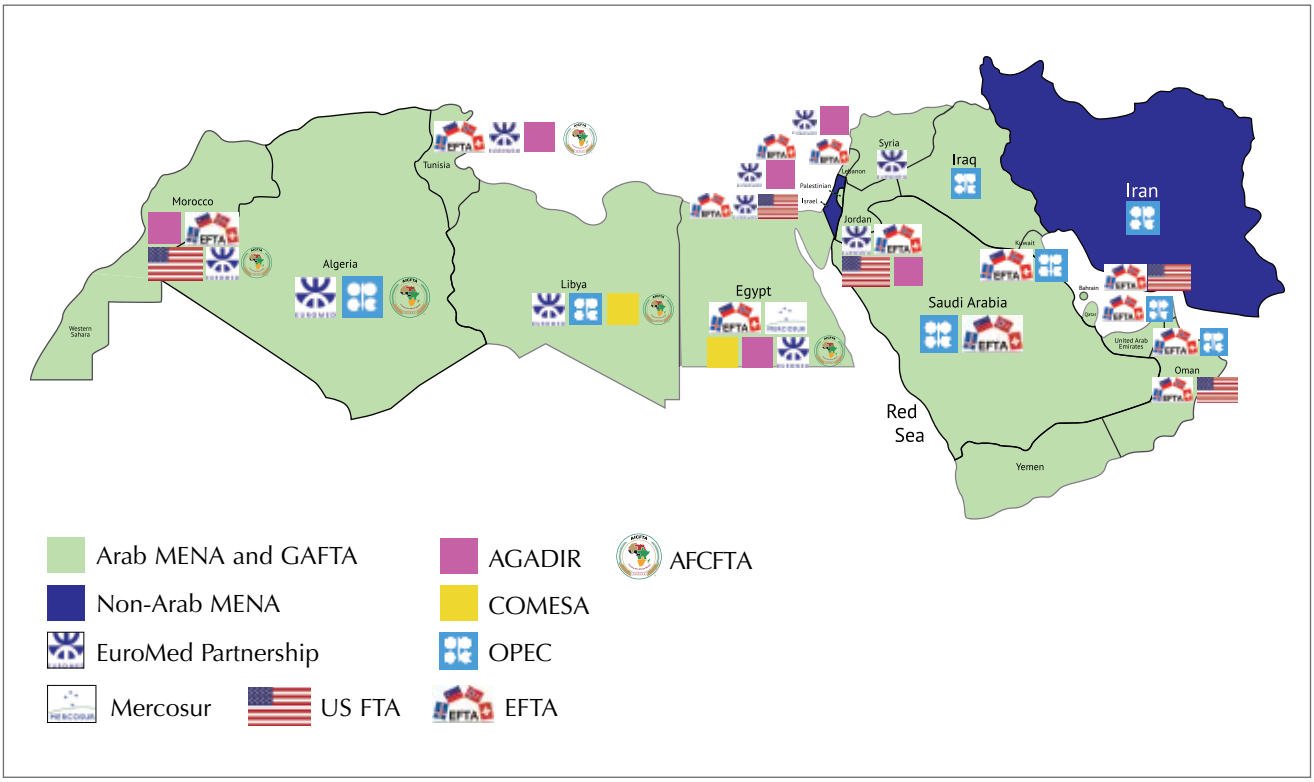
Much of the trade of goods and services across MENA is done within the framework of multilateral and bilateral trade agreements. All 18 Arab MENA members are parties to the Greater Arab Free Trade Area (GAFTA), in effect since 1998; Egypt, Jordan, Lebanon, Morocco, the Palestinian territories and Tunisia are also members of the Arab Mediterranean Free Trade Agreement (Agadir Agreement). Nine countries are part of the Euro-Med partnership, and 12 are signatories in the EFTA (Iceland, Liechtenstein, Norway and Switzerland)

All the North African countries are members of the African Continental Free Trade Area (AfCFTA), which launched in 2019 and creates a single continental market for goods and services for 54 of the 55 member states of the African Union, excluding Eritrea. Though trading under AfCFTA rules was officially authorized as of January 1, 2021, no trade has yet taken place within the treaty framework.

The Gulf group comprises the GCC, a customs union with deeper levels of liberalization compared with the other two MENA groups. The GCC is also connected with the North Africa group via the Organization of the Petroleum Exporting Countries (OPEC) and Organization of Arab Petroleum Exporting Countries (OAPEC).

To date, only four MENA countries have a Free Trade Agreement (FTA) with the United States: Bahrain, Jordan, Morocco and Oman.

Major Trade Agreements with MENA Countries



MENA GDP Growth Trends (2020 - 2024)

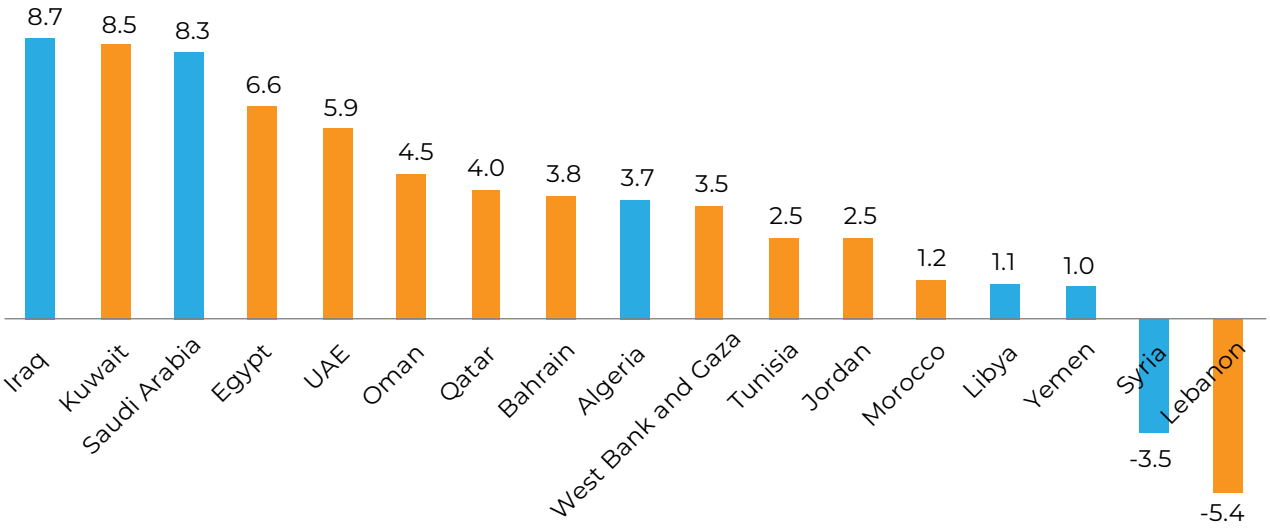
	2020	2021	2022e	2023f	2024f
Oil exporters	-4.3	3.3	6.1	**3.3**	2.3
GCC countries	-4.7	3.0	6.9	**3.7**	2.4
Oil importers	-0.8	5.4	4.1	**4.1**	4.3
Arab MENA Average	-8.0	7.9	3.3	**2.4**	2.2

Source: World Bank, Global Economic Prospects, January 2023

The MENA region continues to improve as a location for doing business but still lags behind its developing country peers. There is ample room for improvement, especially as differences in the business environment across the region are large. Inadequate access to finance remains the region's top constraint to private sector development. This is a crucial challenge for small and medium enterprises (SMEs): MENA's loans-to-SMEs ratio is the lowest in the world (2% of GDP), even though SMEs account for +60% of employment. Many countries are increasing access to finance for SMEs (Algeria, Egypt, Jordan, Morocco, the GCC), expanding mobile banking (Jordan, Morocco), and developing Islamic finance (Morocco).

Countries are also implementing measures to improve workers' skills and boost labor demand in the private sector. Egypt, Jordan, Morocco and Saudi Arabia all have active labor market policies aimed at benefitting women and youth. Having ensured relatively high levels of access to schools (about 80% for primary education), MENA countries now seek to improve the quality and efficiency of education as the region performs poorly on international tests. Finally, several countries have implemented policies to tackle corruption and improve accountability in public funds.

MENA GDP Growth (2022)



Note: Orange bars denote AmCham MENA Council countries.

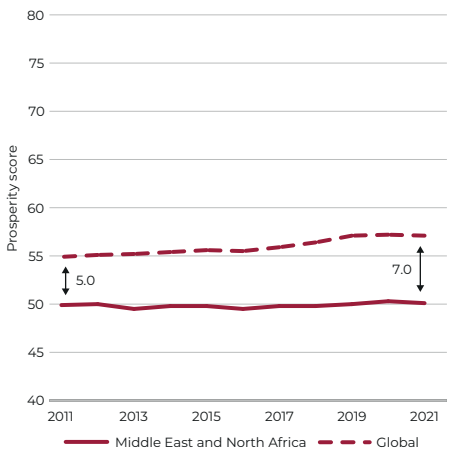
Source: World Bank, Global Economic Prospects, Jan 2023

The 2021 Legatum Prosperity Index (the latest published) assessed countries based on the key characteristics of inclusive societies, open economies and empowered people. Created by the London-based think tank Legatum Institute, the index divides 167 countries into seven geographic regions covering 99.4% of the global population and ranks countries according to 12 indicators within three domains. MENA ranked sixth among regions, followed only by Sub-Saharan Africa.

The 2021 index ranking period covered the onset of the COVID-19 pandemic, which impacted not just global health but drove up national deficits and debt as governments attempted to cushion the economic shocks. However, the pandemic was a short-term disruption and not solely responsible for changes in prosperity.

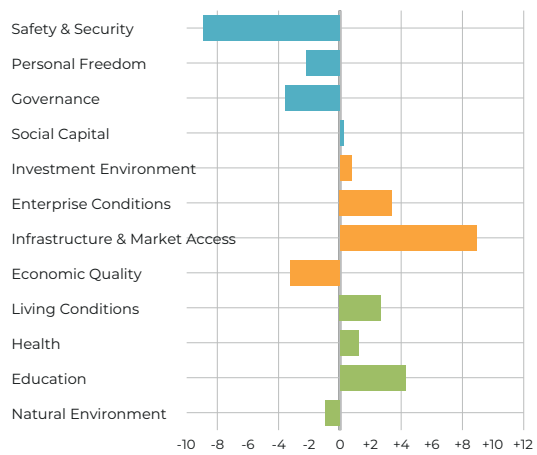
MENA in the Legatum Prosperity Index 2021

MIDDLE EAST AND NORTH AFRICA AND GLOBAL PROSPERITY



MIDDLE EAST AND NORTH AFRICA

PILLAR CHANGE, 2011-2021



Country	Global rank
UAE*	41
Qatar*	46
Bahrain*	56
Kuwait*	58
Oman*	67
Saudi Arabia	75
Jordan*	81
Morocco*	91
Tunisia*	96
Algeria	107
Lebanon*	109
Egypt*	121
Iraq	141
Libya	154
Syria	158
Yemen	165

Note: Regional rankings exclude non-Arab MENA countries.

**Members of the AmCham MENA Council*

Source: Legatum Prosperity Index

MENA Council Countries by Key Prosperity Pillars (2021)

		Inclusive Societies				Open Economies				Empowered People			
	Rank	Safety and Security	Personal Freedom	Governance	Social Capital	Investment Environment	Enterprise Conditions	Infrastructure and Market Access	Economic Quality	Living Conditions	Health	Education	Natural Environment
UAE	41	49	145	43	29	29	21	22	32	48	36	45	118
Qatar	46	15	146	63	26	45	20	39	28	46	39	58	122
Bahrain	56	100	158	110	17	36	37	35	72	40	54	61	140
Kuwait	58	51	119	91	52	73	64	57	52	36	45	74	137
Oman	67	39	149	87	33	51	47	53	87	67	57	76	151
Jordan	81	77	121	78	123	50	45	75	119	59	77	96	149
Morocco	91	60	116	85	160	64	73	56	99	92	88	110	126
Tunisia	96	125	91	60	155	96	86	88	112	73	92	94	139
Lebanon	109	132	108	128	165	98	81	93	160	72	100	68	115
Egypt	121	149	161	142	141	97	71	85	131	91	109	104	153

Source: Legatum Prosperity Index

Saudi Arabia (75th) had improved more than any other country within MENA over the past decade, driven in large part by improvements in the Education pillar; Qatar was also among the top performers in Education. Egypt showed the second-most improvements globally in Enterprise Conditions over the past decade, and along with Morocco was among the most improved countries in the Infrastructure and Market Access pillar.

The Heritage Foundation's Index of Economic Freedom ranks 177 countries on 10 factors (dubbed 'freedoms') grouped under four main pillars: Rule of Law, including property rights and freedom from corruption; Limited Government, including fiscal freedom and government spending; Regulatory Efficiency, including business, labor and monetary freedom; and Open Markets, including trade, investment and financial freedom. Each economic freedom is graded on a scale of 0-100, and the average of these 10 grades is the country's Economic Freedom Rank.

Economic freedom in MENA has fluctuated during the past half-decade but has generally scored near the world average overall. In the 2022 index, the UAE was the regional leader in economic freedom, with Jordan and Morocco the top non-GCC performers. Tunisia fared relatively better than most other countries, although it remained in the lower half of the "mostly unfree" category. Saudi Arabia dropped to the middle of the "mostly unfree" category dragged down by poor fiscal health, judicial effectiveness, and property rights.

Trade Freedom Scores in MENA Countries

	Trade Freedom Regional Rank 2023	Score in 2023 (out of 100)	Trade Freedom Regional Rank 2022	Score in 2022 (out of 100)
Bahrain*	1	84.2	1	83.0
Qatar*	2	81.6	2	81.4
UAE*	3	78.0	3	78.2
Oman*	4	76.2	7	73.4
Kuwait*	5	75.6	4	75.6
Saudi Arabia	6	74.2	5	74.8
Jordan*	7	71.4	8	71.8
Lebanon*	8	71.4	6	74.2
Tunisia*	9	66.3	10	66.2
Morocco*	10	64.4	9	68.6
Egypt*	11	60.2	11	60.2
Algeria	12	57.5	12	57.4

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Note: The full Economic Freedom Index scores and rankings for 2023 had not been released at time of publication. Data for Iraq, Libya, Syria, and the West Bank and Gaza are unavailable. Regional rankings exclude non-Arab MENA countries.

Source: The Heritage Foundation

Overall, MENA countries had been improving in recent editions of the two benchmark economic indices: the World Bank's Doing Business Report and the World Economic Forum's Global Competitiveness Index (GCI). However, the World Bank discontinued the Doing Business index after the 2020 edition and has not yet released its new Business Enabling Environment (BEE) series. The World Economic Forum last published a comprehensive GCI in 2019; the 2020 Global Competitiveness Report focused on exceptional economic conditions and recovery amid the COVID-19 pandemic.

MACROECONOMIC IMPACT OF THE RUSSIAN-UKRAINIAN CONFLICT ON MENA COUNTRIES

Just as the world was starting to recover from the economic shocks of the COVID-19 pandemic, February 2022's outbreak of the Russian-Ukrainian conflict unleashed a new wave of supply chain disruptions and global inflation that has negatively impacted the growth trajectory of all countries, including MENA. According to the World Bank, growth in Arab MENA is expected to slow to 3.5% in 2023, weighed down by the deterioration of global financial conditions, weakness in key trading partnerships, rising inflationary pressures, political instability accompanied by continued supply shortages, and increased national debts.

Amid global sanctions on Russian petroleum products, MENA's oil exporting countries benefitted from rising oil prices, posting a 35% year-on-year increase in the value of total exports from January to August 2022. The region's oil production boomed in 2022, with an average of 34.1 million barrels a day, up 10% year on year; 80% of the production increase was led by the GCC countries, half of it by Saudi Arabia alone. Saudi Arabia and Iraq recorded GDP growth of 8.3% and 8.7%, respectively, driven by the increase in oil production. Other sectors, however, have not posted positive performance due to continued economic uncertainties.

MENA's oil importing countries have been hit much harder than their oil exporting neighbors. In H1 2022, GDP growth among these nations mainly slowed due to the rising energy and oil prices, but was partially compensated by a boost in the tourism sector. The European Union's growth slowdown, buffeted by the geopolitical tension on the eastern border, has adversely affected trade ties with the MENA region. Weak exports and rising import bills have widened current account deficits in several oil importing countries, including Tunisia with a deficit of 10.3% of GDP, Jordan (7%), Morocco (4.9%) and Egypt (3.5%).

Growth in MENA is projected to decrease to 3.5% in 2023 and further to 2.7% in 2024, reflecting the domestic structural impediments as well as spillovers from the ongoing global turmoil. Many MENA economies, particularly the oil importers, are vulnerable to external financial pressures driven by capital outflows, leading to dwindling foreign exchange reserves.

If investor sentiment continues to deteriorate or global interest rates rise further than assumed, for example because of persistent inflation, oil importers could face increasingly adverse credit conditions as they seek to finance growing deficits. This could lead to severe difficulties meeting food and energy needs and servicing external debt.

CLIMATE ACTION IN THE ARAB MENA REGION

In a time of challenges ranging from the COVID-19 pandemic to the Russian-Ukrainian conflict and global inflation, climate change remains the greatest threat to the welfare of people and the planet. With Egypt and the UAE hosting the United Nations' Climate Change Conferences COP27 and COP28, respectively, MENA is well positioned to energize the international response, kickstart green initiatives and spotlight the financing and investment needs of the region.

During COP27, held in November 2022 at the Egyptian resort city of Sharm el-Sheikh, four initiatives were launched to accelerate global climate action. These include:

- Greening national investment plans: Led by Egypt's Ministry of Planning and Economic Development and supported by the UN Development Programme, this initiative helps African and other developing countries design economic policies that account for the impact of climate change, quantify mitigation and adaptation efforts, and create roadmaps for achieving net zero emissions.
- Low Carbon Transport for Urban Sustainability (LOTUS): Facilitated by the UN Environment Programme, SLOCAT Partnership and Boston Consulting Group, this initiative will improve access to low carbon and resilient urban mobility solutions.
- Sustainable Urban Resilience for the Next Generation (SURGe): This initiative addresses the existing barriers to reducing urban emissions and help urban systems become more resilient to climate change.
- Solid waste management: This initiative aims to recycle at least 50% of the solid waste produced in Africa by 2050.

To kick off preparations for COP28, the host UAE in January declared 2023 as the Year of Sustainability. The declaration came at the end of the annual Abu Dhabi Sustainability Week, which brought together heads of state, industry leaders, entrepreneurs, investors, senior policymakers and young people to discuss sustainability initiatives and climate action.

Compared to other regions, MENA currently receives a small amount of climate finance, estimated at USD 16 billion a year by the non-profit analysis and advisory organization Climate Policy Initiative (CPI). The CPI estimates the region's initial financing needs at USD 186 billion, based on nationally determined contributions submitted by countries.

The World Bank Group created the Middle East & North Africa Climate Roadmap (2021-2025) to help the region drive transformational climate action and build low-carbon, resilient societies. The roadmap prioritizes four key areas that foster a climate-smart future in MENA: Food Systems and Water, Energy Transition and Low Carbon Mobility, Climate Smart Cities and Resilient Coastal Economies, and Sustainable Finance. The MENA Climate Roadmap is supported by USD 10 billion from the World Bank and International Finance Corporation for climate smart projects and sustainable policy reforms, which will leverage another USD 2 billion in private sector financing.

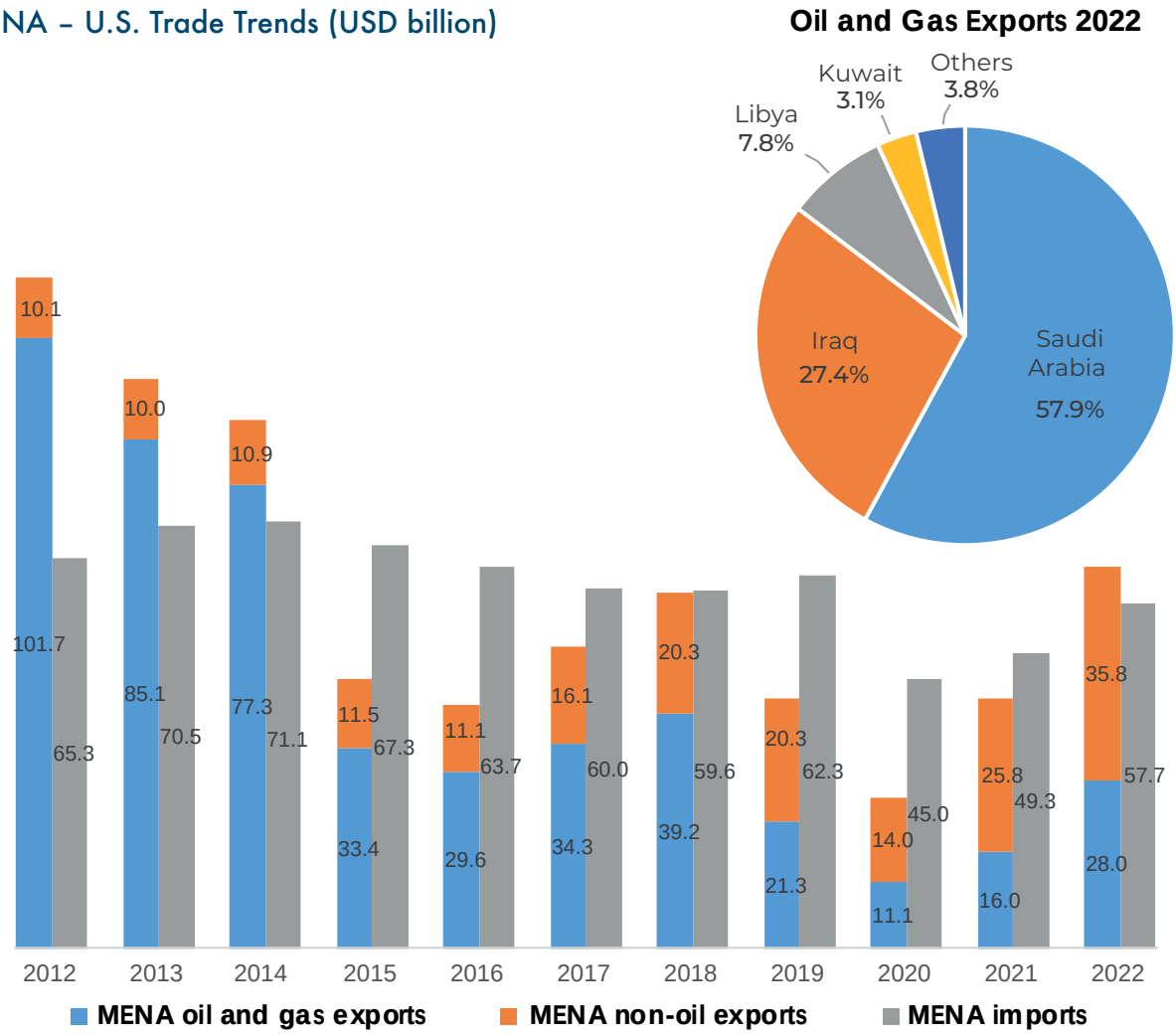
MENA-U.S. TRADE AND INVESTMENT TRENDS

Economic development supported through enhanced trade and investment ties can advance U.S. goals of peace and stability in the Arab MENA region. U.S. Free Trade Agreements (FTAs) with Jordan, Morocco, Bahrain and Oman, along with Trade and Investment Framework Agreements (TIFAs) with many other MENA countries provide the context for policy dialogues aimed at increasing bilateral MENA-U.S. trade flows and developing stronger intra-regional economic ties.

Nearly 3% of all U.S. exports in 2022 were sent to MENA countries, valued at USD 57.7 billion and growing 17% from 2021. MENA goods and services imported by the U.S. in 2022 were valued at USD 63.8 billion, representing 2% of the U.S.' total imports and increasing 53% from 2021.

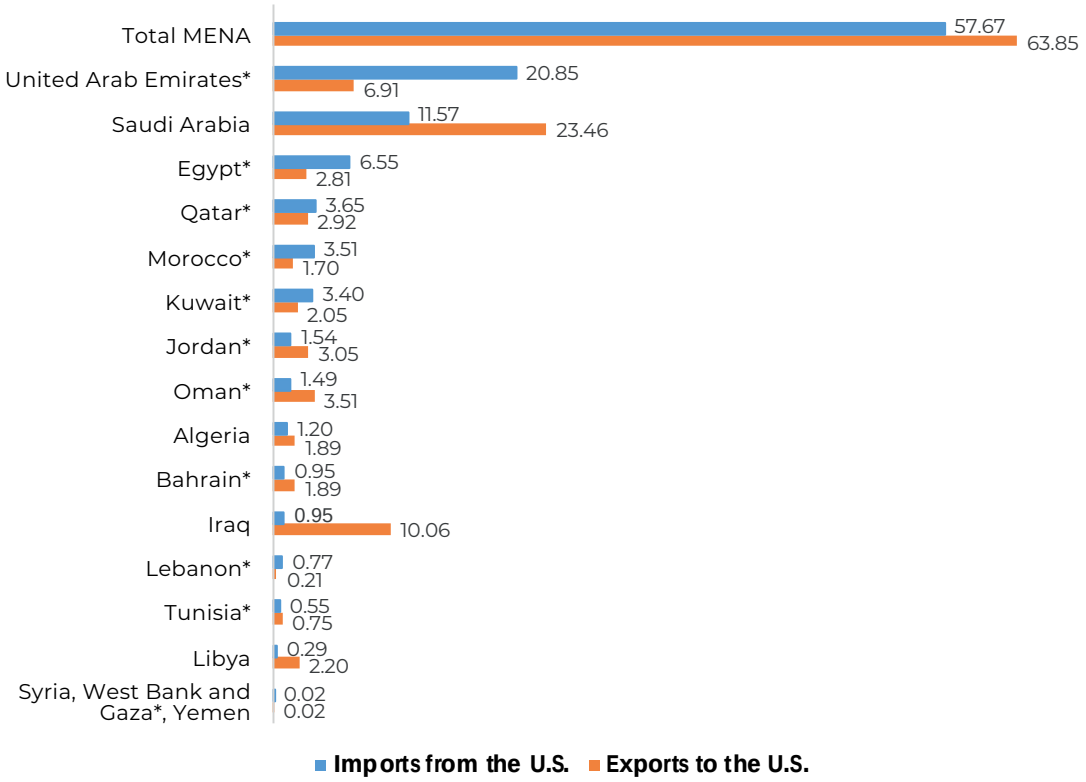
MENA-U.S. TRADE TRENDS

MENA – U.S. Trade Trends (USD billion)



Source: U.S. International Trade Commission (USITC)

MENA-U.S. Trade Balance by Country (2022, USD billion)



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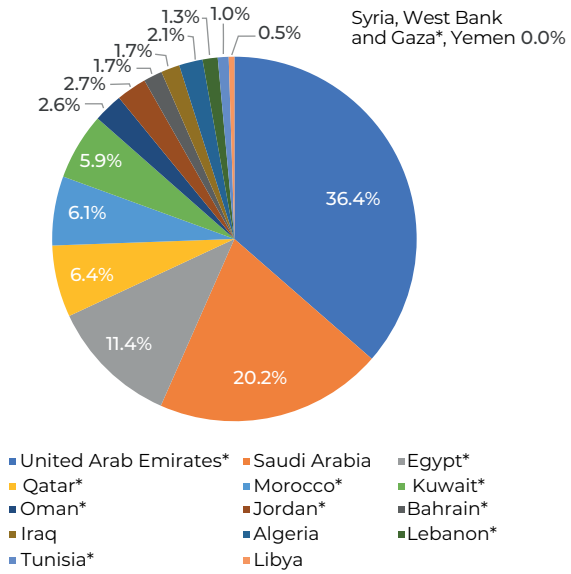
Source: USITC

MENA-U.S. Trade by Country and Industry (2022)

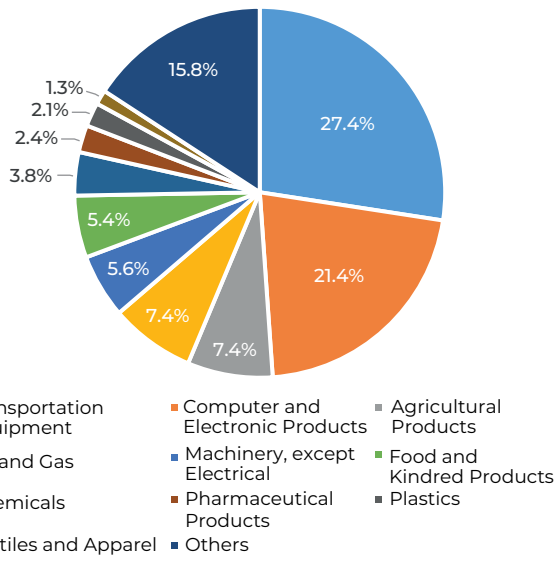
MENA Imports from the U.S.

Total = USD 57.7 billion

By Country



By Industry



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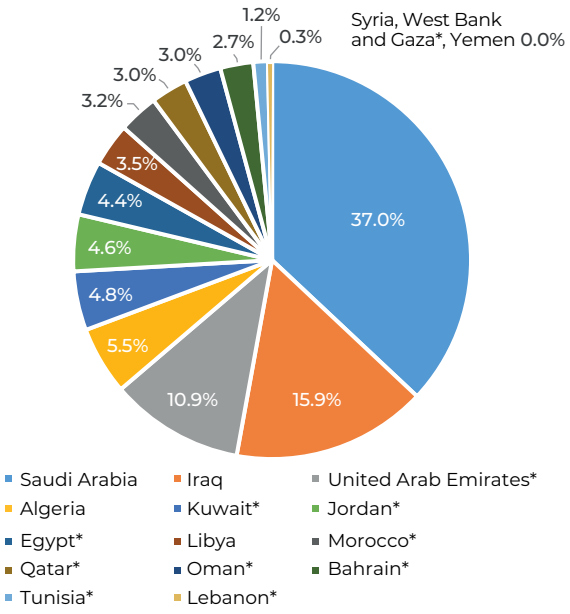
Source: USITC

MENA Exports to the U.S.

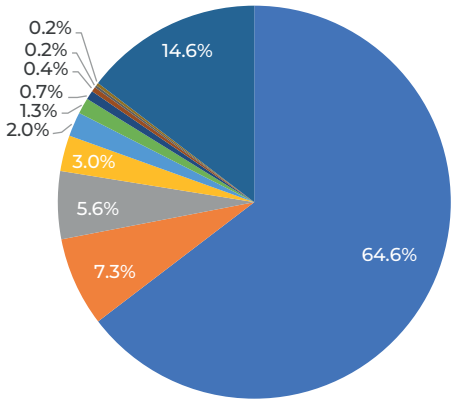
Total = USD 63.8 billion

By Country



- Saudi Arabia
- Iraq
- United Arab Emirates*
- Algeria
- Kuwait*
- Jordan*
- Egypt*
- Libya
- Morocco*
- Qatar*
- Oman*
- Bahrain*
- Tunisia*
- Lebanon*

By Industry



- Oil and Gas
- Primary Metal Manufacturing
- Apparel and Accessories
- Chemicals
- Jewelry and Precious Metals
- Food and Kindred Products
- Transportation Equipment
- Textile Mill Products
- Plastics and Rubber Products
- Machinery, except Electrical
- Others

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Source: USITC

SPECIAL U.S. TRADE PROGRAMS IN MENA

In addition to formal bilateral FTAs, the U.S. has established federal programs to encourage international trade and investment. For MENA, the most important are the Generalized System of Preferences (GSP) and the Qualifying Industrial Zones (QIZ) protocol.

The GSP is the largest and oldest U.S. trade preference program. Established by the Trade Act of 1974, the GSP promotes economic development by providing preferential duty-free entry for over 3,500 types of products from 120 beneficiary developing countries (BDCs) and territories. According to the U.S. International Trade Commission (USITC), for an imported article to be GSP-eligible, it must be the growth, product or manufacture of a BDC, and the sum of the cost or value of materials produced in the BDC plus the direct costs of processing must equal at least 35% of the appraised value of the article at the time of entry into the United States. Eight Arab MENA countries and territories are eligible to export under the GSP: Algeria, Egypt, Iraq, Jordan, Lebanon, Tunisia, West Bank and Gaza, and Yemen.

Certain articles are prohibited by law from receiving GSP treatment, including most textile and apparel articles. As an exception, the U.S. has entered into agreements providing for the certification and GSP eligibility of handmade, folkloric products with 13 countries, including Egypt, Jordan and Tunisia. This agreement allows certain wall hangings and pillow covers to be eligible for GSP treatment.

The GSP program, which must be renewed periodically, was last renewed by the Trump administration on March 23, 2018, through the end of 2020 (and was applied retroactively to January 1, 2018). The administration also announced it would increase efforts to ensure that GSP-eligible countries are fulfilling the 15 requirements for participation in the program, which include maintaining standards of intellectual property rights and workers' rights, respecting arbitral awards in favor of U.S. citizens or corporations, and providing the U.S. with equitable and reasonable market access.

Despite legislative efforts to renew it, the GSP program expired on December 31, 2020, at which point U.S. importers had to resume paying duties and tariffs on these products. Once the program is renewed and applied retroactively, importers of GSP products would be refunded for tariffs paid since January 1, 2021.

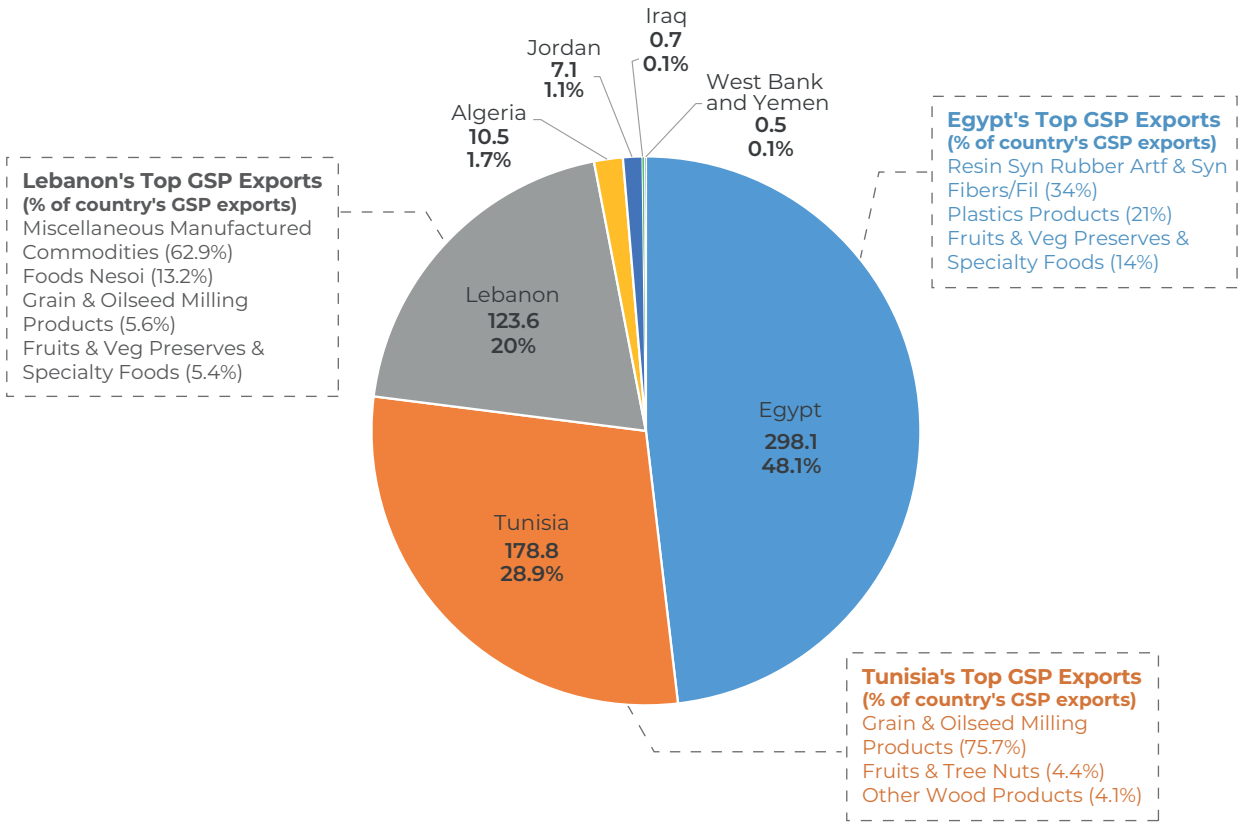
During the 117th Congress, the U.S House of Representatives and Senate each passed bills that would revise and renew the GSP program. Key elements include new GSP eligibility criteria on the environment, human rights, rule of law, poverty reduction and anti-corruption; interested persons

would also be allowed to petition at any time for a review of a BDC's compliance with the eligibility criteria. The legislation would require country eligibility reviews every three years in addition to a study on rules of origin, women's economic empowerment, and GSP utilization rates to help least-developed countries receive more program benefits.

Since May 2022, the legislation, now labeled H.R. 4521 - United States Innovation and Competition Act (USICA) of 2021, has been pending a conference committee to resolve differences between the two versions. After that, a finalized version must be passed by both chambers and sent to the president for approval. In July 2022, the Federation of American Scientists called upon Congress to reach a final agreement on USICA. However, a new Congress was seated in January 2023, and it is unclear when final negotiations on the bill will resume.

MENA GSP Exports (2022)

Total = USD 619 million



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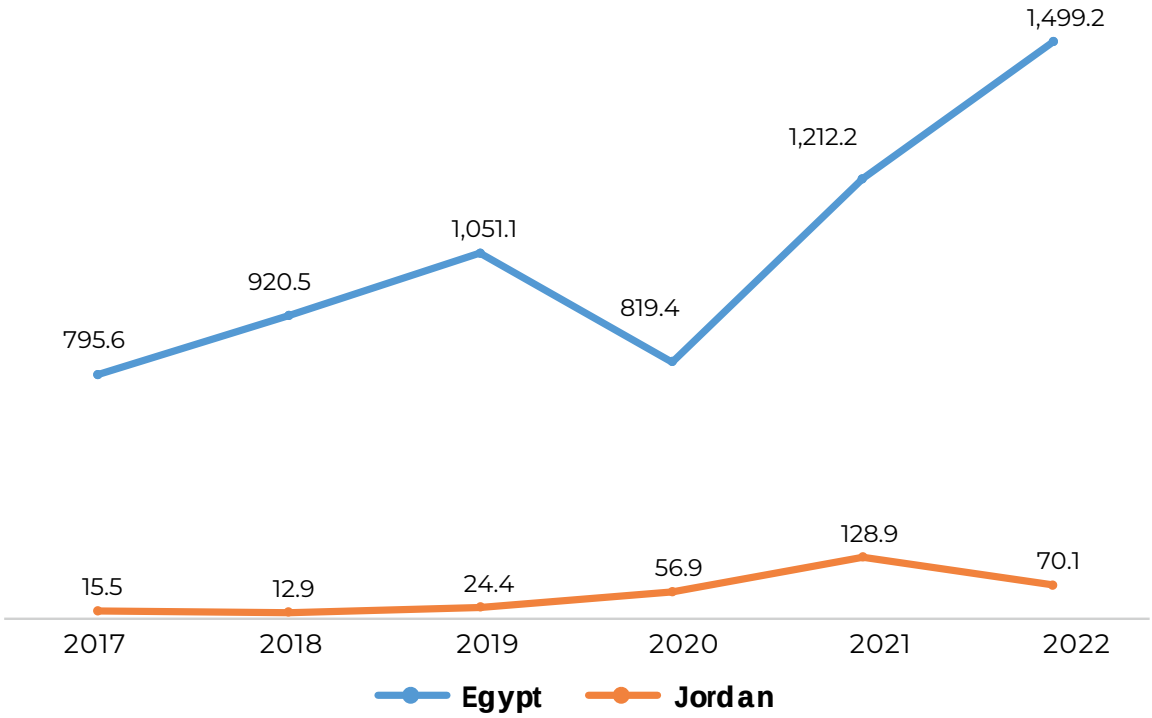
Source: U.S. Department of Commerce and USITC

QIZs are a trade program unique to the Middle East. The protocol was established by Congress in 1996 to support the Middle East Peace Process and build economic ties between Israel and its neighbors. It allows the West Bank and Gaza, as well as specific zones in Egypt and Jordan, to export certain products to the U.S. duty-free. Eligible products must be manufactured in the designated zones and contain a specified percentage of inputs from Israel. As of February 2023, there were 1,157 companies in Egypt participating in the QIZ program, in more than 20 industrial zones. Jordan hosts 13 industrial zones.

For products to be eligible for duty-free entry into the U.S., QIZ factories must add at least 35% to the value of the article. In Jordan, the 35% content must include at least 11.7% from a Jordanian QIZ and 8% from Israel (7% for high-tech goods); the remainder may be fulfilled by content from a Jordanian QIZ, Israel, the U.S. or West Bank and Gaza. For Egypt, the 35% minimum content can include inputs from Israel, Egypt or the U.S. Egypt must contribute at least one-third (11.7%) of the minimum content requirement, while Israel must contribute 10.5%.

QIZ Export Trends (USD million)



MENA QIZ Exports (2022)

Total Value: USD 1.58 billion

Country's Top QIZ Exports	Share of Country's QIZ Exports
Egypt	
Apparel	91.4%
Fruits & Veg Preserves & Specialty Foods	5.3%
Textile Furnishings	0.7%
Jordan	
Apparel	95.2%
Foods	1.2%
Bakery & Tortilla Products	1.1%
West Bank and Gaza	
Fruits & Tree Nuts	33.9%
Vegetables & Melons	28.6%
Fruits & Veg Preserves & Specialty Foods	15.9%

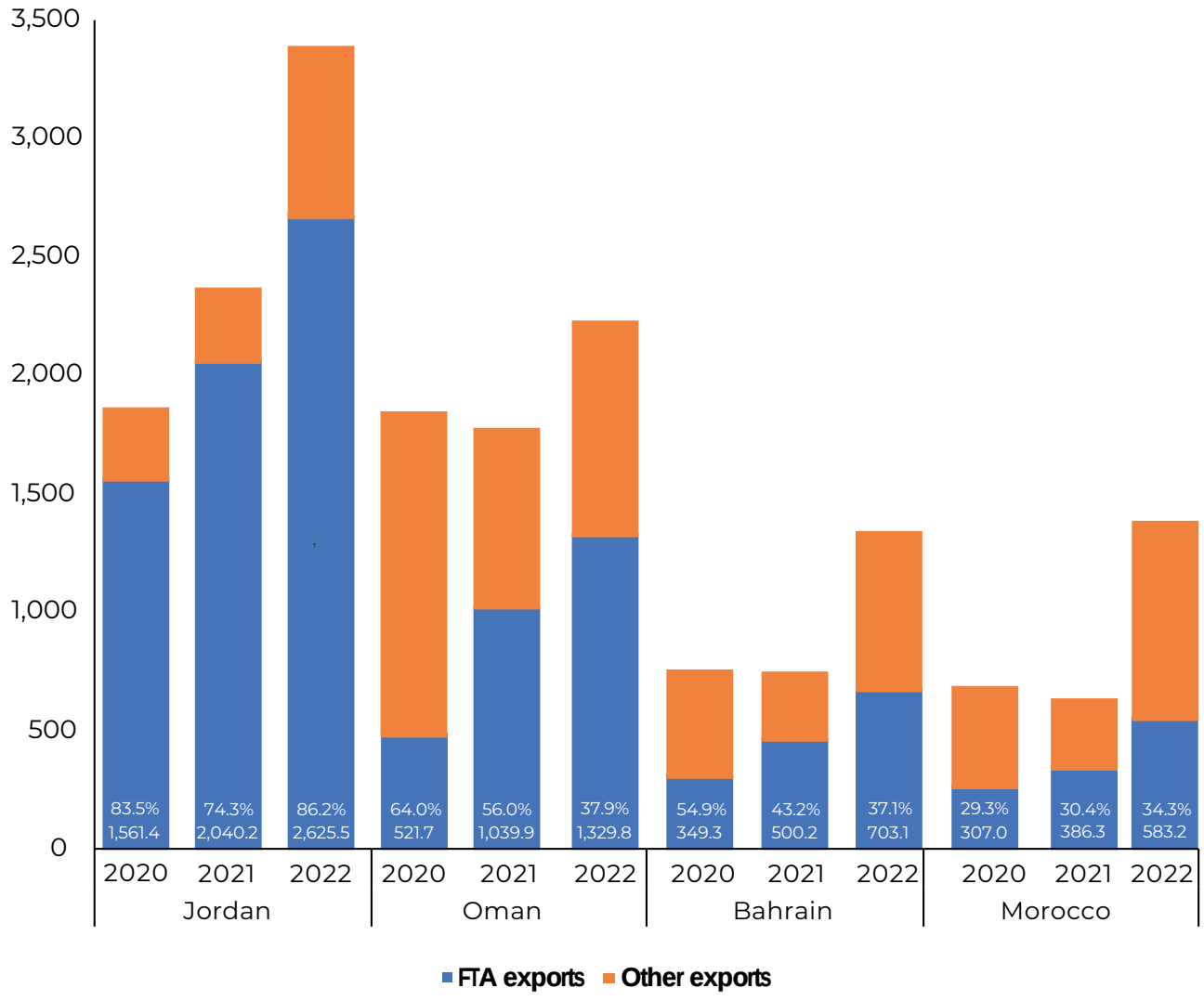
Sources: U.S. Department of Commerce and USITC

MENA-U.S. BILATERAL FREE TRADE AGREEMENTS

Bilateral Free Trade Agreements (FTAs) are designed to reduce trade barriers between two countries and create a more stable and transparent business climate. These reciprocal agreements promise to eliminate tariff and non-tariff barriers on trade in goods and services between the two countries and to establish rules in trade-related areas such as investment, intellectual property rights, labor and the environment.

The U.S. has FTAs in force with 20 countries, four of which are in Arab MENA: Jordan (2001), Morocco (2006), Bahrain (2006) and Oman (2009). The total value of U.S. imports from these countries under the FTAs in 2022 was USD 4.5 billion, representing 55% of all imports from these countries and 7% of total imports of all MENA countries. Jordan exported the most goods to the U.S. under the agreement, with 86.2% of its exports to the U.S. being tariff-free, followed by Oman (38%), Bahrain (37%) and Morocco (34%).

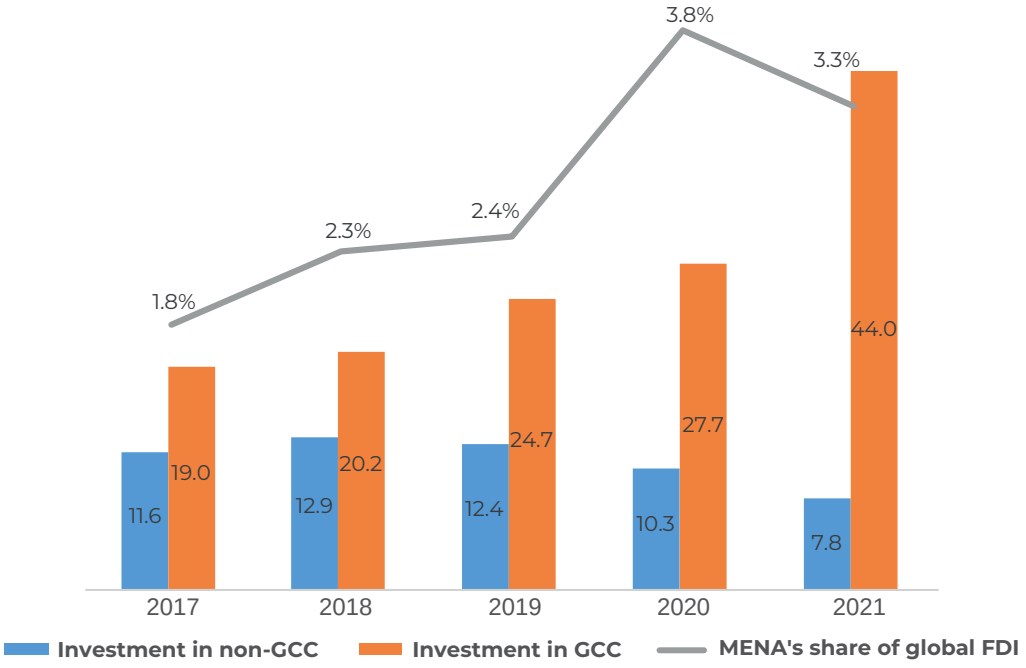
Arab MENA Tariff-free Exports to the U.S. (USD million)



Sources: USITC

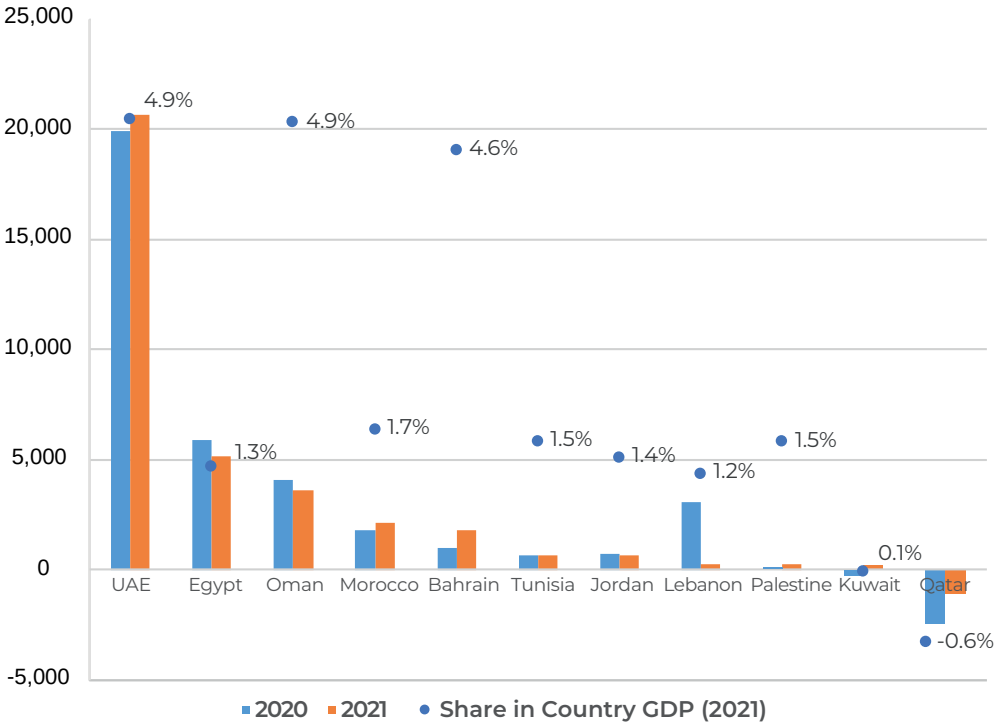
MENA-U.S. INVESTMENT TRENDS

World FDI Flows to MENA (USD billion)



Source: UNCTAD

Net FDI Inflows to MENA Council Countries (USD million)



Sources: UNCTAD, World Bank

MENA-U.S. INTERNATIONAL INVESTMENT AGREEMENTS

In addition to FTAs, bilateral investment treaties (BITs) are agreements between two countries that establish rules to govern foreign investment in each other's countries. Designed to give investors better access to foreign markets, BITs are mutually beneficial for investors, who are often developed countries, and investees, who are often developing countries such as those in the MENA region. A BIT's terms facilitate and protect foreign investments by the developed countries; in turn, they help developing countries improve their policy framework to attract more FDI. The United States has established BITs with five MENA countries: Morocco (1991), Egypt (1992), Tunisia (1993), Bahrain (2001) and Jordan (2003).

The U.S. also has a number of Trade and Investment Framework Agreements (TIFAs) with MENA countries. Sometimes seen as an initial step toward an FTA, TIFAs establish the strategic framework and principles upon which to base dialogue for expanding and strengthening trade and investment. Since 1999, the U.S. has signed TIFAs with 13 MENA countries, including the entire GCC.

Many MENA countries are working to create more investment-friendly environments outside of the formal BIT or TIFA structures. Several—including Egypt, Tunisia and Algeria—have made changes to their investment laws. The UAE has reformed its bankruptcy law, and Saudi Arabia has promised reforms to make the economy more accessible for foreign investors. These efforts will make countries across the region more attractive to American and other international investors.

Investment and Trade Agreements between the U.S. and MENA Countries

	FTA	BIT	TIFA
Algeria			✓
Bahrain*	✓	✓	✓
Egypt*		✓	✓
Iraq			✓
Jordan*	✓	✓	
Kuwait*			✓
Lebanon*			✓
Libya			✓
Morocco*	✓	✓	
Oman*	✓		✓
Qatar*			✓
Saudi Arabia			✓
Syria			
Tunisia*		✓	✓
UAE*			✓
West Bank and Gaza*			
Yemen			✓

**Member of the AmCham MENA Council*
Source: United States Trade Representative

MENA Council Trade and Investment Dashboard

MENA Council Trade Flows (2021, in USD million)

	Total exports to the world	Total exports to the U.S.	Share of U.S. in exports	Total imports from the world	Total imports from the U.S	Share of U.S. in imports
Bahrain	22,369	1,231	5.5%	14,188	934	6.6%
Egypt	43,626	3,303	7.6%	83,503	5,848	7.0%
Jordan	9,357	2,744	29.3%	21,613	1,203	5.6%
Kuwait	63,128	1,079	1.7%	31,889	3,037	9.5%
Lebanon	4,590	191	4.2%	13,857	665	4.8%
Morocco	35,843	1,270	3.5%	58,034	2,794	4.8%
Oman	44,591	1,848	4.1%	30,995	1,397	4.5%
Qatar	87,203	1,912	2.2%	27,985	2,581	9.2%
Tunisia	16,689	718	4.3%	12,488	466	2.1%
UAE	425,160	5,954	1.4%	225,741	17,064	7.6%
West Bank and Gaza	2,818	6.5	%0.2	9,359	2.3	0.02%
Total MENA Council	**755,374**	20,248	%2.7	**539,652**	35,991	6.7%

Sources: USITC and UNCTAD

U.S. Direct Investment in MENA Council Countries (2021), USD million

	U.S. Investment		Share of the U.S. in Country Total	
	Stock	Inflows	Stock	Inflows
Bahrain	659	-54	2.0%	-3.1%
Egypt	11,697	48	8.5%	-0.9%
Jordan	159	NA	0.4%	NA
Kuwait	587	1,433	4.0%	3.9%
Lebanon	346	-1	0.5%	-0.4%
Morocco	409	-29	0.6%	-1.3%
Oman	1,704	-21	4.2%	-0.6%
Qatar	6,832	NA	24.8%	NA
Tunisia	241	47	0.7%	7.1%
UAE	16,241	22,633	9.5%	9.8%
Total MENA Council	36,762	507	7.0%	8.7%

Note: Data for West Bank and Gaza not available.
Sources: UNCTAD, U.S. Bureau of Economic Analysis

TOWARDS A GREENER REGIONAL ECONOMY: SECTOR INVESTMENT PRIORITIES

The MENA region is particularly vulnerable to climate change, mainly in the form of higher temperatures, reduced rainfall and rising sea levels. Threats like food and water insecurity have spurred governments to put sustainability at the heart of their economic and investment strategies.

These strategies differ, of course, across the region. Oil-exporting countries are pursuing ambitious decarbonization policies and diversifying their economies to be less reliant on income from fossil fuels. Oil-importing countries, which rely on manufacturing, tourism and other sectors, are pushing green policies to reduce greenhouse gas (GHG) emissions and adapt to the ongoing impacts of climate change.

By 2050, the UAE expects to reach its carbon neutrality targets. Meanwhile, Jordan, Lebanon, Morocco, Qatar and Tunisia have strengthened their pledges to reduce their greenhouse gas emissions by 2030, on the way to net-zero emissions. Bahrain and Saudi Arabia target net-zero emissions by 2060, with the Saudi Green Initiative reducing carbon emissions by 278 million tons of CO2 per year by 2030 and increasing renewable generation capacity to 50% by 2030.

The MENA countries are also working together to address climate change. In October 2021, Saudi Arabia hosted the first-ever Middle East Green Initiative Summit, with more than 20 regional leaders attending; a second MGI summit was held on the margins of COP27 in Egypt. The MGI aims to reduce carbon emissions by more than 10% of current global levels through several initiatives, including reducing carbon emissions from hydrocarbon production, increasing the use of renewable energy, and planting 50 billion trees across the Middle East. To support MGI objectives and the Saudi Green Initiative, Saudi Arabia has established the non-profit Green Initiative Foundation.

International market forces are also influencing the trajectory of regional investments. With the Russian-Ukrainian conflict disrupting energy supplies, Europe is looking for alternate sources of natural gas for its electricity needs. At the same time, there is strong global sentiment for moving away from fossil fuels entirely, which drives demand for renewable and green energy. Both scenarios present opportunities for MENA countries.

AGRIBUSINESS

MENA countries have many favorable conditions that make agribusiness investments attractive. Market potential is generally high, quality of infrastructure is improving, agricultural tariff barriers are low and dropping, and despite regional conflicts, many countries are relatively stable and safe.

Climatic and geopolitical risks to supply chains have also spurred regional policymakers to channel more money towards the innovation ecosystem for agricultural technology (agritech) and food production. At the same time, well-established food companies are increasingly open to mergers, acquisitions and partnerships with local companies to boost production capabilities and expand market share.

Start-ups across MENA raised around USD 125 million in funding in December 2022, with agritech start-ups accounting for 31% of the total. Egyptian companies led the pack, ahead of regional powerhouses such as the UAE and Saudi Arabia.

With limited water and arable land, the UAE has long been challenged by food insecurity, relying on imports to support its population. Abu Dhabi's AED 50 billion (USD 13.6 billion) accelerator program Ghadan 21 includes an AED 1 billion (USD 272 million) incentive package to support research and development by domestic and international agritech companies based in the emirate.

Recent innovations are turning the UAE's abundance of arid land into an advantage. The Seawater Energy and Agriculture System (SEAS) allows food, biofuel and bioenergy to be produced through interconnected processes. First, seawater is pumped into ponds housing fish and shrimp farms; this aquaculture's wastewater is then used to fertilize salt-resistant crops, called halophyte plants (capable of growing in arid conditions), which are then turned into biofuel. Excess nutrient-rich water from this process is drained into mangrove wetlands, which pull carbon from the air; the mangrove plants are also converted into bioenergy.

Bahrain's Ministry of Works, Municipalities

Affairs and Urban Planning has launched the Soiless Agricultural project aiming to increase the production of vegetables to achieve food security. Bahrain Development Bank's initiative Forever Green plans to plant over 50,000 trees in different governorates.

ENERGY: DECARBONIZATION STRATEGIES AND RENEWABLES

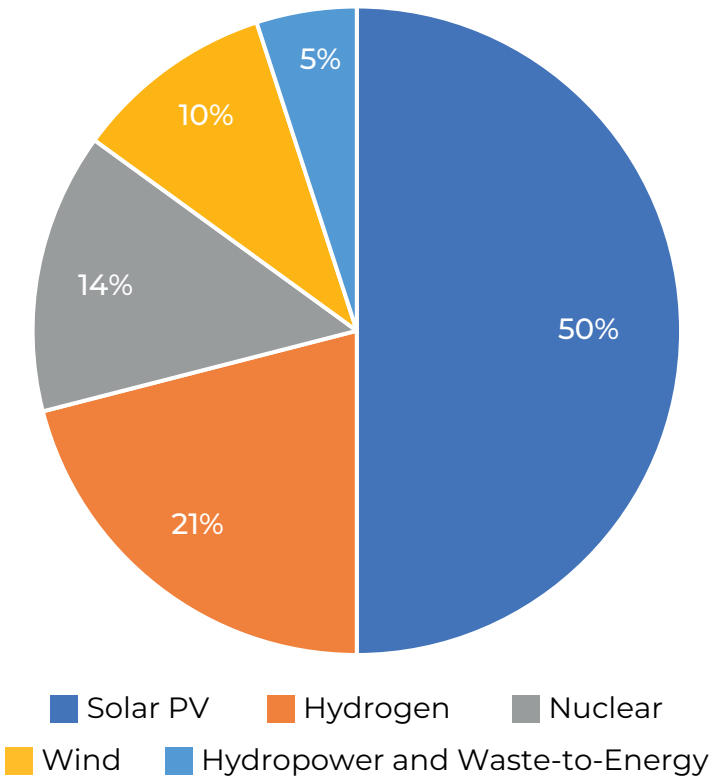
Oil and natural gas are substantial contributors to Arab MENA economies, with six countries members of OPEC and 11 that are members of OAPEC. Saudi Arabia is the world's biggest petroleum exporter and the second biggest oil producer at 10.8 million barrels per day (bpd). The UAE is OPEC's third-largest oil producer at 3.2 million bpd, with the majority of its proven reserves and production located in Abu Dhabi. Egypt is Africa's second largest gas producer and a regional leader in liquified natural gas exports.

While global focus is on phasing out all fossil fuels, natural gas is being promoted as a transition fuel, as it is cleaner than oil or coal; it still emits the GHG methane, however. The region's transition to a greener economy and ultimately carbon neutrality, therefore, has two prongs: decarbonize the fossil fuel sector and increase access to sustainable energy sources. To that end, the MGI targets include cutting 60% of emissions from regional hydrocarbon production and boosting renewable energy's share of electricity generation from 0.3% to 50% by 2030.

Qatar, Saudi Arabia and the UAE are also members of the Net-Zero Producers Forum (NPF), launched by the United States in 2021 to find ways to reduce energy-related emissions. NPF members, which also include Canada and Norway, collectively represent 45% of global oil production and 40% of natural gas production. Among the forum's net-zero strategies are methane abatement, advancing the circular carbon economy approach, development and deployment of clean energy and carbon capture and storage (CCS) technologies, and diversification from reliance on hydrocarbon revenues.

According to the Arab Petroleum Investments Corporation (APICORP), MENA's low-carbon energy sector has USD 257 billion worth of projects in the pipeline to be completed by 2030. Low-carbon energy projects—which include renewables (solar, wind, hydro), hydrogen, nuclear and waste-to-energy—are mostly concentrated in North Africa (with a 59% share), followed by the GCC (38%) and the Levant (3%).

Planned and Committed Project Investments in Arab MENA (2022)



Source: APICORP

According to APICORP's 2021 report, the MENA region is expected to add 33 gigawatts (GW) of installed renewable energy capacity by 2026. Onshore wind development, mostly in Egypt and Morocco, accounts for 15% of the region's growth. Fast-growing power demand, long-term climate targets and diversification away from fossil fuels are the main catalysts for the expansion. Green hydrogen and ammonia production are also beginning to drive interest in new renewable power projects.

Egypt's renewable capacity is expected to grow by 4.1 GW between 2022 and 2027, led by onshore wind followed by solar photovoltaic (PV). The government plans to increase the electricity supply generated from renewable sources to 43% by 2035, with solar PV providing 21%, wind 14%, concentrating solar power (CSP) 6%, hydropower 2% and conventional energy sources covering the other 57%.

At the end of June 2022, Egypt's announced hydrogen project capacity was about 1.5 million tonnes annually. As of August 2022, Egypt had signed at least 16 MoUs for green hydrogen and ammonia projects and is targeting approximately USD 41.5 billion of investments in green hydrogen projects through 2030. Private sector partners include Egypt's Orascom Construction and Hassan Allam Utilities, Belgium's DEME, U.S.-based H2-Industries, UAE's Masdar and India's ACME Group.

The expanding power supply is strengthening Egypt's position as a regional electricity exporter. The country has several interconnection projects in the works, including a 2 GW Euro-Africa interconnector via Greece and Cyprus, and a 3 GW project with Saudi Arabia. Egypt has a goal of exporting 15 GW of electricity to Europe, Africa and the GCC.

Morocco's forecast for 2022-2027 is 4.4 GW of renewable capacity growth, led by solar PV, wind and hydropower. As of the end of 2021, renewable energy accounted for 37% of Morocco's electrical capacity mix, and the government announced that renewables would provide 52% of the total installed capacity by 2030, 10 percentage points above the country's Paris Agreement target of 42%.

Oman's renewable energy capacity is expected to increase 4.8 GW in 2022-2027, with solar PV installations making up most of the expansion. Over half (2.8 GW) of total renewable capacity additions will be dedicated to green hydrogen production. In January 2022, Oman signed an agreement with global energy producer British Petroleum (bp) to develop green hydrogen projects by 2030.

Saudi Arabia is expected to add 10 GW of renewable capacity during 2022-2027, led by solar PV. The kingdom is building a USD 5 billion green hydrogen plant that will be the world's largest. The solar- and wind-powered plant will produce 650 tonnes of hydrogen daily to be converted into ammonia. Production will start in 2026.

The UAE aims to become carbon neutral by 2050, with clean and renewable energy investments worth USD 163.5 billion planned over the next three decades. It is expected to add 9.5 GW of renewable capacity between 2022 and 2027, with solar PV leading the growth.

Abu Dhabi is building the world's largest solar plant at Al Dhafra with a capacity of 2 GW, which will feed green hydrogen projects. The Abu Dhabi National Energy Company (TAQA) is partnering with Emirates Steel to produce green hydrogen earmarked for manufacturing green steel. TAQA is also partnering with Abu Dhabi Ports to develop an industrial-scale green ammonia plant.

Dubai is building the world's largest solar energy park, the Mohammed bin Rashid Al Maktoum Solar Park, expected to generate 5 GW of electricity by 2030. The emirate will produce green hydrogen at the solar park.

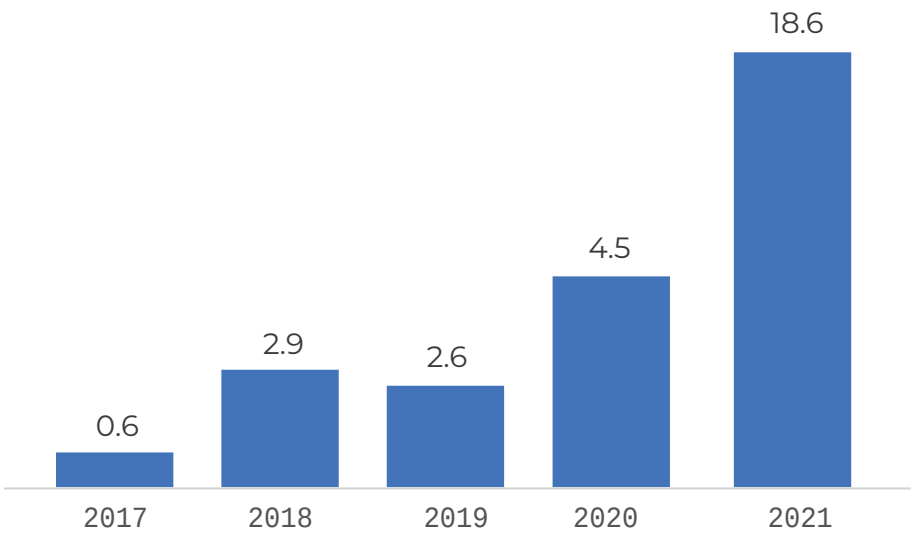
Renewables are to supply 10% of Bahrain's electricity production by 2035, and the country will require infrastructure projects, public works, new buildings and real-estate developments to integrate renewable energy technologies in the building design.

GREEN FINANCE

By directing funding toward mitigation and adaptation projects, green financial instruments support the transition to a low-carbon world, help achieve sustainable development goals and tackle the effects of climate change. The most common tools in the region are green bonds, issued by governments or companies to finance environmentally beneficial projects, and sustainability-linked bonds or loans, which are tied to the borrower's sustainability targets often outlined in environmental, social and governance (ESG) reports.

Green and sustainable finance in MENA increased by more than 300% to USD 18.6 billion in 2021, up from USD 4.5 billion in 2020. However, around USD 230 billion still need to be mobilized annually in the Arab MENA to achieve UN Sustainable Development Goals. This gap underscores the need for new strategies, financial system infrastructure and enabling mechanisms to mobilize public and private sector finance towards sustainable investments.

Green and Sustainable Finance in MENA (USD billion)



Source: Bloomberg

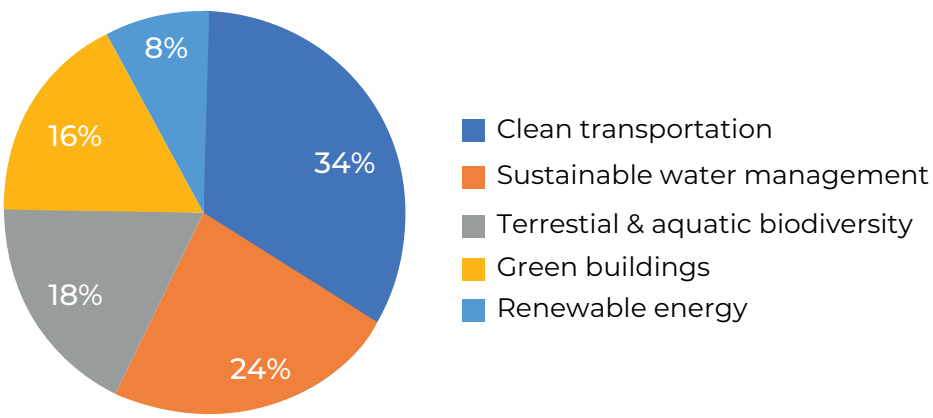
Despite MENA's impressive growth in green finance overall, the region still lags far behind Western countries. For example, the value of green bond issuances during 2021 totaled USD 83.6 billion in the United States, USD 58.3 billion in Germany and only USD 9.9 billion in the GCC.

PwC's consulting arm strategy& noted that green finance, if structured correctly, is expected to unlock around USD 2 trillion in economic growth and more than one million jobs by 2030, as well as accelerate the region's goals of economic diversification and attracting foreign direct investment (FDI).

Egypt was the first in the region to issue sovereign green bonds, with a USD 750 million listing on the London Stock Exchange in September 2020. The issuance was 5x oversubscribed, putting Egypt on the map of sustainable financing. In June 2021, the Commercial International Bank (CIB) and the International Finance Corporation (IFC) launched the first corporate green bond in Egypt, with a total value of USD 100 million.

The first sustainability-linked loan, valued at USD 2.1 billion, was issued in the Gulf region in 2018. Sustainable loans grew fivefold between 2017-2021, with the regional portfolio reaching USD 9.7 billion in 2021. While loan volume lags far behind that of other regions, the speed of growth is accelerating, and MENA governments are moving quickly to enhance the sustainable finance environment. In 2021, Gulf International Bank (GIB) was the first in Bahrain to issue a sustainability-linked syndicated loan.

MENA Projects Funded by Green Loans 2021



Source: Environmental Finance Data

ESG reporting is the key to unlocking green and sustainable financing. Global investors around the world are directing their capital into projects with strong ESG profiles, especially in the GCC countries, which have well developed capital markets and relatively abundant and low-cost renewable energy sources. But overall, MENA companies have been slow to adopt the framework. In 2022, global consultants Bain & Company analyzed the sustainability disclosures and measures of 200 publicly listed and private companies in MENA's nine major economies. Less than half had started ESG reporting, 12% had announced net-zero ambitions and only 6% had a defined sustainability roadmap, indicating that there is still vast room for improvement.

Sustainability Reporting in Private Sector MENA Companies

Awareness and disclosures

	ESG reports	S1 & S2 emission disclosure	S3 emission disclosures	CDP disclosures	Net-zero targets	Defined roadmap	SBTi assessed/ approved targets
All MENA companies (203 companies)	46%	41%	15%	7%	12%	6%	2%
UAE (34 companies)	80%	83%	40%	9%	29%	14%	6%
KSA (35 companies)	38%	32%	3%	12%	18%	9%	3%
Qatar (28 companies)	61%	61%	7%	4%	7%	0%	0%
Kuwait (25 companies)	48%	40%	20%	4%	4%	0%	0%
Egypt (39 companies)	35%	22%	14%	5%	5%	5%	0%
Morocco (27 companies)	30%	19%	11%	15%	15%	7%	4%
Bahrain, Oman and Tunisia (16 companies)	25%	19%	0%	0%	0%	0%	0%

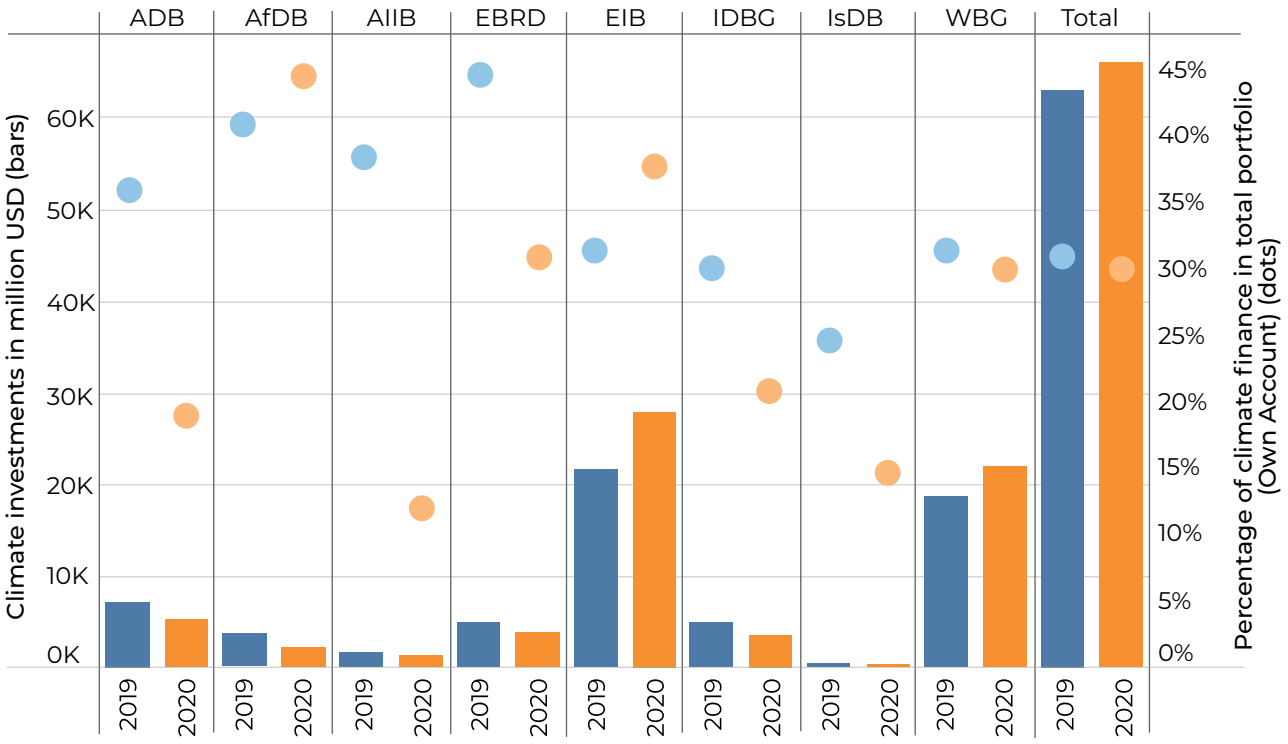
Source: Bain & Company

Some countries are mobilizing their sovereign wealth funds and stock exchanges to encourage the private sector to adopt ESG and sustainability-focused models. Saudi Arabia's Public Investment Fund (PIF) has introduced several ESG-focused initiatives, part of their green investment portfolio and sustainability objectives.

Stock exchanges in Bahrain, Egypt, Jordan, Kuwait, Morocco, Oman, Qatar, Saudi Arabia, Tunisia and the UAE have partnered with the UN's Sustainable Stock Exchange program, which aims to improve performance on ESG issues and encourage sustainable investments. For example, the Bahrain Bourse has issued voluntary ESG reporting guidelines for listed companies, while the Egyptian Exchange is requiring listed companies to submit ESG reports starting in 2023.

Despite the recognized urgency of climate change, global financial flows are still far from reaching net-zero GHG goals. Multilateral development banks (MDBs) have downsized their climate investments in recent years, diverting their funding instead to COVID-19 related recovery measures and re-financing activities.

Climate Finance by MDBs



Source: Joint MDB Report on Climate Finance

INFORMATION AND COMMUNICATION TECHNOLOGY (ICT)

As MENA countries shift to green economies, they need substantial investments in information technologies and digital services. A digital gap has appeared, however, highlighting a need for greater digital inclusion and accessibility. Today, the digital economy contributes around 4% of gross domestic product (GDP) in the Arab MENA, compared to a global average ranging from 4.5% to 15.5%. According to the World Bank, accelerating ICT investments would raise the region's GDP by at least 46% over 30 years, with an estimated gain of almost USD 300 billion in 2023 alone.

Jordan has prioritized ICT as a strategic sector for the economy since the late 1990s, and in 2021, it launched its National Digital Transformation Strategy & Implementation 2021-2025. The strategy aims to accelerate the country's digital transformation and improve its global position as an ICT hub by digitalizing more government services, improving internet connectivity, and creating at least 50,000 direct jobs in the sector by 2025. The Jordan 2025 national development plan includes an ICT component to enhance digital skills within all sectors of the economy, and the government's General Entrepreneurship Policy, launched in 2021, also has a special focus on digitalization and ICT, in terms of their contribution to the entrepreneurial ecosystem. Jordan hosted the MENA ICT Forum 2022 to discuss the sector's role in implementing the UN SDGs Sustainable Development Goals and targets.

Orient Planet Research (OPR)'s GCC ICT Use Index reviews the Gulf countries' internet accessibility and assesses their efforts in strengthening the digital economy. The report noted a link between better scores and countries with advanced telecommunication infrastructure. Almost all citizens in the Gulf have internet access, predominantly through mobile broadband.

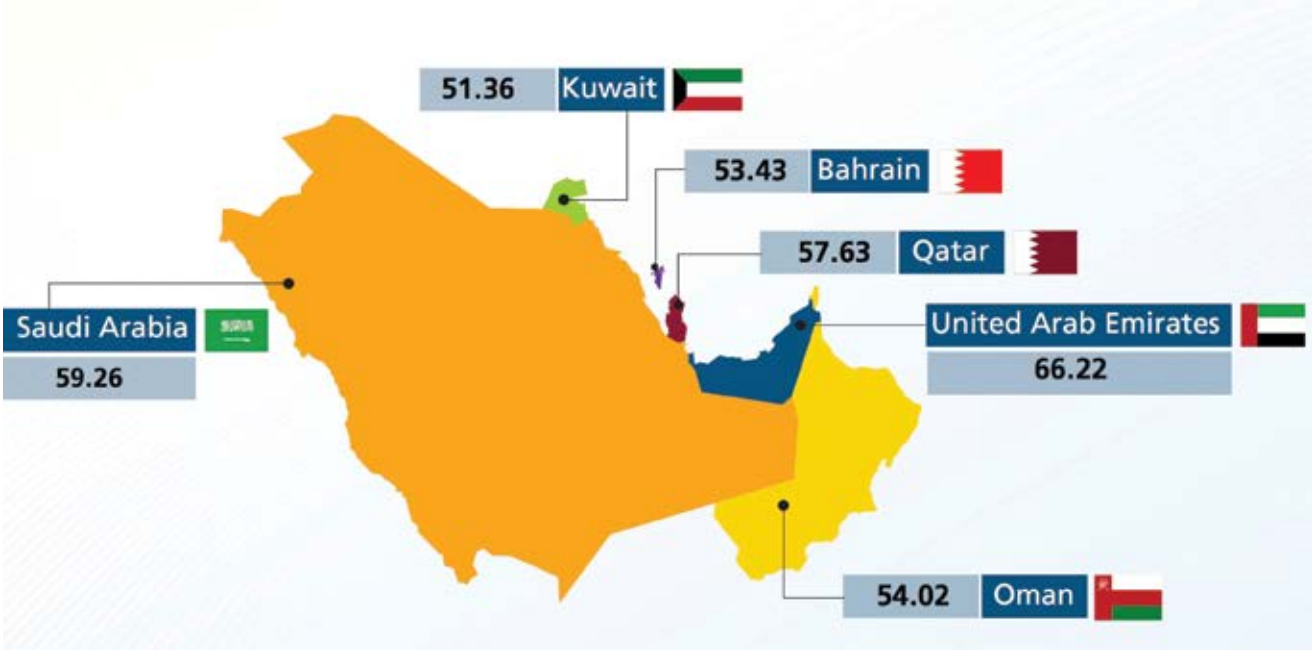
GCC ICT Use Index 2021

Rank	Country	Internet Users	Landlines	Mobile Subscriptions	Fixed Broadband Subscriptions	Active Mobile Broadband Subscriptions
1	UAE	100.0%	24.1%	185.8%	224.2%	32.8%
2	Kuwait	98.6%	13.7%	158.5%	127.4%	1.7%
3	KSA	97.9%	16.5%	124.1%	118.9%	22.7%
4	Qatar	99.7%	15.8%	131.8%	120.3%	10.3%
5	Oman	95.2%	12.7%	133.9%	114.9%	10.9%
6	Bahrain	99.5%	15.7%	102.8%	109.4%	8.7%

Source: OPR

OPR also issued the 2022 GCC E-Performance Index, which highlights the increasing investment by GCC countries to integrate the latest technology across sectors such as healthcare, technology, food services, aviation and education. The E-Performance Index evaluated several parameters indicative of growth, using an average of the countries' scores in five major global indices: INSEAD's Global Talent Competitiveness Index 2021, Portulans Institute's Network Readiness Index 2021, Oxford Insights' Government AI Readiness Index 2021, World International Property Organization's Global Innovation Index 2022, and the UN E-Government Development Index 2022.

GCC E-Performance Index 2022



Source: OPR

SUSTAINABLE TOURISM

The United Nations World Tourism Organization (UNWTO) defines sustainable tourism as "tourism that takes full account of its current and future economic, social and environmental impacts, addressing the needs of visitors, the industry, the environment and host communities."

There has been a surge in demand across all tourism-related industries as the world recovers from the COVID crisis. According to the UNWTO, global international tourist arrivals more than doubled (+130%) in January 2022 compared to 2021, with the Middle East posting year-on-year growth of 89% driven in no small part by the region's unique historical monuments and archaeological sites (such as Egypt's Pharaonic antiquities and Petra, Jordan). Countries such as Jordan and Oman see more than 10% of their total GDPs coming from tourism.

With the return of international and domestic travel, governments and tourism companies have begun discussions on how to better respect the limits of ecosystems.

As the host of the 2022 UN Climate Change Conference (COP27), Egypt showcased elements of a green destination in Sharm El-Sheikh, with an electric bus network, a solar-powered electricity grid and eco-friendly hotels.

In 2023, COP28 host UAE will address opportunities to create a more sustainable and progressive economic future through tourism. For example, the UAE-based start-up ENVI focuses on operating retreats that are immersed in nature and have a minimal impact on the environment.

Tourism Threats and Opportunities

Tourism – a Threat

- Globally, tourism accounts for **8%** of the world's **GHG emissions**
- **Tourism puts pressure on natural and local resources** such as water, energy and local produce
- The UAE has one of the highest per capita water usage rates in the world: **550L** per day per capita
- Significat impact on **local residents** and **animal habitats and life**
- **Coral reefs** in the Red Sea's touristic areas have seen a sharp decline over the past decade and are **under threat.**

Sustainable Tourism – an Opportunity

- Tourism accounts for **10%** of the world's **GDP**
- Growth in tourism **boosts the economy** and generates **employment**
- Middle East tourism is expected to grow by **27.1%**, accounting for a year-on-year increase of **USD 3.6 billion** to the region's economy.
- Over **1.2 million** tourists visit the **Red Sea** coast annually, generating more than **275,000 jobs.**

Source: AESG

To help countries harness these opportunities of sustainable tourism, international institutions like the UNWTO are providing training on sustainable practices to the hospitality sector workforce.

In Egypt, the UNWTO is training hotels in practices to reduce their carbon footprint and engage with local communities to improve gender equality and employment. The Mainstream Biodiversity in Egypt's Tourism (MBDT) project, implemented by the Ministry of Environment and United Nations Development Programme and funded by the Global Environment Facility, is increasing sectoral awareness of sustainable operations and reducing the negative impacts from harmful tourism development and practices. In May 2022, the MBDT launched ECO EGYPT, featuring Egypt's first-ever Green List of hotels, diving centers, ecolodges and products that have obtained an eco-label or are adopting sustainable practices.

Morocco, in particular Marrakesh, is also developing green tourism. The city has been promoting sustainable practices in tourism such as encouraging the green construction of hotels with tax incentives and encouraging sustainable tourist activities.

Saudi Arabia aims to become one of the world's leading sustainable tourism destinations. For example, the Red Sea Development Company is implementing the regenerative tourism concept in its projects; the concept focuses on restoring, revitalizing and renewing both ecosystems and communities in tourism destinations. Around 30,000 hotel rooms are expected to be completed by 2030 in Saudi Arabia in hotels and resorts that incorporate net-zero carbon building, biodiversity, automation and smart technologies.

TRANSPORTATION

The transport sector is one of the most polluting and energy consuming sectors globally. In the Middle East, transportation accounts for more than 25% of the region's carbon emissions and 27% of energy consumption.

Among the ways to reduce emissions from the transport sector are using electricity-powered vehicles, introducing fuel efficiency standards, upgrading public transport infrastructure, and supporting and incentivizing shared and non-motorized mobility modes.

Egypt is expanding and upgrading its public transport as part of the Sustainable Development Strategy: Egypt Vision 2030, with a goal of increasing the national public transport ridership from 1.9% in 2015 to 50% in 2050. The Greater Cairo Urban Master Plan, being implemented by the National Authority for Tunnels, aims to establish a fully integrated urban transport system, including metro, suburban railway and new monorail by 2050. Cairo and Alexandria are also developing bus rapid transit (BRT) and electric bus systems.

The Jordan Long Term National Transport Strategy & Action Plan aims to increase the share of commuters using public transport from 13% in 2010 to 25% in 2025. Jordan is building its own electric vehicle (EV) industry by introducing the Zero Emission Electric Vehicle (ZEV) and 3,000 charging stations (on- and off-grid) powered by renewable energy. The objective is to reduce all emissions from the transport sector and create a significant shift from private car ownership to energy-efficient transport modes, mostly rail and BRT. Jordan is also developing its Master Plan for Public Transport of Passengers to increase the security and reliability of public transport. The plan will introduce unified tariffs and ticketing to make the whole network integrated and environmentally friendly by 2030.

The Saudi Vision 2030 and Saudi Energy Efficiency Programs promise to provide high quality services such as public transport and roads. Also, the kingdom has developed a system to monitor vehicle's fuel consumption to increase transportation efficiency. New high-speed railway lines and regional rail expansions are also being planned across the country.

In the UAE, Dubai's Roads and Transport Authority, the main transport provider, announced several projects to achieve a 'smart and sustainable city.' Dubai's Red Metro Line, at 52.1 kilometers, is the world's longest driverless single metro line, and the emirate's Driverless Strategy aims to automate 25% of all public transport trips by 2030. Guided by the Dubai Plan 2021, all other modes of public transportation in the emirate have been expanding in recent years, with the development of over 20 km of new tram tracks, an electric bus system and an ultra-fast vacuum technology train, Dubai Hyperloop. The Dubai Plan 2021 aims to build fully connected and integrated transport infrastructure, including an extension of the metro.

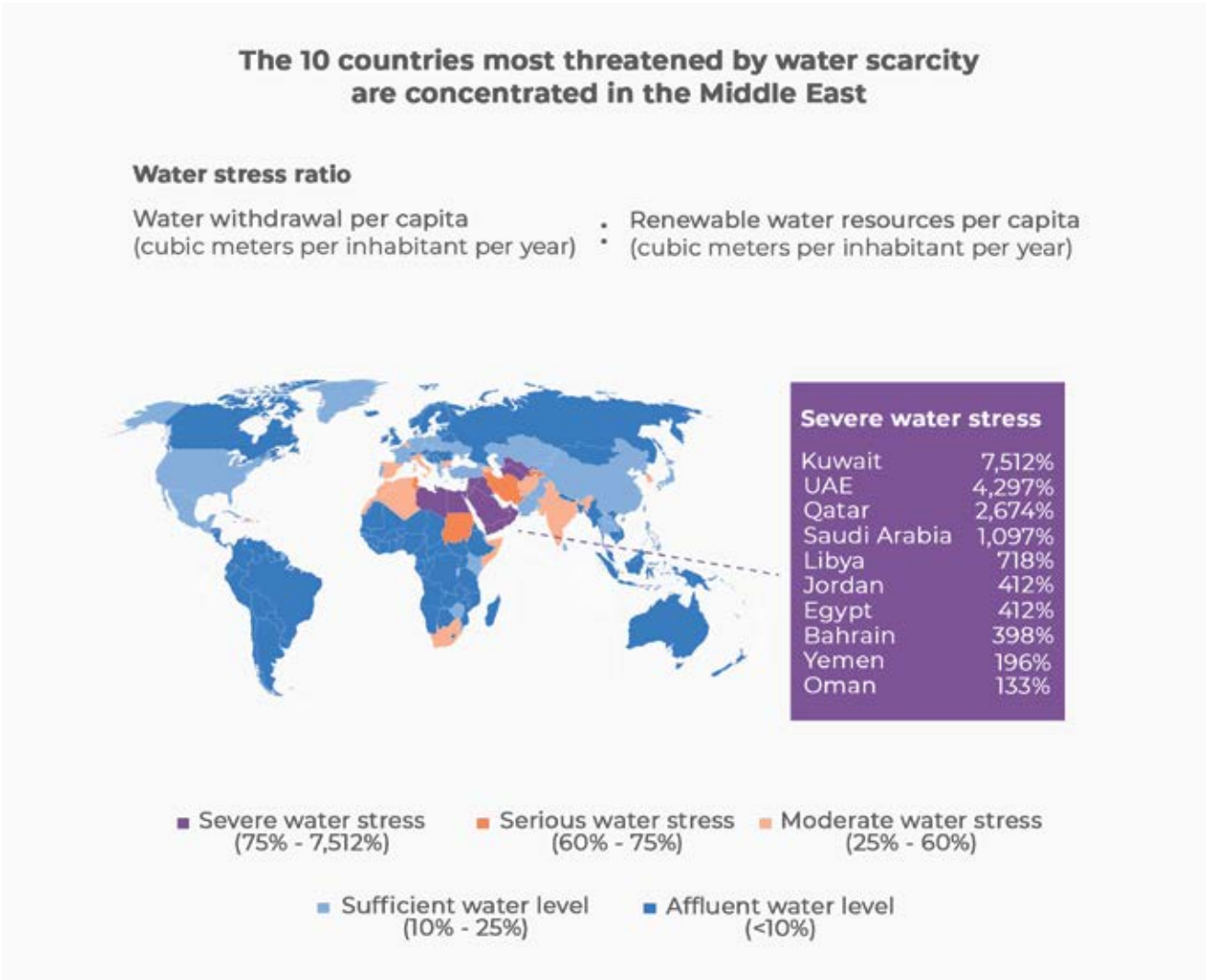
In August 2020, the Sharjah International Airport became the first carbon-neutral airport in the GCC and the second in the Middle East to attain a Level 3+ Neutrality accreditation.

Bahrain is implementing a 109 km electric metro and installing emissions-free scooters and bicycles for hire in the capital city.

WATER DESALINATION

The MENA region is rapidly growing in population with very limited access to freshwater resources. Desalination can be an effective solution for overcoming this challenge, as most MENA countries have some access to a seacoast. However, desalination processes have a huge demand for energy, mostly met by fossil fuel-driven power plants. The rapid technological advancements in renewable energy, along with its gradually decreasing cost, will make renewable energy-driven desalination plants a promising alternative.

Water Stress Worldwide



Sources: FAO Aquastat, Oxford Analytica

The MENA region accounts for 47.5% of the world's desalination capacity, and seawater desalination now contributes to more than 90% of all daily water requirements in the GCC region. According to the MENA Desalination Market report by Ventures Onsite, the GCC has the highest global water desalination capacity of 81%. The International Desalination Association lists Saudi Arabia, the UAE and the U.S. as the top three producers of desalinated water, respectively, in the world. The seawater desalination capacity of GCC countries is expected to grow by 37% during the next five years, fueled by investments of up to USD 100 billion.

In December 2022, Egypt announced plans to build 21 desalination plants in the first step of a

larger renewable energy project. According to The Sovereign Fund of Egypt, the first phase has been allocated USD 3 billion in funding. The European Investment Bank (EIB) said in May 2022 that it is studying participation in Egypt's seawater desalination plans.

Jordan has a desalination plant at Aqaba with freshwater production ranging between 144 to 792 cubic meters per day. In November 2022 at COP27, Jordan, the UAE and Israel signed an MoU for Project Prosperity, composed of Prosperity Green and Prosperity Blue projects. Prosperity Green plans to construct a 600-megawatt solar plant with battery storage in Jordan to produce clean energy to export to Israel. Prosperity Blue includes a sustainable water desalination plant built in Israel to export 200 million cubic meters of potable water a year to Jordan. The UAE is supporting the feasibility studies and implementation. In December 2022, the EIB announced a EUR 200 million (USD 217 million) loan for the Aqaba-Amman Water Desalination and Conveyance Project, the first confirmed financing for Jordan's largest-ever water investment project. The project will have an annual production capacity of 300 million cubic meters.

In Saudi Arabia's new city Neom, water will be 100% desalinated using renewable energy; any wastewater produced will be fully processed to generate energy, fertilizer and reusable fresh water for irrigation. An MoU was signed between Neom's energy, water, and hydrogen subsidiary Enowa; the Japanese trading company Itochu; and water, waste and energy management solutions company Veolia to develop the desalination plant, which will have a production capacity of 500,000 cubic meters of desalinated water per day. Neom will also desalinate water with a Solar Dome, which uses solar power to evaporate seawater inside a giant dome, separating fresh, drinkable water from extremely saline brine. UK-based Solar Water Plc was selected to build this carbon-neutral desalination plant.

In the UAE, desalination plants in Abu Dhabi produce 9% of the world's total desalinated water. The emirate has installed production capacity of 960 million imperial gallons of water per day (MIGD), while its peak demand is 833 MIGD. Around 60% of Abu Dhabi's water supply comes from groundwater, 30% from desalination and 10% from recycling.

In 2022, the Dubai Electricity and Water Authority signed an agreement with the Dutch start-up Desolenator to design and build a carbon-neutral water purification and desalination system powered by solar energy. The new system will produce potable water at less than USD 0.02 per liter.

Best Prospects for U.S. Exports and Investment in MENA Council Countries

Agriculture	**Jordan, Kuwait, Lebanon, Morocco, Tunisia, West Bank**
Electricity and Renewable Energy	**Bahrain, Egypt, Jordan, Morocco, Oman, Qatar, Tunisia, UAE, West Bank**
• Wind turbines and towers • Photovoltaic panels and related technologies • Concentrating solar power equipment and technologies • Transmission grids • Green energy • Energy efficiency	• Electric vehicles • Electricity infrastructure • Water desalination • Renewable energy storage solutions • Solar energy • Electrolyzers
Healthcare and Medicine	**Jordan, Kuwait, Lebanon, Morocco, Qatar, UAE, West Bank**
• E-health • Healthcare management systems • Software modules for specific fields and applications (radiology, imaging, etc.) • Integrated medical insurance solutions • Mobile healthcare applications • Online medical content providers • Pharmaceuticals • Cardiology and cardiovascular surgery	• Laparoendoscopic surgery • Kidney transplantation • Neurosurgery • Equipment and supplies for plastic surgery • Oncology • Insurance • Laser treatment, nanotechnology and molecular medicine
Digital and ICT	**Egypt, Jordan, Kuwait, Morocco, Oman, Qatar, Tunisia, UAE, West Bank**
• E-education software • Smart city solutions • Artificial intelligence • E-finance applications • Cybersecurity • Surveillance equipment • Telecommunication infrastructure • Cloud computing • Gaming • Business Process Outsourcing	• Designing • Verticals: healthtech, fintech, edtech • IT infrastructure • Online and mobile solutions and services • Networking equipment • 5G • Audiovisual equipment • Big data • E-commerce
Infrastructure	**Bahrain, Egypt, Kuwait, Morocco, Qatar, Tunisia, UAE**
• Project consulting • Project management • Construction equipment • Construction material	• Construction chemicals • Designing • Engineering and architectural services
Medical Devices and Equipment	**Egypt, Jordan, Kuwait, Lebanon, Morocco, Qatar, UAE, West Bank**
• Diagnostic imaging equipment • Medical disposable supplies • Surgical and medical equipment • ICU monitoring equipment • Laboratory and scientific equipment	• Mobile clinics • Digital equipment • Oncology and radiology equipment • Orthopedic and prosthetic appliances • COVID-19 tests

Oil and Gas Equipment	Bahrain, Egypt, Kuwait, Oman, Qatar, UAE
• Liquefied natural gas-related technology • High-tech testing and measuring equipment • Natural gas vehicle technology and peripherals	• Compressed natural gas technology and peripherals • Drilling rigs and related equipment and accessories • Green-clean energy technology
Safety and Security	**Egypt, Jordan, Kuwait, Morocco, Tunisia, UAE**
• Aircraft spare parts • Ammunition and artillery • Armored vehicles • Bomb detection equipment • Border and perimeter control equipment • Surveillance equipment • Improvised explosive device detectors and defusers • Survivability equipment	• Fire detection equipment • Pumps, valves and electronic devices • Safety and property security systems • Theft and intrusion • Public safety • Anti-terrorism technologies • Biometrics • Radio communication systems
Water and the Environment	**Egypt, Jordan, Morocco, Tunisia, UAE**
• Solid waste management • Efficient water storage equipment • Seawater desalination • Waste handling equipment • Water monitoring equipment • Energy-efficient desalination technology • Alternative desalination drain management technology • Cleantech and environmental technologies • Waste-to-energy projects	• Waste management and recycling technology • Reusage of drainage water and treated wastewater • Drilling water wells • Construction of water condensers • Dam engineering and construction • Water security • Ground water prospection • Water transfer networks
Other Sectors	
Apparel	Lebanon, West Bank
Automotive	Kuwait, Lebanon, Qatar, Tunisia
Aerospace and Aviation	Morocco, Qatar, Tunisia, UAE
Education and Training	Egypt, Jordan, Kuwait, Morocco, Qatar
Franchising	Kuwait, West Bank
Food	Tunisia, West Bank
Transportation and Logistics	Oman
Mining and Minerals	Oman

Source: Compiled from U.S. Commercial Service, country commercial guides, 2022-2023

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