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Sverige



BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN THE UNITED ARAB EMIRATES 2023

A REPORT FROM TEAM SWEDEN IN THE UNITED ARAB EMIRATES

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KEY CONTRIBUTORS TO THIS REPORT

Business Sweden in the United Arab Emirates

Embassy of Sweden in the United Arab Emirates

RESULT HIGHLIGHTS

Industry turnover

69%

of Swedish companies in the UAE expect their industry turnover to increase in the next 12 months

Future investments

55%

of Swedish companies in the UAE plan to increase their investments in the next 12 months

Profitability

69%

of Swedish companies in the UAE deemed their company's financial performance as profitable

Brand Sweden

74%

of Swedish companies in the UAE consider Brand Sweden beneficial for business

Local conditions with high satisfaction

1. Personal safety
2. Infrastructure
3. Distributors

Local conditions with low satisfaction

1. Transparency
2. Financial system
3. Licenses, permits & approvals

FOREWORD

Sweden and the United Arab Emirates (UAE) have a long history of strong bilateral relations and fruitful cooperation. The first Swedish companies established themselves in the UAE back in the 1960s, and today there are around 200 Swedish companies present in the market.

In 2022, the UAE economy had its fastest growth rate in over a decade, gross domestic product (GDP) is estimated to have increased by 7.6 per cent despite the global economic slowdown. Driving factors have been an increase in oil production and significant progress in the non-oil sector, which increased by 6.1 per cent. The uncertain global economic situation has also led to greater financial inflows to the UAE, including foreign direct investment, which in 2022 represents 4.3 per cent of GDP. The political leadership of the United Arab Emirates emphasizes that this development is the result of long-term efforts to diversify the economy as well as the recent efforts to deepen trade relations with strategic partners by concluding free trade agreements.

In addition to its role as a direct trading partner, the UAE is an important regional hub for Swedish companies. Many regional business opportunities are generated in the UAE, and a significant part of trade with Swedish products goes through the country. Exports from Sweden to the UAE amounted to 8.6 billion SEK in 2022, an increase of 27 per cent from the previous year. This increase also indicates increased exports to the Middle East at large, as products re-exported through the UAE are included in the export figures. UAE's strategic geographic location and the fact that it is the most liberal economy in the region make it an important market for Swedish companies. There is still a significant trade imbalance between Sweden and the UAE as Swedish imports from the UAE remain small, amounting to only eight per cent of the size of the Swedish export to the UAE. As the UAE government increases its focus on its In-Country Value Program, this imbalance will likely start to decrease.

Swedish companies increasingly rate the business climate in the UAE as 'good', indicating increased easiness of doing business, such as improved regulations, infrastructure, and security. Late payments and non-payments, labour regulations, and intellectual property protection are still some of the key challenges.

This survey was created for and by the Swedish business community in the UAE, and we would like to extend our most sincere gratitude to the participating companies and respondents who have contributed to this report.

When analysing a market, we often read forecasts and reports based on statistics and macro indicators. This report offers an essential complement to other data as it contains insights from those who know the market best – the companies with a local presence.

We hope this study will bring insights that can support both companies currently operating in the market and those planning to establish themselves in the UAE, and as always, we stand ready to support all Swedish companies with an interest in the Middle East.



H.E. Liselott Andersson
Ambassador of Sweden to
the United Arab Emirates



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Trade Commissioner &
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EXECUTIVE SUMMARY



ECONOMIC OUTLOOK

- **69 per cent** of the survey respondents reported profitability in the UAE 2022.
- **55 per cent** of the survey participants plan to increase their investments in the UAE during the upcoming year.
- **69 per cent** of the survey respondents expect their turnover in the UAE to increase in 2023.



BUSINESS CLIMATE

- **77 per cent** of the survey respondents describe the business climate in the UAE as good or very good.
- Key **advantages**: personal safety, physical infrastructure, and easy access to distributors.
- Main **challenges**: lack of transparency, delayed and unsecured payments, licenses, permits and approvals.



KEY SUCCESS FACTORS

- In the UAE, partnerships and relationships are the key ingredients for maintaining competitiveness. Brand awareness and cost efficiency were listed as the second most important areas for running a successful business.
- **74 per cent** of the survey respondents agree that the 'Swedish brand' contributes to their business in the UAE.



SUSTAINABILITY

- **56 per cent** of the survey respondents report that customers in the UAE consider environmental aspects partially, much or very much when purchasing a product or service.
- The UAE is the regions least corrupt country and ranks **27th** globally on Transparency International's Corruption Perception Index.

ABOUT THE SURVEY

Results are based on the answers of 62 Swedish companies

Business Sweden carried out this survey that tracks how Swedish companies operating in the Emirates perceive the market conditions and the economic prospects of their business. The survey also tracks if and how the views diverge across company types.

Currently, around 200 Swedish companies are present in the UAE through establishments in the UAE mainland or in one of more than 40 of the country's economic free zones.¹ Conducted during March and April 2023, this survey seeks to understand the perceptions of economic and market developments and what opportunities and challenges Swedish companies are facing. The total of 62 respondents is in line with the total number of respondents in the 2022 study. The web-based survey contained 23 questions.

This report is divided into four main sections. First, the report elaborates on the economic situation, including current business performance and Swedish companies' outlook for the upcoming year. The following section focuses on the UAE market, including respondents' views on the business climate in general and which factors contribute positively and negatively to their commercial success. The third section covers Swedish companies' operations and perceived success factors in the market, and the last section explores sustainability-related aspects of doing business in the market.

Out of the respondents, 50 per cent are large companies having more than 1000 global employees. Sixteen per cent of the companies are classified as medium-sized, with 250-1000 employees. The remaining 34 per cent are small companies with at most 249 employees.

The diverse range of business areas represented in this report is grouped into three broad categories: industrial companies (58 per cent), professional services (32 per cent) and consumer companies (10 per cent).

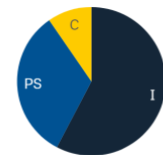
Representatives from mature companies, classified as companies established in the UAE before 2001, constitute the smallest group of respondents in the 2023 survey and make up 16 per cent of the respondents. 'Newcomer' is defined as a company established after 2017 and constitutes 17 per cent of the respondents. Most of the respondents, 67 per cent, are defined as experienced companies and are those established during 2002-2016.

SIZE OF COMPANIES



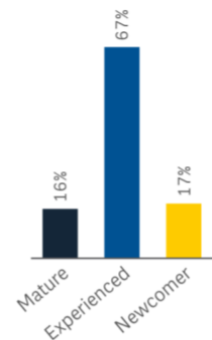
NOTE: Global employees
Large >1000
Medium 250-1000
Small 0-249

MAIN INDUSTRY



NOTE: Industrial 58%
Professional services 32%
Consumer 10%

AGE OF COMPANIES



NOTE: Mature (-2001)
Experienced (2002-2016)
Newcomer (2017-)

¹ More information on Economic Free zones can be found in the chapter 'The Market'.

ECONOMIC OUTLOOK

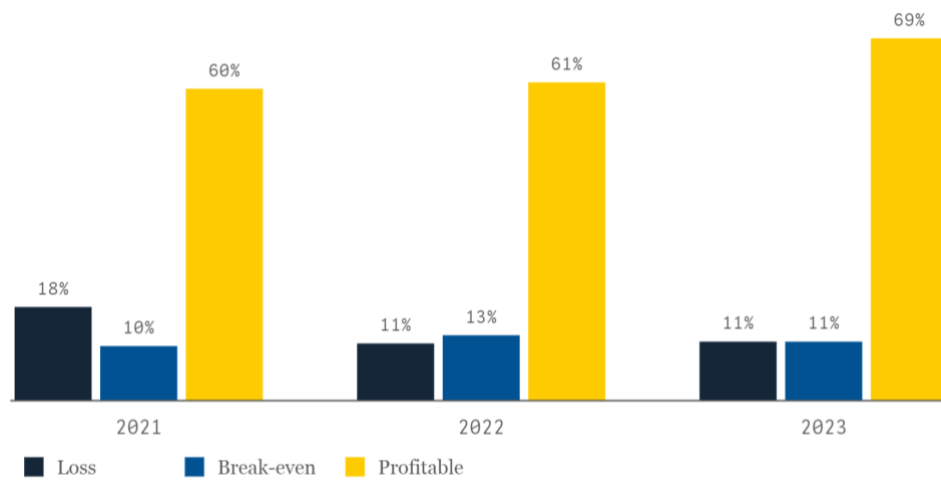
Most of the respondents report profitability

With the discovery of oil in the late 1950s, the seven emirates that comprise the UAE, then known as the Trucial States, transitioned from one of the poorest nations in the world into one of the richest. In 2022 the UAE held the world's eighth largest proven crude oil reserves and today the country's per capita GDP ranks in the top globally.

The UAE is the second-largest Arab economy after Saudi Arabia and the most competitive economy in the Middle East and North Africa. The country is highly dependent on exports which amounted to more than 96 per cent of GDP in 2020. For comparison, the world average in the same year was 26 per cent. The UAE's high export-to-GDP ratio is partially caused by the Emirates acting as a re-export hub for other countries in the Middle East region. This is also why the UAE is a crucial trade partner for Swedish companies to be able to reach other parts of the region.

Exports from Sweden to the UAE saw an increase of 27 per cent in 2022, bouncing back from the significantly lower figure in 2021 to the 2019 and 2020 levels, and Swedish business is doing well in the country. Out of the respondents, 69 per cent of the Swedish companies report that their financial performance in 2022 was profitable, an eight per cent increase since the survey was conducted last year.

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN THE UAE IN 2022?



NOTE: The number of respondents for this question in 2023 was 62. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in the UAE 2021, 2022 & 2023.

The UAE acts as regional hub headquarters for most of the Swedish companies. The coverage of their operations from the UAE offices spreads across a wide geography: primarily other Gulf Cooperation Council (GCC) countries – Oman, Kuwait, Saudi Arabia, Bahrain and Qatar but also Egypt, Iran, Turkey, India, the whole continent of Africa, Pakistan, Lebanon, Jordan, Palestine, Yemen, Syria and Iraq.

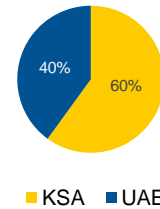
Positive expectations of future performance

When asked to evaluate their expectations for turnover in the UAE during the upcoming year, 69 per cent of respondents expressed an optimistic view, anticipating their turnover to increase. Positive sentiments were dominant across all sizes of businesses, small, medium, and large corporates. Looking at industry segments, the industrial sector was the least optimistic; however, still, 60 per cent of the respondents in this industry segment anticipated their turnover to increase.

Accordingly, most of the respondents will increase their investments in the UAE. Of the respondents, 55 per cent plan to increase investments during the upcoming 12 months compared to last year's investment plan. These are mainly medium-sized companies. Thirty-seven per cent of Swedish businesses have indicated no plan to increase or decrease their investment activities. Of the respondents, six per cent plan to either leave the market or reduce their investments, and this view is largely common among small-sized companies.

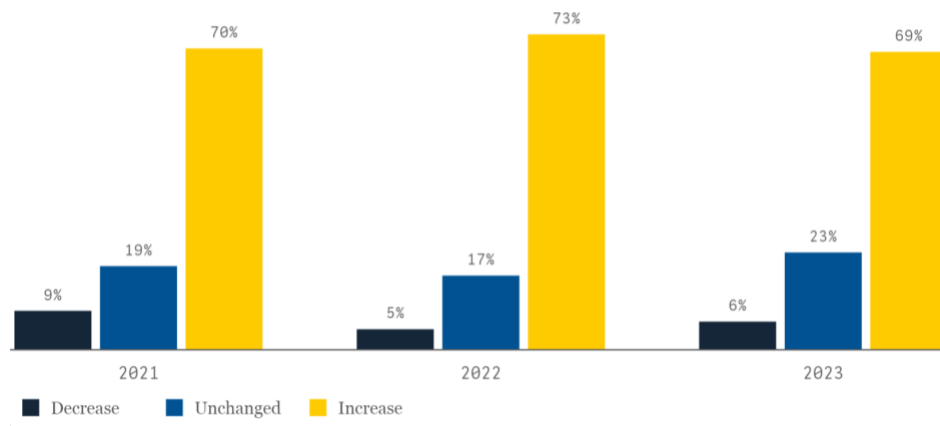
When asked about their most prioritised market in the Middle East, 40 per cent of respondents listed the UAE and 60 per cent listed Saudi Arabia (KSA). This priority is closely linked to growth potential. In the 2022 survey, 66 per cent of the respondents said they expected the biggest growth for the coming year to be in Saudi Arabia.

MOST PRIORITIZED MARKET IN THE MIDDLE EAST



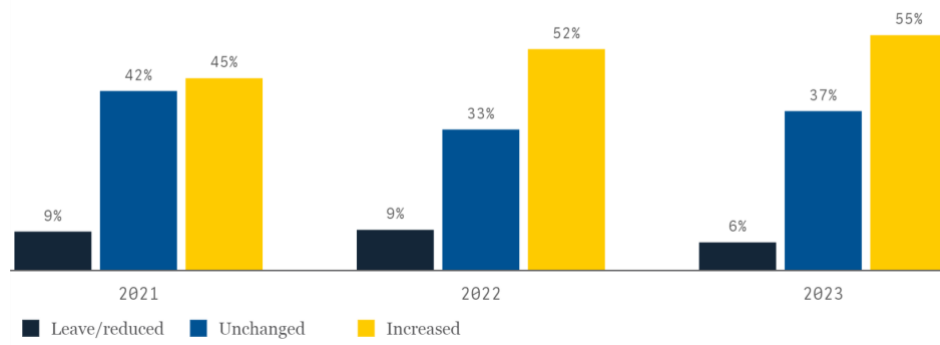
NOTE: Number of respondents for this question in 2023 was 52

COMPARED TO THE DEVELOPMENT IN THE PAST 12 MONTHS, WHAT ARE YOUR EXPECTATIONS FOR THE COMING 12 MONTHS FOR YOUR INDUSTRY IN THE UAE REGARDING TURNOVER?



NOTE: The number of respondents for this question in 2023 was 62. Decrease and increase represent aggregations of slight/significant development changes. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in the UAE 2021, 2022 & 2023.

WHAT ARE YOUR COMPANY'S INVESTMENT PLANS FOR THE COMING 12 MONTHS IN THE UAE, COMPARED TO THE PAST 12 MONTHS?



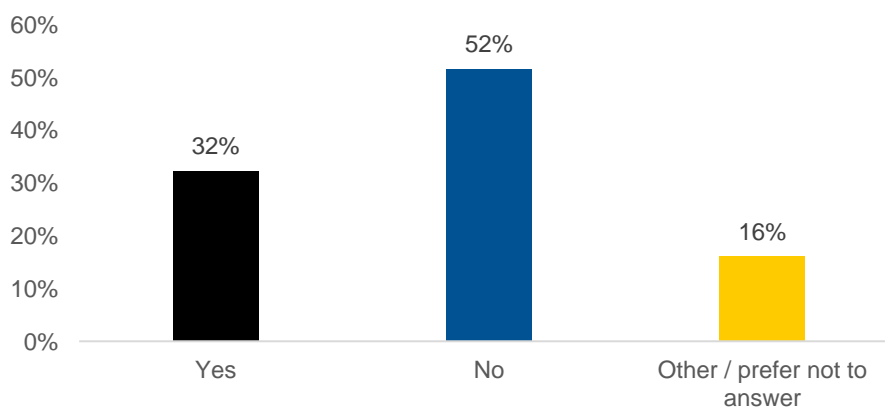
NOTE: The number of respondents for this question in 2023 was 62. Decrease and increase represent aggregations of slight/significant development changes. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in the UAE 2021, 2022 & 2023.

Limited impact of Expo 2020

Expo 2020 ended in March 2022, and more than 24 million visits were reported, according to the Dubai authorities. For the past few years, Dubai's economy has been heavily driven by infrastructure and real estate projects in conjunction with the world's most renowned exhibition. Hosting the Expo was not just about reinforcing Dubai's reputation as an international business hub but also about large financial opportunities. One year after the closing, a study by EY finds that the economic impact of the Expo is expected to contribute a total of 42.2 billion USD of gross value added (GVA) to the economy of the UAE in the period 2013 – 2042. However, only 32 per cent of the respondents saw a positive impact of Expo 2020 on their business.



DID THE DUBAI EXPO 2020 POSITIVELY CONTRIBUTE TO BUSINESS?



NOTE: The number of respondents for this question was 62. SOURCE: Business Climate Survey for Swedish Companies in the UAE 2023.

THE MARKET

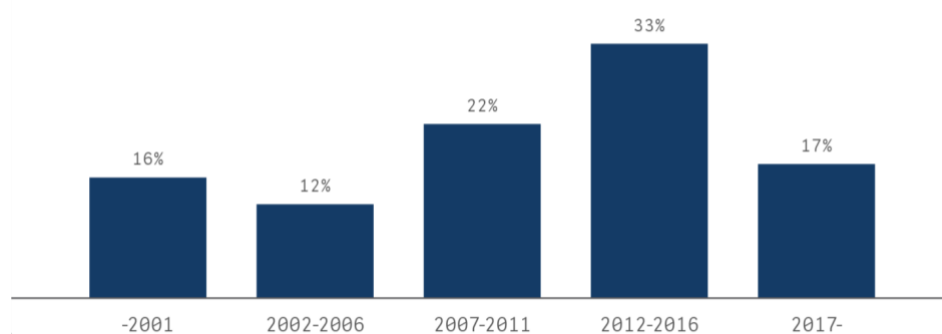
Diversity of Swedish Companies

To regulate foreign direct investment (FDI) and to keep certain sectors under national control, the UAE has long maintained restrictions on the level of foreign ownership of UAE-based companies – a maximum of 49 per cent shareholding for the foreign investor and a minimum of 51 per cent for shareholders that are UAE nationals.

Faced with the inevitable need to wean away from oil, in recent years, the UAE passed several laws to facilitate FDI and thus support the country's efforts in diversifying its economy. In April 2020, the UAE Cabinet took a historic step by approving the FDI Positive List that paved the way for 100 per cent foreign ownership in 122 economic activities across 13 sectors. Furthermore, UAE Centennial 2071, a long-term plan laid out for the five decades following 2021 and which was complemented with "The Project of the 50", addresses the development of the UAE going forward, aims to make the UAE a significant hub within all sectors, attracting talent and foreign investors from all around the globe. Key areas covered in "The Project of the 50" are business, entrepreneurship, AI, digital economy, aerospace, and advanced technology.

Government incentives coupled with political and economic stability in the UAE have attracted foreign investors fleeing from less stable countries in the region. FDI inflow into the UAE increased by 3.9 per cent to 20.7 billion USD in 2021 compared to 19.9 billion USD in 2020. The UAE was ranked 1st in the MENA region regarding FDI inflow, receiving 31 per cent of the total FDI inflow to the region in 2021. Furthermore, the UAE placed 19th globally in attracting FDI in 2021. The bulk of FDI is concentrated in real estate, finance and insurance, manufacturing, and construction. The United Kingdom, India, the United States, France, Iran, and Saudi Arabia are the largest foreign investors in the country.

IN WHAT YEAR DID YOUR COMPANY ESTABLISH OPERATIONS IN THE UAE?



NOTE: The number of respondents for this question was 59. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in the UAE 2023.

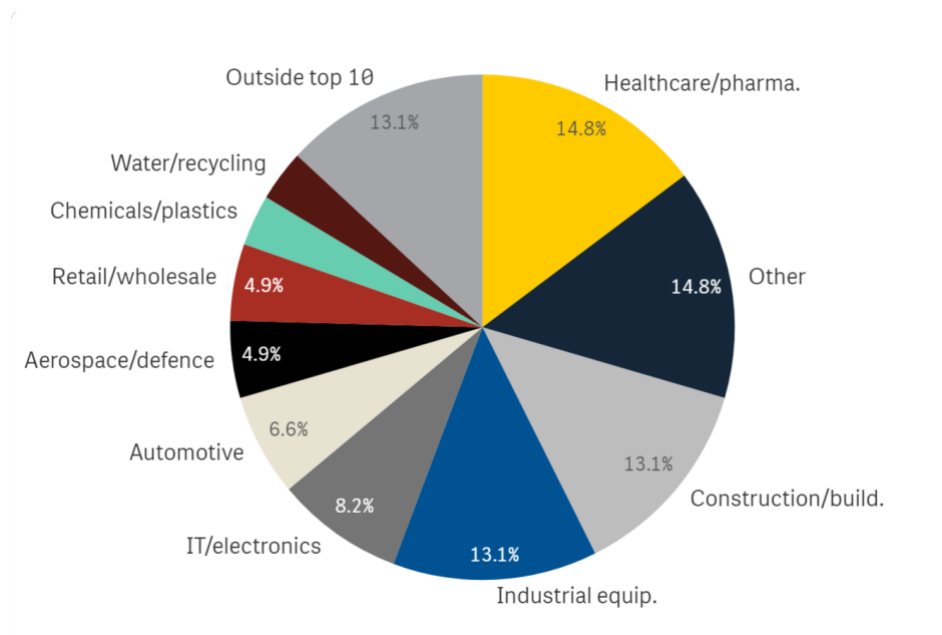
Swedish companies early on started to invest in the UAE. In the late 1960s and early 1970s, large Swedish multinational companies with global reach established themselves in the UAE. The pace of Swedish establishments between the 1960s–2000 was somewhat limited, with only a few newcomers entering the UAE every few years. The establishment pace started picking up in 2005, slowed down in response to the 2008 Global Financial Crisis and took off again with the global economic recovery. In the years between 2017–2022, establishments slightly slowed down. The companies with a more recent footprint operate in diverse sectors and are generally small businesses.

Due to the past cap on foreign ownership of companies in the UAE – which has recently been liberalised – businesses in the UAE often chose to establish themselves in one of approximately 40 economic free zones. The free zones are geographical areas in the Emirates that allow 100 per cent foreign ownership, 100 per cent repatriation of capital and profits and historically 100 per cent corporate and personal income tax exemptions (see more regarding tax in section ‘Companies appreciate personal safety, infrastructure, and access to distributors’). Free zones are legally considered outside the UAE territory; thus, free zone companies are subject to certain restrictions, e.g., they are not permitted to operate in the UAE ‘onshore’ and can only sell to the UAE mainland through appointed third-party logistics providers or distributors. However, with recent reforms on company ownership, the UAE is looking to attract more businesses to diversify its economy further, particularly small- and mid-sized companies, also on the mainland.

The majority of Swedish companies operate in the UAE through free zone establishments. This year’s survey edition did not raise a question on the respondents’ establishment form. In 2018, 74 per cent of the survey participants was operating in the UAE from free zones.

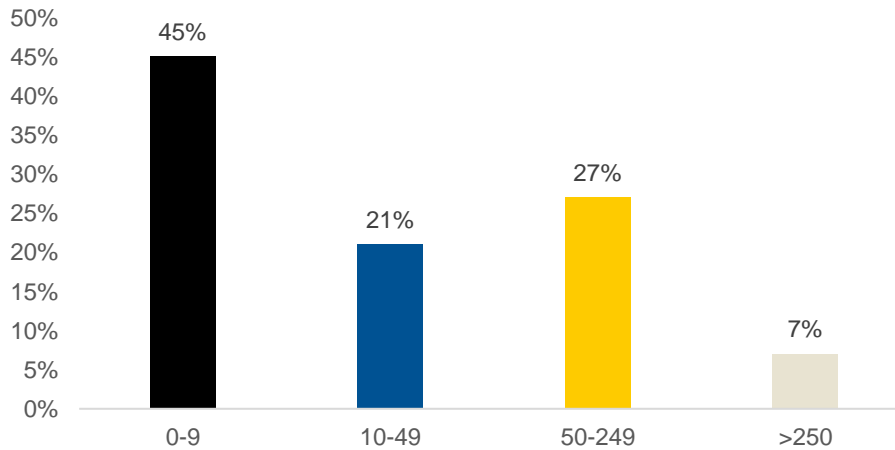
Swedish companies are active in a wide range of operations. Companies within healthcare and pharmaceuticals, industrial equipment, and construction and building constitute the largest individual category. In terms of sales, the largest companies are within the automotive and industrial equipment sector.

WHAT IS YOUR COMPANY’S MAIN INDUSTRY IN THE UAE?



NOTE: Water/recycling 3%, Chemicals/plastics 3%. The number of respondents for this question was 61.
SOURCE: Business Climate Survey for Swedish Companies in the UAE 2023.

SWEDISH FIRMS' LOCAL NUMBER OF EMPLOYEES IN THE UAE IN 2023



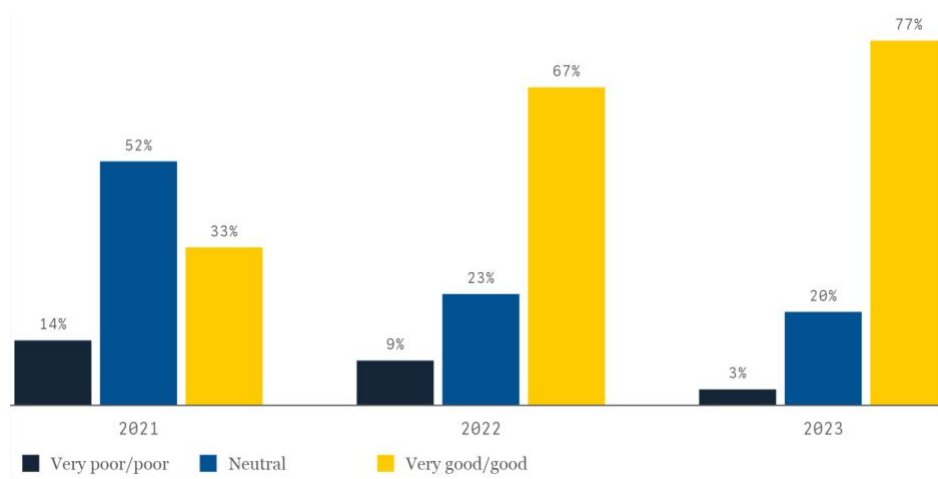
NOTE: The number of respondents for this question was 62. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in the UAE 2023.

With the aim to boost the national economy and support local industries, the UAE has established a governmental program called 'In-Country Value'. Among other agenda points, the program is pushing employment of UAE nationals among international actors. Thus, the number of UAE nationals in a company's workforce will become an increasingly important criterion when evaluating companies bidding for governmental contracts.

Swedish companies view business climate as good

Most of the respondents, 77 per cent, indicated that they perceive the business climate in the UAE as good or very good; this is an increase from the previous study with 10 per cent. Most optimistic towards the UAE business environment are Swedish companies established in the market before 2001, i.e. Mature companies. Negative or neutral sentiments on the business environment are mainly prevalent among small-sized companies within the industrial segment.

HOW DO YOU PERCEIVE THE CURRENT BUSINESS CLIMATE IN THE UAE?



NOTE: The number of respondents for this question in 2023 was 61. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in the UAE 2021, 2022 & 2023.

Companies appreciate personal safety, infrastructure, and access to distributors

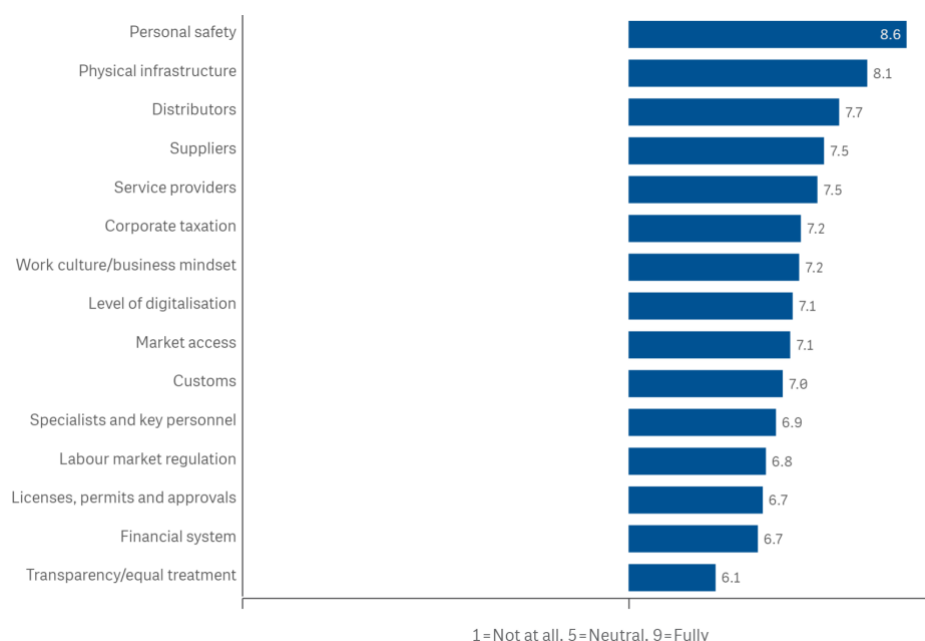
Overall, the survey respondents positively or neutrally evaluated a variety of conditions for conducting business in the UAE – not a single criterion scored negatively (i.e., below 5). Swedish companies highly appreciate personal safety, physical infrastructure, and access to distributors in the Emirates.

The UAE has, up to now, not charged any corporate tax and has thus often been perceived as a 'tax haven'. This is, however, changing as the UAE is introducing corporate taxes by June 2023. The country has been under the European Union (EU) radar in recent years. In 2017, the Emirates was included in the EU 'blacklist' of non-cooperative jurisdictions for tax purposes but was subsequently removed from it in 2019 after implementing Economic Substance requirements. The Financial Action Task Force (FATF) placed the UAE on its grey list in March 2022, and the UAE has expressed its commitment to implement the recommendations of the International Cooperation Review Group's (ICRG) Action Plan to remove itself from the grey list.

The World Bank highlights that during the last years, the UAE has launched several initiatives to improve businesses environment. The country made starting a business less expensive by reducing the fees for business incorporation and made dealing with construction permits easier by using a risk-based approach to reduce the number of inspections. They also increased minority investor protections by providing for disqualification of directors in cases of prejudicial conflicts of interest and made trading across borders easier by reducing the time to export by fully digitising certificates of origin and the cost to import by issuing certificates of conformity that cover multiple shipments.

As areas of improvement, respondents indicated a wide gap in transparency. Delayed and unsecured payments and the hassle of dealing with licenses, permits and approvals, particularly for Newcomers, remain an issue. Labour market regulations also scored relatively low, directly related to another major concern for Swedish companies – unequal employee treatment based on nationality.

HOW WELL DO THE FOLLOWING CONDITIONS MEET THE NEEDS OF YOUR COMPANY IN THE UAE?



NOTE: The number of respondents for this question was 62. SOURCE: Business Climate Survey for Swedish Companies in the UAE 2023.

Technical regulations and standards are the main trade barriers according to respondents

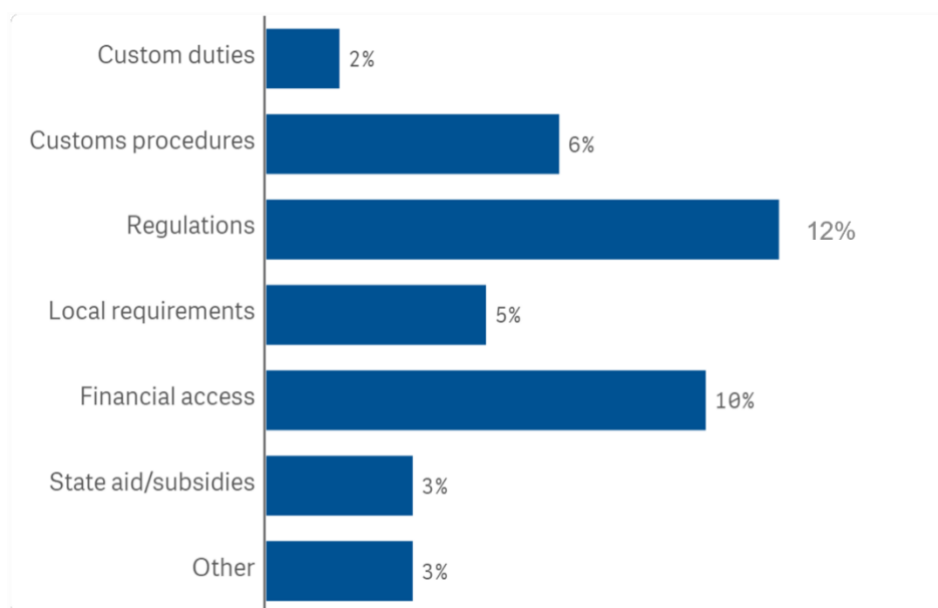
Close links between politics and business in the UAE can sometimes lead to a lack of transparency and unpredictability in business and licensing processes. Rules and regulatory frameworks are often unclear or difficult to decipher, which is time-consuming for Swedish companies. Extensive certification requirements, complicated licensing rules and cumbersome bureaucracy are common, and these issues usually entail high costs, and long lead times. Some SMEs have also reported difficulties opening local bank accounts.

In the wake of the FATF's critical review of the UAE's reforms to curb money laundering and terrorist financing in the spring 2020 (which later resulted in the FATF's decision to grey list the UAE in 2022) Handelsbanken and Danske Bank have ceased all forms of transactions to and from the UAE. The reasons behind this decision were stated to be UAE's challenges with money laundering, tax evasion and to some extent, terrorist financing, and the high administrative costs for the banks to review individual payments to and from the UAE.

The UAE joined the WTO in 1996, and since then, the country has entered into over 120 tax agreements, including double taxation agreements with several EU countries. Sweden currently has no double taxation agreement with the UAE, which Swedish companies point out constitutes an implicit trade barrier as the tax effects of various measures are less predictable. With the UAE's recent decision to introduce a corporate tax rate of nine per cent from 2023, demand for a double tax treaty will increase.

Among issues highlighted by the survey, technical regulations or standards emerged as the most significant barrier, affecting approximately 12 per cent of the respondents. Around 10 per cent of the respondents encountered difficulties in access to financing.

HAS YOUR COMPANY IN THE PAST YEAR ENCOUNTERED TRADE BARRIERS IN THE UAE WITH A NOTICEABLY NEGATIVE IMPACT ON OPERATIONS, IN ANY OF THE FOLLOWING AREAS?



NOTE: The number of respondents for this question was 58. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in the UAE 2023.

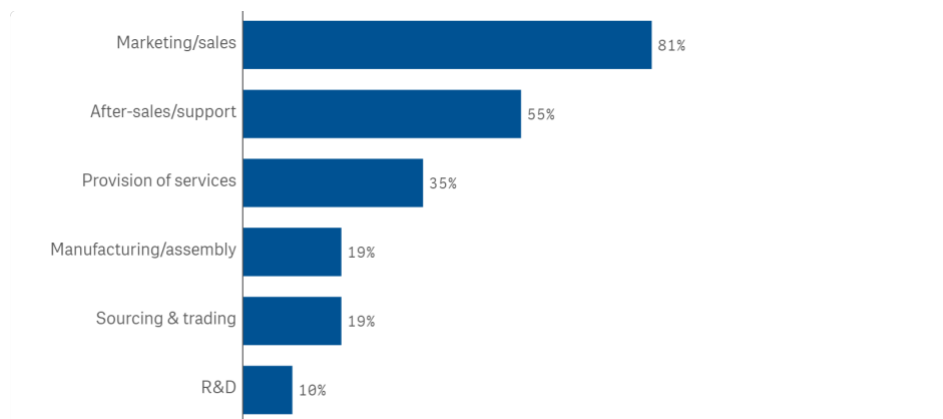
HOW SWEDISH COMPANIES SUCCEED IN THE UAE

Local investment – increasingly important

The UAE is a distributor-driven market, and before establishing in the market, Swedish companies tend to test their potential by selling via local distributors. This is especially true for small and medium-sized businesses. Indirect presence in the market requires less investment and offers the lowest risk but might limit rewards. Before entering into a partnership agreement with a local distributor, Swedish companies are highly recommended to conduct due diligence with the support of local expertise. Successful cooperation with a local partner requires constant communication, coaching and often – direct sales and marketing support.

After testing the waters, Swedish companies proceed with establishing marketing and sales offices in the UAE. The survey results confirm that marketing and sales operations are typically characteristic for Newcomers. After years of learning, Swedish companies tend to expand into other types of operations – the second most common type being after-sales and/or support function, followed by provision of services.

OPERATIONS OF SWEDISH FIRMS IN THE MARKET



NOTE: The number of respondents for this question was 62. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in the UAE 2023.

Moving forward however, it will be increasingly important for Swedish companies to also invest locally in operations such as R&D, manufacturing/assembly, etc. to become competitive when bidding for government tenders.

The In-Country Value Program (ICV), launched by the UAE government, aims to boost economic performance, and support local industries by redirecting higher portions of public spending into the national economy. The UAE government want to incentivise companies to focus investments and efforts on the local market. By doing this, the government aims to achieve more localised supply chains, attract more industrial investments, increase the local population employed in the private sector, and accomplish a more diversified GDP in the long run.

ICV will eventually be implemented in every governmental procurement and tender process, where the bidding company with an ICV certificate and the highest ICV score will likely be rewarded with the contract.

Crucial to select the right local partner

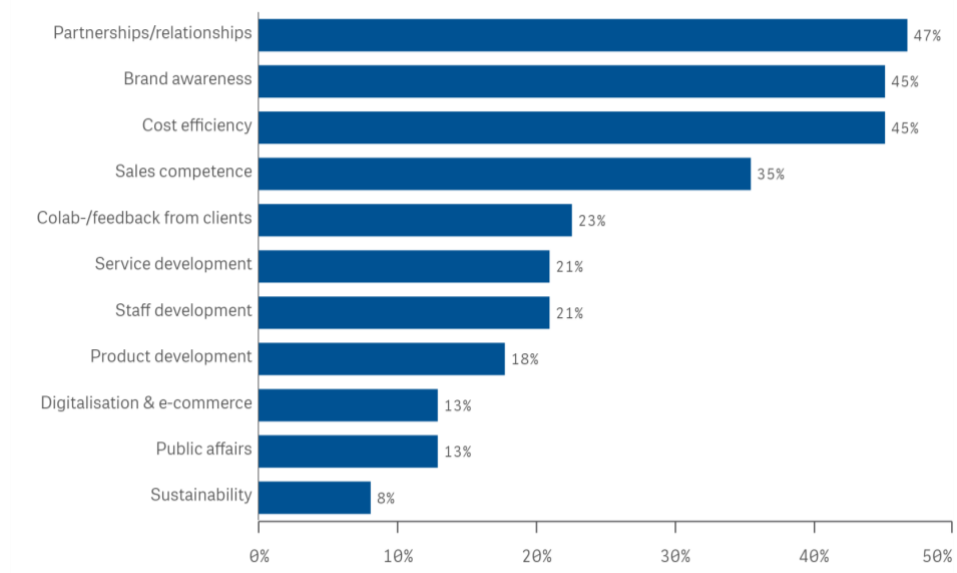
Competition in the UAE is tough across different verticals and extremely fierce within the consumer segment. In 2018, Dubai overtook London as the most important global shopping destination, as the city now hosts more international brands than anywhere else in the world. The UAE remains the most attractive market in the region for retailers, and many of them are using the Emirates as a ‘launch pad’ for regional expansion.

Overall, Swedish companies, independently of their size and industry, agree that good partnerships and relationships is the most important ingredient for maintaining competitiveness in the UAE. Brand awareness and cost efficiency was ranked shared second in the 2023 survey and was thereafter followed by sales competence.

The ‘Swedish brand’ is also believed to enhance the position of a company – 74 per cent of the survey respondents said that the ‘Swedish brand’ contributed to their business in the UAE. Sweden is often associated with quality, reliability, and sustainability. From the survey, sustainability is believed to have contributed the least to business competitiveness, with only eight per cent of respondents listing it as a factor. This share might increase rapidly in the future as the UAE government is increasing its emphasis on the importance of sustainability.²

▶ **74%** of the respondents think that the “Swedish brand” contributes to their business in the UAE

TO DATE, WHICH OF THE FOLLOWING AREAS HAVE BEEN IMPORTANT IN MAINTAINING COMPETITIVENESS IN THE UNITED ARAB EMIRATES?



NOTE: The number of respondents for this question was 62. “Don’t know/Not applicable” responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in the UAE 2023.

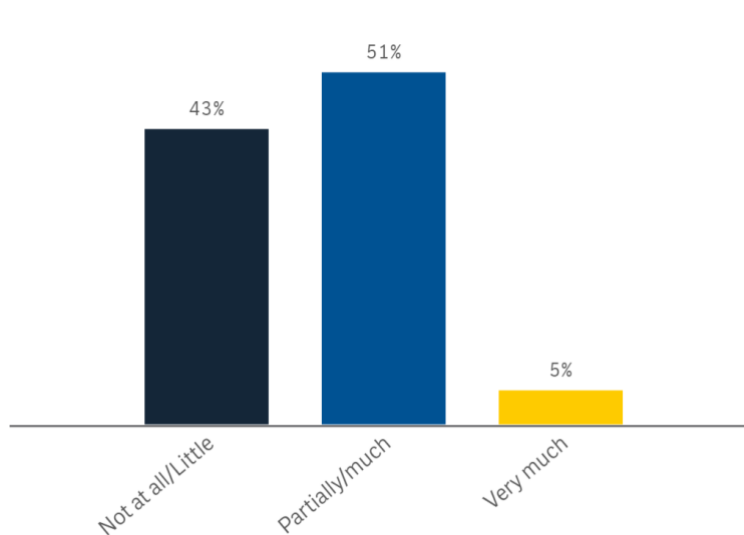
² See chapter ‘Acting Sustainably’.

ACTING SUSTAINABLY

Environment

Considering environmental aspects in purchasing decisions is today of less importance for 43 per cent of the respondents' customers. Of the respondents, 51 per cent see that environmental aspects are having partial or much impact on their customers decisions when purchasing their products or services – this view was mainly found among medium and larger firms and the view was shared by 80 per cent of respondents within the Consumer segment. Among medium sized companies 20 per cent of the respondents believed environmental aspects had very much impact on customers.

TO WHAT EXTENT DO CUSTOMERS IN YOUR INDUSTRY CONSIDER ENVIRONMENTAL ASPECTS OF A PRODUCT OR SERVICE IN THEIR PURCHASING DECISIONS IN THE UAE?



NOTE: The number of respondents for this question was 62. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish Companies in the UAE 2023.

In recent years the UAE has taken several steps towards promoting environmental sustainability through long-term strategies and regulations. In 2016, the country launched its National Climate Change Plan for 2017-2050, and in 2021 the UAE announced that they aim for net-zero emissions by 2050, making the UAE the first nation in the Middle East and North Africa to do so. Through these initiatives, customers in the UAE will likely start to consider a product's or service's environmental aspects in their purchasing decisions to a greater extent.

According to the UAE government, the major economic opportunities offered by the path to net zero directly support their vision to develop the UAE into the most dynamic economy in the world. To reach this goal, stakeholders in key sectors will update relevant plans, strategies, and policies and implement initiatives and projects to achieve net zero by 2050. Federal and local government authorities will be responsible for preparing comprehensive studies and developing plans introducing the measures necessary to reduce emissions while ensuring economic growth based on sustainability principles.

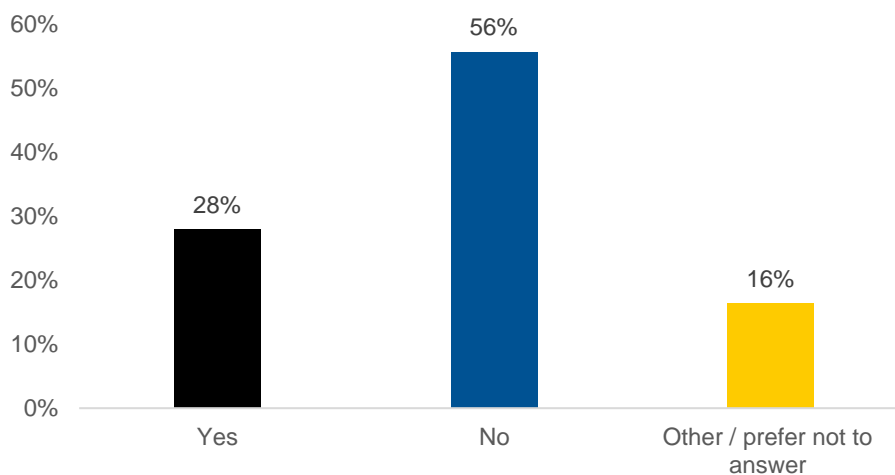
“ The environmental and sustainability aspects of the products and services are increasing and mainly driven by the government.

Survey respondent, small company

By the end of this year, the UAE's commitment to green transition will be in the global spotlight as the Emirates is hosting the 28th Conference of the Parties to the UN Framework Convention on Climate Change (COP28).

Among the respondents, 28 per cent answered that they would actively engage and host activities in conjunction with COP28. Engagement in conjunction with COP28 might increase the engagement for the environmental aspect in purchasing decisions among the customers of the participating companies.

ARE YOU PLANNING TO ACTIVELY ENGAGE AND HOST ACTIVITIES IN CONJUNCTION WITH COP28 TAKING PLACE IN DUBAI DURING 2023



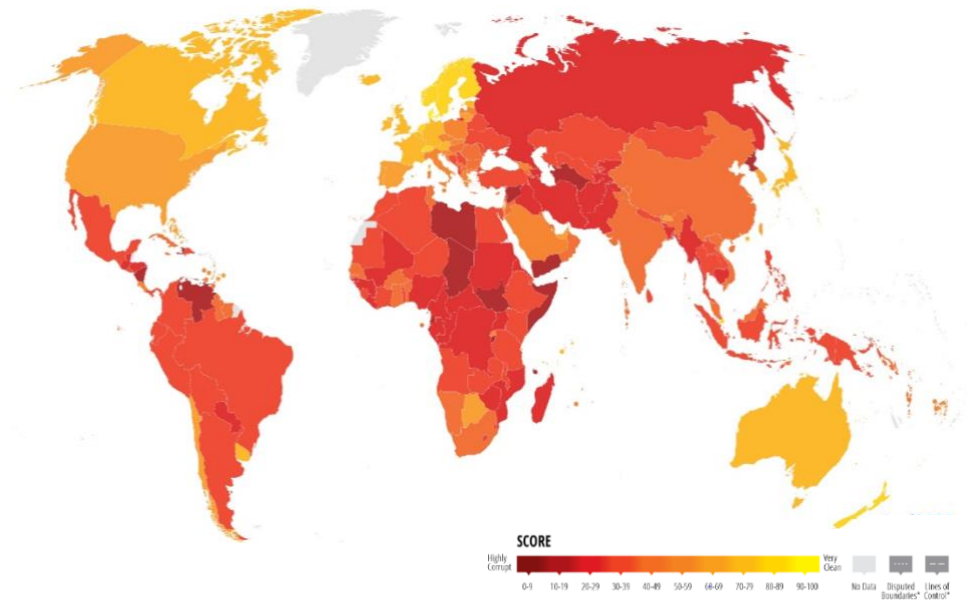
NOTE: The number of respondents for this question was 61. SOURCE: Business Climate Survey for Swedish Companies in the UAE 2023.

Least corrupt country in the region

Transparency International's Corruption Perception Index (CPI) has rated the UAE as the least corrupt country in MENA in 2022. The UAE is ranked 27th out of 180 nations globally, scoring 67 points. The UAE has been a leader among the Arab countries as the least corrupt nation since 2014. This ranking is a result of the UAE's anti-corruption commitments and introduced measures, including but not limited to extended antibribery legislation to the private sector, extended territorial reach of the UAE antibribery legislation, expanded bribery scope within public sector, a new Dubai economic security "super-regulator" to monitor and combat corruption within the Dubai financial services sector, and increased cap on fines to private companies tenfold.

The Middle East faces significant corruption challenges highlighting a lack of political integrity. Regionally, the UAE is followed in ranking by Israel, Qatar, Saudi Arabia, Jordan, Oman, Bahrain, and Kuwait. At the bottom, Syria scores 13, followed by Yemen, with a score of 16.

CORRUPTION PERCEPTION INDEX 2022



NOTE: The UAE ranks 27th in the CPI 2022, scoring 67 points. SOURCE: Transparency International.

Corruption versus Wasta

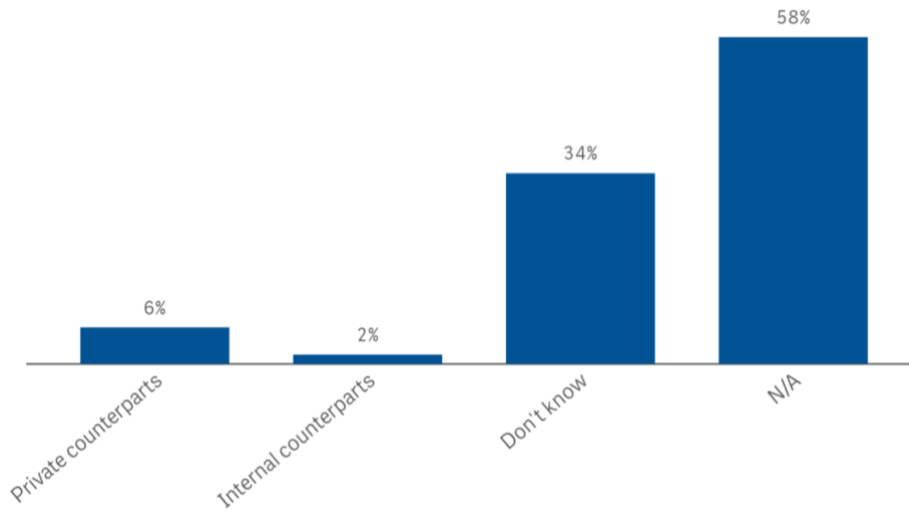
Wasta originated in the Middle Eastern culture and historically was the way for Bedouin families and tribes to resolve conflict, cooperate and gain loyalty. *Wasta* is an integral part of a high-power distance culture where the inherent authority is generally regarded as natural and proper. In Western countries often viewed as nepotism and friendship corruption, *Wasta* is deeply embedded in Arab culture and refers to the advantage and benefits one gains from being part of a particular group or having connections socially (either within or outside the family). The root of the Arabic word refers to the 'middle' and translates as 'connections' or 'influence'. *Wasta* is said to facilitate the search of job opportunities, approval of licences or contracts, obtain favourable rulings, cut through red tape and otherwise circumvent obstacles that other perceives as challenging.

John Hooker of Carnegie Mellon University argues that in itself *Wasta* is not corruption, because traditional checks and balances on power are in place. Contrary to corruption where the interests of an individual are placed over the interests of a company or the whole, *Wasta* is meant to forward and align the interests of the individual and contribute to the better of the whole.

Many practices referred to as *Wasta* until today preserve the roots in the responsible leadership, and to the extent that an authority figure performs this function, *Wasta* can be positive, morally acceptable and make a salutary contribution. This is an important consideration for Swedish companies when doing business in the Middle East.

There are certainly bad forms of *Wasta*, mainly when it is used to gain economic benefits on expense of the whole, and when intermediaries are motivated by individual gain rather than loyalty to the extended family or aims to receive favours that would not be granted otherwise in a responsible system.

HAS YOUR COMPANY IN THE UAE BEEN EXPOSED TO CORRUPTION SUCH AS, BUT NOT LIMITED TO, ATTEMPTS OF BRIBERY OR FRAUD IN CONTACTS WITH ANY OF THE FOLLOWING AREAS?

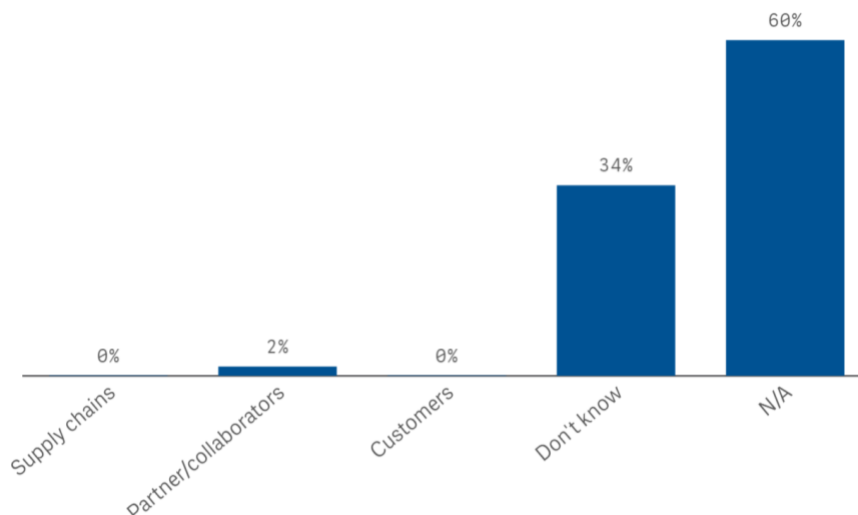


NOTE: The number of respondents for this question was 62. SOURCE: Business Climate Survey for Swedish Companies in the UAE 2023.

Encounter human rights or labour violations is uncommon among respondents

Out of the respondents, the majority reported that they had not encountered human rights- or labour violations over the past year. Only two per cent of respondents did encounter violations, and then the breach was within a partner or collaborators organisation. Team Sweden encourages Swedish companies to report violations, irregularities, or crimes encountered to the Human Rights Office at the Judicial Department in Abu Dhabi, the Community Development Authority (CDA), or the Embassy of Sweden in Abu Dhabi.

IN THE PAST YEAR, HAS YOUR COMPANY IN THE UAE ENCOUNTERED ANY FORM OF HUMAN RIGHTS VIOLATIONS AND/OR LABOUR RIGHTS ABUSE IN/ WITH YOUR...



NOTE: The number of respondents for this question was 59. SOURCE: Business Climate Survey for Swedish Companies in the UAE 2023.

MARKET VOICES

“There is incredible opportunity and a good business climate for my business but the cost of running a business is insanely high and the cost of financial support is way too high for it to be able to support in any way.”

Construction & building

“Business climate is overall very positive! The best I have seen for the last 7 years!”

Transportation

“Increased population, heavier traffic (especially in Dubai), increased cost of living will have a negative impact in the mid/long term. Companies will start to make decisions whether to invest further in UAE or move the Ops to more cost-effective countries in the Middle East.”

IT & electronics

“UAE to date remains the best hub to manage the business in middle east region. This may be soon changing to Saudi Arabia.”

Industrial equipment

“The climate is still great, but prices for everything including cost of living have increased so much that it is sometimes hard to motivate an effort in the region. Being close to the market and rapidly reaching profit is pivotal and is also the biggest challenge when trying to break through in the MENA region.”

Healthcare & pharmaceuticals

“The general consensus amongst my clients and people I know is that they want to seem like they care and want to be sustainable and green, but in the end the only aspect that sways their decisions is the financial impact.”

Construction & building

“Most customers have focus on short term cost saving rather than investing in future and sustainability. Our industry (quarrying) in the UAE is still not mature enough to value sustainability and environment. The regulations from the government are not strict enough pushing for environment friendly and sustainable solutions.”

Industrial equipment



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