

How is the GCC leveraging foreign direct investment to boost regional confidence?

EY Attractiveness Survey
Gulf Cooperation Council (GCC)

November 2024

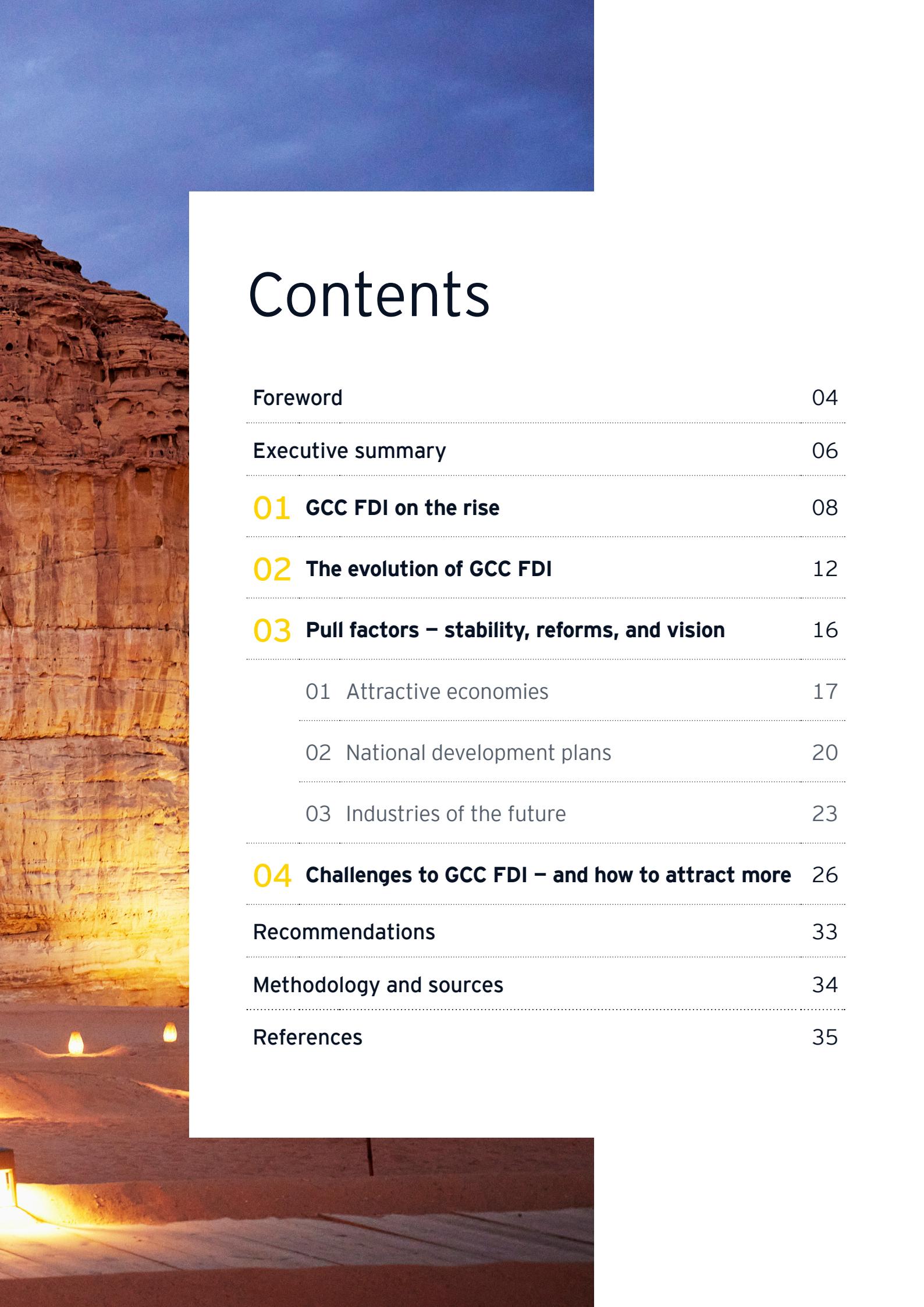


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Foreword



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Michael Hasbani
EY MENA Markets Leader



Marc Lhermitte
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For much of their history, the six countries of the Gulf Cooperation Council (GCC) – the United Arab Emirates (UAE), Saudi Arabia, Qatar, Kuwait, Bahrain and Oman – have tended to look outside their borders for opportunities. Capital flowed out of the region to mature markets as governments transformed revenues from hydrocarbon exports into stakes in blue-chip global corporations, real estate, bonds and other assets. Over the past five years, however, a notable shift has taken place as the region's governments have begun to show greater confidence in their own nations and a marked willingness to invest in their domestic economies.



Across the region today, governments are deploying ever more of their considerable financial firepower into projects aimed at reshaping their national economies and reducing dependence on the oil and gas industry. These initiatives range from the construction of entirely new cities to the development of high-tech, clean energy industries, along with education and training to improve the productivity and employability of youthful populations and an increased female labor force.

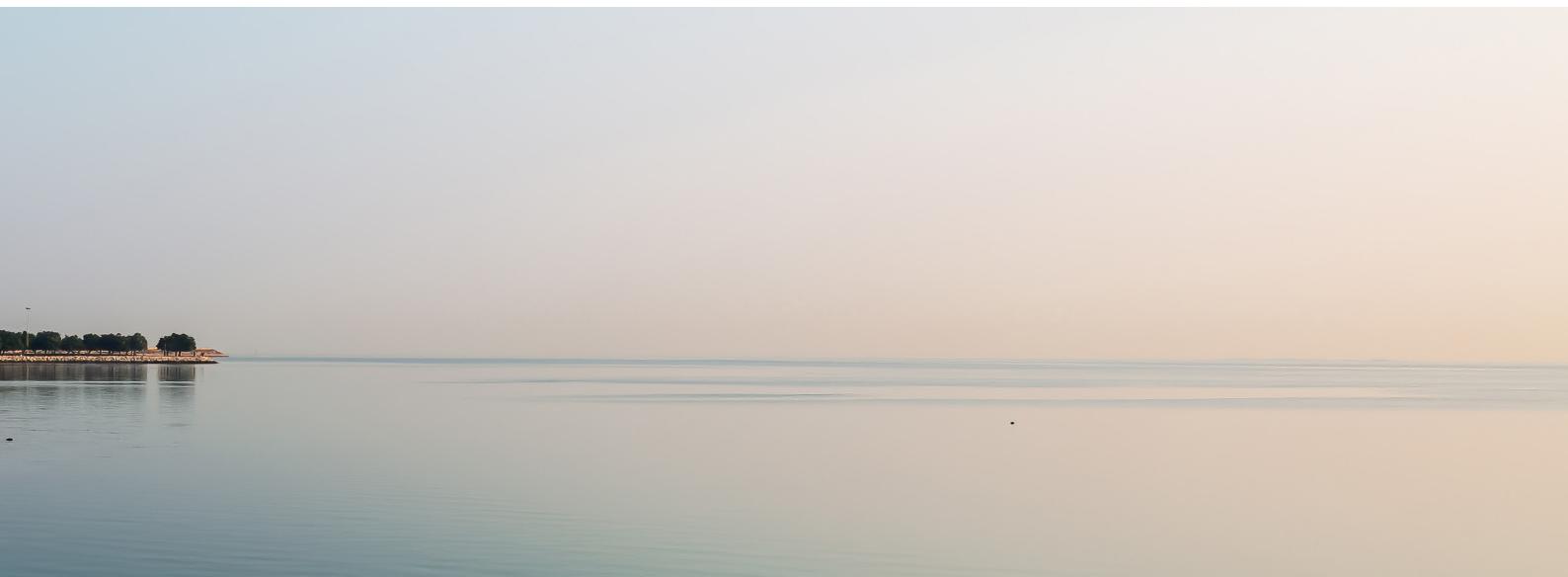
So far, this transformation has been largely driven by domestic, government-linked capital, but if GCC governments' vast ambitions for their economies are to be realized, large quantities of private investment by foreign companies will also be needed. The continued growth of the region's economies, in other words, has the potential to unlock additional major flows of foreign direct investment (FDI) into the GCC as international companies consider the opportunity to participate in the region's economic growth story.

Based on EY research, the good news for the GCC is that there are signs of this beginning to happen, but we also warn that more needs to be achieved. In this report, we show how GCC FDI is increasing – and evolving. In the first chapter, we summarize the latest trends in GCC FDI. In the second, we delve deeper into the regions that provide FDI to the GCC, and the sectors

and business activities that attract it. In the third chapter, we explore the key factors that can make GCC countries attractive to FDI on the considerable scale required to achieve economic transformation. Then, in the final chapter, we outline the risks to FDI and what GCC governments must do to attract more foreign investment.

Throughout the report, we draw quantitative insights from FDI Markets' comprehensive database of global FDI projects and qualitative perspectives from a specially commissioned survey of 300 executives at companies active in the GCC or considering investing in the region.

The global EY organization is considered to be an organization of reference for cross-border investment. We stand at the center of the ecosystem of foreign investors due to the services we provide, the breadth of our presence, and the skills developed over many years when defining the attractiveness and competitiveness of key global destinations. We are not only an observer of the evolving nature of FDI but also a translator of corporate needs for future growth and long-term value. Based on what we hear in the market and in collaboration with hundreds of companies, we bring their recommendations and our experience to the conversation about the attractiveness of the GCC.



Executive summary

01 FDI in the region

International companies announced a record of **1,889** projects in the GCC countries in 2023 as FDI continued to rebound from a COVID-19 pandemic-induced lull in 2020.

The UAE continues to outpace other GCC nations in terms of project count, but Saudi Arabia has taken a decisive lead in terms of the dollar value of investments.

Business services and software and IT services have emerged as the primary sectors for FDI in the GCC, with project numbers in these sectors growing

512% and **373%** respectively between 2018 and 2023.

The US and UK remain the two leading sources of FDI projects, but India is emerging as a third major contributor. Indian FDI projects in the GCC increased almost fivefold from 52 in 2019 to

252 in 2023.

GCC countries are targeting significant increases in FDI. Saudi Arabia, for example, aims to more than triple FDI

from US\$29b in 2023 to **US\$100b** a year by 2030. These significant increases may be on track, as 67% of executives in our survey expect the GCC's attractiveness for FDI to increase over the next three years.

02 Pull factors

Executives at companies which are already active in the GCC are particularly positive about the region's future. Compared with executives at companies not yet active in the region, they are almost twice as likely to expect the GCC's attractiveness to increase over the next three years (73% vs. 41%) and six times more likely to be planning to expand GCC operations over the next

12 months **(84% vs. 14%)**.

National development plans appear to be having an impact in some GCC countries: A majority of survey respondents say, We the UAE 2031 and Saudi Vision 2030 have had a tangibly positive impact on investment decisions in the UAE and Saudi Arabia.

Executives in our survey are impressed by the GCC's regulatory stability, rating GCC countries' policies on tax, in particular, positively compared with other regions.

03 Challenges

1

The two primary risks to FDI in the GCC are geopolitical instability and climate change, with large companies – those with revenues greater than US\$1.5b – particularly likely to be concerned about both.

2

Even after significant investment in higher education, which is a top three priority for investors when it comes to talent, only 40% of survey respondents think the GCC performs better than other regions in this regard.

3

The availability of venture capital and other forms of financing are the areas where survey respondents were least likely to say the GCC performs better than other regions and therefore needs improving.

4

Less than half of executives in our survey say that the GCC performs better than other regions when it comes to risk of litigation, suggesting more needs to be done to persuade international companies of the neutrality of courts.

5

The GCC governments can and should improve their marketing to companies not yet established in the region by doing a better job of promoting their successes and articulating their economic vision to attract investment.



01

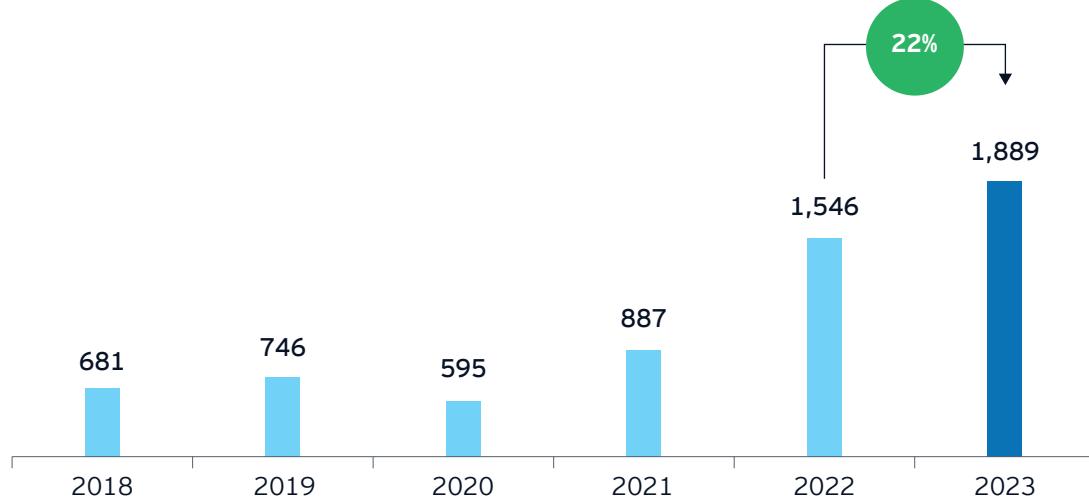
GCC FDI on the rise



GCC FDI on the rise

FDI in the GCC hit new heights in 2023. International companies announced a record 1,889 projects in the GCC in 2023, an almost threefold increase since 2018.

Figure 1: FDI projects in the GCC between 2018 and 2023



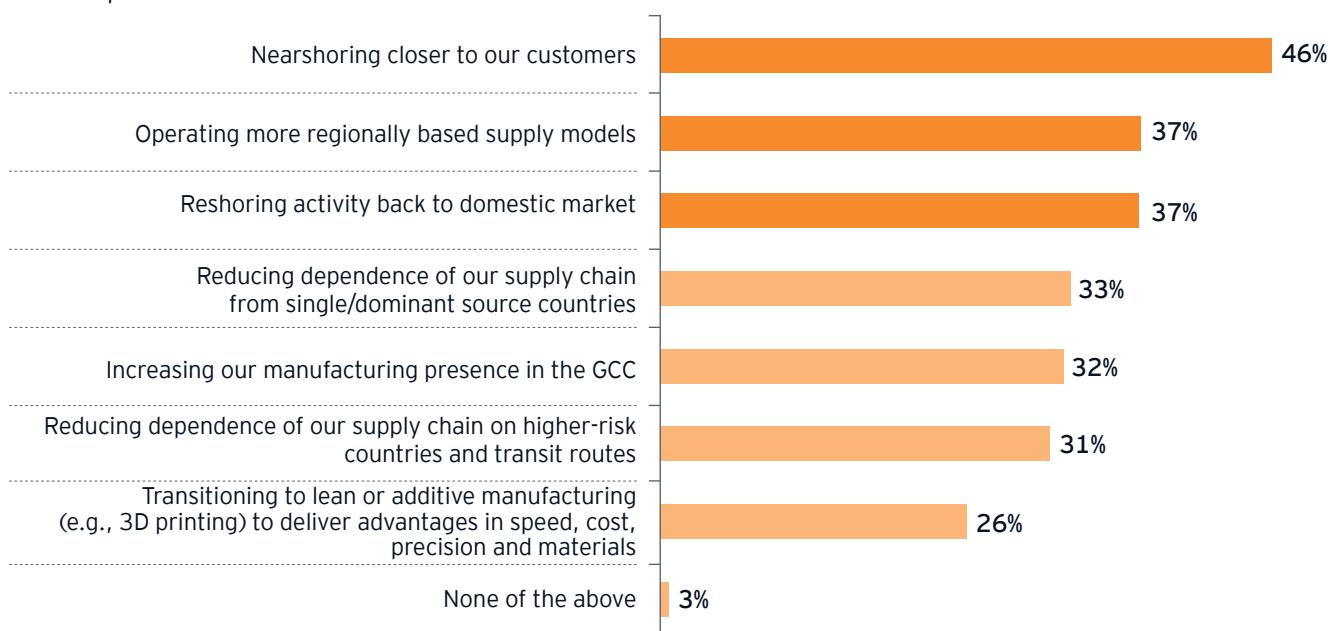
Source: fDi Markets.

While the COVID-19 pandemic led to a lull in investment into the GCC in 2020, fears that European and American companies might permanently retreat from FDI in favor of reshoring supply chains have been allayed by a strong rebound. GCC project numbers rose by 74% year on year in 2022 and another 22% in 2023, while business executives say they remain interested

in expanding global footprints. Indeed, rather than reshoring, executives in our survey are more likely to embrace regional supply chains or move operations closer to customers, both of which could benefit GCC countries, given their population of wealthy consumers and proximity to populous North African and South Asian markets.

Figure 2: How is your company transforming its global supply chain?

Select top three



Source: EY GCC Attractiveness Survey, November 2024 (total respondents: 300 surveyed between 22 April and 16 May 2024).

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While the COVID-19 pandemic clearly affected global supply chains, if anything, they have made the GCC more attractive as an alternative destination.

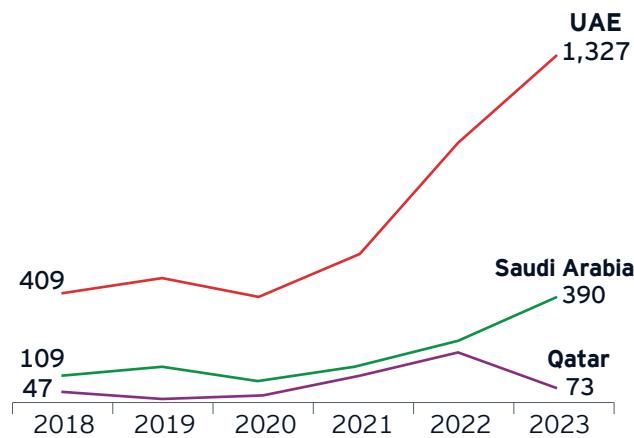


Brad Watson

EY MENA Strategy and Transactions Leader

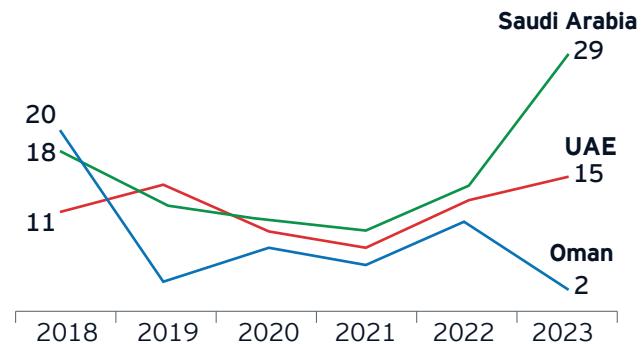
At a country level, two clear themes emerge. The UAE continues to outpace other GCC nations in terms of project count, but when it comes to the dollar value of these projects, Saudi Arabia has become the front-runner, with FDI into the Kingdom almost doubling year on year to reach US\$29b in 2023. This illustrates the distribution of FDI activities in both countries. In the UAE, activities that require significant project involvement, such as business enablement and sales and marketing, account for three-quarters of the total number of projects. Conversely, in Saudi Arabia, manufacturing activities, which often require larger outlays, account for 74% of the capital investments.

Figure 3: Comparative evolution of top three destinations: number of announced FDI projects between 2018 and 2023



Source: fDi Markets.

Figure 4: Comparative evolution of top three destinations: Capital Investment, in US\$b between 2018 and 2023



Source: fDi Markets.

Executives are positive about the region's prospects for FDI going forward. The GCC, followed by North America, rank as the most attractive region for investment in the world among respondents to our survey, and almost two-thirds expect the region's attractiveness to increase significantly (4%) or slightly (62%) over the next three years.

While these headline figures are positive, enthusiasm should be tempered. If we consider respondents from companies that have not yet established operations in the GCC, North America, Western Europe, Central & Eastern Europe and India are all considered more attractive destinations for FDI. Even after the ramp-up in FDI over the last five years, government investment still dominates the region.

Indeed, if GCC countries are going to achieve their ambitious plans for national development, much more FDI is required as governments themselves acknowledge:

Saudi Arabia aims to increase FDI to

US\$100b a year by 2030,¹ more than triple its 2023 level.

The UAE is targeting

US\$150b in FDI by 2030,² compared with an average of US\$11b a year since 2018.

Qatar has set a goal of attracting a cumulative

US\$100b of FDI over the next six years in its Third National Development Strategy for 2024 to 2030.³



02

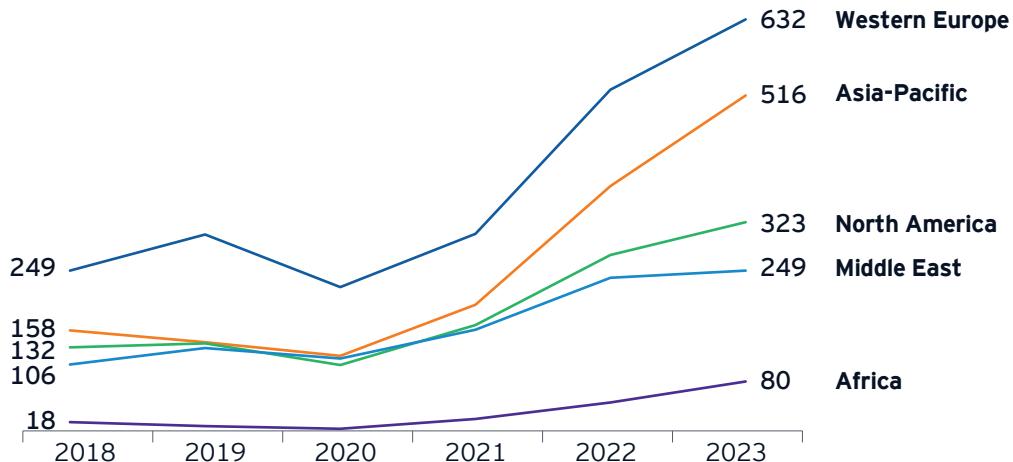
The evolution of GCC FDI



The evolution of GCC FDI

At a regional level, Western Europe and Asia-Pacific have consistently been the largest sources of FDI projects into the GCC over the 2018-23 period, and their lead has expanded in recent years.

Figure 5: Number of FDI projects, by region

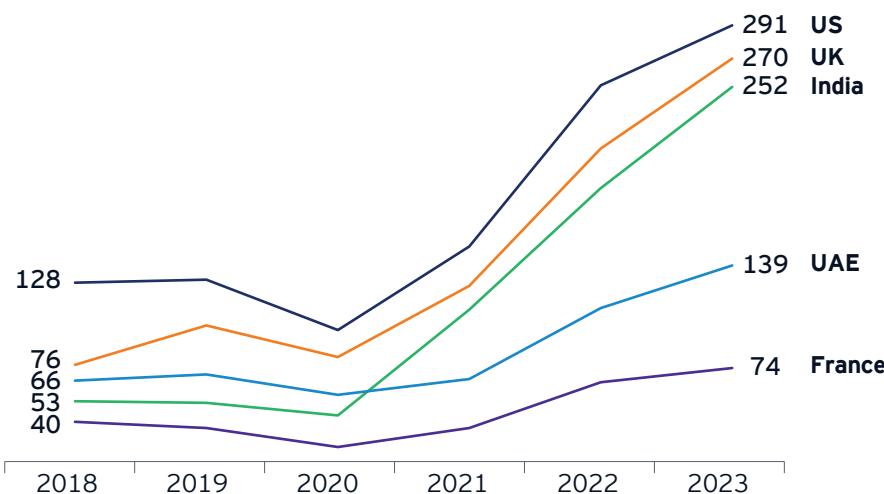


Source: fDi Markets.

By individual country, the United States (US) and the United Kingdom (UK) have set the pace for sponsoring FDI projects, but India is fast emerging as a third sizeable contributor. Indian FDI projects in the region increased almost fivefold from 52 in 2019 to 252 in

2023, due in part to its own ambitious investment targets and energy security needs as it transitions to a gas-based economy.⁴ Indian investors are also attracted by the region's economic stability.

Figure 6: Number of FDI projects, by country



Source: fDi Markets.

Last year was also a breakthrough year for Chinese companies in the GCC, as they led FDI in terms of both jobs created and dollar amount invested, marking the first year China has appeared in the top three countries by either measure. China's investment in the region aligns with its Belt and Road Initiative, with the GCC's market potential with wealthy consumers, political stability and modernization goals also attracting Chinese companies.⁵

The UAE also remains a consistent source of FDI for other GCC countries. It ranked fourth overall in terms of the jobs created and number of FDI projects sponsored, while accounting for the second highest dollar amount invested in both Saudi Arabia and Qatar in 2023.

“

There is a lot of positivity about the range of sources of FDI. It brings even more diversity into the GCC countries, not only in terms of a different workforce but also a diversity in different thinking, different types of industries and different types of projects.



Wasim Khan

EY MENA Consulting Leader

In terms of sectors attracting FDI, business services, software and IT services, and financial services have emerged as the three main sectors as governments have pumped resources into the training and education of local populations.

“

Governments are investing in development programs and training academies to upskill public sector employees to make sure they're aligned for the future as new sectors evolve, offering an opportunity for workplace and economic transformation.



Firas Qoussous

EY MENA Government and Public Sector Leader

FDI projects increased 512% in the business services sector between 2018 and 2023 and 373% in software and IT services.

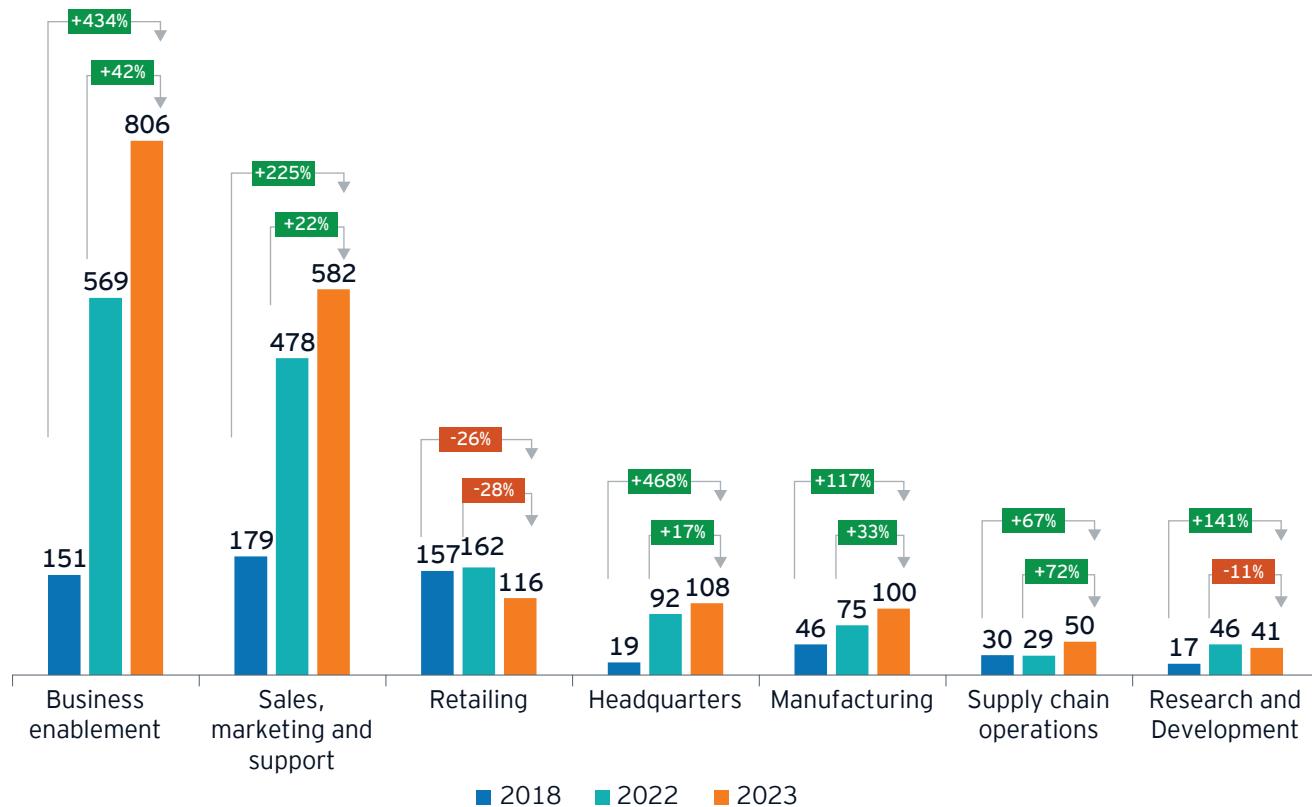
Figure 7: Top six sectors by FDI projects in 2023 – ranking, number of projects and jobs, and change

#	Sector	Number of projects in 2023	Number of projects in 2022	Number of projects in 2018	Change 2022-23	Change 2018-23
1	Business services	514	333	84	54%	512%
2	Software and IT services	374	354	79	6%	373%
3	Financial services	172	160	71	8%	142%
4	Machinery and equipment	131	91	53	44%	147%
5	Logistics	85	66	32	29%	166%
6	Consumer products	79	79	66	0%	20%
	All other sectors	534	463	296	15%	80%
	Total	1,889	1,546	681	22%	177%

Source: fDi Markets.

In terms of the commercial activities that attract most FDI, business enablement and sales, marketing and support have emerged as the two leading areas of activity over the last six years. Both now attract significantly more projects than retailing, which was the

second most important activity in 2018 but has since seen project numbers decline. FDI projects associated with creating company headquarters have increased more than fivefold over the last six years, from just 19 projects in 2018 to 108 projects in 2023.

Figure 8: Number of FDI projects, by activities

Source: fDi Markets.

03

Pull factors – stability, reforms and vision



Pull factors – stability, reforms and vision

In seeking FDI, GCC countries rely on a combination of long-standing stability, rapidly improving policy and regulatory environments, and the ambitious growth visions being articulated to would-be investors by governments across the region.

01 Attractive economies

As interest rates and inflation have risen in tandem in recent years, GCC countries have stood out for stability in the form of fixed exchange rates, continuity in policymaking, low energy prices and a favorable tax environment. Calendar year inflation for the GCC peaked at just 3.6% for 2022, for example, and is expected to stabilize at 2.1% in 2025-26,⁶ while the domestic banking system is healthy.⁷

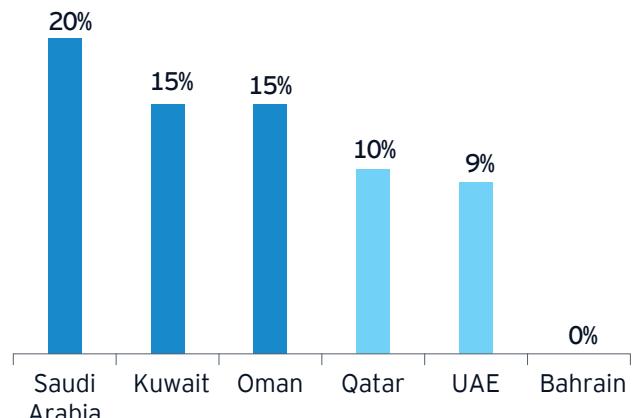
While governments have responded to OECD efforts to introduce minimum corporation tax rates – and their own need to diversify revenue sources – by gradually introducing taxes on company profits and private consumption; this has not impacted the GCC's reputation as a favorable tax environment. The rates of corporation tax in the region are globally competitive.⁸ Unsurprisingly, a majority of our survey respondents agree that the GCC provides a business-friendly tax environment, saying that it performs better than other regions across a variety of tax measures, from headline corporation tax rates to stability and pragmatism.

Figure 9: Percentage of respondents saying the GCC performs better than other regions with regard to these factors



Source: EY GCC Attractiveness Survey, November 2024 (total respondents: 300 surveyed between 22 April and 16 May 2024).

Figure 10: GCC corporate tax rates



Source: EY Worldwide Corporate Tax Guide 2024.

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A low corporation tax environment was an incentive in bringing FDI into the region but, increasingly, it's being superseded by infrastructure and pull factors such as economic stability, pegged currencies, the relaxation of 100% foreign ownership, and that these are growing economies.

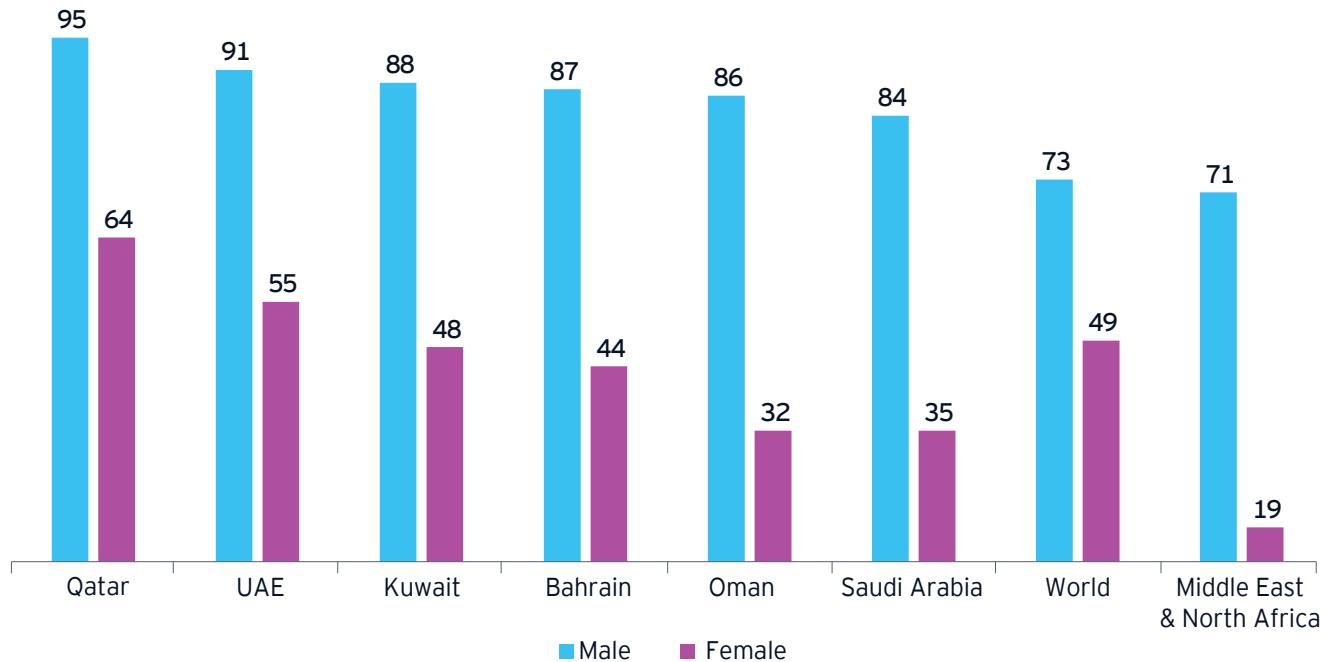


Ahmed Amor Al-Esry
EY MENA Tax Leader

At the same time, the region's governments have been pursuing rapid reforms of both legal and regulatory environments to make the region more attractive to foreign companies. Full foreign ownership of companies has been permitted in more than 1,000 sectors since 2020 in Abu Dhabi and Dubai,⁹ while Saudi Arabia

and Qatar have also eased restrictions on full foreign ownership. Female workforce participation is now above the average for the Middle East and North Africa region in every GCC country, while in Qatar and the UAE, it also exceeds the global average.

Figure 11: Labor force participation rates (2022), in %



Source: World Bank.

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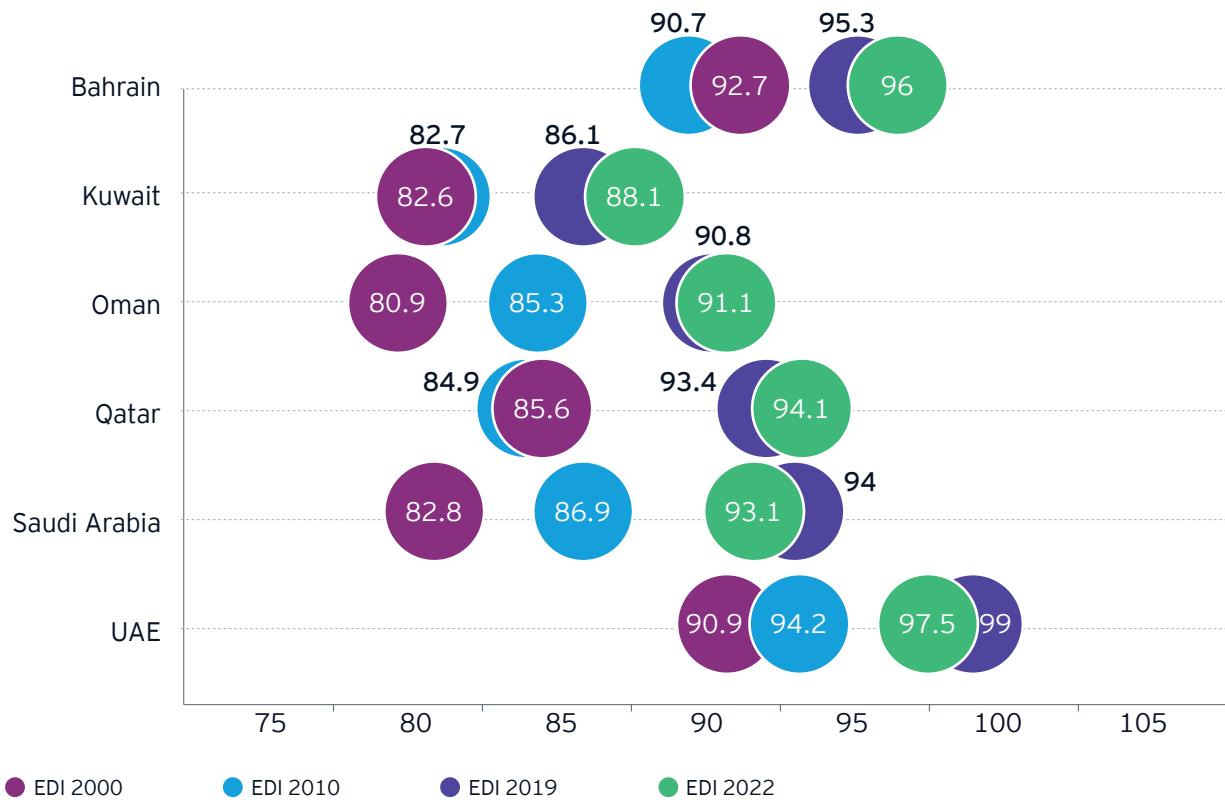
Governments are striving to be very agile and very efficient in terms of implementation. From policy issue to policy implementation, there is tremendous agility and nimbleness — the governance system in the GCC allows for that.



Khurram Mian

EY MENA Assurance Leader

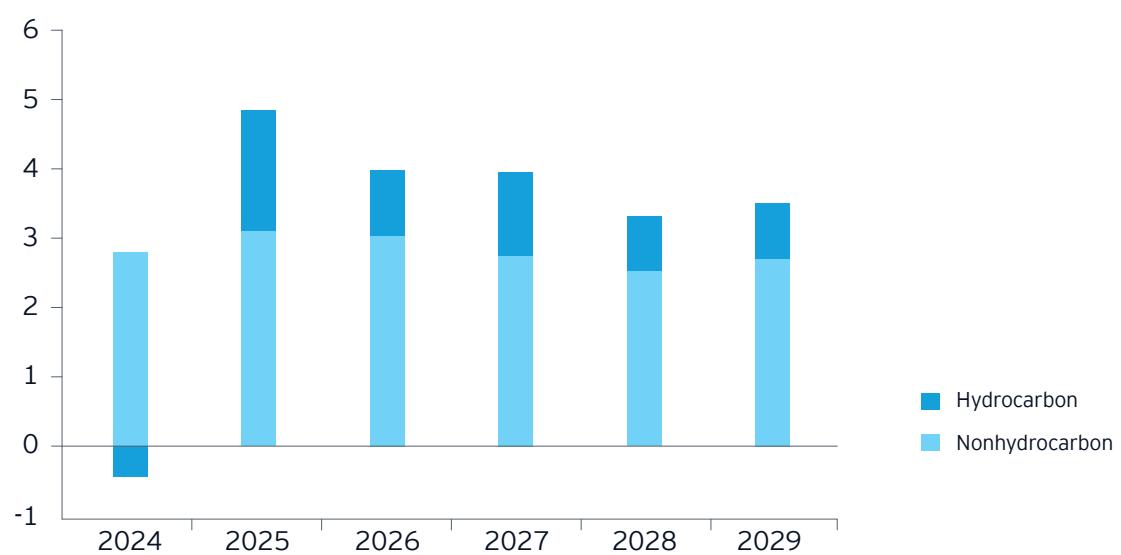
Measurements of economic diversification are improving, and governments' dependence on revenues from hydrocarbon exports is decreasing. Every GCC country has made substantial improvements in the Economic Diversification Index since 2010,¹⁰ while nonhydrocarbon sectors are expected to account for the lion's share of economic growth across the region for the rest of the current decade.

Figure 12: Global Economic Diversification Index (EDI)

Source: Global Economic Diversification Index 2024, Mohammed bin Rashid School of Government.

Figure 13: GCC: contributions to real GDP growth

(Growth forecast in percentage change, year on year; contributions in percentage points).



Source: IMF Middle East and Central Asia Regional Economic Outlook, April 2024.

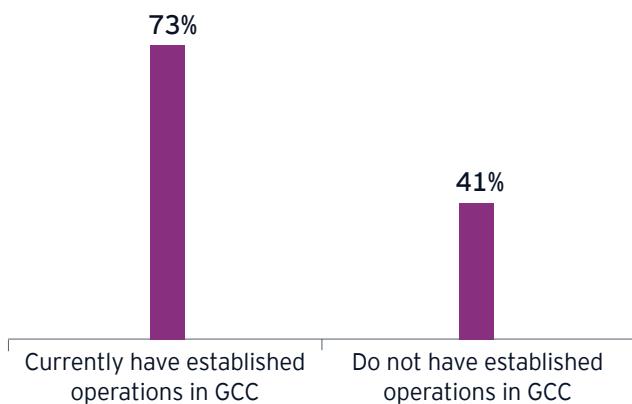
02 National development plans

More important, perhaps, than what has already been achieved in terms of economic diversification and reform is the ambition of the vision that has been articulated by governments in GCC countries through plans such as Saudi Vision 2030, We the UAE 2031 and Qatar National Vision 2030. Every GCC country, in fact, has articulated a long-term national development plan to shift economies toward higher-tech, cleaner industries and to create more skilled jobs.

Almost two-thirds of executives in our survey report that the UAE's national development plan has had a tangibly positive effect on their investment plans for the country, while just over half of executives say the same for Saudi Arabia.

Companies that establish a presence in the GCC tend to form favorable impressions of the region: Survey respondents who worked at a company that has a presence there were almost twice as likely to expect the GCC's attractiveness to increase over the next three years and six times more likely to be planning to expand GCC operations over the next 12 months.

Figure 14: How do you expect the GCC's attractiveness to evolve over the next three years?
Percentage saying significantly or slightly increased



Source: EY GCC Attractiveness Survey, November 2024 (total respondents: 300 surveyed between 22 April and 16 May 2024).

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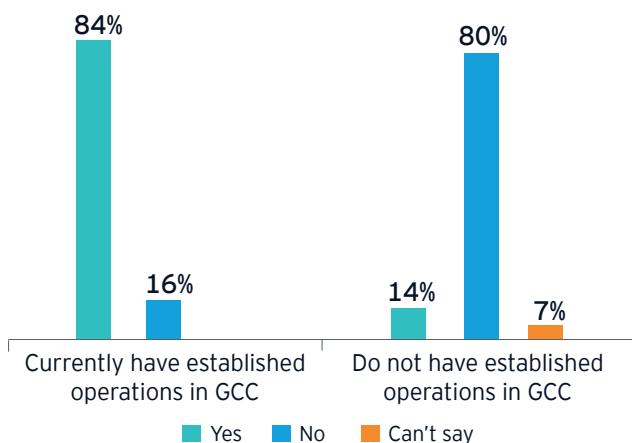
GCC governments are building, from scratch, entire real economies that reflect a full mix of a country's GDP. Whether in real estate, infrastructure, manufacturing and services or technology, these countries are emerging economies with the capital to realize that growth and the potential to grow rapidly.



Thomas Bradtke

EY Kingdom of Saudi Arabia Strategy and Transactions Leader

Figure 15: Does your company have plans to establish or expand operations in the GCC in the next 12 months?



Source: EY GCC Attractiveness Survey, November 2024 (total respondents: 300 surveyed between 22 April and 16 May 2024).

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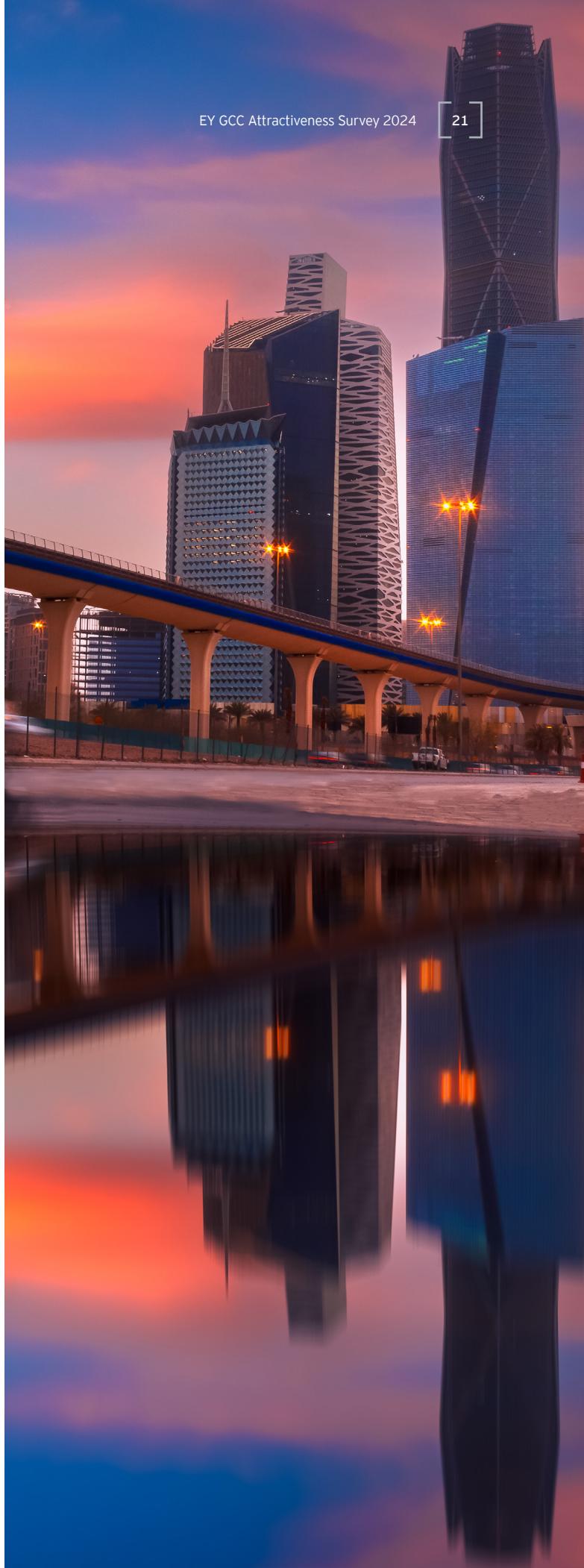
Non-oil revenues have increased due to economic diversification. The government has shown great progress in sectors such as tourism, entertainment and culture. There has been a gradual increase in alternative energy in both renewables and nuclear, and it shows the strategic thinking of Saudi Arabia's leadership.

**Tariq Abu Obaid**

EY Kingdom of Saudi Arabia Consulting Leader

Yet no national plan has yet unleashed the scale of FDI required to realize GCC governments' ambitions for their countries. The question for GCC governments is how to transform the latent interest that global executives express through regular trips to the region for investment conferences, for example, into concrete on-the-ground presence. And the answer to this may be – perhaps surprisingly – patience.

Persuading the largest international firms to make that first investment in a country is a long process and almost always requires substantial government investment to prove the viability of a new sector. This is perhaps best seen through the many megaprojects envisaged across the GCC, which will ultimately require significant FDI, but where the region's governments are taking the lead for now. Officials in Saudi Arabia are also taking advantage of the opportunity to build both infrastructure and regulations from scratch to design an ideal environment for international investors.



In line with other GCC nations, Qatar is seeking to diversify its economy away from hydrocarbon exports. Until after 2022, the government's focus in this regard was on building out infrastructure to host the FIFA World Cup, with the country now boasting a first-class metro system, upgraded ports and airports, a wider variety of hotels and residential options and an increased number of hospital beds and schools.

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The wider construction spree around the FIFA World Cup means Qatar is now capable of hosting five million residents, almost double its current population of around 2.8 million, as well as mega events such as Formula 1, the Asian Games and the 2027 FIBA Basketball World Cup.



Ammar Hattab
EY Qatar Markets Leader

The availability of venture capital and other forms of financing is the area where survey respondents were least likely to say the GCC performs better than other regions, highlighting that governments must remain active funders for some time.

“

It took decades before global private equity was willing to commit at scale. You need to first build the infrastructure and the destination to attract investment, which is risky, but this is exactly what's being done by the GCC governments, who are the sponsors of this vision of growth.



Yousef Wahbah
EY MENA Infrastructure Leader



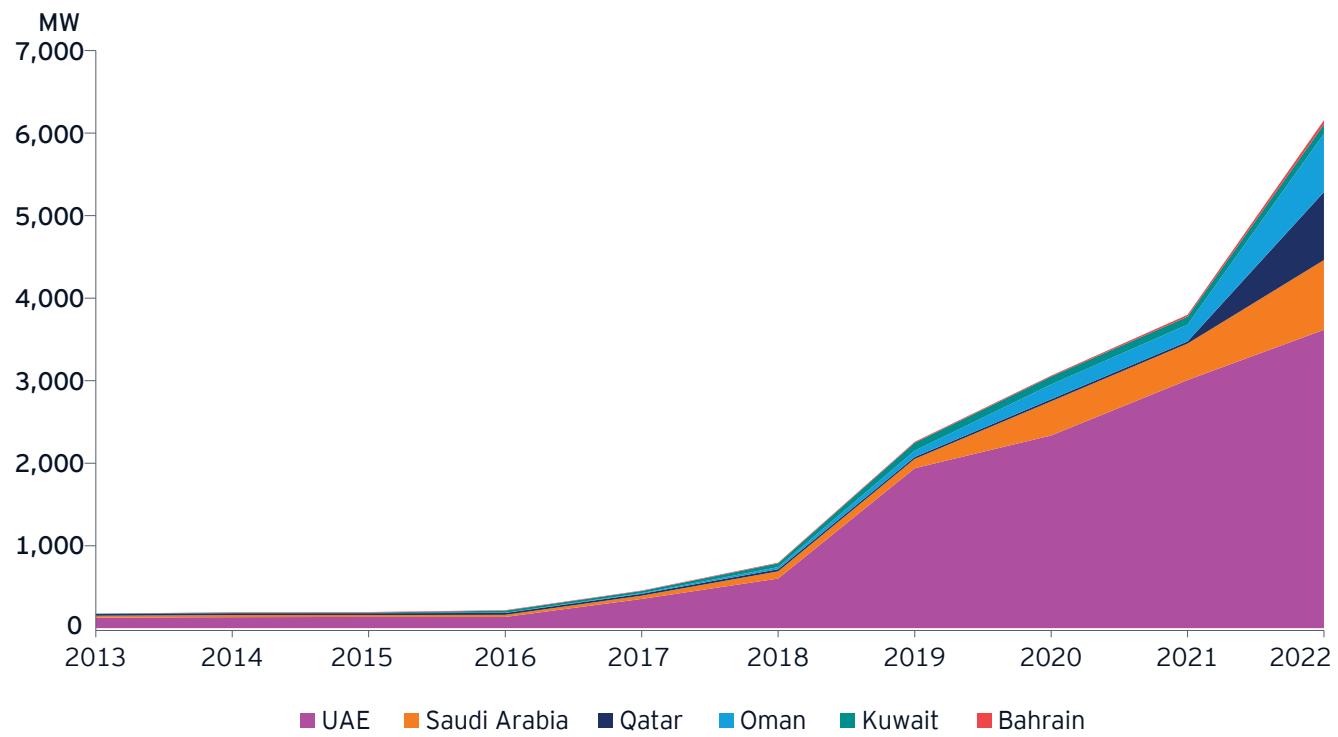
03 Industries of the future

The glittering prize that GCC governments seek with their national development plans is to build world-leading industries that can become a magnet for foreign companies. With their deep pockets and ability to plan for the long term, governments in the region are well placed to foster such industries, and countries are already providing active support for renewable energy and associated clean power industries, and advanced technologies such as artificial intelligence (AI), cybersecurity and even space exploration.

Saudi Arabia and the UAE have implemented cutting-edge 5G networks, while Qatar is actively investing in next-generation wireless networks. This will likely attract FDI into other sectors, given that executives in our survey identify a country's level of technology adoption as the single most important factor in choosing where to invest.

Renewable energy capacity, meanwhile, has increased more than sixfold in the region between 2018 and 2022, led by the UAE, while Saudi Vision 2030 anticipates that renewables will meet 50% of domestic energy consumption.

Figure 16: Renewable energy generation capacity in the GCC countries (MW) 2013-22



Source: IRENA GCC Renewable Energy Markets: GCC 2023.



Both the UAE and Saudi Arabia are also seeking to become hubs for green steelmaking – powering furnaces with hydrogen produced by renewable energy.

There is, however, more that needs to be achieved to meet these ambitious targets. In fact, in each GCC country except for the UAE, combined renewable energy sources currently account for less than 1% of the total energy mix. Despite abundant sunshine across the region, only the UAE sources more than 3% of total energy from solar photovoltaic (PV) systems. Solar energy accounts for all the renewable energy capacity in the GCC countries except for Saudi Arabia, where it makes up less than 50% of the total renewable energy mix. The country is gathering a substantial amount of its renewable energy from non-solar sources, with plans to increase nuclear energy and wind power. The expectation is that 58.7 GW of renewable energy will need to be operational in Saudi Arabia by 2030, which would represent a more than 50-fold increase from 2023.¹¹

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The GCC has an advantage when you look at renewable energy because it has abundant natural resources in terms of sunlight combined with an existing energy value ecosystem, which can both drive the production of green hydrogen and find uses for it in a very efficient way.

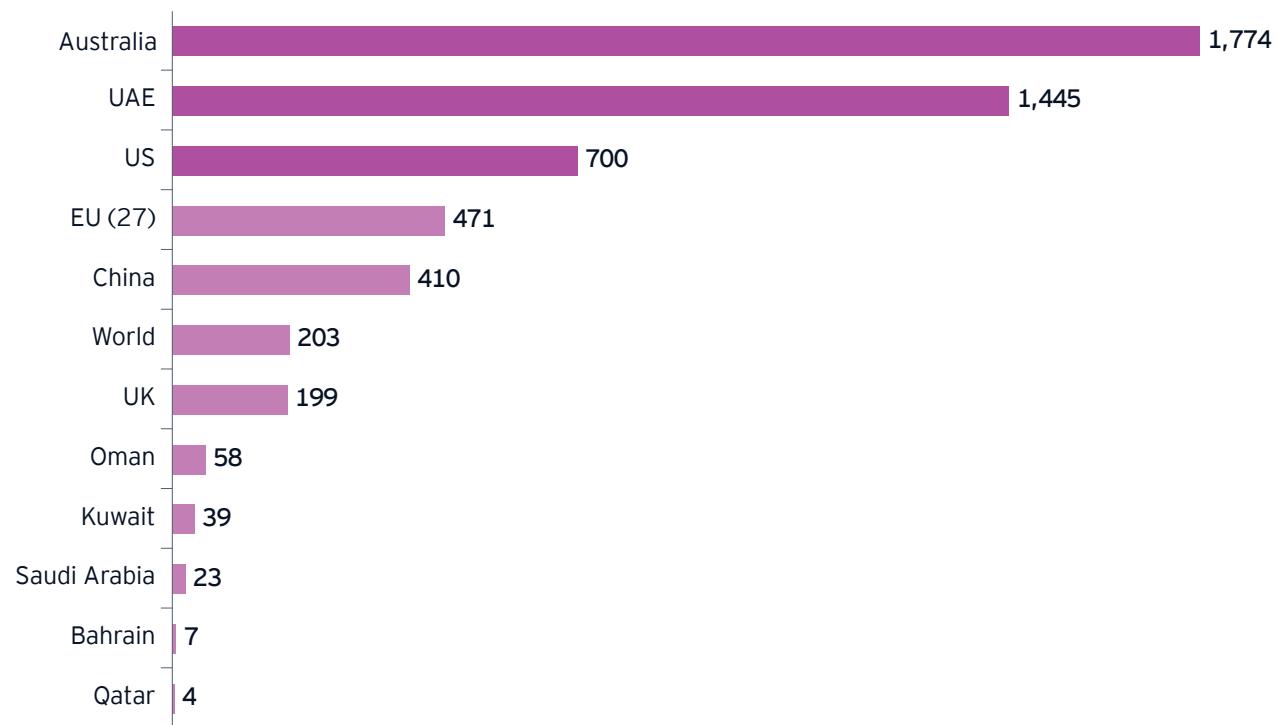


Mobin Khan

EY MENA Energy Leader

Figure 17: Per capita electricity generation from solar, 2023

Measured in kilowatt-hours per person¹²



Source: Ember (2024), Energy Institute – Statistical review of World Energy (2024); Population based on various sources (2023).



04

Challenges to GCC FDI – and how to attract more



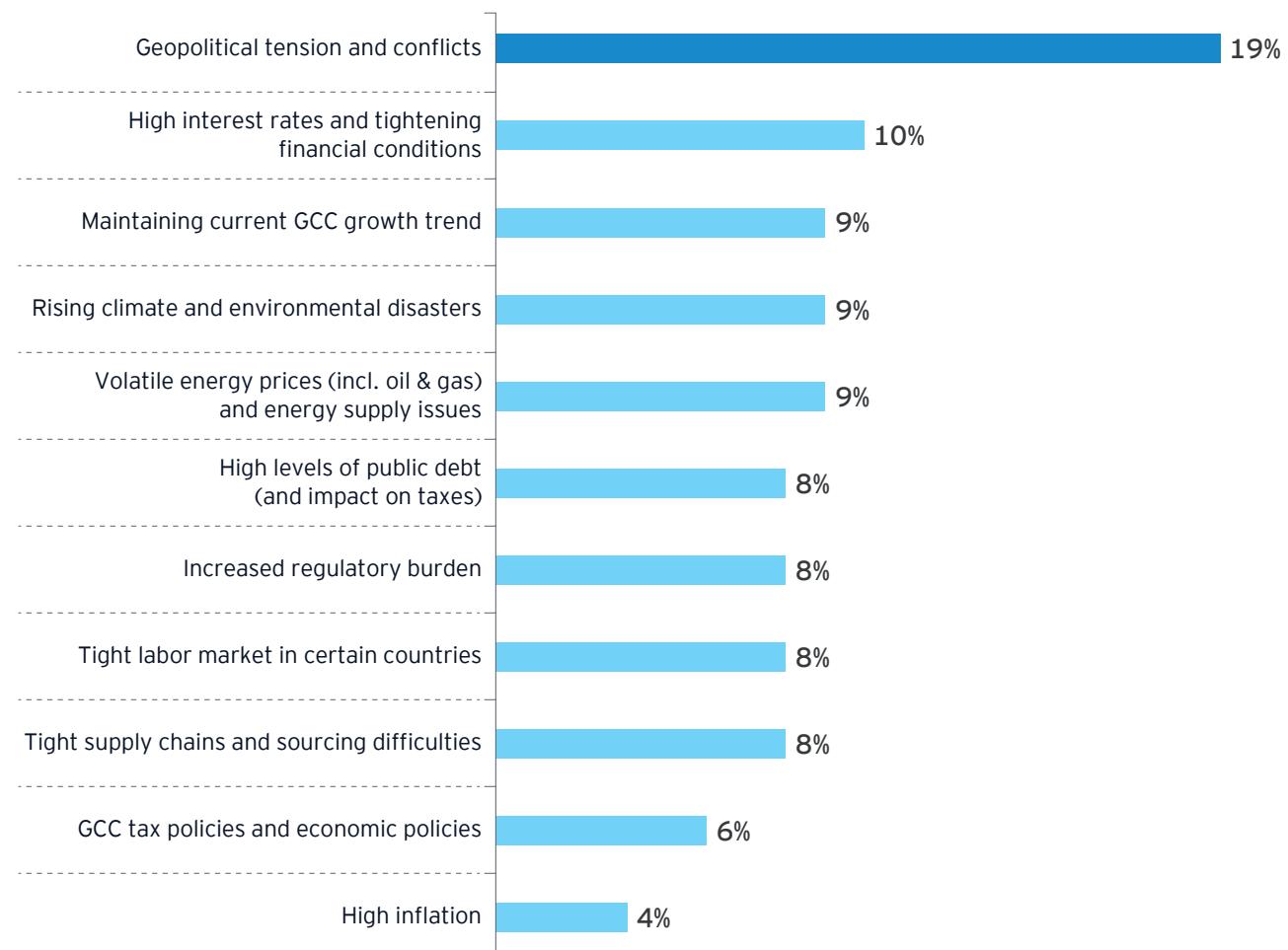
Challenges to GCC FDI – and how to attract more

When it comes to risks to FDI in the region, there are two clear themes: climate change and geopolitical risk.

Almost a fifth of respondents to our survey (19%) identified geopolitical tension and conflicts as the single biggest threat to the GCC's attractiveness, twice as many as those who selected any other risk. For companies with revenues of more than US\$1.5b, that figure rises to 31%.

Figure 18: What are the main risks affecting the GCC's attractiveness over the next three years?

Option ranked No.1



Source: EY GCC Attractiveness Survey, November 2024 (total respondents: 300 surveyed between 22 April and 16 May 2024).

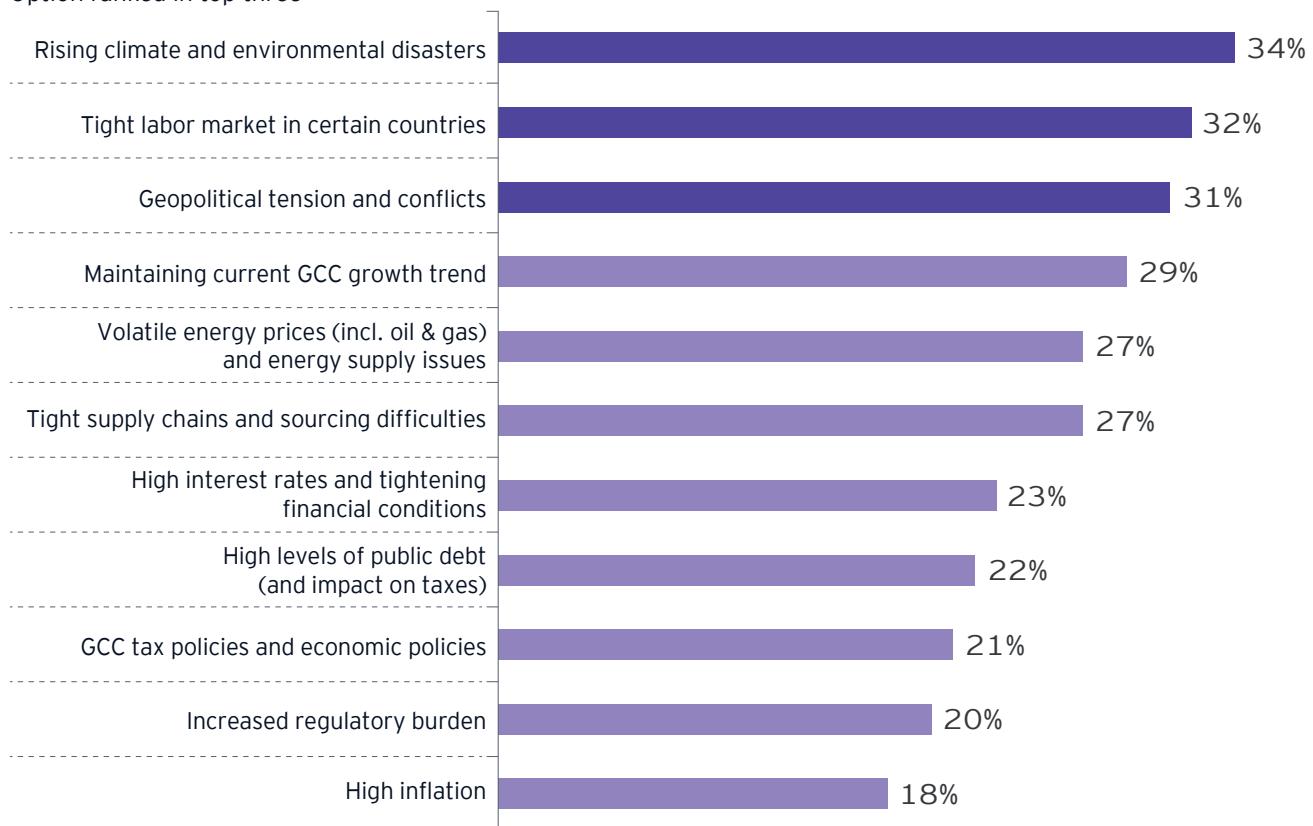
Indeed, while Qatar, in particular, has sought to play a role of peacemaker in the region and beyond, current regional conflict suggests it will likely remain a significant risk to FDI in the GCC for some time to come.

If we consider the top three risks identified by companies, rather than a single concern, climate

change and the threat of environmental disasters becomes the leading concern. More than a third of companies, and 40% of those with revenue of more than US\$1.5b, list climate change among their top three risks.

Figure 19: What are the three main risks affecting the GCC's attractiveness over the next three years?

Option ranked in top three



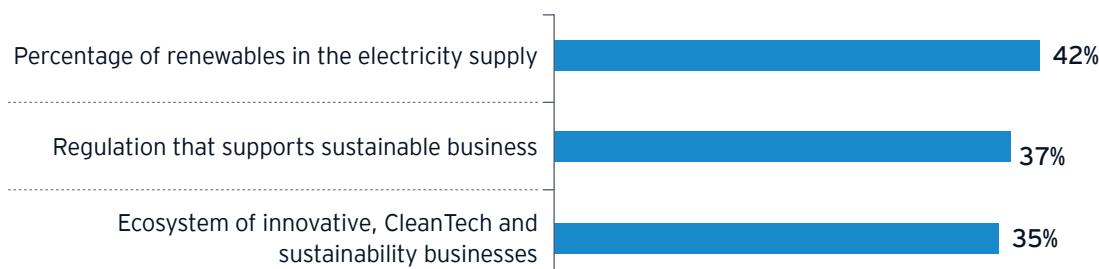
Source: EY GCC Attractiveness Survey, November 2024 (total respondents: 300 surveyed between 22 April and 16 May 2024).

While climate change can ultimately only be tackled at a global level through coordinated cuts, GCC countries are actively seeking to adapt their economies to environmental change. A strong majority of executives in our survey say the GCC performs as well as, or better than, other regions on their top three sustainability concerns – the percentage of renewables in the

electricity supply, regulations to support sustainable businesses, and the presence of a CleanTech ecosystem.

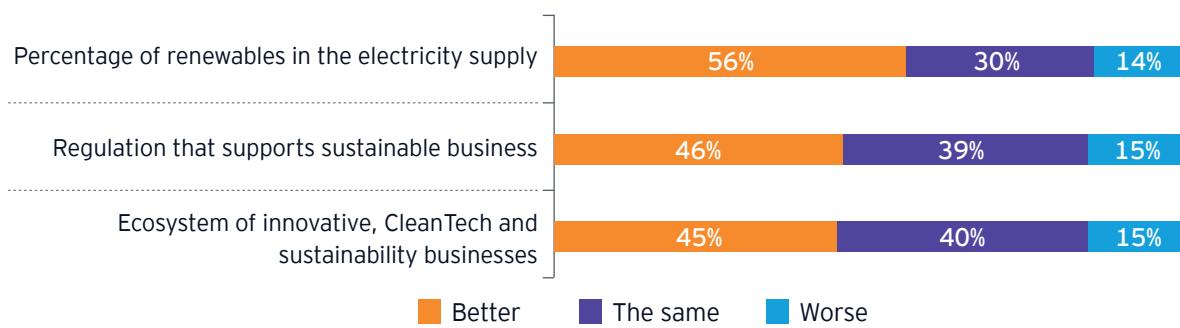
This positive view may be attributed to the heightened focus on the region's activities during COP28, which was held in the UAE. Respondents with established operations in the GCC were more positive than those without when comparing the bloc with other regions.



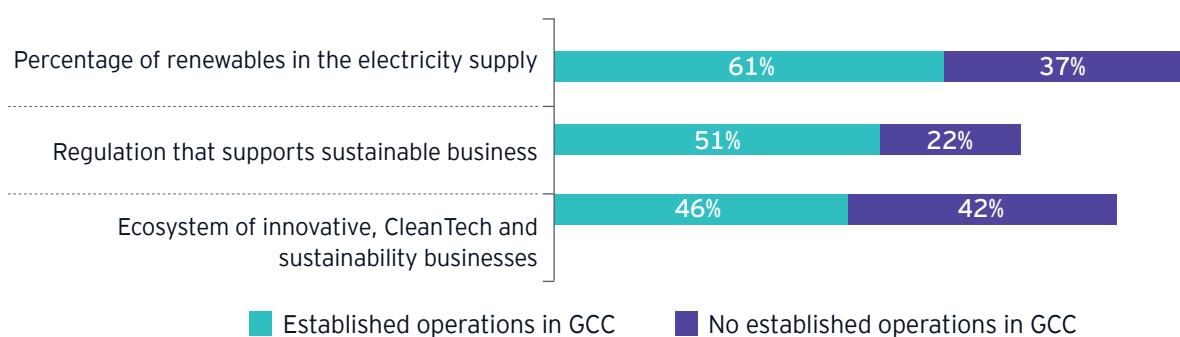
Figure 20: Most important sustainability factors influencing investment decisions (top three)

Note: Respondents selected up to three options for the question about most important sustainability factors.

Source: EY GCC Attractiveness Survey, November 2024 (total respondents: 300 surveyed between 22 April and 16 May 2024).

Figure 21: GCC performance on the sustainability factors, compared to other regions

Source: EY GCC Attractiveness Survey, November 2024 (total respondents: 300 surveyed between 22 April and 16 May 2024).

Figure 22: % saying the GCC performs better than other regions

Source: EY GCC Attractiveness Survey, November 2024 (total respondents: 300 surveyed between 22 April and 16 May 2024).

The GCC needs a regionally appropriate route to climate change and adaptation, which has three main characteristics:¹³

- A belief in recycling the carbon produced when fossil fuels are burned, rather than leaving oil and gas in the ground
- A regionwide approach to mitigation, which involves rich countries funding carbon offsetting in their neighboring countries as well as within national borders

- Massive investment, underpinned by sovereign wealth funds, in technologies such as renewables and carbon capture and storage, and mega clean energy projects

This approach will require continued intra-government support, but there is also a need for further regional cooperation, such as cross-border emissions reduction schemes and a carbon market to incentivize companies to fund mitigation projects across the region.

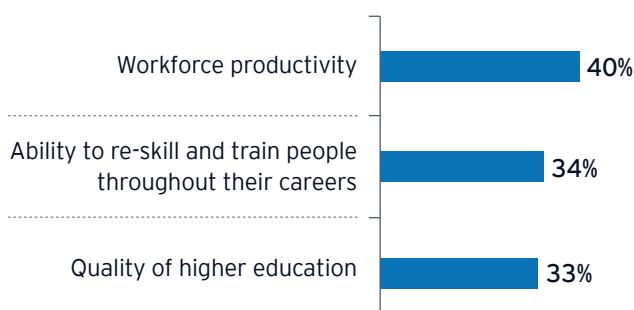
Talent-related investment risks

The World Economic Forum predicts a third of all jobs worldwide will be transformed by technology by 2030.¹⁴ This means that investor demand is naturally shifting to locations that are embracing emerging technology trends and developments. The GCC countries' national development plans recognize this need, and there has been significant investment in higher education, upskilling and training. This is being driven by collaboration between governments, business and academic institutions.

Businesses, however, are expecting better results, and only 40% of our survey respondents think the GCC performs better than other regions in this regard.

Figure 23: Most important talent-related factors influencing investment decisions

Top three



Source: EY GCC Attractiveness Survey, November 2024 (total respondents: 300 surveyed between 22 April and 16 May 2024).

Figure 24: GCC performance on the talent-related factors, compared with other regions

Workforce productivity



Ability to re-skill and train people throughout their careers



Quality of higher education



█ Better █ The same █ Worse

Source: EY GCC Attractiveness Survey, November 2024 (total respondents: 300 surveyed between 22 April and 16 May 2024).

Independence of courts

Dispute settlement mechanisms are a vital component of growth, without which organizations would be ineffective. The GCC, as a trade bloc, unlike the European Union (EU) with its Court of Justice, has yet to establish an effective judicial system to deal with its disputes.

Only 42% of executives in our survey say the GCC performs better than other regions when it comes to the risk of litigation, suggesting more needs to be done to persuade international companies of the neutrality of courts.

In the GCC, onshore courts are founded on civil law systems, whereas offshore courts are based on common law principles. The offshore jurisdictions, which include the Dubai International Financial Centre, the Abu Dhabi Global Market and the Qatar Financial Centre, are free to adopt their own civil and commercial laws and procedures, and to establish their own courts. Proceedings in the offshore courts are conducted in English, whereas in the onshore courts, they are conducted in Arabic.¹⁵



Making inward investment a priority

Executives at companies that have operations in the GCC are more likely to agree that GCC countries' national development plans have a positive impact on their investment plans. This is particularly prominent in the case of the GCC's two largest markets – the UAE and Saudi Arabia – where over-half of the respondents with operations in the GCC confirmed that the respective national development plans have had a positive impact on their investment plans vs. around one-third of respondents who do not have operations in the GCC.

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The UAE government is very focused about the need to make the UAE an attractive place to live, work and do business. They know that it's important for individuals to have great schools, healthcare systems and the ability to be able to freely move in and out of the country. They're very clear on ensuring hospitality offerings are not just to attract foreign tourists, it's to make the UAE a place that people like to be and live in.



Anthony O'Sullivan

EY United Arab Emirates and Pakistan Markets Leader

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Here in Saudi Arabia, the sky is the limit. Every day, Saudi leadership create more ambitious and stretched targets - and they're going for it. Saudi Arabia is moving at such a fast pace that you can wake up each morning and find a new development. To operate in this market as an investor, you need to be flexible and agile.



Fahad Al-Toaimi

EY Kingdom of Saudi Arabia Markets Leader

More needs to be done to explain the FDI opportunities available throughout the region to companies not already operating in the GCC. However, there are encouraging signs. There is a recent rise in activity by inward investment teams to increase FDI growth by showcasing the national development plans as an opportunity for investors. For example, Saudi Arabia participated in the first Sino-Gulf Cooperation for Industries and Investments Forum in Xiamen and shared its ambitions for Saudi Vision 2030. The Saudi Arabia delegation included key representatives from both the government and private sectors.¹⁶

Similarly, the Dubai Multi Commodities Centre (DMCC), a free zone and the Government of Dubai Authority on commodities trade and enterprise hosted three events in Hong Kong and Shanghai as part of its Made for Trade Live Roadshow in its campaign to attract Chinese businesses to Dubai.¹⁷ Also, Dubai Chambers organized the Dubai Business Forum – China in Beijing, marking the first in a series of international events to highlight opportunities created by the Dubai Economic Agenda 2033 (D33).¹⁸

Tackling the rising cost of living

Throughout the region, a focus must be on tackling the rising cost of living. The region has a challenge of enhancing affordability and ensuring a high quality of life for its residents.

Dubai continues to be a magnet for expatriate workers. Despite the significant increase in rents to almost double since the start of 2020¹⁹, the city remains a top choice for global executives. Middle managers, meanwhile, face being priced out of the city. To address the needs of middle managers and maintain its appeal to international talent, Dubai needs to continue exploring ways to keep the city accessible and attractive, encouraging international companies to continue bringing a diverse workforce to the UAE.

In Qatar, high borrowing costs are impacting the real estate markets for both foreign companies and their workers. Even with rapid construction of residential units, the domestic real estate market is moving slowly.

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Even though things slowed down after the World Cup, Qatar continues to be a very wealthy nation and it will continue to be very attractive country to do business with and to invest in, there's a lot of potential there.



Essa Al-Jowder

EY Gulf Coast Markets Leader

In Saudi Arabia, recent reforms of visa rules to allow permanent residence for more expatriates are a welcome initiative,²⁰ however, companies relocating staff to Riyadh are eager to see an expansion in the availability of international schools to meet the educational needs of their diverse workforce. The Ministry of Education has now offered incentives to school chains to establish academies in the Kingdom without any restriction on curricula, but it will take some time for those institutions to be established.



Recommendations

Based on our analysis, there are clear steps governments can take to further increase their appeal to foreign companies. By implementing each of the following recommendations, every GCC country could make themselves – and the wider region – a more attractive destination for FDI:

1 Incentivize private investment in renewable energy

While the UAE and Saudi Arabia are making rapid progress on solar power capacity, institutional reforms and incentives for private investment are required in other countries for the GCC to become a global leader.

2 Align investment in education with sectors targeted for FDI

Significant investments in higher education²¹ have been made, which is a top three priority for investors when it comes to talent, however, 40% of our survey respondents think the GCC performs better than other regions. Investments need to be channeled in a manner that produces graduates and technicians to work in sectors that are attracting FDI.

3 Safeguard the independence of courts

Companies are generally very satisfied with tax regimes in the GCC, but only a minority of business executives in our survey say the GCC performs better than other regions when it comes to the risk of tax litigation. This suggests guarantees are still needed about the independence of courts and their willingness to award a verdict against the state.

Over the past five years, the mindset of GCC governments and business leaders has undergone a transformation as they focused inward and sought to deploy resources to accelerate the development of their economies. The question for the next five years is whether this mindset shift can spread to the international business community. Governments have the potential to make the six GCC countries a global hub for FDI by implementing appropriate policies, channeling state investment efficiently and successfully marketing the GCC to companies not yet present in the region.

4 Encourage further state venture capital funding to unlock private finance

When it comes to technology, the availability of venture capital and other forms of financing is the area where our survey respondents were least likely to say the GCC performs better than other regions. Governments must remain active funders to further cultivate the vibrant startup ecosystem.

5 Improve marketing to companies not yet established in the region

Governments have the opportunity to better promote their successes. Executives at companies with existing GCC operations are far more likely to report that GCC countries' national development plans have increased their willingness to invest in any given country in the region. By effectively communicating their economic vision, governments can attract more interest from companies that are yet to establish a presence in the region.



Methodology and sources

01 GCC FDI data

Data on FDI in the GCC in this report comes from fDi Markets, which tracks greenfield FDI projects worldwide.

fDi Markets defines an FDI project as a cross-border investment in a new physical project or expansion of an existing investment that creates new jobs and capital investment. Joint ventures are only included where they lead to a new physical operation. Mergers and acquisitions (M&A) and other equity investments are not tracked. There is no minimum size for a project to be included.

The FDI projects provided by fDi Markets have been grouped into sectors and activities according to EY categorizations.

02 The perception survey

We explore the GCC's perceived attractiveness via a survey of international decision-makers. Field research was conducted by FT Longitude in April and May 2024 on a representative panel of 300 respondents.

All respondents held positions at director level or above within their companies, and all are involved in or in charge of their company's decisions on establishing or expanding operations abroad. Of the 300 respondents, 80% work for companies with existing operations in the GCC, with 20% working for companies that have not yet established a presence in the region.

Two-thirds (66%) of survey respondents are located inside the GCC, and one-third (33%) outside. One-third work for companies with headquarters in the GCC, and two-thirds for companies with headquarters outside the region.

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