



Sweden
Sverige



BUSINESS CLIMATE SURVEY FOR SWEDISH COMPANIES IN THE UNITED ARAB EMIRATES 2024

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

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.

The UAE is the second-largest economy in the Arab world and one of the wealthiest economies in terms of GDP per capita. Economic growth has been noticeably high in recent years. GDP is estimated to have increased by 7.6 per cent in 2022 and 4.2 per cent in 2023. Predominantly, the increase in GDP is driven by significant population growth and an increasingly robust non-oil economy, which recorded 9.1 per cent growth in 2023 and composes 72 per cent of GDP. This growth is reducing the country's dependence on oil and bolsters its economic resilience. Additionally, the UAE ranked as the top recipient of foreign direct investment (FDI) in the MENA region with USD 22.7 billion in 2022. The country's FDI outflows amounted to USD 24.8 billion in 2022. The political leadership of the UAE emphasises that this development is the result of long-term efforts to diversify the economy as well as recent efforts to deepen trade relations with strategic partners by concluding free trade agreements. The annual flow of Swedish direct investment to the UAE has remained relatively constant at USD 280-370 million (SEK 3-4 billion) over the past 4-6 years.

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 regional trade with Swedish products goes through the country. Today, the UAE is Sweden's second-largest trading partner in the MENA region. Bilateral trade in goods has continued to grow, and Swedish exports in 2023 were almost USD 1.1 billion (SEK 12 billion) – an increase of 39 per cent compared to 2022. Conversely, Swedish imports from the UAE reached USD 130 million (SEK 1.4 billion), an increase of 61 per cent. However, the Swedish commercial footprint in the UAE is likely larger than the official trade statistics show given the deliveries and trade of the more than 200 Swedish-associated companies established in the country.

Swedish companies increasingly rate the business climate in the UAE as 'good', indicating increased perceived ease of doing business, such as improved regulations, infrastructure, and security. Lack of transparency, challenges in obtaining licenses and permits, and new uncertainty with corporate tax are some of the key challenges shared.

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. Fredrik Florén
Ambassador of Sweden to
the United Arab Emirates



Massoud Biouki
Trade Commissioner of
Sweden & Market Area
Director of the Middle East,
Business Sweden

67 respondents in the UAE

Current business climate

74%

of Swedish companies view the business climate as good or very good

Industry turnover

60%

of Swedish companies expect their industry turnover to increase

Future investments

60%

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

Environmental considerations

65%

of Swedish companies believe the environment is a factor in their customers' purchasing decisions

Brand Sweden

91%

of Swedish companies consider the Swedish brand to be at least partially beneficial for their business

Local conditions with high satisfaction

1. Personal safety
2. Infrastructure
3. Service providers

Local conditions with least satisfaction

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

Valued success factors in the UAE

1. Partnerships & relationships
2. Sales competence
3. Brand awareness
4. Cost efficiency
5. Collaboration & feedback from clients

ABOUT THE SURVEY

Results are derived from 67 Swedish companies

Business Sweden in the United Arab Emirates carried out this survey, which tracks how Swedish companies operating in the UAE perceive market conditions and the economic prospects of their business. The survey also tracks if and how perceptions 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 February and March of 2024, this survey seeks to understand the perceptions of economic and market developments, as well as what opportunities and challenges Swedish companies face. This year, 67 respondents participated in the web-based survey, answering 25 questions. This means the sample size is large enough to be statistically significant and allows for a more confident representation of the entire population of Swedish companies present in the UAE.

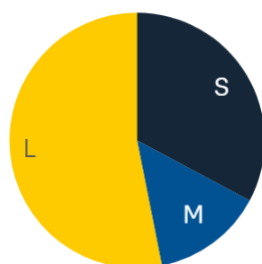
This report is divided into four main sections. First, the report elaborates on the economic situation, including current business performance and Swedish companies’ outlook for the upcoming year. The following section focuses on the UAE market, including respondents’ views on the business climate in 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, 53 per cent are large companies with more than 1000 global employees, while 14 per cent of the companies are classified as medium-sized, with 250-1000 employees. The remaining 33 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 (46 per cent), professional services (40 per cent) and consumer companies (14 per cent).

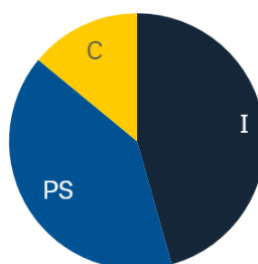
Representatives from mature companies, classified as companies established in the UAE before 2002, constitute 27 per cent of the respondents. ‘Newcomer’ is defined as a company established after 2019 and constitutes 14 per cent of the respondents. Finally, the majority of respondents, 59 per cent, are defined as experienced companies and are those established during 2003-2018.

SIZE OF COMPANIES



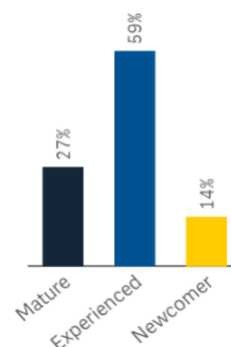
NOTE: Global employees. Large (>1000) 53%. Medium (250-1000) 14%. Small (0-249) 33%.

MAIN INDUSTRY



NOTE: Industrial 46%. Professional services 40%. Consumer 14%.

AGE OF COMPANIES



NOTE: Mature (-2002). Experienced (2003-2018). Newcomer (2019-).

¹ More information on economic free zones can be found in the chapter ‘The Market’.

ECONOMIC OUTLOOK

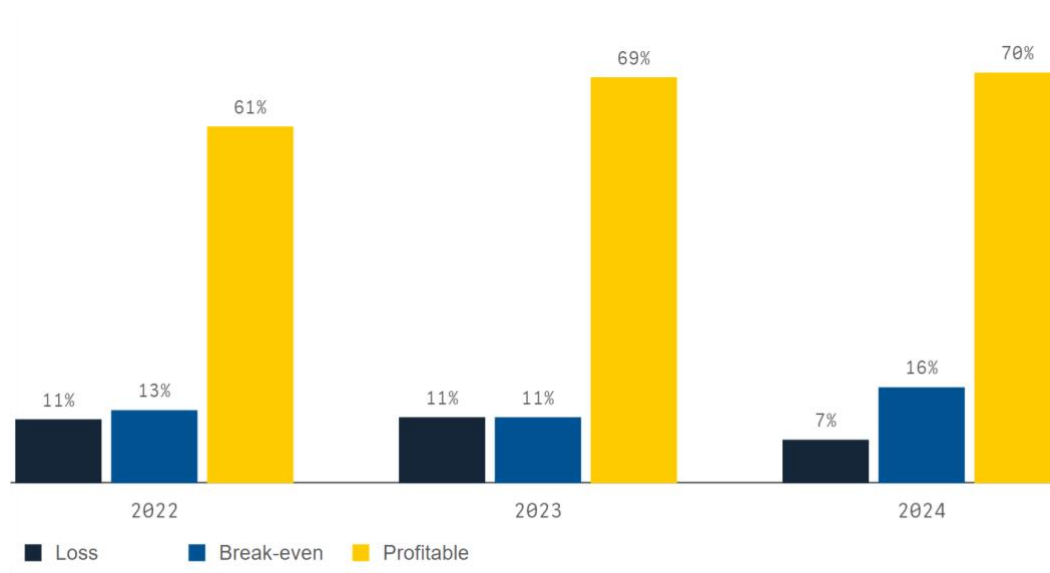
Most Swedish companies report profitability

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 2023, the UAE held the world's eighth largest proven crude oil reserves, and today, the country's per capita GDP is among the highest globally.

The UAE ranks as the second-largest economy in the Middle East² after Saudi Arabia and holds a notable position in the Middle East and North Africa (MENA) as one of the most competitive economies. The country is highly trade dependent, with trade amounting to 216 per cent of the UAE's USD 495 billion in GDP in 2023. For comparison, the world average in the same year was 45 per cent. The UAE also has a high export-to-GDP percentage, 125 per cent in 2023, and is partially caused by the country serving as a re-export hub for other countries in the Middle East region.³ This is also why the UAE, in addition to its favourable geographic position, is such a crucial trade partner for Swedish companies to be able to reach other parts of the region.

Approximately 70 per cent of Sweden's exports to the MENA region go to Saudi Arabia, the UAE and Egypt. In 2023, Swedish exports to the UAE saw an impressive double-digit jump of 39 per cent compared to the year before, reaching USD 1.1 billion (SEK 12 billion), while imports from the UAE increased by 61 per cent to USD 130 million (SEK 1.4 billion). Swedish businesses are also doing well in the UAE. In fact, 70 per cent of the Swedish companies report their financial performance in 2023 was profitable, nine per cent more than 2021 (reported in 2022).

HOW WOULD YOU DESCRIBE YOUR COMPANY'S FINANCIAL PERFORMANCE IN THE UAE IN 2023?



NOTE: The number of respondents for this question was 67. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish companies in the UAE in 2022, 2023, and 2024.

The UAE acts as a 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

² Business Sweden defines the Middle East as Bahrain, Egypt, Iran, Iraq, Palestine, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Syria, United Arab Emirates, and Yemen.

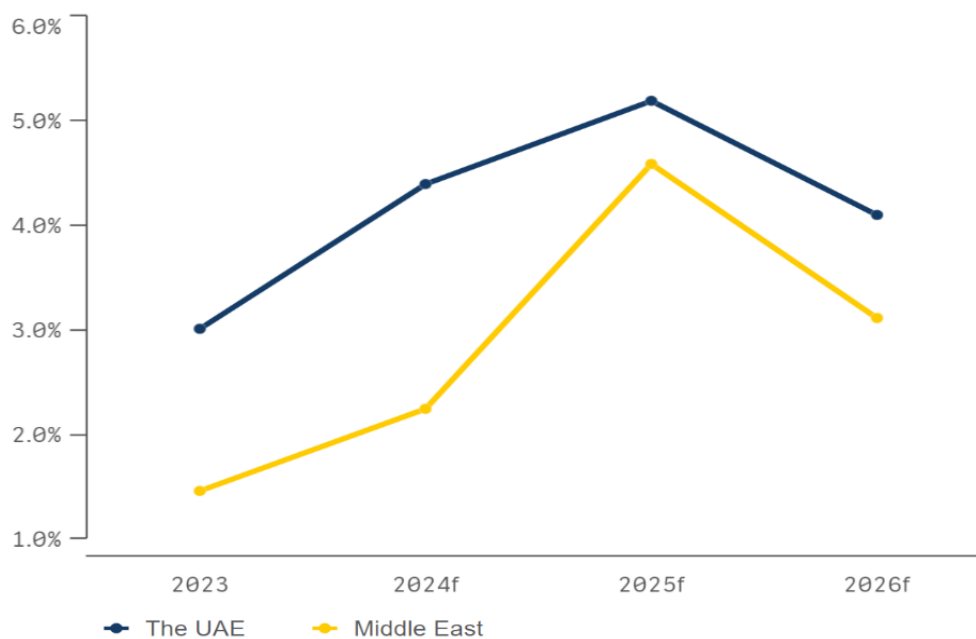
³ Trade as a percentage of gross domestic product (GDP) is trade (sum of exports and imports of goods and services) measured as a share of gross domestic product. Data sourced from Euromonitor International, 14/05/2024.

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.

Continued positive outlooks of future performance

The Middle East is a rapidly expanding export market for Sweden. The UAE, in particular, is forecasted to experience a higher growth rate than the broader Middle East region, underscoring its role as a significant economic hub. This trend presents promising opportunities for Swedish firms operating in the UAE.

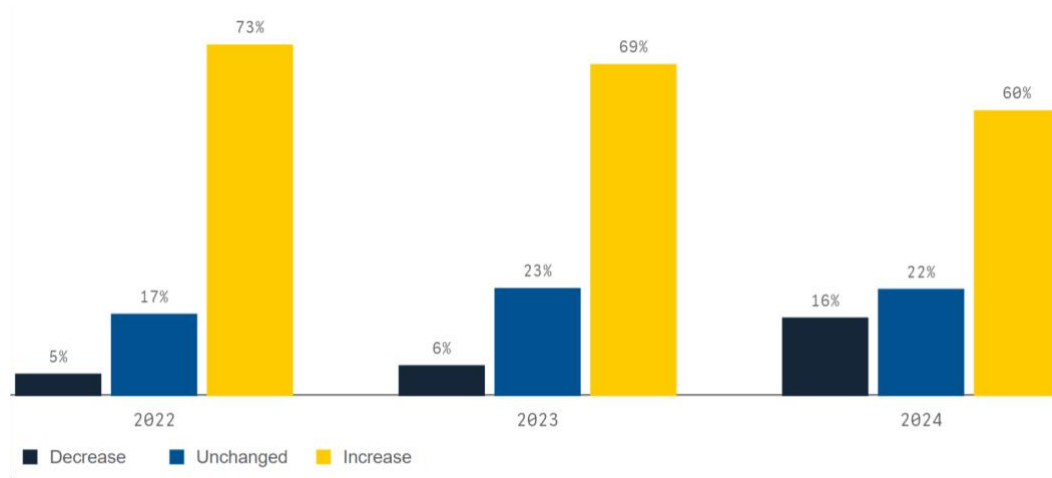
PROJECTED GDP GROWTH IN THE UAE



NOTE: Per cent growth, constant prices and exchange rate, USD. SOURCE: Oxford Economics. Last update 12 March 2024.

When asked to evaluate turnover expectations in the UAE for the coming year, 60 per cent of companies express an optimistic view, anticipating their turnover to increase. Positive sentiments are dominant across all sizes of businesses, small, medium, and large corporates. Looking at industry segments, the professional services segment is the most optimistic, with 74 per cent of the segment expecting an increase in turnover. The industrial sector is the least optimistic in terms of expected increase; however, still, 50 per cent of the industry segment anticipate their turnover to see an uptick and the largest portion of companies expecting a decrease in turnover are consumer companies at 38 per cent.

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?

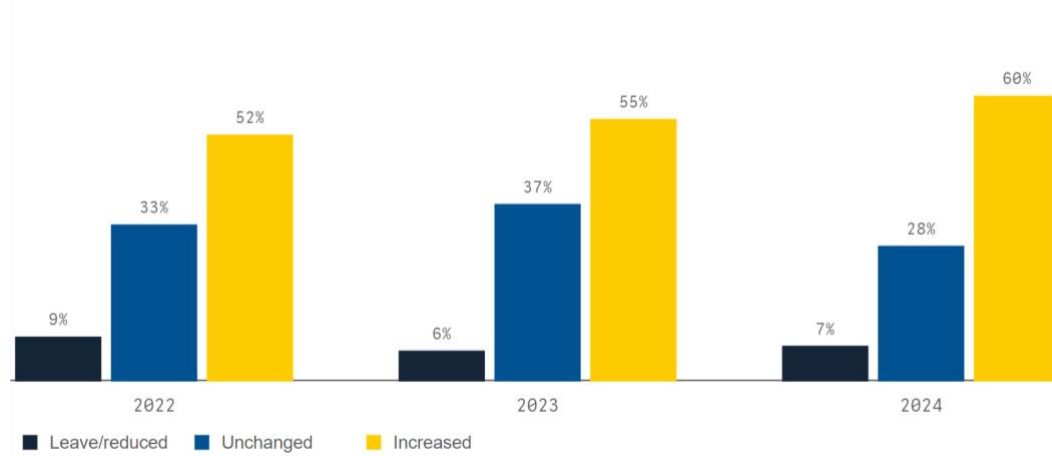


NOTE: The number of respondents for this question was 67. “Don’t know/Not applicable” responses are included but not shown in figure. Decreases and increases represent aggregations of slight/significant development changes. SOURCE: Business Climate Survey for Swedish companies in the UAE in 2024.

Investment plans mirror optimistic turnovers

Accordingly, most Swedish companies will increase their investments in the UAE as 60 per cent plan to do so during the upcoming 12 months compared to the previous year, which is five per cent higher than reported last year. This is the case for 89 per cent of all medium-sized companies. In contrast, 28 per cent of Swedish businesses have indicated no plan to increase or decrease their investment activities and only seven per cent plan to either leave the market or reduce their investments, a view mainly held by newcomers.

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 was 67. “Don’t know/Not applicable” responses are included but not shown in figure. Decreases and increases represent aggregations of slight/significant development changes. SOURCE: Business Climate Survey for Swedish companies in the UAE in 2024.

THE MARKET

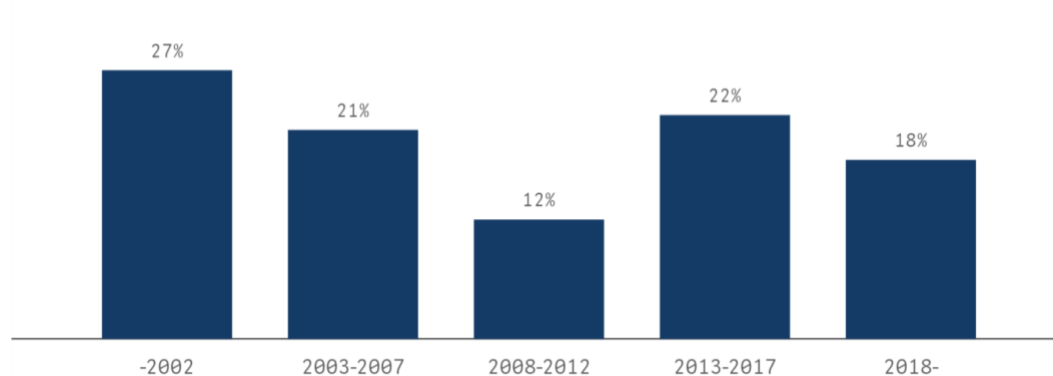
Continued diversity in Swedish companies

To regulate foreign direct investment (FDI) and to keep specific 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.

To diversify the economy away from oil dependence, the UAE has in recent years 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 complemented with "The Project of the 50", addresses the development of the UAE going forward. The plan aims to make the UAE a significant hub within all sectors, attracting talent and foreign investors from all around the world. 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 leaving less stable countries in the region. According to the World Investment Report 2023 issued by the United Nations Conference on Trade and Development (UNCTAD), FDI inflow into the UAE increased by 10 per cent, reaching USD 22.7 billion in 2022, compared to USD 20.7 billion in 2021. As a result, the UAE surpasses all other countries in the GCC and ranks number one in the MENA region, receiving 32.4 per cent of the total USD 70.2 billion in FDI inflow to the region in 2022. Furthermore, the UAE placed 16th globally in attracting FDI in 2022, moving up three spots compared to the year before.⁴ The bulk of FDI is concentrated in real estate, finance and insurance, manufacturing, and construction. The United Kingdom, India, the United States, France, and Saudi Arabia are some of the largest foreign investors in the country. Moreover, the country actively aims to attract more FDI and has announced a series of programs intended to attract USD 150 billion in FDI by 2030.

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



NOTE: The number of respondents for this question was 67. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish companies in the UAE in 2024.

The footprint of Swedish company presence in the UAE precedes the formation of the Emirates in 1971. In the late 1960s and early 1970s, large Swedish multinational companies with global reach

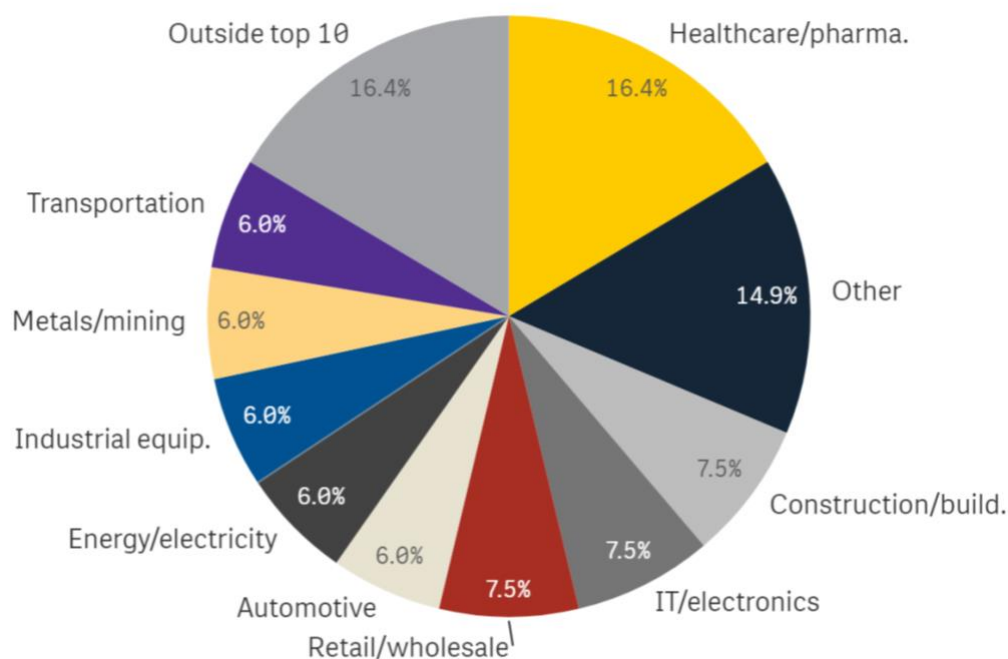
⁴ [Foreign Direct Investment \(FDI\) in the UAE, the Official Portal of the UAE Government](#)

established themselves in the UAE. The pace of Swedish establishments between the 1960s and 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 global financial crisis in 2008, and took off again with worldwide economic recovery. In the years between 2017 and 2023, 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.⁵ Free zones are legally considered outside the UAE territory; thus, free zone companies are subject to certain restrictions. For example, 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 in both free zones and the mainland to diversify its economy further, particularly small- and mid-sized companies.

Swedish companies are active in a wide range of operations. Companies within healthcare and pharmaceuticals, construction and building, IT and electronics, and retail and wholesale constitute the largest individual categories. In terms of sales, the largest companies are within the automotive and industrial equipment sectors.

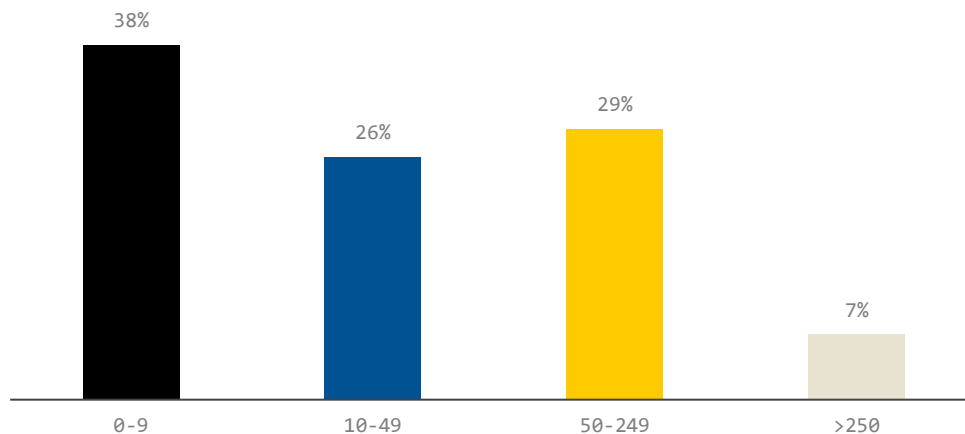
WHAT IS YOUR COMPANY’S MAIN INDUSTRY IN THE UAE?



NOTE: The number of respondents for this question was 67. “Don’t know/Not applicable” responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish companies in the UAE in 2024.

⁵ See more on the new corporate tax regime on page 14

SWEDISH FIRMS' LOCAL NUMBER OF EMPLOYEES IN THE UAE IN 2024



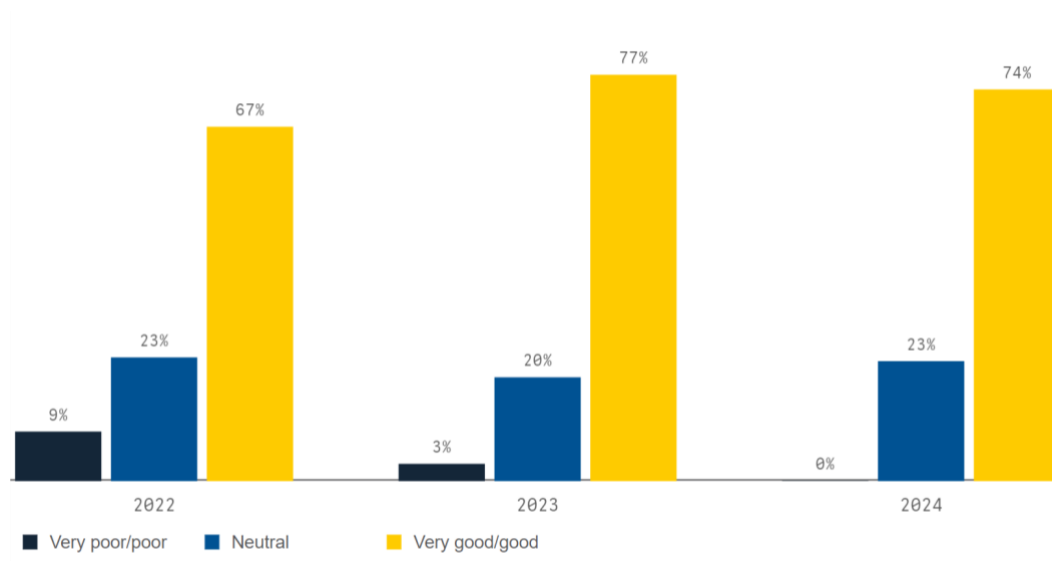
NOTE: Refers to full-time resources, and the number of respondents for this question was 65. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish companies in the UAE in 2024.

To boost the national economy and support local industries, the UAE has established a governmental program called 'In-Country Value' (ICV). Among other agenda points, the program promotes the 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

An encouraging 74 per cent of Swedish companies perceive the business climate in the UAE as good or very good, reflecting a positive view on the operating environment; only slightly below last year's 77 per cent. Moreover, no companies rate the business climate as very poor or poor, marking a clear improvement over recent years whereas in 2022, nine per cent of Swedish companies held this perception. Most optimistic toward the UAE business environment are mature Swedish companies established in the market before 2002 and medium-sized companies. Neutral sentiments on the business environment are mainly prevalent among small-sized companies and newcomers.

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



NOTE: The number of respondents for this question was 66. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish companies in the UAE in 2024.

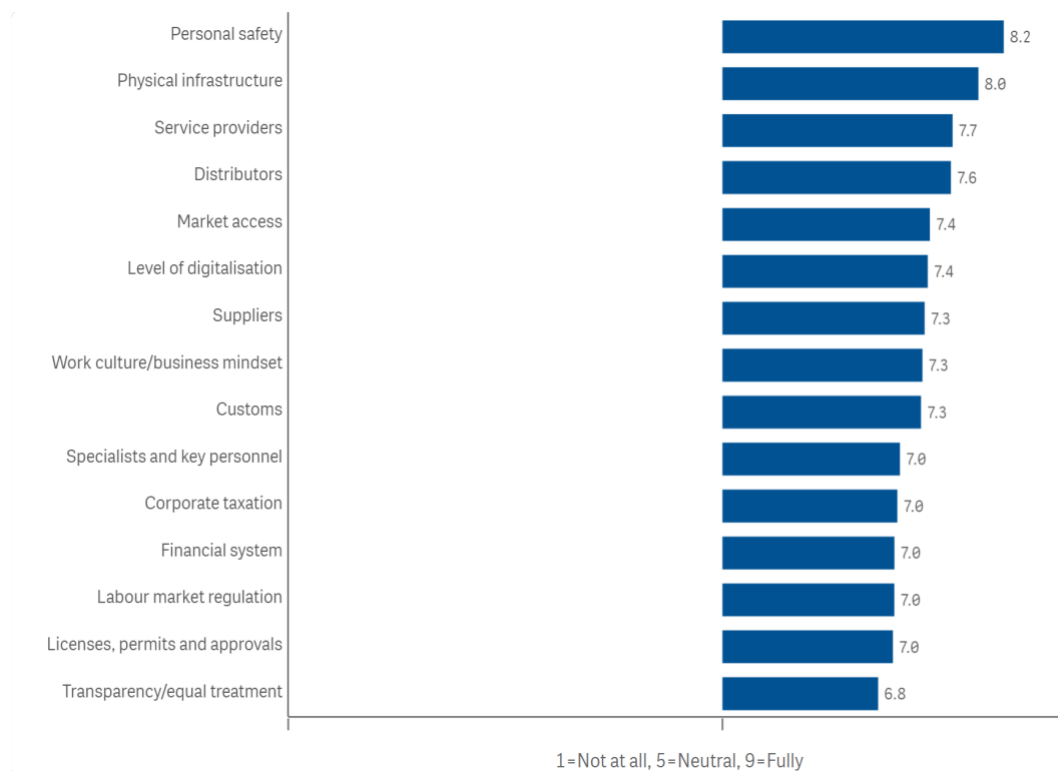
Companies appreciate personal safety, infrastructure and service providers

Overall, Swedish companies hold positive views on a multitude of conditions for conducting business in the UAE and not a single criterion from the list included in the survey scored negatively (i.e., below 5). Swedish companies highly appreciate personal safety, physical infrastructure, and access to quality service providers in the Emirates.

The World Bank highlights that the UAE has launched several initiatives to improve the business environment during the last few years. The country made starting a business less expensive by reducing the fees for business incorporation. They also increased minority investor protections by providing for the disqualification of directors in cases of prejudicial conflicts of interest. They also 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, Swedish firms indicate a gap in transparency and fully equal treatment in business. Delayed and unsecured payments, as well as the hassle of dealing with licenses, permits and approvals, particularly for newcomers, remain challenging. Labour market regulations also scored relatively low. This is related to another major concern for Swedish companies, which is the unequal treatment of employees based on nationality. In addition, the financial system also scored relatively low, although a slightly improved result compared to last year. Notably, corporate taxation also scored slightly lower than last year, which could be an indication of a greater uncertainty arising from the incorporation of the new corporate tax regime.

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



NOTE: The number of respondents for this question was 67. SOURCE: Business Climate Survey for Swedish companies in the UAE in 2024.

Technical regulations and standards are the most commonly experienced trade barriers

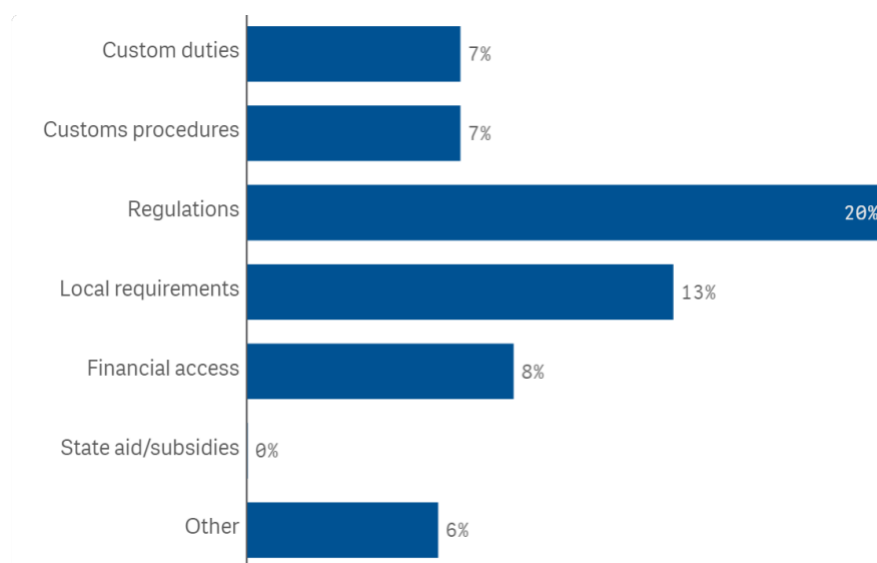
Swedish companies operating in the UAE have not reported any new trade barriers, and many obstacles faced last year remain valid. Close links between politics and business in the UAE can sometimes lead to a lack of transparency and unpredictability in business and licensing processes. Rules and regulatory 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 of 2020 (which later resulted in the FATF's decision to grey list the UAE in 2022), Handelsbanken and Danske Bank ceased all forms of transactions to and from the UAE.⁶ 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.

Among all issues highlighted by the survey, technical regulations or standards emerge as the most significant barrier, affecting approximately 20 per cent of companies, an increase from the 12 per cent reported last year.

There is also an increasing requirement for localisation in terms of research and development, assembly, installation, and production. In addition, recruitment is perceived to be more challenging due to the Emiratisation program implemented by the Ministry of Human Resources and Emiratisation (MoHRE). This involves the local authorities' requirement (under penalty of fines) that a certain percentage of staff be Emirati nationals. Around 13 per cent of Swedish companies have encountered challenges in understanding and complying with local content requirements.

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 67. SOURCE: Business Climate Survey for Swedish Companies in the UAE in 2024.

⁶ See more background on FATF's decision on page 14 covering the new corporate tax regime.

Companies find it too early to evaluate the impact of the new corporate tax regime

The UAE has previously charged limited corporate tax on a few select activities and has thus often been perceived as a 'tax haven'. This is, however, changing as the UAE introduced a new corporate tax regime in 2023. The country has been under the European Union (EU) radar in recent years. In 2017, the country 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. Then in March 2022, the Financial Action Task Force (FATF) placed the UAE on its 'grey list' due to deficiencies in its anti-money laundering measures, prompting the EU to similarly classify the country as high-risk. In February 2024, the UAE was removed from the FATF grey list after having prioritised its compliance framework and regulatory amendments, and the European Commission proposed its delisting on the EU's corresponding high-risk list. However, the proposal was blocked by the European Parliament due to remaining concerns about the country's adequate efforts to combat financial crimes.

The new federal corporate tax (CT) regime marks a noteworthy shift in the country's taxation landscape, aiming to cement its position as a global business hub and align with international standards for tax transparency and preventing harmful tax practices. Announced by the Ministry of Finance in January 2022, the CT will be levied on the net profits of businesses, applicable across all the Emirates, starting from the first financial year that begins on or after June 1, 2023. For businesses with a financial year ending on December 31, 2023, this implies the tax year starts from January 1, 2024.

The CT rates outlined by the Ministry of Finance are 0 per cent for taxable income up to AED 375,000 and nine per cent for taxable income above this threshold. A different rate will be charged for large multinationals, which will be defined in relation to international tax rules, specifically the OECD Base Erosion and Profit Shifting Project under "Pillar two", to ensure multinational firms pay a minimum level of income tax in each of the jurisdictions where they operate.

The CT regime will cover all businesses and individuals conducting business activities under a commercial license in the UAE, including free zone businesses unless they comply with regulatory requirements and do not conduct business on the UAE's mainland. It also applies to foreign entities and individuals if they conduct ongoing or regular business in the UAE and includes specific provisions for banking operations and businesses engaged in real estate management, construction, development, agency, and brokerage activities.

There are exemptions from CT, including businesses engaged in the extraction of natural resources as these businesses will continue to be subject to Emirate-level taxation.⁷ Moreover, dividends and capital gains earned by a UAE business from its qualifying shareholdings, as well as qualifying intra-group transactions and reorganisations, will also be exempt from CT if certain conditions are met. The CT regime will also not apply to individual earnings salary and other employment income, regardless of whether received in the private or public sector.⁸

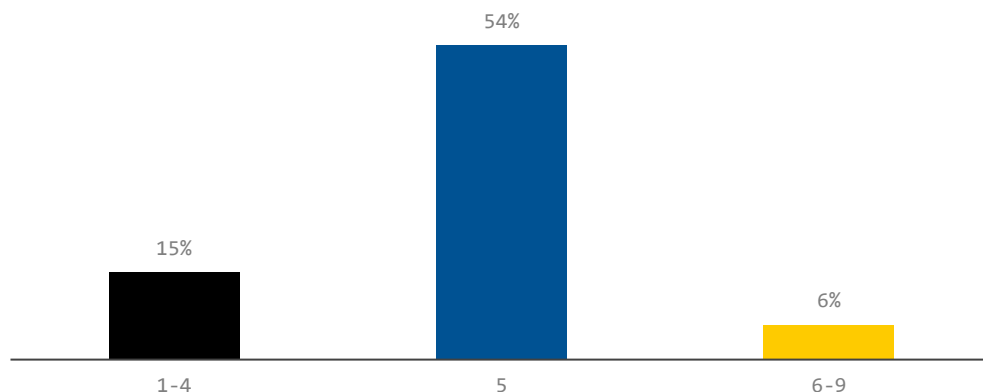
When asked about the impact of the UAE's new corporate tax regime has had on business, many Swedish firms find it too early to say how the newly imposed tax system will materialise in terms of impacting business. This is evident by the 54 per cent of Swedish companies rating the impact as neutral (i.e., 5 on a scale from 1 highly negative to 9 highly positive) and around 25 per cent who state they do not know, although some testify the new CT regime streamlines accounting.

⁷ This exemption is designed to respect the sovereignty of each Emirate over their natural resources and prevents taxation being imposed at both the Emirate and Federal level on the same type of income.

⁸ [Corporate tax \(CT\), the Official Portal of the UAE Government](#)

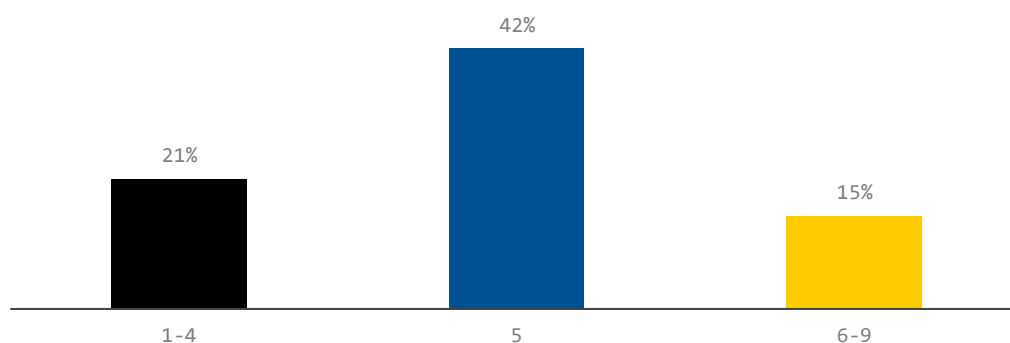
Conversely, as indicated by the 15 per cent companies experiencing a negative impact from the new corporate tax, some express concern over the tax eroding margins where certain income may no longer be tax exempt. The new requirements also imply companies must act to proactively understand tax rules and keep track of changes, apply for tax registration and tax exemption, manage local accounting and bookkeeping to prove adequate presence and submit tax filing to the FTA.

WHAT IMPACT HAS THE UAE'S NEW CORPORATE TAX REGIME HAD ON YOUR BUSINESS?



NOTE: On a scale of 1 (highly negative) to 9 (highly positive). The number of respondents for this question was 67. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish companies in the UAE in 2024.

IF A DOUBLE TAXATION AGREEMENT WERE TO BE SIGNED BETWEEN THE UAE AND SWEDEN, WHAT IMPACT WOULD THIS HAVE ON YOUR BUSINESS?



NOTE: On a scale of 1 (highly negative) to 9 (highly positive). The number of respondents for this question was 67. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish companies in the UAE in 2024.

The UAE joined the WTO in 1996 and has since concluded over 120 tax treaties, including double taxation agreements with several EU countries. Sweden currently has no double taxation agreement with the UAE, which some Swedish companies point out constitutes an implicit trade barrier as the tax effects of various measures are less predictable than would otherwise be the case.

With the UAE introducing a corporate tax of nine per cent in 2023, the demand for a double taxation agreement was expected to increase. However, when asked about the expected impact on business if a double taxation agreement were to be signed between the UAE and Sweden, companies show mixed reflections, sharing predictions spanning from negative to positive, although a large portion expresses neutrality. Notably, 22 per cent of Swedish companies state they do not know what the impact would be, which could be another indication of the general uncertainty around the new corporate tax regime.

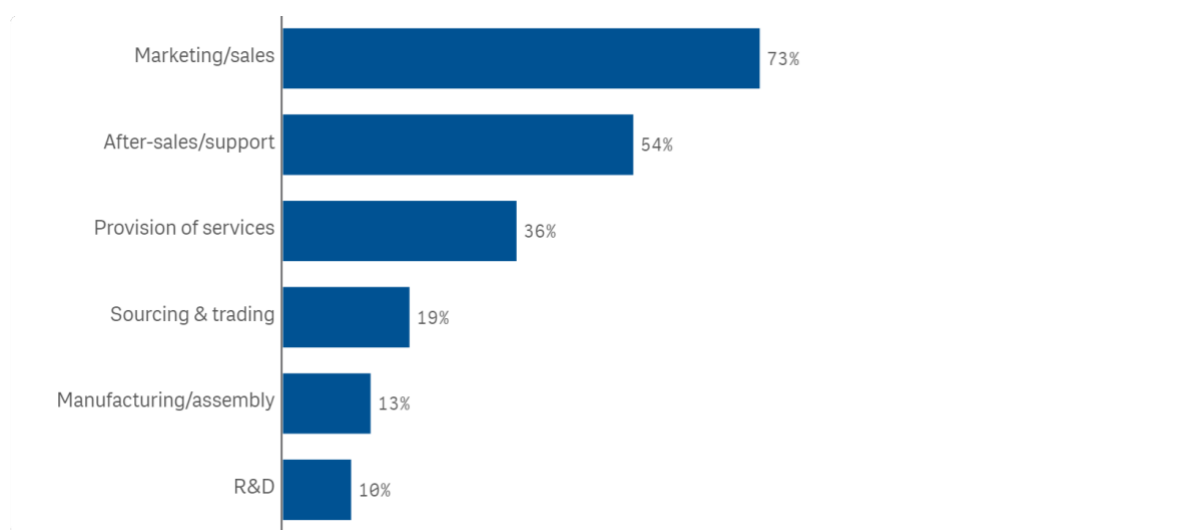
HOW SWEDISH COMPANIES SUCCEED IN THE UAE

Local investment remains of growing importance

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 of 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 67. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish companies in the UAE in 2024.

Moving forward, it will be increasingly important for Swedish companies to also invest locally in operations such as R&D, manufacturing/assembly, and more to be 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 wants 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.

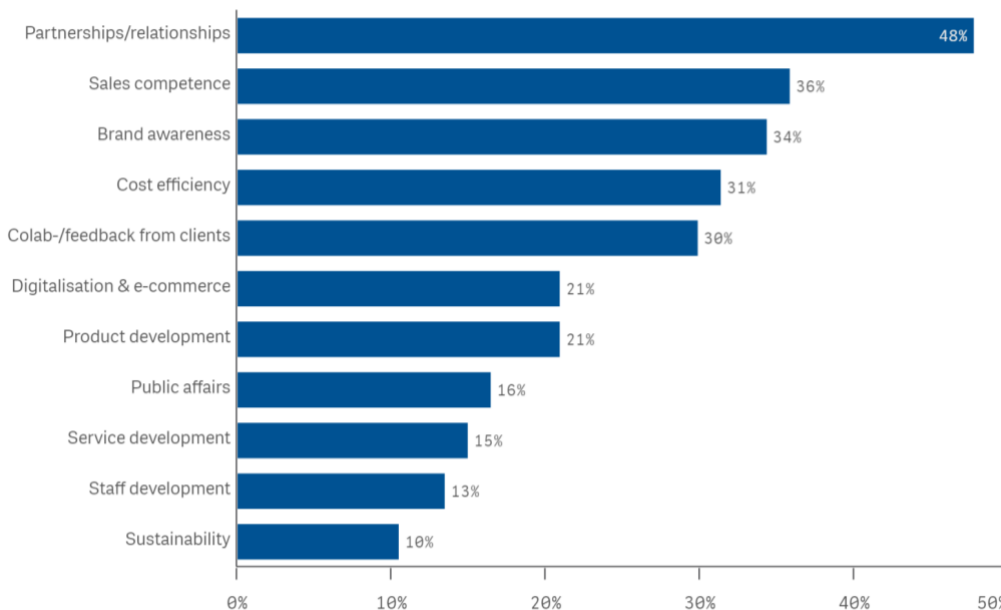
ICV will eventually be implemented in every governmental procurement and tender process, where the bidding company with an ICV certificate and the highest ICV score will likely be rewarded with the contract.

Cultivating local partnerships is crucial

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, regardless of size and industry, agree that good partnerships and relationships is the most important ingredient for maintaining competitiveness in the UAE, followed by sales competence, brand awareness and cost efficiency.

TO DATE, WHICH OF THE FOLLOWING AREAS HAVE BEEN IMPORTANT IN MAINTAINING COMPETITIVENESS IN THE UAE?



NOTE: The number of respondents for this question was 67. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish companies in the UAE in 2024.

It is also evident that a vast majority of companies in the UAE derive some benefit from the "Swedish brand," with 91 per cent reporting at least partial benefit. Moreover, 18 per cent perceive the Swedish brand as a significant contributor to their business in the UAE market. This contrasts slightly with our global observations, suggesting that the Swedish brand's importance might be less pronounced in the UAE compared to other export markets.

Sweden is often associated with quality, reliability, and sustainability. According to the survey, sustainability is believed to have contributed the least to business competitiveness, with only 10 per cent of respondents listing it as a factor of importance. However, the share increased compared to last year's survey and will likely continue to grow in importance in the future as the UAE government increasingly emphasises the importance of sustainability.⁹

▶ **91%** of Swedish companies in the UAE consider the Swedish brand to be at least partially beneficial for their business.

⁹ See more in following chapter 'Acting Sustainably'

ACTING SUSTAINABLY

Significant increase in environmental sustainability

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 MENA 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.

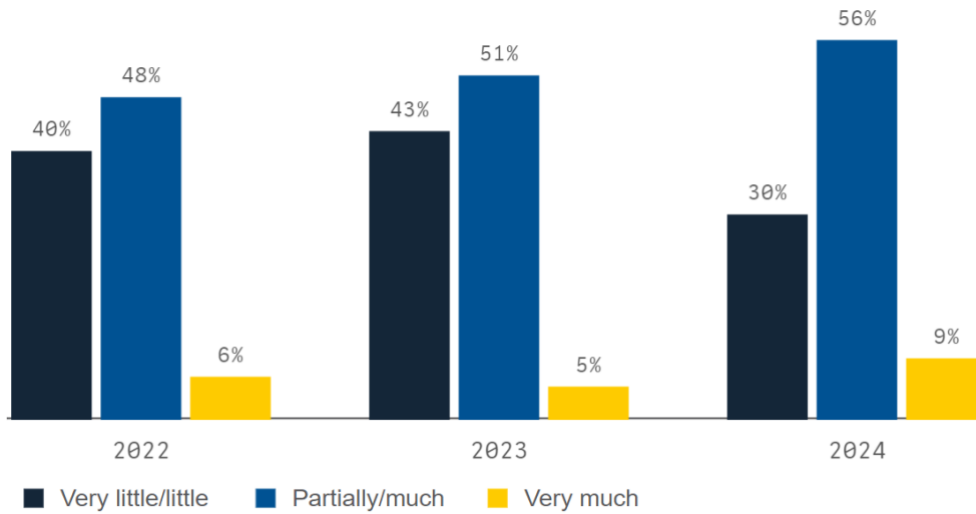
According to the UAE government, the major economic opportunities offered by the path to net-zero directly support their vision to develop the UAE into the most dynamic economy in the world. To reach this goal, stakeholders in key sectors will update relevant plans, strategies, and policies and implement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

At the end of 2023, the UAE's commitment to the green transition was under global spotlight as the Emirates hosted the 28th Conference of the Parties to the UN Framework Convention on Climate Change – COP28 in short. These central yearly COP gatherings are pivotal in setting international consensus agreements, such as the Paris Agreement, and facilitate sharing of best practices and innovations among nations, NGOs, and other stakeholders. COP negotiations also enable tracking progress toward environmental commitments, ensuring accountability, and attracting significant public attention, thereby raising awareness and maintaining urgency around accelerating the green transition.

COP28 was a particularly momentous event for Swedish business as it gathered Sweden's, so far, largest business delegation to attend COP. For the third year in a row, Business Sweden organised the official Swedish business delegation, hosted in the Swedish pavilion, where 26 companies participated, together representing USD 110 billion (SEK 1.2 trillion) in turnover. Over the course of two weeks, companies showcased their innovations and solutions to the world through 70 sessions with over 200 speakers, and almost 100 bilateral meetings with clients, partners, and decision-makers.

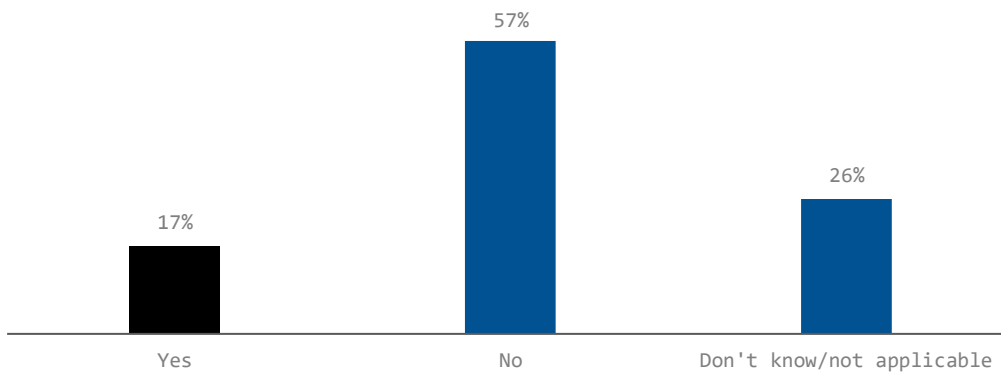
Regarding the consideration of environmental aspects in purchasing decisions, 65 per cent of companies acknowledge that customers in the UAE have some or a great level of awareness about environmental factors. This has been increasing over time, which is perhaps indicative of the increased focus on environmental sustainability following Dubai-hosted COP28 and new regulation from, for example, the EU mounting greater pressure on corporate action globally. Although, sustainability is conspicuously not the most important factor to maintain competitiveness.

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



NOTE: The number of respondents for this question was 67. "Don't know/Not applicable" responses are included but not shown in figure. SOURCE: Business Climate Survey for Swedish companies in the UAE in 2024.

DID COP28 AFFECT YOUR BUSINESS PLANNING AND/OR SUSTAINABILITY AGENDA?



NOTE: The number of respondents for this question was 65. SOURCE: Business Climate Survey for Swedish Companies in the UAE in 2024.

“ In a state of mind aspect – I now have another tool to convince customers to invest in our technology.

Survey respondent, IT and technology

Moreover, 17 per cent of Swedish companies believe COP28 affected their business planning and/or sustainability agenda, citing increased collaboration with their Swedish headquarters and local partners and an increase of companies participating in local conferences focused on the sustainability of products and services. However, companies also share unique local challenges with sustainability, such as, the often-competing element of price, and the need for the local government to address the improvement requested around environmental sustainability regulation. In addition, not all 200 Swedish companies in the UAE participated in the Swedish business delegation during COP28. The event was likely more impactful on the business planning and sustainability agendas for those who had the chance to attend and engage in dialogues with various stakeholders on the topic and during the negotiations.

“ COP28 focused our attention on addressing our industry’s contribution to climate action and we took early steps with our customers to deploy solutions that begin to address it.

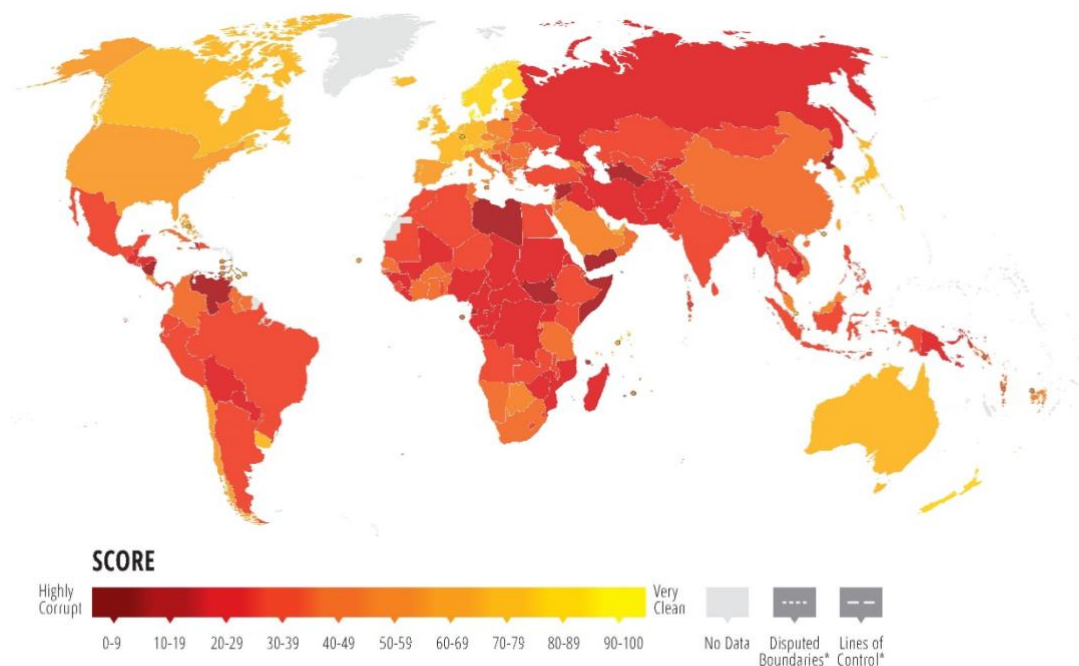
Survey respondent, Telecommunication

Perceived as the least corrupt country in the region

Transparency International's Corruption Perception Index (CPI) has rated the UAE as the least perceived corrupt country in MENA in 2023. The UAE is ranked 26 out of 180 nations globally, scoring 68/100 points, moving up one position compared to 2022. The UAE is a leader among Arab countries and has been 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 anti-bribery legislation to the private sector, extended territorial reach of the UAE anti-bribery legislation, expanded bribery scope within the 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 corruption challenges, highlighting a lack of political integrity. Regionally, the UAE is followed in ranking by Israel, Qatar, Saudi Arabia, Jordan, Kuwait, Oman, and Bahrain. At the bottom, Syria scores 13/100, below Yemen, which scores 16/100.

CORRUPTION PERCEPTION INDEX 2023



NOTE: The UAE ranks 26th in the CPI 2023, scoring 68 out of points. SOURCE: Transparency International.

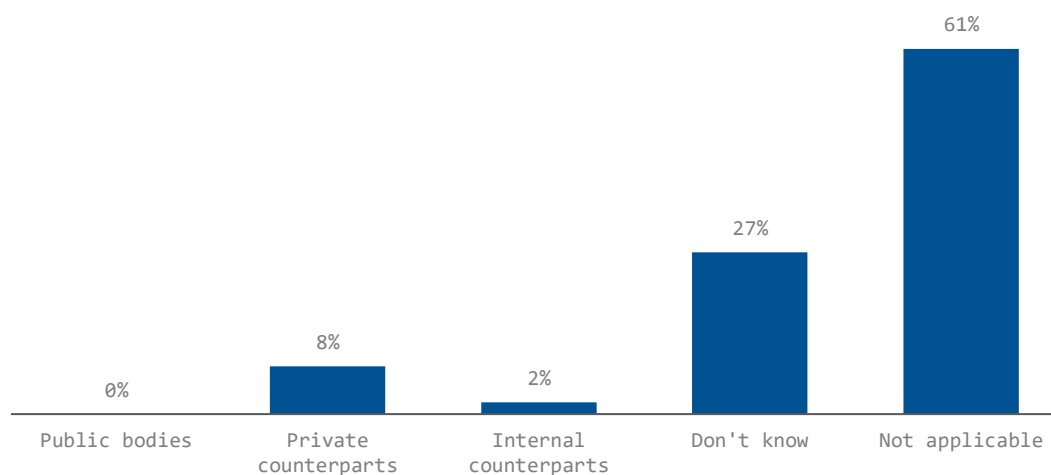
A word on Wasta in the Middle East

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 in the region where the inherent authority is generally regarded as natural and proper. The notion of *Wasta* is something 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 for job opportunities, approval of licences or contracts, obtaining favourable rulings, cutting through red tape and otherwise circumventing 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

betterment of the whole. Wasta, when practiced responsibly, can reflect the principles of good leadership. If an authority figure uses Wasta in this manner, it can be positive, morally acceptable, and beneficial. 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 aim to receive favours that would not be granted otherwise in a responsible system.

Moreover, eight per cent of Swedish companies encountered violations among private counterparts and two per cent among internal counterparts, all of which were reported by large industrial companies, indicating the concern is relatively more prevalent in the industrial sector.

IN THE PAST YEAR, HAS YOUR COMPANY IN THE UAE BEEN EXPOSED TO CORRUPTION SUCH AS, BUT NOT LIMITED TO, ATTEMPTS OF BRIBERY OR FRAUD IN CONTACTS WITH...

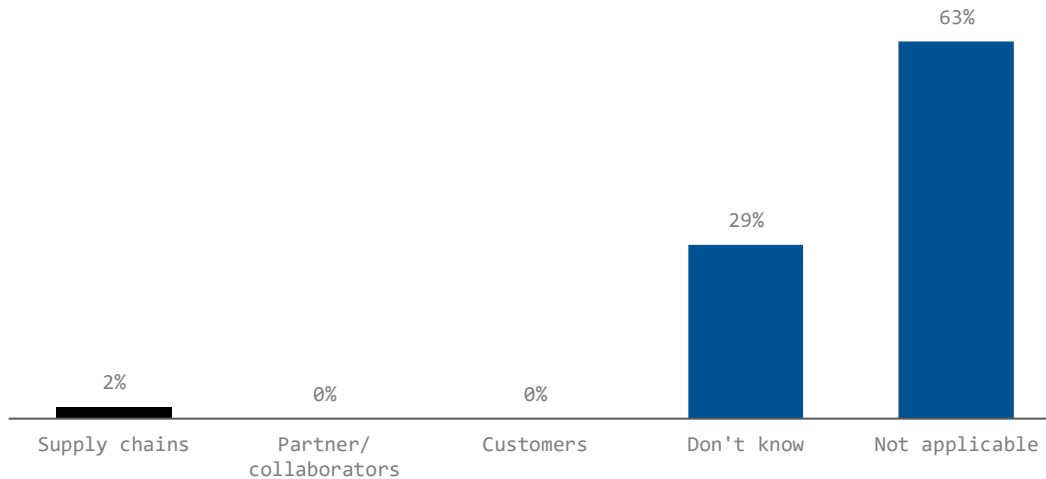


NOTE: The number of respondents for this question was 59. SOURCE: Business Climate Survey for Swedish companies in the UAE in 2024.

Encountering human rights or labour violations is uncommon among Swedish companies

The majority of Swedish companies report not having encountered human rights or labour violations over the past year. Companies are expected to follow the OECD's guidelines for Multinational Enterprises on responsible business conduct and the UN guiding principles on business and human rights and the ILO Tripartite Declaration on Multinational Enterprises and Social Policy.

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 in 2024.

CONCLUDING REMARKS

The 2024 Business Climate Survey seeks to strengthen the understanding of the Swedish experience of doing business in the UAE by providing a nuanced picture of the factors driving Swedish companies' achievements. Team Sweden in the UAE is committed to continuing to support Swedish companies in the UAE market and uphold the trust and value of the Swedish brand. Our aim is to support Swedish businesses in their global growth journeys and welcome further dialogue about the opportunities and challenges that the UAE market presents. We welcome you to reach out to us for further discussions.

MARKET VOICES

“The business climate in the UAE is getting better for every year. Even the competition between neighbouring countries is developing and that is very good for all stakeholders.”

Aviation

“We cover a larger region from the UAE, and it remains the place to be based in. We view the regional development with optimism despite political unrest in some areas.”

Containers, packaging, and glass

“The UAE is open and conducive to business, and we have not faced any obstacles to the conduct of business. Although prices of property and rent increases, especially Dubai, could impact our competitiveness. The ICV programme will obviously increase local content and we have a duty to continue to it.”

Telecommunications

“Corporate tax impact remains to be seen, but we don’t foresee a material impact to our business.”

Transportation

“We are involved in the planning, implementation and evaluation of strategic directions moving forward, and our cross-functional teams are devoted to achieving our sustainability goals that match with the UAE’s goals.”

Healthcare & pharmaceuticals

“The B2C sector appears very strong currently. We are in the B2B market space where excessive competition and price pressure remains a big challenge together with a very weak liquidity situation among many customers.”

Industrial equipment

“The business climate is good in general, but customers are experiencing issues with access to funding. Further support and collaboration with EKN and SEK is important for our business.”

Automotive

