Going Global

Middle East

KRESTON GLOBAL

Can optimism build an economy?

Edition 3, 2025

Kreston Global in Middle East

Kreston Global boasts a strong presence in the Middle East, with 13 member firms spanning 9 countries. Backed by a network of more than 800 professionals across 40 offices, the region is well-equipped to support businesses looking to expand into this dynamic market.

The Middle East has emerged as a key area of interest for numerous international organisations and those with global ambitions. It offers a compelling combination of robust commercial opportunities and untapped markets.

In this issue of Going Global, Middle East edition, we look at how AI, ESG and financial regulation are catching up with the rapid economic development of ambitious countries across the region.

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Can optimism build an economy?

As Egypt grapples with hyperinflation and the United Arab Emirates boasts a record FDI inflow of over $22 billion in 2022, you might assume that the economic landscape of the Middle East is a tale of two extremes.

Yet, a recent Kreston Global report reveals that mid-sized businesses in both nations share an optimistic outlook on international expansion.

This optimism could well be nurturing Egypt's projected economic growth of over 4% in 2024, driven by public spending, real estate deals, and support from the International Monetary Fund (IMF).

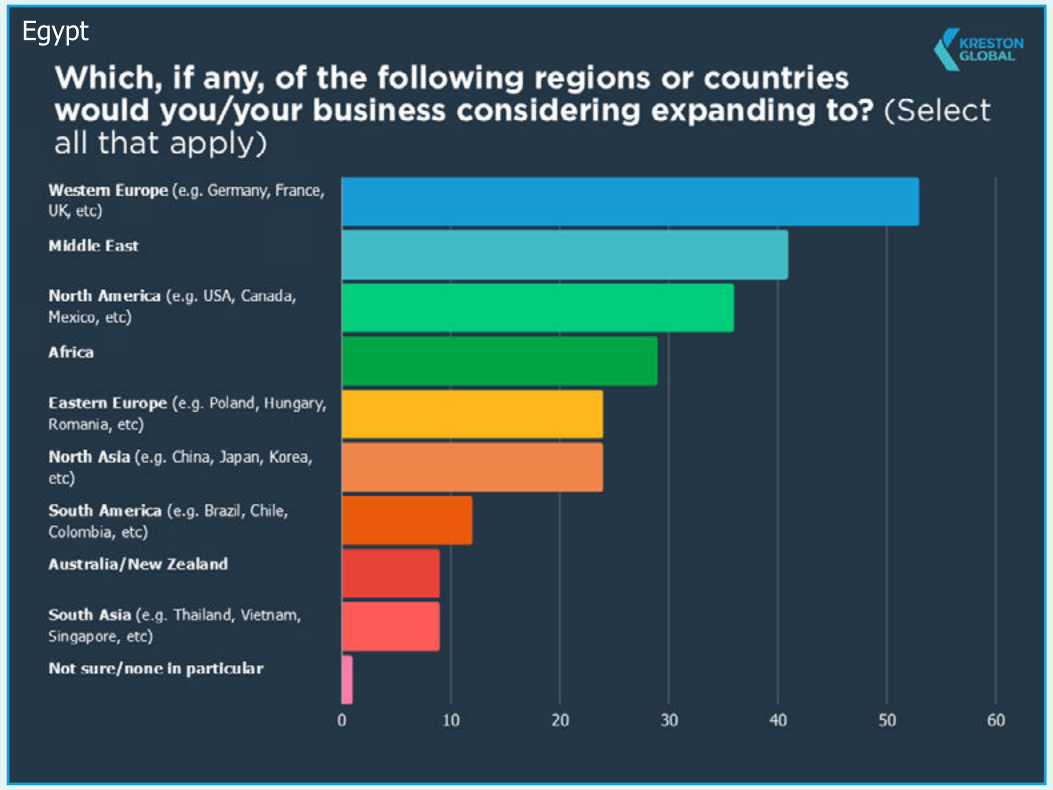
We explore the results of the research to understand how the mid-market is doing business in the region.

Egypt

Egyptian business leaders display high confidence in international expansion. Over half (56%) of CEOs believe the number of businesses expanding internationally will increase significantly over the next year, while 36% foresee a moderate rise. This places Egypt among the top five most confident countries surveyed.

Preferred expansion markets for Egyptian businesses include Western Europe (53%), the Middle East (41%), and North America (36%). Western Europe's economic stability and strong trade ties make it the leading choice, while the Middle East's cultural and geographic proximity reinforces its appeal.

Key drivers for expansion include long-term growth strategies (47%), economic growth prospects in target countries (46%), and supportive government programmes (46%). Despite economic challenges, such as hyperinflation and currency devaluation, Egyptian CEOs remain focused on international markets as critical to their business success.

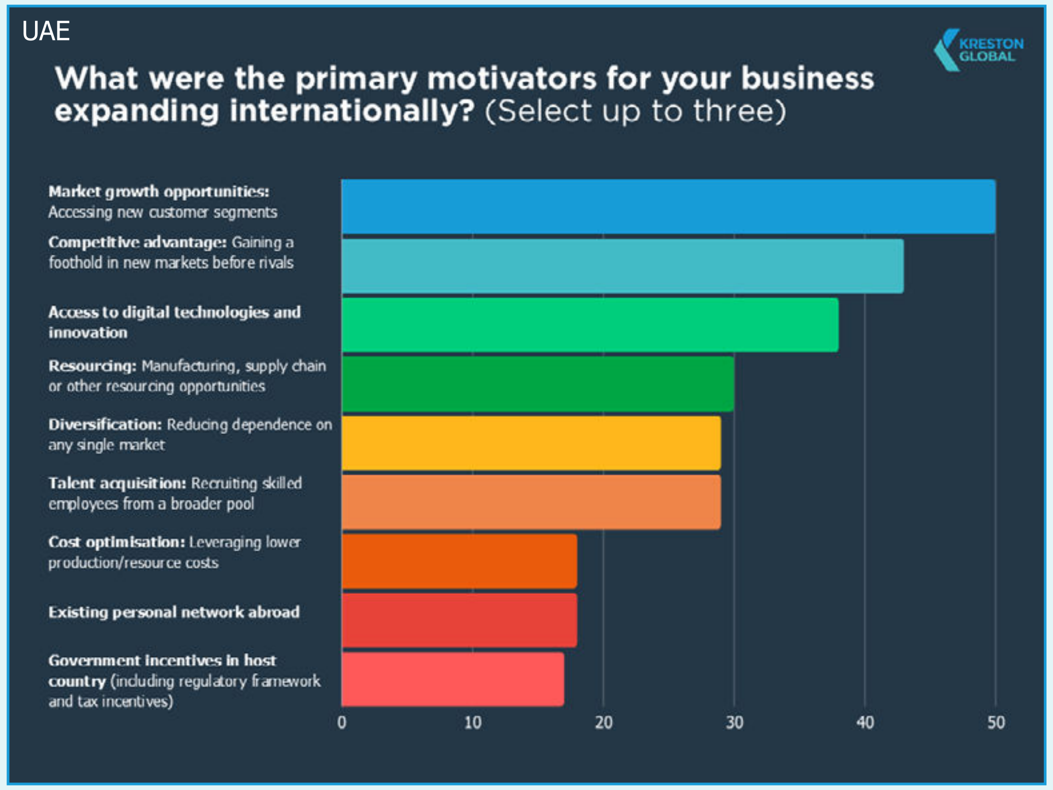


UAE

UAE businesses are similarly ambitious, with 93% of respondents expecting a rise in international expansions over the next year. Market growth opportunities drive 50% of UAE businesses to expand internationally, reflecting a strategic approach to capturing untapped markets.

The most favoured regions for expansion are Western Europe (62%) and the Middle East (54%). Like Egypt, the UAE values proximity and established business relationships within the Middle East, but a larger proportion is drawn to Western Europe, hinting at the UAE's global connectivity.

UAE businesses also prioritise revenue growth, with 62% identifying increased sales as the most significant benefit of international expansion. Financial strategies are a priority; 52% of UAE firms consider private investors for funding, while 47% favour venture capital or private equity to fuel global growth.



Challenges and risks

Economic volatility presents a common hurdle for both Egyptian (44%) and UAE (47%) businesses. Managing currency fluctuations and inflation is particularly relevant for Egypt, while the UAE's exposure to global markets makes it sensitive to foreign exchange volatility.

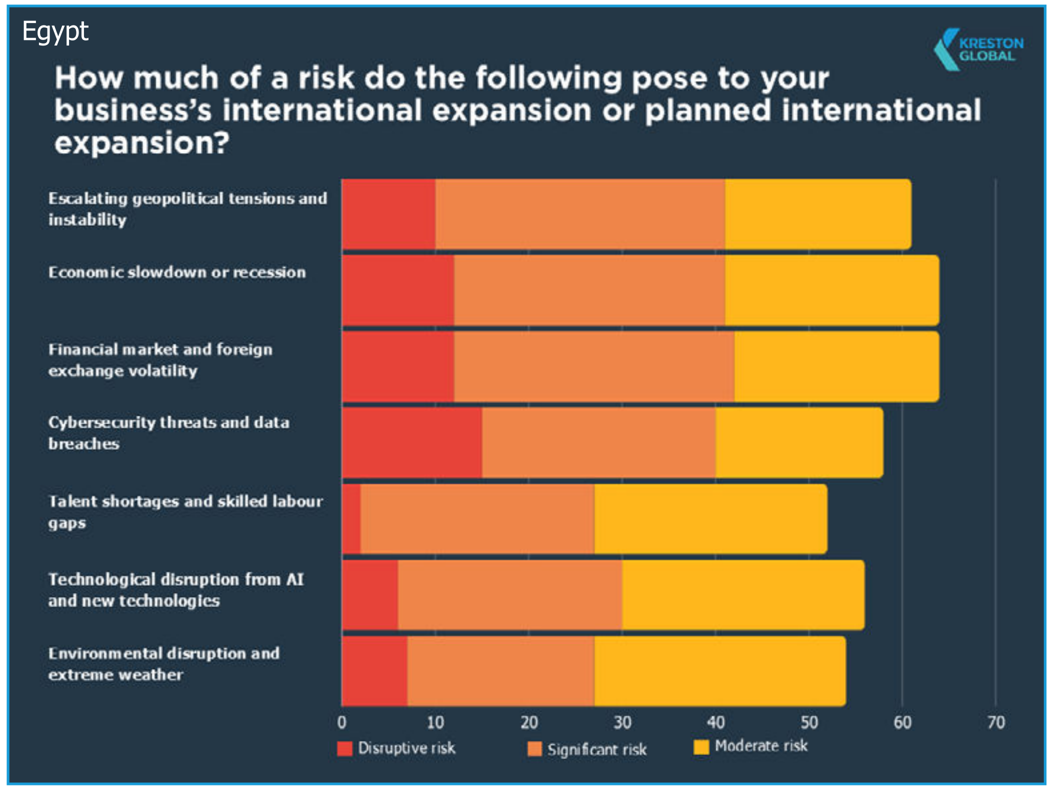
Both countries face challenges in navigating international tax regulations. In the UAE, 43% of businesses express extreme confidence in their understanding of these rules, compared to 56% of Egyptian respondents. These differences reflect varying levels of experience with international operations.

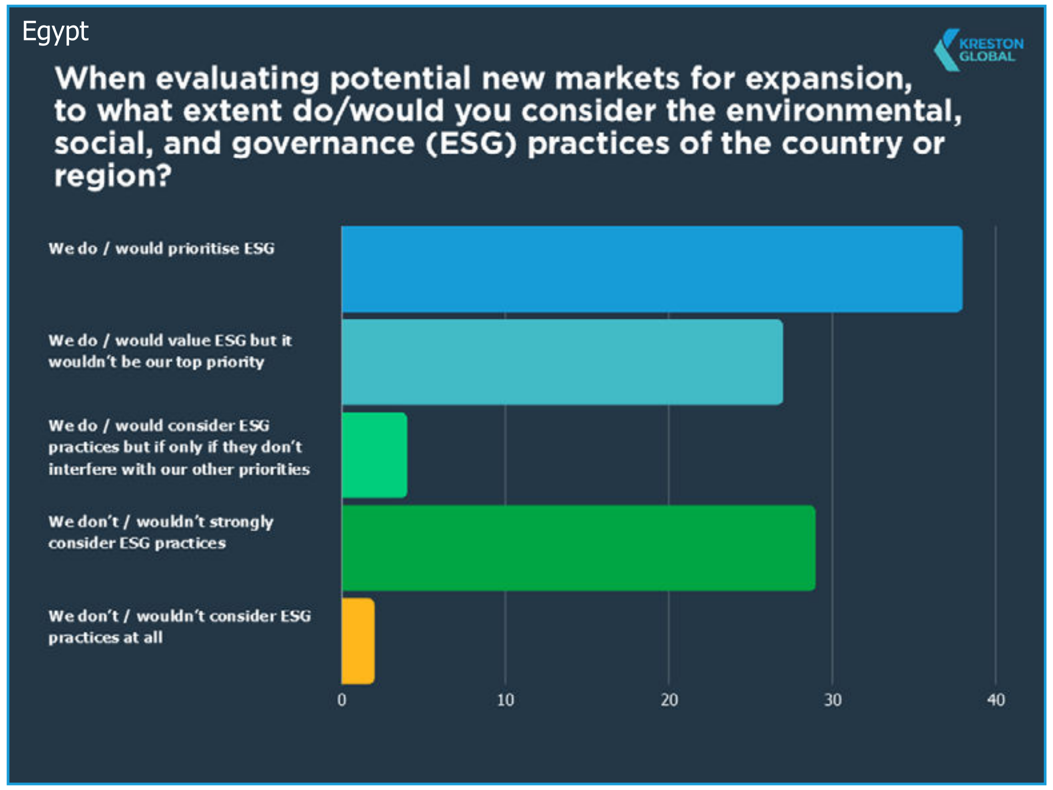
Geopolitical tensions and logistical issues also feature prominently in both nations, with regional conflicts and complex supply chains creating additional risks for global expansion.

ESG and technology

Environmental, Social, and Governance (ESG) considerations are integral to expansion strategies in both countries. Almost all UAE respondents (97%) incorporate ESG into decision-making, aligning with 94% of Egyptian leaders. This shared commitment highlights the growing importance of sustainability across the region.

Similarly, both nations demonstrate strong

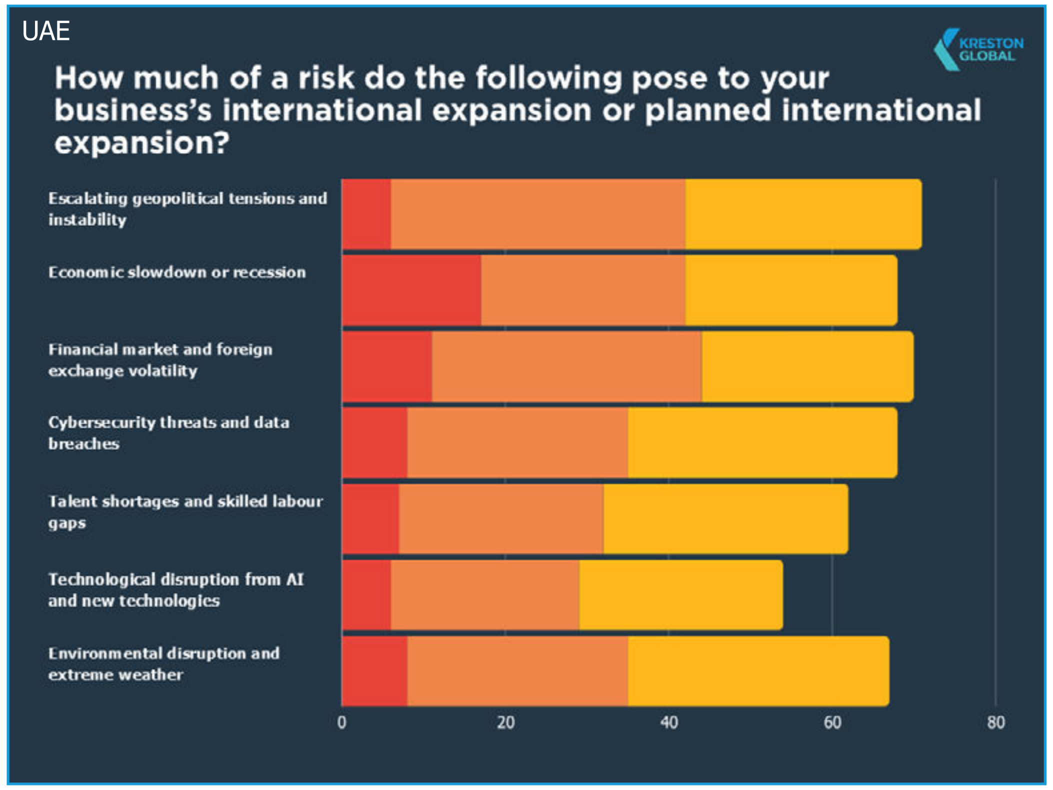


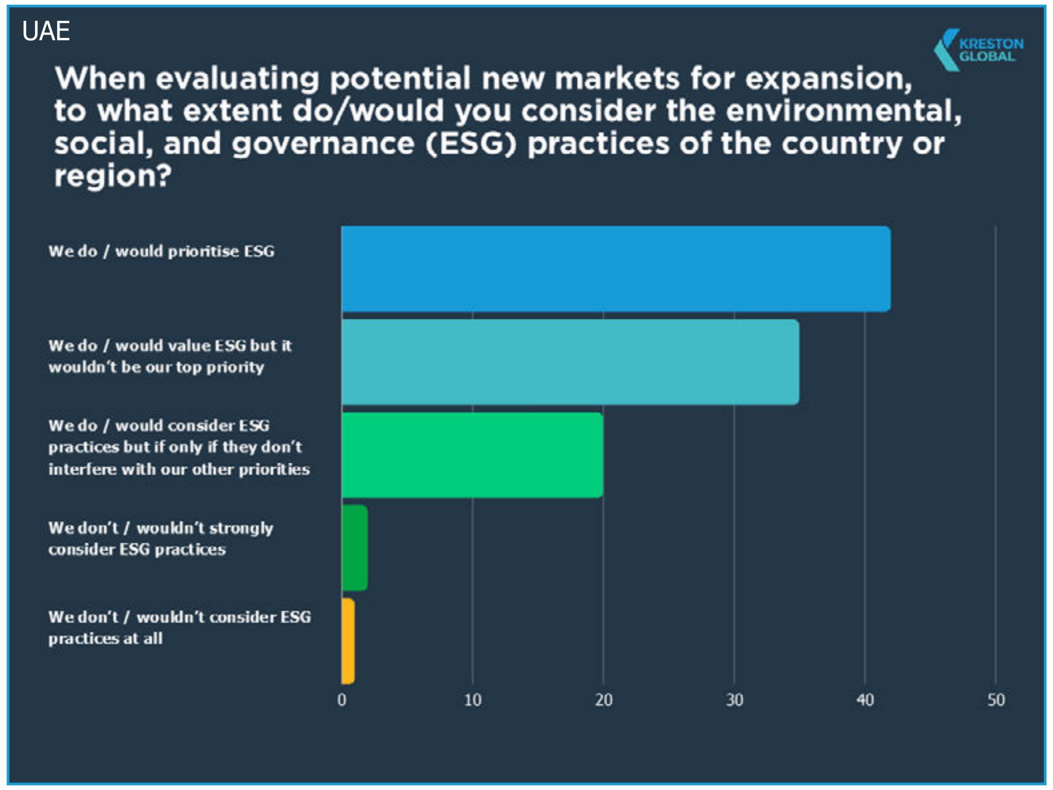


confidence in adopting AI for global operations. In Egypt, 97% of respondents feel prepared to leverage AI in the next two years, closely aligned with the UAE's 94%. This reflects a global trend, where 90% of business leaders also share a high level of preparedness for AI adoption.

Conclusion

The results of the survey highlight the ambition of the region, despite challenges. The UAE, with a focus on market growth opportunities, increased sales post-expansion, and reliance on private investors and ESG metrics highlights its sophistication and alignment with global business trends. Egypt's priorities—anchored in accessing stable markets like Western Europe and leveraging public support mechanisms—reflect the resilience and resourcefulness of its business leaders in domestic economic instability. Each side of the Middle Eastern story, still striving for sustainable international growth.





Diverse MENA region needs tailored strategies for investment

The Middle East and North Africa region (MENA) is brimming with investment opportunities. But it is a diverse market that requires a significant level of local expertise to navigate. Marwa Elmihy, Kreston Egypt explains.

MARWA ELMIHY

Business Development Manager, Kreston Egypt

The interpreneur report has highlighted regional differences in how investment is approached in the MENA region. For instance, Egypt is most likely to use venture capital, while UAE and Egypt are most likely to use management buyout, with UAE most likely to turn to private investors. The regional differences in investment preference can be attributed to a combination of factors, including cultural influences, economic structures, and government policies.

'In Egypt, we have a growing entrepreneurial spirit supported by a youthful population eager to engage in startup ventures, a high-risk appetite but with many opportunities,' said Marwa Elmihy, Business Development Manager for Ahmed Mamdouh & Co, an independent member of Kreston Egypt. 'This enthusiasm aligns well with the venture capital model, while the UAE has a business culture that emphasises stability and long-term growth, making management buyouts and private investments more appealing.'

Government policies and the overall business environment are also a big influence on investment approaches. The Egyptian government has been promoting entrepreneurship through implementing reforms with various initiatives and incentives, creating a conducive environment for venture capital investments. In the UAE, government policies favour private investments and management buyouts by providing a well reputed, stable regulatory framework, tax incentives, and protections that attract both local and international investors. Additionally, the UAE's strategic position as a business hub in the region is more attractive to private investors looking for opportunities in a well-regulated market and solid business transactions.

As global growth cools, the MENA region is facing more turbulent times. Increased cost of capital, currency volatility, and reduced consumer spending are affecting both foreign and local investments. These factors have made borrowing more expensive, increased investment risks, and reduced business profitability, which has discouraged FDI and local investments.

However, a challenging environment does not mean that there is not money to be made. 'Despite current global economic challenges, investment in the MENA region shows potential for growth,' Elmihy. 'Key factors include continued government support for economic diversification and infrastructure, possible recovery in global markets leading to more favourable capital costs, and the resilience of key economies like Saudi Arabia and the UAE. These elements position the region to attract significant foreign direct investment.'

The Belt and Road project has had a significant impact in making the MENA region more attractive to FDI and there are still some huge projects to come online. So far, it has delivered enhanced transportation networks, as well as investments in energy projects, particularly renewable energy. These improvements have led to enhanced trade relations, with increased bilateral trade between China and MENA countries due to improved logistics and reduced transportation costs. The region has seen a surge in FDI from China, targeting critical infrastructure and industrial capabilities and growth in public-private partnerships.

'Investments are mostly targeted at technology, healthcare, and education while supporting SMEs through improved

infrastructure and financing,' said Elmihy. 'Geopolitically, the initiative is strengthening strategic partnerships between China and MENA countries, enhancing regional security and economic stability. Chinese soft power is also growing through cultural exchanges and technological collaborations.'

While the Belt and Road Initiative promises continued economic diversification and technological advancement, Elmihy warns that addressing challenges related to debt sustainability and local capacity will be crucial for its sustained success and mutual benefit in the region.

Despite these concerns, investors are flocking to the region and Elmihy has seen a rise in demand for specialised advisory services such as FDI advisory, and mergers and acquisitions support.

'International firms are increasingly looking to us to provide guidance to market entry and due diligence, valuation and transaction support,' she said. 'There is also greater demand for specialist tax advisory and planning, such as international tax and transfer pricing to enhance efficiency and ensure compliance.'

When it comes to helping local firms secure funding, partnering firms need five key elements in their strategy, according to Elmihy.

'If you want to ensure your clients are successful, then you need to be offer financial assessment and planning, market research and positioning, tailored funding strategy, compliance and risk management, and investor relations,' she said. 'Starting with a thorough financial analysis and strategic planning, moving to in-depth market research for effective positioning, and then tailoring a customised funding strategy. Internal numbers and projects should be audited to build tailored pitch materials.'

While global uncertainly may make the road a bit more rocky, the right approach to each market means investors and local firms can reap dividends.

The Middle East's role in ESG policy-making

The Middle East produces over a third of the world's oil, positioning the region as critical in shaping global ESG policies. As MENA countries pivot toward economic diversification, integrating sustainability into the financial sector is not only essential for the planet but also a cornerstone of long-term regional growth.

UAE's leadership in Sustainable finance

The UAE has emerged as a sustainability leader, exemplified by its active role in the G20 Sustainable Finance Working Group (SFWG). The group's recent September 2024 plan, advocating for 'credible, robust, and just transition plans,' reflects the UAE's commitment to aligning with global ESG priorities.

In June 2024, the UAE introduced the Principles for Sustainability-Related Disclosures, a significant step towards standardising sustainability reporting. These principles, developed by the SFWG in collaboration with regulatory bodies, establish clear expectations for transparency, governance, and materiality in ESG disclosures.

Key ESG developments across the MENA region

MENA's financial institutions are driving the adoption of sustainability practices, spurred by a combination of regulatory mandates and global market pressures. While the UAE sets a high benchmark, neighbouring countries are also advancing:

- **Saudi Arabia:** Encourages ESG reporting through Tadawul's 2021 guidelines.
- **Bahrain:** Introduced voluntary ESG frameworks in 2020, focusing on financial-sector compliance.
- **Qatar:** Launched sustainability reporting standards for listed companies in 2022.
- **Kuwait:** Developed comprehensive ESG guidance and regulations over the past three years.
- **Oman:** Plans to transition from voluntary to mandatory ESG disclosures by 2025.

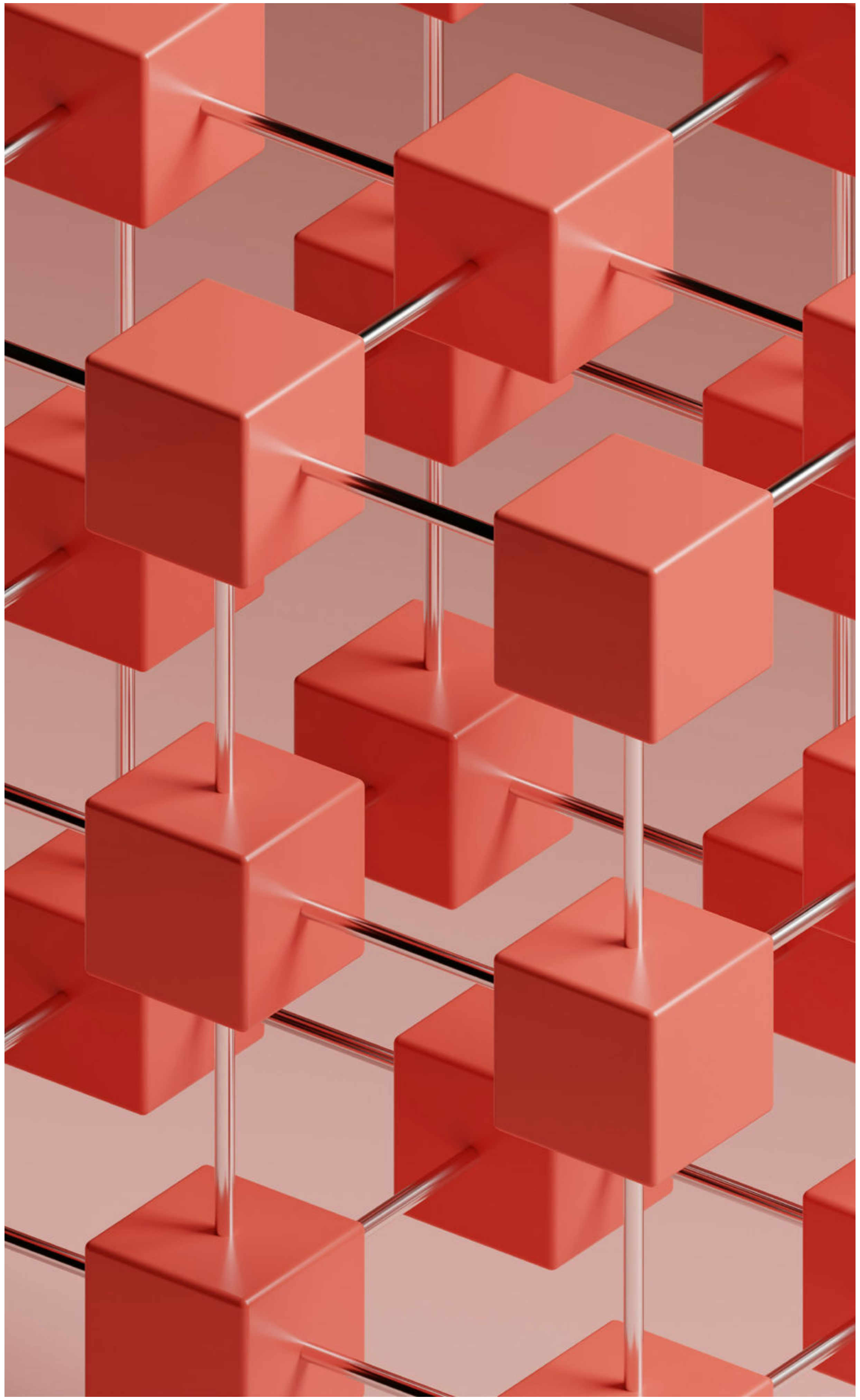
These initiatives collectively strengthen MENA's alignment with emerging global standards, meeting the expectations of both investors and stakeholders.

Meeting global expectations

A whitepaper published in November 2024 by the World Economic Forum, Prioritizing Sustainability in MENA, highlights the urgency for regional businesses to elevate their ESG performance. With the financial sector at the forefront, achieving these goals will require addressing capacity gaps, improving data quality, and fostering collaboration across industries.

Cybercrime: On the rise?

Cybercrime is a growing threat in the Middle East, yet despite the financial impact of data breaches, local firms still struggle to develop an effective strategy to combat it.



WAEL ABBAS RADHI

Partner,
Kreston Bahrain

According to IBM's annual Cost of a Data Breach Report, the average cost of a data breach for businesses in the Middle East reached SAR 32.80 million in 2024. This represents an increase of nearly 10% this year, from SAR 29.90 million in 2023. According to the organisations analysed, the top three factors that amplified breach costs for local businesses were security skills shortages, non-compliance with regulations and security system complexity.

The 2024 report highlighted that the energy sector participants experienced the costliest breaches across industries, reaching SAR 36.90 million on average per breach. The region's financial industry ranked second, with an average cost of SAR 35.81 million per breach, while the industrial sector came in third place at SAR 34.52 million.

According to Wael Abbas Radhi, Partner at Kreston Bahrain, cybercrime is a growing concern for clients, with multiple reports from clients (or their staff) falling for phishing and ransomware attacks.

'Various ransomware attacks have been successful against clients,' he said. 'Mostly, data theft and encryption then a ransom is requested to release the decryption keys in order for the clients to gain back their data or get access to their data.'

To enhance cybersecurity, local companies are investing heavily in cutting-edge technologies like AI and machine learning. For instance, the Saudi giant Saudi Aramco is deploying AI to secure critical infrastructure. The venture arm of the company invested USD 9 million in SpiderSilk, a UAE-based startup offering AI-powered cybersecurity services. But as Radhi has pointed out, it is people that pose the biggest threat.

'There has been a lot of investment in improving infrastructure security,' he said. 'Unfortunately, infrastructure cannot be the ultimate solution. Having up to date IT policies certainly helps curb the chances of any attacks being successful. However, "insider" threats are the ultimate problem, which means that the focus should be on the people and raising awareness.'

Governments in the Middle East are taking the cybercrime threat very seriously and are implementing legislative initiatives to bolster cybersecurity.

On September 14, 2023, Saudi Arabia's first data protection law came into effect. Companies operating in the Middle East must assess the impact of the new legislation on their data processing practices and ensure compliance with the new requirements.

In Jordan, the Cybercrime law No. 17 of 2023 came into force on September 13, 2023, replacing the Cybercrime law of 2015. The new law introduces enhanced measures to combat cybercrime.

Radhi advise clients to engage outside experts to ensure cyber defences are as robust as possible. 'Engaging a consultant or a security expert would be best to map out the systems in place and identify any gaps in security,' he said. 'As well as executing mock attacks to help raise awareness.'

One of the problems that the Middle East faces as a region is that there is a serious skills shortage of qualified people who can offer quality consultancy work. When analysing the costs for local organisations, the IBM report found that the shortage of security skills contributes to the average increase in data breach costs by SAR 1.62 million. This highlights the pressing need for businesses to bridge the gap. Kreston Bahrain has cultivated a skilled team of consultants that can offer a range of services to the clients, such as: risk assessments, best practices, employee training, compliance guidance, threat intelligence solutions and regular audits.

But consultants can only do so much. There needs to be greater awareness and education on cyber security from the management down within firms and unfortunately, Radhi is finding that clients are not educated at all.

'Local firms are not investing enough in prevention strategies and technologies' he said. 'As dangerous and as costly as cybercrime is, these issues are still not taken seriously by most clients. The main reason for this is quite simply, money. Many firms simply do not allocate enough of a budget to tackle this problem effectively, which means they are always reacting to a problem, rather than being proactive.'

But as the IBM report shows, it is a false economy for local businesses not to prioritise cybercrime. As Middle Eastern businesses become increasingly digitised, the problem is only going to get worse and the cost to businesses is only going to increase. The Middle East already ranks as the second highest region for data breach attacks in the world – it may find it has the dubious honour of being first in the IBM report in 2025.

A gateway to global markets: Ennogen Healthcare on why the UAE is key to their expansion

The United Arab Emirates (UAE) has emerged as a premier destination for global entrepreneurs. The UAE's transformation into a hub for global business can be attributed to several key factors, including strategic location, government support, and a pro-business environment.

Ennogen Healthcare, a UK-based pharmaceutical company, is among the many international companies that have expanded their operations to the UAE. In a recent interview, Jason Tate, Chief Financial Officer of Ennogen Healthcare, shared his insights on why the UAE was chosen as their base for expansion and how their journey has been facilitated by Kreston Menon.

The strategic appeal of the UAE

Tate outlined the strategic appeal of the UAE, highlighting three primary reasons for their decision to expand into the region. First and foremost, the UAE's geographic location offers unparalleled access to key markets. Positioned as a gateway between Asia, Europe, and the wider Middle East, the UAE allows companies like Ennogen Healthcare to efficiently reach a broad spectrum of markets while maintaining proximity to their European base.

"The proximity of the UAE to other regions around the world, including Asia and the subcontinent, while remaining close to Europe, was a critical factor for us," Tate explained. This accessibility has made the UAE a preferred destination for companies seeking to expand their global footprint.

Another crucial factor is the UAE's talent pool, which is enriched by a diverse, multicultural workforce attracted by the country's high quality of life. "The talent pool that's available here is attracted

JASON TATE

Chief Financial Officer, Ennogen Healthcare

by the lifestyle and the agglomeration of skills from around the world," said Tate. The ability to draw skilled professionals from various global markets has been instrumental in Ennogen Healthcare's success in the UAE, as the company operates in a highly regulated industry that requires top-tier expertise.

Lastly, the pro-business environment fostered by the UAE government has been a significant enabler. The UAE's regulatory framework is designed to be business-friendly, reducing the bureaucratic barriers that often hinder international expansion. Tate noted, "The pro-business environment, which the government leads, helps us to drive forward our success." This environment, coupled with the UAE's continuous efforts to streamline business operations, has made it an attractive destination for companies looking to establish a presence in the region.

A trusted partner

The role of professional services firms like Kreston Menon in supporting international businesses cannot be overstated. When Ennogen Healthcare began considering its expansion into the UAE, the company evaluated several firms, including the Big Four, before deciding that Kreston Menon was the best fit for their needs. "Kreston Menon was introduced to me by a fellow professional, and we assessed their capability in the UAE compared to other firms," Tate recalled. "We considered that Kreston Menon was best placed in the UAE to give appropriate local advice for the region, which is important in the process of setting up and also expanding."

Kreston Menon's local expertise and understanding of the UAE's regulatory landscape proved invaluable as Ennogen Healthcare navigated the administrative complexities of establishing operations in the country. The firm provided tailored advice and support, ensuring a smooth transition for Ennogen Healthcare as they set up their UAE base.

Advice for new businesses

As the UAE continues to attract a growing number of international businesses, Tate offered some advice for those considering expansion into the region. He emphasised the importance of understanding the local market and leveraging the UAE's business culture. "The UAE provides a very dynamic environment for interpreneurs, attracting talent and facilitating the sharing of knowledge," Tate observed.

He also highlighted the importance of being strategic in selecting a location within the UAE that aligns with the company's business objectives. Proximity to key markets, access to talent, and ease of doing business should all be considered when making this decision.

Bright future

Reflecting on Ennogen Healthcare's journey, Tate rated their success in the UAE as nine out of 10, acknowledging that while they have achieved significant milestones, there is still potential for further growth. "We've arrived here, set up the business, and begun to achieve some of our early goals," Tate said. "But we're also beginning to identify new opportunities that we didn't anticipate before we came here. As a consequence, I'll be moving larger parts of the business out to the UAE in the coming months."

This positive outlook is indicative of the broader trend among interpreneurs in the UAE. The country's ongoing efforts to enhance its business ecosystem and its commitment to creating a competitive and investor-friendly environment have positioned it as a global leader in attracting foreign investment.

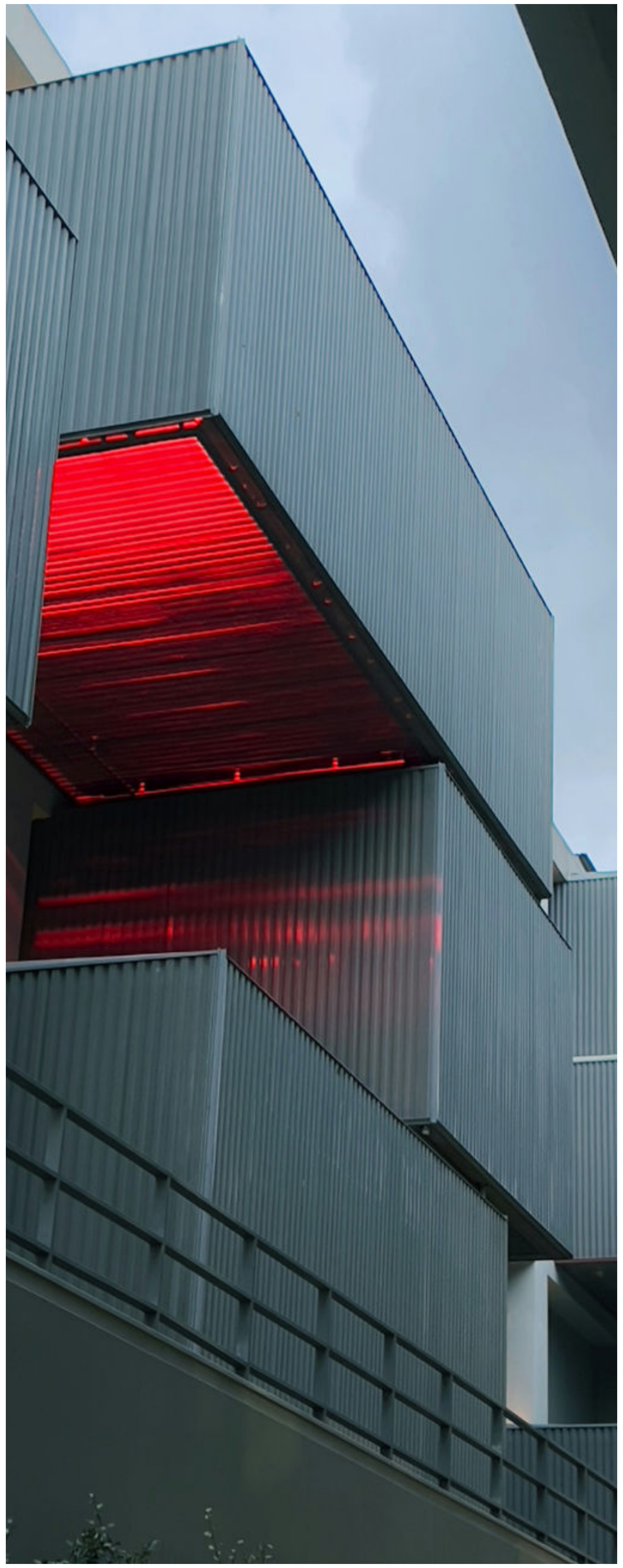
As more international entrepreneurs discover the opportunities that the UAE has to offer, the country is poised to continue its ascent as a top destination for global business. With firms like Kreston Menon offering essential support, and the UAE government's unwavering commitment to fostering a pro-business climate, the future looks bright for interpreneurs aiming to make their mark in the UAE.

Bahrain to introduce 15% minimum tax for multinational corporations

Bahrain will introduce a 15% domestic minimum tax for multinational companies with global revenues over $828.23m (EUR750m) starting January 1, 2025, aligning with OECD guidelines. As the Bahrain News Agency reported, eligible businesses must register with the National Bureau for Revenue before the deadline.

Over 140 jurisdictions have adopted the global minimum corporate tax. Meanwhile, the UAE implemented a 9% corporate tax in June 2023, excluding many free zones, following its 2018 introduction of a 5% VAT. Saudi Arabia raised its VAT to 15% in 2020 to counter declining oil revenues.

Türkiye's new cryptocurrency law



Türkiye has enacted its first comprehensive cryptocurrency regulation, pending final approval from President Recep Tayyip Erdogan. The law aims to mitigate risks in crypto trading, establish oversight, and align with international standards.

The legislation requires all crypto platforms to obtain authorisation from the Capital Markets Board (SPK) to operate legally. Existing providers must apply for a license within one month of the law's enactment or begin liquidation within three months. Unauthorised operations will face severe penalties, including prison sentences ranging from three to 14 years and substantial fines.

The law emphasises consumer protection by mandating written customer contracts and ensuring transparent and traceable fund transfers. It also introduces strict requirements for the technological infrastructure of crypto platforms, which TUBITAK will define. Independent institutions will conduct financial and IT system audits to ensure compliance.

Crypto ATMs must cease operations within three months, and authorities will enforce penalties for non-compliance. These measures address Türkiye's inclusion on the Financial Action Task Force (FATF) "grey list" in 2021, targeting financial crimes such as money laundering. Türkiye's recent removal from the list highlights the success of these reforms.

This landmark legislation reinforces Türkiye's commitment to creating a secure, transparent, globally recognised crypto market.

Qatar introduces crypto regulations framework

Qatar has launched the Digital Asset Regulations 2024, signalling a major shift from its 2018 ban on cryptocurrency. The new framework enables companies to apply for licenses as token service providers and recognises smart contracts, property rights in tokens, custody arrangements, and processes like tokenisation and exchange.

The regulations, developed by the Qatar Financial Centre (QFC) in consultation with 37 domestic and international organisations, aim to strengthen Qatar's position in digital finance. QFC CEO Yousuf Mohamed Al-Jaida highlighted the framework's potential to attract both local and global players, enhancing the competitiveness of Qatar's financial services sector.

Legal experts have noted Qatar's structured approach as comparable to the UAE's Digital Assets Framework, which aligns with international standards and boosts the region's leadership in Web3 innovation.

Navigating Dubai's Virtual Asset regulations

Dubai has emerged as a global leader in virtual asset regulation, establishing the world's first independent authority dedicated to this sector—the Virtual Assets Regulatory Authority (VARA)—in March 2022. Under the UAE's Virtual Assets Law, VARA oversees the regulating, governance, and licensing of cryptocurrencies, NFTs, and related digital assets across Dubai, excluding the DIFC and ADGM. Its broad mandate fosters innovation while addressing risks associated with financial crime.

Key Legislative Framework

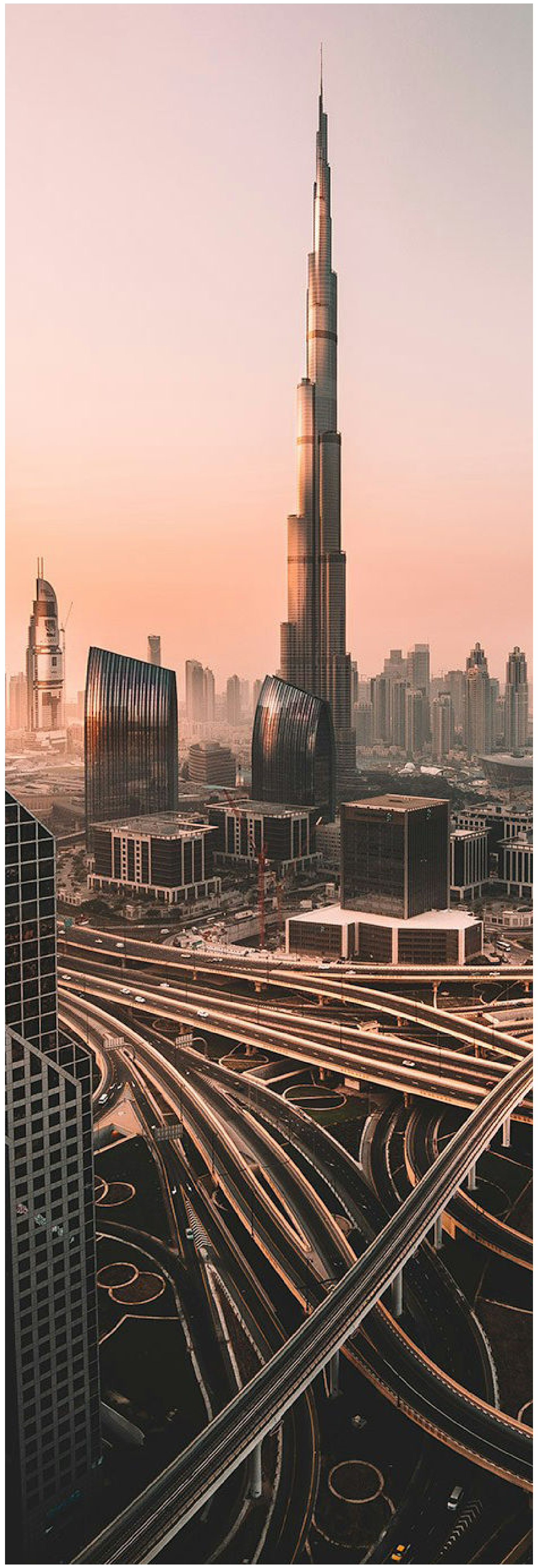
The Virtual Assets Law (Law No. 4 of 2022) provides adaptable definitions for virtual assets and tokens, supporting emerging technologies like NFTs and utility tokens, for businesses seeking a Virtual Asset Service Provider (VASP) license, a two-stage application process is required, involving preliminary approvals followed by operational compliance.

Meanwhile, DIFC operates under its own Digital Assets Law (No. 2 of 2024), which defines digital assets and sets governance rules distinct from VARA. Firms in DIFC must navigate a tailored licensing process through the Dubai Financial Services Authority (DFSA).

Federal Oversight and Future Prospects

At the federal level, the UAE Central Bank and the Securities and Commodities Authority play crucial roles in regulating digital currencies and ensuring compliance with anti-money laundering requirements. The Central Bank's "Digital Dirham" initiative exemplifies the UAE's proactive approach, focusing on cross-border trade settlement and digital currency issuance.

With a robust legal framework, Dubai and the UAE continue positioning themselves as hubs for virtual asset innovation, combining growth opportunities with regulatory vigilance.



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