China-MENAT Corridor Outlook

Unlocking growth potential

HSBC | Opening up a world of opportunity

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FOREWORD

In this, our second report in the series, we present the current state of trade and investment between the MENAT region and China. We focus on the MENAT countries United Arab Emirates, Saudi Arabia, Qatar, Egypt and Türkiye (QUEST-5), and in China on mainland China and Hong Kong.

As with the MENAT-ASEAN trade corridor, the connection of the Middle East with China stretches back two thousand years, to the era of the old Silk Road.

Trade and investment are expanding between the two markets as each grows in prominence on the world stage, and this can be expected to expand further as the global economy ticks higher after last year's brief downturn. Foreign direct investment inflows into both markets are increasing in most of the countries and territories covered in this report, suggesting growing confidence in the outlook for both markets.

This report provides context on each of the five markets in MENAT and the two markets in China, and considers both the global megatrends and regional factors that are transforming the economies of the Middle East, including reforms being undertaken by MENAT governments to attract greater foreign involvement in their economies.

It also details the growth in trade between the QUEST-5 and China and the FDI inflows between them, while considering how their historic trade links and respective energy resource and manufacturing strengths offer scope for increased economic and business collaboration between the markets. The export potential for Chinese corporates to the MENAT region is also quantified and assessed.

The report identifies the prime sectors in which Chinese corporates can make inroads into the MENAT region and how they can look to succeed in those markets, particularly in areas around the global digital revolution. It details recent examples where Chinese corporates have successfully invested into involvement in MENAT markets.

Similarly, it highlights the opportunities for MENAT governments and corporates considering investments in China, and the particular sectors where there are sizeable export gaps.

As will be seen, there are numerous investment opportunities between these two markets, and this report is intended to provide a starting point and inspiration for corporates in MENAT and China to tap into each other's expanding markets.

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The export gap figures provided in the report refers to the unrealised potential remaining in individual products under a given sub-sector, expressed as a dollar value.

EXECUTIVE SUMMARY

The trading relationship between China and the Middle East is attracting renewed interest in both markets. The links forged by the Silk Road routes 2,000 years before connect what are today two of the world's most important economic players. Economic exchange between the two markets is gaining in strength in both directions, with increasing volumes of infrastructure investment even beyond China's Belt and Road Initiative, multinationals seeking new cross-regional business opportunities, and by technological disruption and acceleration. Further links in capital, talent and technology are presenting numerous business opportunities for both corporates and SMEs.

Also supporting this growth in links between MENAT and China, global trade looks set to gather pace in the second half of 2023 following a negative turn last year. FDI inflows are also mostly rising in the countries of the markets this report considers: The Chinese markets of mainland China and Hong Kong, and the five MENAT markets: Qatar, the UAE, Egypt, Saudi Arabia, and Türkiye (QUEST-5). These gains are consistent with growing confidence being shown in both markets as investment destinations.

Some challenges remain to growing trade between the markets, however. There is a lack of free trade agreements between China and QUEST-5 countries, for example, with one such pact between mainland China and the Gulf Cooperation Council (GCC) still being negotiated.

Nevertheless, trade continues to expand along the China-MENAT corridor. Trade between the GCC and mainland China doubled between 2010 and 2021, and mainland China accounted for 16.7% of the Gulf's total trade in 2021[1]. Mainland China also recently replaced the EU as the GCC's largest trading partner, and mainland China is already the largest trading partner of Saudi Arabia. Trade between mainland China and the UAE is also rising quickly. These growth stories suggest that now is an opportune time for corporates from China to make inroads into MENAT.

QUEST-5 markets are reforming fast to keep pace with global and regional trends such as urbanisation, dealing with climate change, youthful demographics, oil price shocks, and digitalisation. China is a sophisticated, export-driven economy that is well positioned to tap into the potential of the QUEST-5 markets.

The most promising opportunities for Chinese corporates and SMEs within QUEST-5 markets are found in machinery and electronic equipment, while for mainland China there also opportunities in manufactured products, for Hong Kong in precious and ferrous metals.

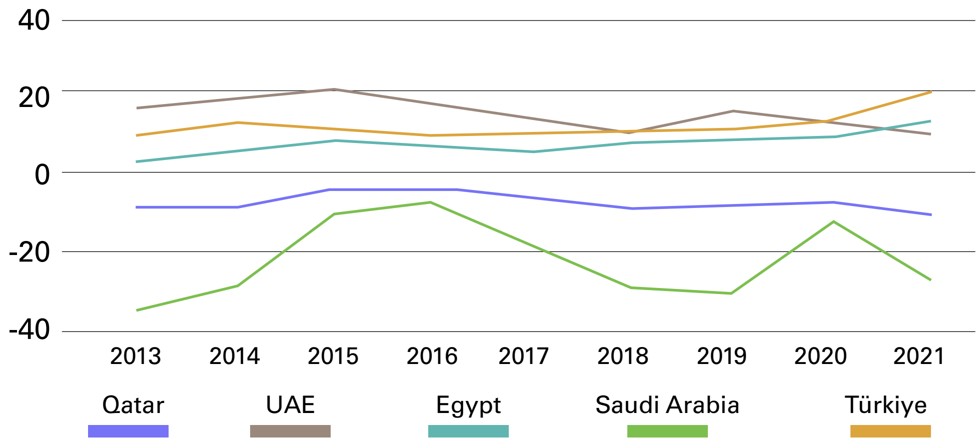
Similarly, there are numerous export gaps in China that could be filled by investment from MENAT governments and corporates. There is likely to be an increase in deal flow from the MENAT region to China following the signing of 34 investment agreements between Saudi Arabia and mainland China in 2022, and 13 memoranda of understanding signed by a delegation from Hong Kong after visiting the MENAT region in fields including business, finance, innovation and technology, sustainability, and transport.

The most sizeable export gaps in China that can be tapped by QUEST-5 countries are identified in the report as plastics & rubber, chemicals, and precious metals in mainland China; precious metals, jewellery & precious metal articles, electronic equipment, and plastics & rubber in Hong Kong.

SUMMARY INFOGRAPHIC

1 The China-MENAT corridor is poised to build momentum: Trade balances indicate trade flows in both directions, creating win-win scenarios

Mainland China Trade Balance with QUEST-5 countries ($Bln)



Source: ITC Trade Map

3 There is a projected $178 Bln trade potential opportunity until 2027 between China and MENAT – now is the time to act

$178 Bln

Trade potential between China and QUEST-5 (MENAT) markets

2 There are numerous opportunities in the Middle East for Chinese-based businesses as GCC governments seek to diversify away from hydrocarbons

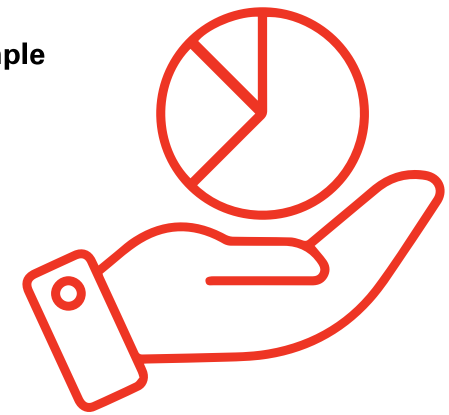
Largest export gaps for China in QUEST-5 (MENAT) markets:

- Mainland China: machinery; electronic equipment; manufactured products
- Hong Kong: machinery; electronic equipment; precious and ferrous metals

Source: Analysis based on ITC's Export Potential Map; projections until 2027

4 China's economy presents opportunities for MENAT investors to benefit - GBA is a prime example

11%



Greater Bay Area's contribution to China economy in 2021

Source: HSBC (11% statistic is based on contribution to economies of mainland China, Hong Kong and Macau)

What is MENAT and which countries are in it?

MENAT is an acronym for 'the Middle East, North Africa and Türkiye'. It is used to denote the contiguous Middle East and North Africa (MENA) region along with Türkiye.

Exact definitions of which countries are included in this definition differ.

What are the QUEST-5 markets within MENAT?

QUEST-5 is an acronym we use in this report to denote the five main, high-growth markets within the MENAT region: Qatar, the UAE, Egypt, Saudi Arabia, and Türkiye.

SECTION 1

The China-MENAT Corridor: Increasing intensity

Global Macroeconomic Context

Although global trade was worth $32 trillion in 2022, growth turned negative during Q4 2022 due to challenges including geopolitical tensions; high inflation, commodity prices and interest rates; and concerns over the sustainability of global debt. Nonetheless, according to United Nations Conference on Trade and Development (UNCTAD), prospects remain bright for global trade, particularly from H2 2023 onwards, buoyed by improved economic outlooks in major economies such as China, the EU, and the US, as well as lower shipping costs, a weakening dollar, and strengthening demand for services.[2]

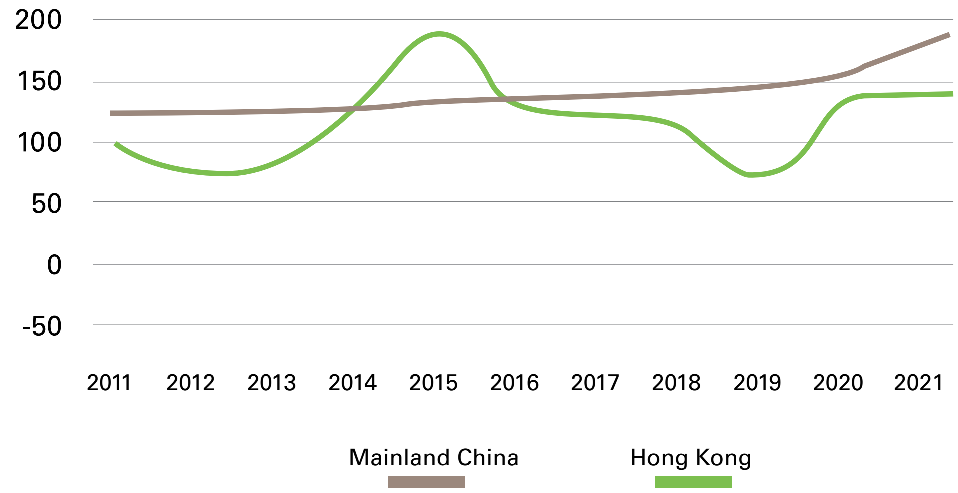
Longer-term prospects for global trade are also positive, due to wider trends including the reshaping of global supply chains and the adaptation of trade policies for the green transition.[3]

Given the rich history of trade links between China and MENAT over the last 2,000 years, and evolving present factors such as FDI inflows, GDP growth in both China and MENAT, and economic reforms, now is an apt time to explore the latent potential for further collaboration along the China-MENAT Corridor.

Moreover, FDI inflows were mostly on an upward trajectory in both China and the QUEST-5 countries over the 10 years to 2021, suggesting consistent confidence in both markets as investment destinations.[4]

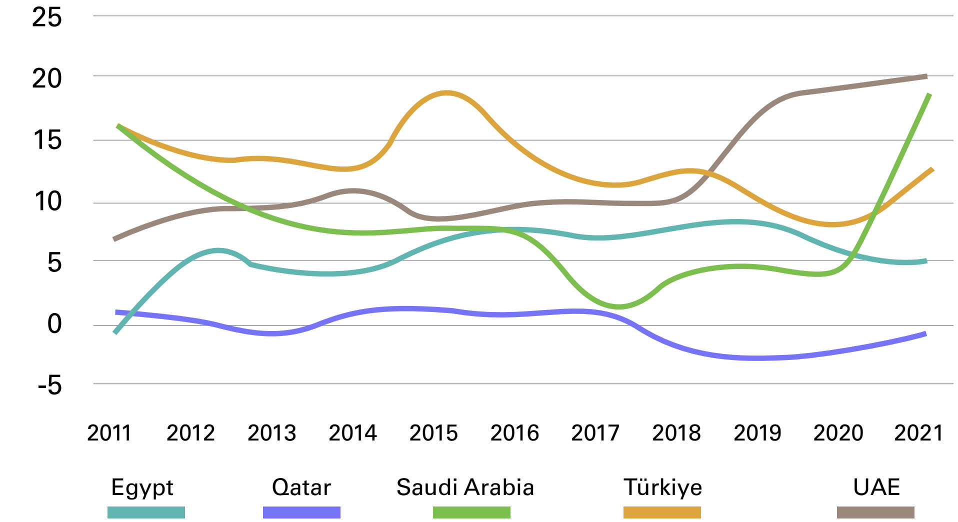
Mainland China and Hong Kong dominate, with FDI inflows surging from $123 billion in 2011 to $180 billion in 2021 for mainland China, while Hong Kong's FDI inflows went from $96 billion in 2011 to $140 billion in 2021. Among QUEST-5 countries, the United Arab Emirates is the standout performer, almost tripling in FDI inflows to $20 billion in 2021 from $7 billion in 2011, with Saudi Arabia close behind at $19 billion in FDI inflows in 2021, illustrating its resurgence as an FDI destination.

FDI Inflows, 2011-2021: Mainland China and Hong Kong ($B)



Source: World Investment Report 2022

FDI Inflows, 2011-2021: QUEST-5 countries ($B)



Source: World Investment Report 2022

Historical links between China and MENAT provide a strong foundation for present and future collaboration

The relationship between China and MENAT has attracted renewed interest from stakeholders in both markets. Underpinned by numerous historical links, particularly the old Silk Road routes forged over 2,000 years ago, this relationship connects two of the world's key markets via trade and the strong foundation is creating markets in both directions.

These links are likely to strengthen, underpinned by increasing volumes of investment in infrastructure along the Corridor, the rise of multinationals chasing cross-regional business opportunities, and the prospects for a Digital Silk Road enabled by technological disruption and acceleration. These links are likely not just to broaden but to deepen, with further links in capital, talent and technology presenting myriad business opportunities along the Corridor for corporates and SMEs alike.[5]

MENAT's abundant energy resources and China's exporting and manufacturing strengths underpin the Corridor's inherent growth potential

This outlook focuses on key markets in China and five in MENAT. As of 2021, mainland China made up 61% of GDP in the East Asia & Pacific (EAP) region, while the QUEST-5 countries made up 70% of MENAT's GDP and 44% of its population.[6] [7]

Moreover, China and MENAT countries are key consumers and players in energy and other resources. Five of the world's leading oil producers are MENAT countries, contributing 26% of the global total.[8] Also, eight ASEAN & MENAT countries provide 19% of the global total in natural gas exports.[9] Additionally, mainland China accounted for 14.3% of global merchandise exports in 2022, indicating the country's crucial contribution to global production.[10] [11]

Box: Context on QUEST-5 markets

QATAR

Qatar has transformed itself over the past 60 years through its huge oil and natural gas reserves. It now has one of the world's highest levels of GDP per capita. The nation has undergone several transformational reforms since the 1990s, including high government investment into the economy and its development of sophisticated healthcare and education systems, as well as a massive infrastructure build ahead of its hosting of the 2022 World Cup.[12] Guided by its National Vision 2030, the Qatari economy is forecast to grow 3% annually across 2022-2027 to $256 billion.[13]

UAE

Economic growth in the UAE is forecast to slow over 2023-27 but sustained high global oil prices and gradual rises in oil production, along with supporting economic diversification policies, suggest that the government will still be well-placed to steer economic growth for the future.[14]

The UAE economy is projected to increase 4% annually from 2022-2027 to $617 billion. Non-oil sectors including tourism and real estate are earmarked to drive this growth, along with growing levels of FDI and deeper capital markets in Dubai and Abu Dhabi.[15]

EGYPT

As the most populous of the QUEST-5 nations (109.3 million), occupying a pivotal position at the intersection of Asian, African, and European trade routes, Egypt is a crucial economy for the wider MENAT region. However, its large population, along with overdependence on limited arable land along the Nile River, mean that Egypt consistently struggles to enact much-needed economic reforms and investments in physical and communications infrastructure.[16] High global food and fuel prices helped to exacerbate these issues in 2022.[17]

However, Egypt's economy is projected to grow 7% annually across 2022-2027 to $664 billion, surpassing the UAE's growth rate.[18]

SAUDI ARABIA

Currently the largest economy among the QUEST-5 markets ($1.01 trillion GDP in 2022), Saudi Arabia is a regional powerhouse.

The Kingdom is a leading producer of oil and natural gas, thus playing a crucial role in energy markets.[19] Recent government policy has been designed to enhance economic diversification and attract foreign investment, including corporate law reforms and a focus on privatisation.[20]

The much-publicised Vision 2030 is providing strategic direction, and multiple initiatives are underway such as financial services reform and a drive to develop tourism via the NEOM smart city project. Nonetheless, growth projections up to 2027 remain modest. GDP is projected to grow 2% annually across 2022-2027, to $1.11 trillion, which would leave it behind Türkiye's 2027 projected GDP.[21]

However, it is important to note that should oil prices continue their upward trajectory from 2022, Saudi Arabia's projections will also be raised.

TÜRKIYE

Türkiye is a fast-growing QUEST-5 economy, with an economy poised to grow 10% per year across 2022-2027 – the fastest annual rate in the QUEST-5 markets over that period.

By 2027, Türkiye has been predicted to surpass Saudi Arabia to become the largest economy among QUEST-5 countries, as well as the largest in the wider MENAT region (excluding Iran), with an annual GDP of $1.35 trillion.[22]

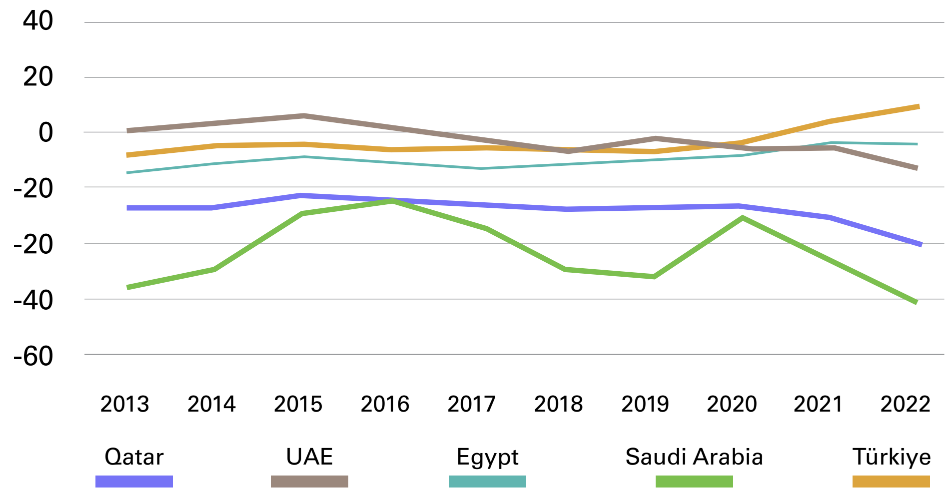
However, the uncertain long-term outcomes of recent devastating earthquakes, along with monetary issues such as the precipitous decline of the Turkish lira, could see growth projections for Türkiye revised lower.

Trade is expanding between China and MENAT. Now is the time for Chinese corporates to make inroads into MENAT

Looking at trade balances between two Chinese markets and the QUEST-5 nations provides varied insights into the trade relationships between both sides of the China-MENAT Corridor. According to ITC Trade Map data as of 2022,[23] both mainland China and Hong Kong have positive trade balances with Egypt and Türkiye (bilateral net exports are more than net imports).

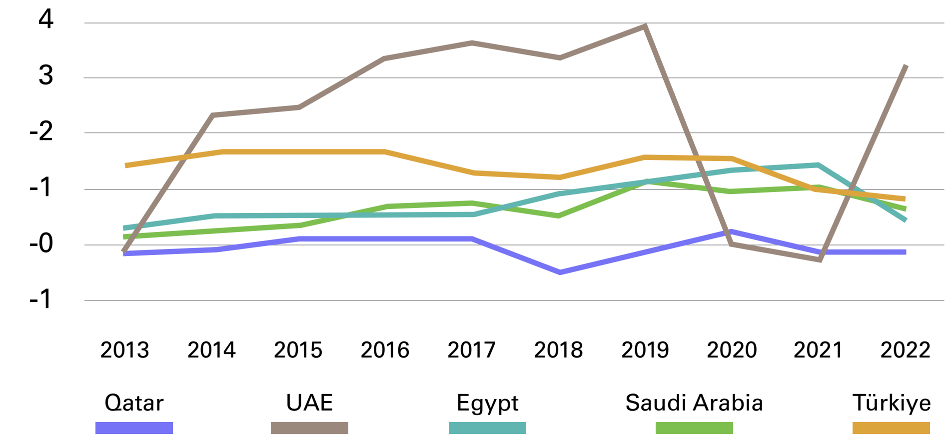
Moreover, they also have negative trade balances with Qatar (bilateral net imports are more than net exports). Additionally, mainland China and Hong Kong have positive trade balances with the UAE. Also mainland China has a negative trade balance with Saudi Arabia, while Hong Kong has a positive trade balance.[24]

Mainland China's Trade Balance with QUEST-5 countries ($ Bln)



Source: ITC Trade Map

Hong Kong's Trade Balance with QUEST-5 countries ($ Bln)



Source: ITC Trade Map

Some challenges remain for the Trade Corridor. At present, ITC data on 400+ Free Trade Agreements (FTAs) indicates no such agreements exist between China and QUEST-5 countries, while an FTA between China and the GCC, although in gestation for a long time, is still being negotiated following previous unsuccessful attempts to reach agreement.[25] However, there is some basis for optimism with the existence of Bilateral Investment Agreements (BITs) between mainland China and each of the QUEST-5 countries.

Nonetheless, trade is growing strongly between China and the QUEST-5 countries. For example, trade between the GCC (which includes Qatar, the UAE, and Saudi Arabia) and mainland China doubled between 2010 and 2021, with mainland China comprising 16.7% of the Gulf region's total trade in 2021. In 2020, mainland China also replaced the EU as the GCC's largest trading partner, with bilateral trade worth $161.4 billion, and mainland China is already the largest trading partner of Saudi Arabia, with bilateral trade volumes totaling $106 billion (SAR 399 billion).[26]

Additionally, trade between mainland China and the UAE is rising quickly, reaching a record high of $99.27 billion in 2022, with an annual increase of 37.4%.[27] These datapoints, among others, suggest that now is the time for corporates from China to make inroads into MENAT and capitalise on the strong foundations in bilateral trade and investment that now exist.

As Section 2 of this outlook will elaborate, the QUEST-5 markets in MENAT present good opportunities for expanded trade and investment by both corporates and SMEs from China. Below are two charts that display the leading import and export sectors of the QUEST-5 nations:

Top 3 Exports

	Qatar	UAE	Egypt	Saudi Arabia	Türkiye
1	$73.60B	$217.32B	$13.16B	$212.59B	$25.02B
2	$3.18B	$61.56B	$2.67B	$23.75B	$20.77B
3	$2.41B	$34.19B	$2.38B	$14.36B	$17.06B

Source: UN COMTRADE

Top 3 Imports

	Qatar	UAE	Egypt	Saudi Arabia	Türkiye
1	$4.93B	$73.92B	$10.41B	$16.65B	$50.69B
2	$2.66B	$53.21B	$6.18B	$15.26B	$30.97B
3	$1.91B	$41.84B	$4.98B	$13.88B	$27.62B

Source: UN COMTRADE

Legend

- Mineral fuels, oils, distillation products
- Machinery, nuclear reactors, boilers
- Electrical, electronic equipment
- Commodities not specified according to kind
- Fertilisers
- Pearls, precious stones, metals, coins
- Vehicles other than railway, tramway
- Iron and steel
- Plastics
- Organic chemicals

Data sourced from UN's COMTRADE

SECTION 2

How can Chinese corporates succeed in MENAT markets?

By tapping into the opportunities presented by the rapid economic transformation and reforms taking place across the MENAT region

As mentioned in our first report on the ASEAN-MENAT Corridor, MENAT countries have historically been major exporters of energy and their economies continue to rely heavily on hydrocarbons. Nonetheless, they are also committed to the global energy transition and are increasingly emphasising the development of non-oil sectors such as travel and tourism, real estate and construction, manufacturing, and telecommunications.

Moreover, MENAT countries are undergoing rapid transformations due to various megatrends such as demographic and social change, resource scarcity and climate change, urbanisation, and the rise of digital technology.

For example:[28]

- **Demography**: 60% of GCC citizens are under 30, and the number of GCC under-30s is predicted to reach 65 million by 2030
- **Scarcity:** Thirteen of the 22 Arab states experience water scarcity at less than 500m^3 per inhabitant per year, compared to the global average of 6,000m^3. Also, GCC countries import around 85% of their food.
- **Urbanisation**: $1.6 trillion of infrastructure investment is estimated to be needed in the GCC over the next five years to support the region's growing population

Additionally, the global digital revolution is having a major impact in QUEST-5 countries, with nations such as the UAE investing heavily in a digital-first culture. For example, $70 billion will be invested[29] by MENA countries in mobile infrastructure between 2019 and 2025.

A further illustration of the digital transformation is that online experiences are an integral part of daily life in the Gulf, with 40% of shoppers in the UAE and Saudi Arabia buying goods and services online via their mobiles on a daily or weekly basis as of 2021 (vs 33% globally).

The importance of technology to MENAT's transformation is creating opportunities for Chinese corporates in digital industries.

Reform momentum is developing in MENAT, enabling myriad business opportunities

One of the most tangible outcomes of the rapid transformation across QUEST-5 markets is the strong impetus for reform, due to the megatrends cited above and other key drivers such as digitalisation, oil price shocks, the desire to increase youth employment, and the transition to a green future.

A spate of business reforms in recent years has left the MENAT region more open for business than ever before. Global indicators point to a conducive ecosystem for corporates, particularly in GCC countries. For instance, the UAE's Federal Competitiveness and Statistics Centre (FCSC) has noted that the country comes first in 156 world competitiveness indicators.[30]

China, due to its sophisticated export-driven economy is currently well positioned to tap into the latent potential of the QUEST-5 markets. This potential is underscored by market, legal and socio-economic reforms in the GCC region that indicate the willingness of these nations to open their economies to foreign investment and will likely encourage Chinese capital flows into the Gulf. Some of the notable reforms include:

- Market reforms such as increasing liquidity and trading in Gulf capital markets, and floating state-owned assets on local stock exchanges
- Legal reforms such as Saudi Arabia's New Companies Law & judicial reforms, which aim to boost business confidence in the Kingdom and create a more socially liberal environment that will help attract foreigners to live and work there
- New visas being phased in to attract more expat staff by allowing for greater benefits and protections. These open opportunities in sectors that rely heavily on expatriates, such as financial services, tourism and other service industries, and manufacturing
- Changes to the UAE working week to bring the UAE in line with the global weekend (Saturday and Sunday off). Working weeks are now fully aligned between the UAE and the rest of the world - a reform intended to increase productivity.

Box: Recent examples of Chinese corporate investments and involvement in QUEST-5 markets

QATAR

- **From mainland China:** China's Sinopec took a 5% stake in Qatar's LNG expansion project in the North Field gas field,[31] while China Railway Construction Corp. teamed up with Qatar's HBK Contracting to construct the Lusail Stadium, which hosted the World Cup 2022 Final. Chinese companies also constructed other infrastructure for the tournament including a solar plant and container houses for visiting football fans.[32] In November 2022, Qatar and China also deepened long-term energy ties by signing a 27-year LNG deal, the longest such agreement to date.[33]

- **From Hong Kong:** In June 2022, Hong Kong-based real estate private equity firm Gaw Capital Partners acquired 32 residential buildings in prime Tokyo locations and other major Japanese cities on behalf of QIA, Qatar's sovereign wealth fund.[34]

UAE

- **From mainland China:** China's COSCO Shipping, the world's largest container operator, selected Khalifa Port in Abu Dhabi as its new centre for Middle East operations, with plans to improve the port facilities' yearly capacity to 6 million TEUs. That expansion would make it the largest container freighter terminal in the area and potentially attract more investors from East Asia to Khalifa Port.[35] Moreover, the undersecretary of the Ministry of Economy in the UAE, Abdullah Ahmad Al Saleh, met China's deputy international trade representative, Zhang Xiangchen, in 2023, and the two discussed expanding joint investment opportunities in new economic sectors, as well as in trade, logistics, real estate, financial services, technology, and insurance.[36] Non-oil intra-trade between China and the UAE increased 18% to $72 billion in 2022, and China is now the third-largest foreign investor in the UAE.[37]

- **From Hong Kong:** Hong Kong's monetary authority (HKMA) is looking to diversify the financial hub's economy by increasing Gulf investments, banking on Hong Kong's reputation as a leading, mature market for bonds and its status as the preferred gateway for foreign investors to access the mainland China market.[38]

EGYPT

- **From mainland China:** As of February 2023, there are more than 2,000 Chinese firms in Egypt. Investments from these companies are worth $8 billion in total, with investments in sectors as varied as fibreglass, home appliances, textiles, food processing, and animal feed.[39] Companies from China's Guangdong Province are spearheading forays into the Egyptian market, with various agreements to transfer Chinese manufacturing technology to the Egyptian market. Guangdong Province is well placed to do so as the largest province in mainland China in terms of the volume of foreign trade.[40]

- **From Hong Kong:** In March 2023, Hong Kong's Hutchison Ports invested $700 million in two Egyptian ports, bringing the company's total investment in the country to over $1.5 billion. The ports were Ain Sokhna, on the western shore of the Red Sea's Gulf of Suez, and Alexandria on the Mediterranean coast.[41]

SAUDI ARABIA

- **From mainland China:** In a sign of increasing trade ties, China and Saudi Arabia signed 34 investment agreements worth close to $30 billion in December 2022. The deals were in several sectors including green energy, technology and cloud services, transportation, logistics, medical industries, construction, and manufacturing, and help align Saudi Arabia's Vision 2030 and China's Belt and Road Initiative (BRI).[42]

- **From Hong Kong:** There is anticipation that Saudi Arabia and the UAE's sovereign wealth funds will set up Hong Kong-based funds to invest in Hong Kong as well as Greater Bay Area (GBA).[43]

Hong Kong and Saudi Arabia are also due to launch talks to improve mutual investment flows,[44] while Saudi Arabia and Hong Kong's stock exchanges signed an agreement in February 2023 to collaborate on increasing cross listings.[45]

TÜRKIYE

- **From mainland China:** As of 2022, mainland China had 1,148 registered businesses in Türkiye, with a total investment of just over US$1 billion. Examples of Chinese investments in Türkiye include Kumport container port and Alibaba's acquisition of shopping site Trendyol for $728 million.[46]

The transformation taking place across the MENAT region presents significant opportunities in particular sectors

Data from the International Trade Centre (ITC) on the sectors with the greatest untapped export potential highlight the most promising opportunities for Chinese corporates and SMEs. Within QUEST-5 markets, the most sizeable export gaps are in the following sectors:

- **Mainland China:** machinery; electronic equipment; manufactured products
- **Hong Kong SAR:** machinery; electronic equipment; precious and ferrous metals

Export potential data are also promising for Chinese corporates that intend to invest in QUEST-5 markets

With trade increasing along the China-MENAT corridor, now is an opportune time for Chinese corporates and SMEs to enter or expand into QUEST-5 markets. ITC projections for 2027 show exports potential of $178 billion between China and QUEST-5 countries. Mainland China has a great export potential to QUEST-5 countries, at $171 billion, while the UAE, Türkiye, and Saudi Arabia with a respective $67 billion, $43 billion and $42 billion of inbound export potential stand to benefit the most from Chinese corporate and SME-driven forays into QUEST-5 markets.

The chart below maps ITC's estimations of China's export potentials in QUEST-5 markets:

Export Potential: China and QUEST-5 countries

Exporter	Qatar	UAE	Egypt	Saudi Arabia	Türkiye	
Mainland China	5500	65,000	19,000	41,000	41,000	171,500
Hong Kong SAR	162	2,400	644	1,500	2,400	7,106
TOTALS	5,662	67,400	19,644	42,500	43,400	178,606

Source: ITC Export Potential Map [47]

Key sector opportunities for Chinese corporates: QUEST-5 markets

The chart below presents the key sector opportunities for corporates from China in the QUEST-5 countries based on the largest export gaps as identified by ITC.

From mainland China

	Top Sectors	Export Gap ($ M)
	QATAR	
1	Machinery, electricity	584
2	Miscellaneous manufactured products	404
3	Electronic equipment	395
	UAE	
1	Electronic equipment	10,000
2	Machinery, electricity	4,300
3	Miscellaneous manufactured products	2,600
	EGYPT	
1	Electronic equipment	2,700
2	Machinery, electricity	1,600
3	Chemicals	636
	SAUDI ARABIA	
1	Electronic equipment	3,500
2	Machinery, electricity	3,400
3	Miscellaneous manufactured products	2,000
	TÜRKIYE	
1	Electronic equipment	3,700
2	Machinery, electricity	3,600
3	Synthetic textile fabric	1,600

From Hong Kong

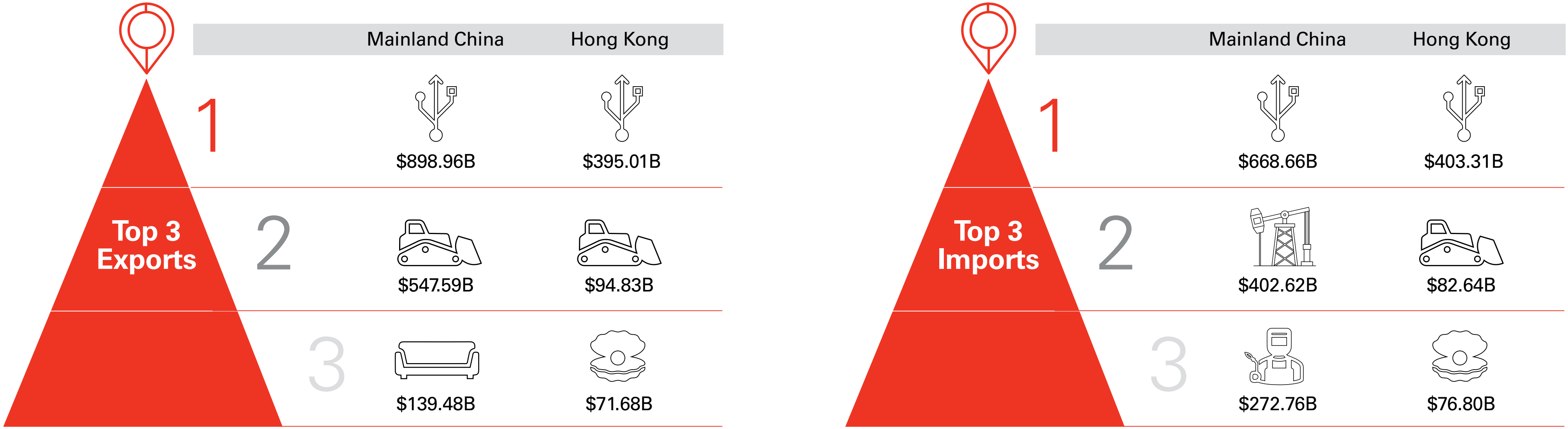
	Top Sectors	Export Gap ($ M)
	QATAR	
1	Electronic equipment	15
2	Jewellery & precious metal articles	8.2
3	Precious metals	8.2
	UAE	
1	Electronic equipment	303
2	Precious metals	218
3	Machinery, electricity	49
	EGYPT	
1	Electronic equipment	8.8
2	Ferrous metals	7.3
3	Machinery, electricity	6.2
	SAUDI ARABIA	
1	Electronic equipment	114
2	Machinery, electricity	36
3	Optical products, watches & medical instruments	21
	TÜRKIYE	
1	Electronic equipment	29
2	Ferrous metals	20
3	Machinery, electricity	14

SECTION 3

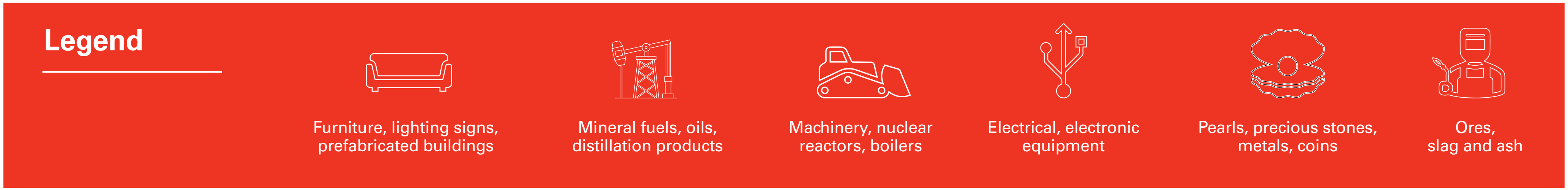
What are the opportunities in China for MENAT investors?

China market presents opportunities for MENAT-based corporates to grow trade

China market has sizeable volumes of imports. In March 2023, imports into mainland China were valued at $227.4 billion.[48] Imports from Hong Kong were valued at HK$331.56 billion (US$42.2 billion) in February 2023.[49] As such, these large import figures suggest the markets present ample opportunities for QUEST-5-based corporates. To provide some context on the current strengths and potential trade gaps in China , the charts below present a bird's-eye view of the leading export and import sectors for mainland China and Hong Kong in 2021, which may help inform QUEST-5 corporates on the opportunities they can seek out in these markets.



Source: UN COMTRADE



Investment opportunities in China for MENAT stakeholders are plentiful across multiple sectors

There are numerous opportunities in China for MENAT investors, due partly to strengthening political relationships. For example, more opportunities may materialise following a high-level visit to Saudi Arabia by Chinese officials in December 2022. During this trip, 34 investment agreements were signed in sectors ranging from green energy, green hydrogen, photovoltaic energy, information technology, and cloud services to transportation, logistics, medical industries, housing, and construction factories.[50]

While this interest and potential has yet to translate into notable deals, such agreements lay solid foundations on which to build deal flow from MENAT countries. Some of the inbound industries that may interest MENAT investors looking at China include: textiles; waste management and recycling; and, particularly in Türkiye's case, consumer electronics. Other sectors of potential interest include infrastructure and real estate given the strong growth in both sectors across China, as well as pharmaceuticals. It is also worth noting the inorganic growth running alongside this trade and investment corridor: namely, the purchase of various supplies by MENAT corporates across China.

Hong Kong presents an interesting case for investment by MENAT governments and corporates on top of its role as 'gateway to mainland China' given its well-established allure as a global financial and trade centre with strong capital markets and fundraising opportunities, as well as its dominance of offshore Chinese Yuan (CNY) payments and bond trading. Moreover, Hong Kong is keen to garner increased interest from MENAT governments and corporates as an investment conduit. In February 2023, a delegation from Hong Kong visited the MENAT region and signed 13 memoranda of understanding (MoUs) focusing on business, finance, innovation and technology, sustainability, and transport.[51] Conversely, trading companies based in Hong Kong have found Dubai to be a useful secondary operating hub, as it enables them to have greater connectivity with Western markets due to Dubai's better geographical proximity and time zones location.

The visit by the Hong Kong Chief Executive's delegation covered several specific areas of notable importance for the China MENAT trade corridor that leverage Hong Kong's strengths as a natural gateway to mainland China. These areas included, among others, innovation, the role of family offices, and raising capital via Hong Kong's stock exchange.

Some other examples of MENAT government and corporate activity in China have been noted earlier in this report, including in fields such as private equity for real estate[52], financial services[53], and stock exchange collaborations[54]. Additionally, the re-export potential of the UAE into Africa is another opportunity for MENAT based companies to make more use of in the Chinese markets – HSBC's coverage capabilities in Africa, based out of Johannesburg, are a prime example of international banks enabling such activity.

On sustainability, the MENAT region's greater emphasis on pivoting towards sustainability in practice offers natural synergies. China well-known strengths in developing upstream solar and wind infrastructure, and sustainability-related opportunities are likely to be an important growing segment of future China outbound trade along the China-MENAT corridor.

Key sector opportunities in China for QUEST-5 corporates

At a more granular level, data from ITC on the sectors with the greatest untapped export potential highlight the most promising sector opportunities for QUEST-5 corporates. The tables below detail the key sector opportunities for QUEST-5 based corporates in China, based on analysis of the largest sectoral export gaps for QUEST-5 nations in these markets up to 2027. Broadly, within China the most sizeable sectoral export gaps for QUEST-5 corporates, i.e. areas where QUEST-5 countries can export much more than they do now, are:

MAINLAND CHINA:
plastics & rubber; chemicals; precious metals

HONG KONG:
precious metals; jewellery & precious metal articles; electronic equipment; plastics & rubber

Into mainland China

	Top Sectors	Export Gap ($ M)
FROM QATAR		
1	Plastics & rubber	294
2	Chemicals	233
3	Metals (except ferrous & precious)	146
FROM UAE		
1	Precious metals	3,800
2	Machinery, electricity	853
3	Jewellery & precious metal articles	601
FROM EGYPT		
1	Precious metals	130
2	Plastics & rubber	84
3	Chemicals	69
FROM SAUDI ARABIA		
1	Plastics & rubber	5,000
2	Chemicals	1,900
3	Mineral resources	396
FROM TÜRKIYE		
1	Motor vehicles & parts	769
2	Machinery, electricity	571
3	Plastics & rubber	187

From Qatar

From UAE

From Egypt

From Saudi Arabia

From Türkiye

Into Hong Kong

	Top Sectors	Export Gap ($ M)
FROM QATAR		
1	Jewellery & precious metal articles	147
2	Plastics & rubber	49
3	Boats & parts	23
FROM UAE		
1	Precious metals	2,500
2	Jewellery & precious metal articles	1,500
3	Electronic equipment	399
FROM EGYPT		
1	Precious metals	65
2	Fruit	4.6
3	Food products n.e.s. (processed or preserved)	3.7
FROM SAUDI ARABIA		
1	Precious metals	95
2	Plastics & rubber	24
3	Dairy products	11
FROM TÜRKIYE		
1	Precious metals	212
2	Jewellery & precious metal articles	150
3	Apparel	72

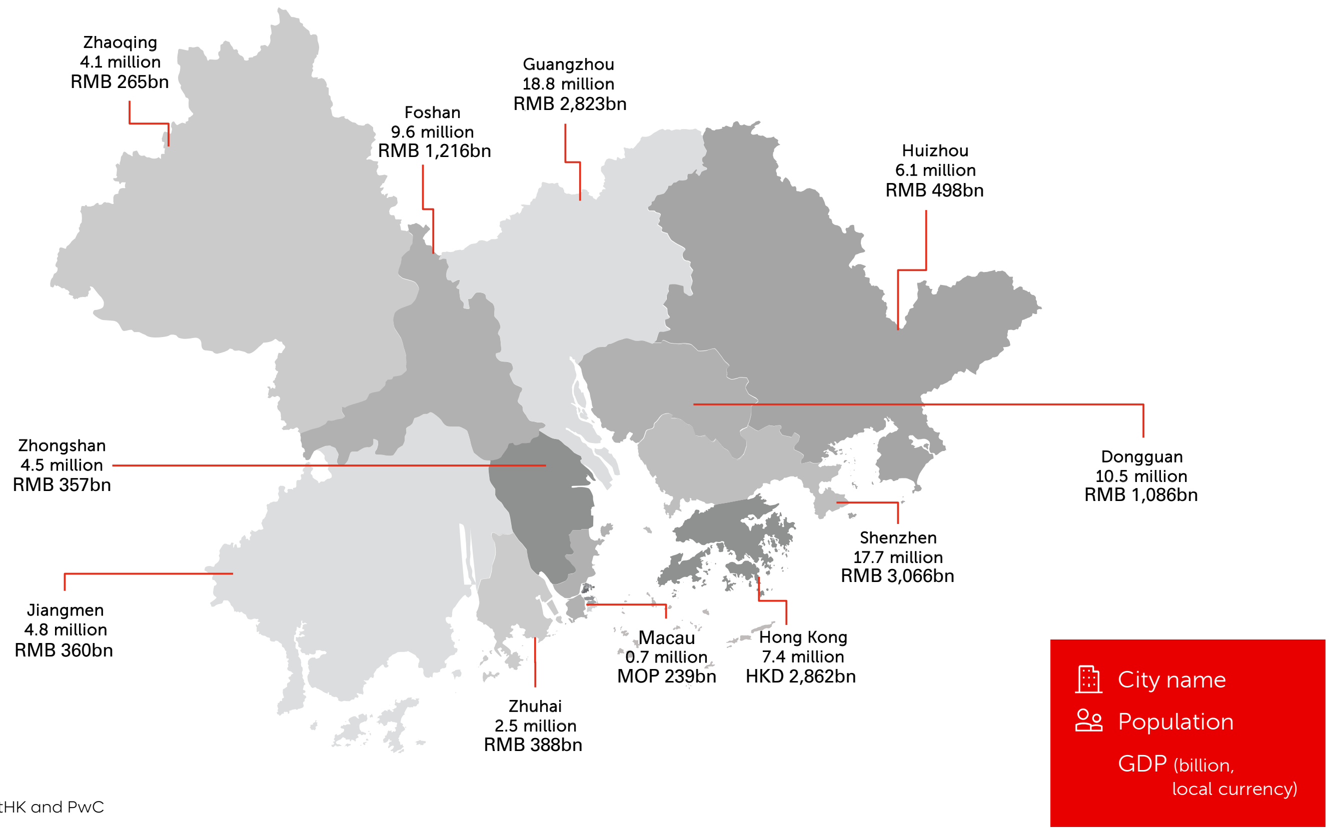
Source: ITC Export Potential Map

Greater Bay Area is a key engine for global and regional growth – MENAT corporates should tap latent opportunities in its 11 cities

The Greater Bay Area (GBA) is one of China's most innovative, open and affluent regional economies. It has different but complimentary industries, including manufacturing, technology, e-commerce, supply chain, as well as an international finance centre and large consumer markets.
Given these advantages, it is a key launchpad for international businesses to enter or expand into China, the world's second largest economy.
It is also an apt location for international businesses to tap China's consumer markets, along with its supply chain for manufacturing or sourcing.

Although it makes up less than 1% of China's land mass, the region accounted for close to 11% of China's economy in 2021[55].
With almost $2 trillion in GDP and a collective population of 86.6 million, the 11 cities that make up the GBA – Hong Kong, Macau, and nine cities in Guangdong province – are notable exporters and hubs for deposits as well, as the key statistics presented in the table below illustrate:

Greater Bay Area 2021 Key Population and Economic Figures



Source:

- Source: InvestHK and PwC

Box: Key strengths of the 11 Greater Bay Area (GBA) cities[56]

Main GBA cities' strengths:

HONG KONG

- Major international financial centre
- Global offshore Renminbi (RMB) hub and an international centre for asset and risk management
- Leading international legal and dispute resolution service provider in the Asia-Pacific region

MACAU

- One of the lowest tax rates in the GBA, with zero foreign exchange control and status as a free port and separate customs territory
- Renowned tourism and leisure destination
- Commerce and trade cooperation service platform between and Portuguese-speaking countries

SHENZHEN

- Centre for innovation and creativity with global influence
- Key R&D and manufacturing centre in southern China

GUANGZHOU

- National commerce and industry hub
- Major transportation hub in the GBA
- Technological, educational and cultural centre

Other GBA cities' strengths:

- **Dongguan** - Internationally renowned manufacturing base for multinationals
- **Zhongshan** - Key city along mainland China's coastal economic belt and a major hub for R&D commercialisation
- **Foshan**- Key part of the Pearl River-West River economic belt and an important manufacturing centre for Guangdong and for China in general
- **Jiangmen** - Western hub of the GBA with a focus on developing five major emerging sectors: advanced equipment manufacturing and next-generation IT; new energy vehicles; spare parts; health; and new materials
- **Zhuhai** - Only city in mainland China with road connections with both Hong Kong and Macau. A major tourism hub with a well-established industrial base
- **Zhaoqing** - Popular tourist destination and a hub linking GBA with China's southwest
- **Huizhou**- Green city and the eastern hub of the GBA, with an array of well-developed industries including petrochemicals, electronic information, and clean energy

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China-MENAT Corridor Outlook

Unlocking growth potential

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