

# Dragoman Digest.

19.02.2021

## **Riyadh takes on Dubai for top spot as regional business hub**

*Saudi presses multinational companies to choose between Riyadh and Dubai*

**Saudi Arabia** is escalating its [efforts](#) to attract multinational companies and supplant the **United Arab Emirates** as the region's premier business hub. Crown Prince **Mohammed bin Salman** is reportedly spearheading the campaign as part of his Vision 2030 plan to diversify the economy and drive foreign direct investment (FDI). Saudi currently receives less than 5 percent of regional headquarters while providing over 50 percent of regional GDP. Recently incentives announced for firms include a 50-year tax break and waiving the 30 percent quota for private firms to employ Saudi nationals. The campaign has had some success. 24 international firms have pledged to move their regional headquarters including Deloitte, Oyo, Bechtel and PepsiCo. Google Cloud and Alibaba Cloud have also announced they will establish their first offices in Saudi.

More controversially, Riyadh announced that from 2024, the Saudi government will not sign any contract with a foreign company that bases their Middle East headquarters in any other country in the region. These measures will be applied by government bodies that use a Ministry of Finance procurement process for contracts. The initiative may ultimately prove to be a blunt instrument that has little success in driving FDI. Firms for example, may nominally change their official HQ location without altering their investments or presence in Saudi. It is likely that the primary operations of multinationals will remain in Dubai, with firms only relocating some business units or branches. With the largest market size and economy in the region, the opportunities that Saudi can offer firms may eventually surpass those of the UAE.

## **How the extreme cold snap in the US could favour Biden's green agenda**

*Extreme weather has in a very visceral sense highlighted the need for multifaceted action on climate*

Over the last ten days, the **US** has been hit with a bout of extreme cold weather fuelled by a polar vortex. According to [CNN](#), "the cold air is so widespread that you could travel nearly 2,000 miles from the Rio Grande on the Mexican border to the St. Lawrence River on the Canadian border entirely in winter storm warnings". Millions have been left without power in sub-zero conditions, multiple states are under emergency declarations and there have been at least twenty deaths. Texas in particular has been uniquely unprepared, with electricity prices in Houston temporarily rising from \$22 a megawatt-hour to about \$9,000. Gas supplies were constrained as pipelines froze and four million were left without power. Clearly, electricity grids and infrastructure in Texas – and indeed elsewhere in the US – have simply not been built to factor in such extremes.

According to [experts](#), climate change is contributing to this unprecedented cold snap. Warming in the Arctic has weakened high-level air currents circling the northern latitudes of Northern America. In normal times, these currents would be strong enough to hold back polar vortices. That climate change is partially or indeed largely responsible for these extreme weather events could well add momentum to President **Biden's** climate push – specifically his plan for a US\$2 trillion green infrastructure build. Refurbishing energy grids and weatherizing homes are particularly salient features of the package. However, as the recent **Australian** experience of bushfires shows, catastrophic weather events do not instantaneously or automatically translate into more ambition on climate. Passing the green infrastructure package will undoubtedly still require the use of Biden's considerable Congressional experience and negotiating nous.

As analysis by the Rhodium Group [shows](#), what the US does on climate matters deeply for the rest of the world. For every ton of carbon the US pledges to reduce, other countries commit to reducing 6.1-6.8 tonnes. If Biden is successful in meaningfully reducing emissions, the salutary consequences of this will reverberate globally.

### **Previously obscure bureaucratic post firming as key early indicator of President Biden's China policy**

*Beijing will be keeping a keen eye on the unfolding contest for the role*

In previous times, the appointment of the leader of the **US** Commerce Department's Bureau of Industry and Security – which oversees US export-control policy – would normally not draw much attention. However, because of **US-China** competition for tech supremacy, the role has taken new relevance. Traditionally, the Bureau only restricted the export of the most advanced technology to China. This was part of a strategy to enable US firms to enjoy access to the Chinese market, while ultimately ensuring that Beijing's tech prowess remained several generations behind the US'. Former President Trump argued – with justification – that this strategy had failed to prevent China from using access to US technology to help create global champions like Huawei.

Broadly speaking, the two leading candidates for the top role – Kevin Wolf and James Mulvenon – reflect these two divergent approaches. Wolf is a former Obama administration official who, whilst being highly regarded for his expertise, has been criticised for assisting US tech firms in seeking exemptions to strict export controls measures instituted by Trump. Mulvenon on the other hand, better reflects the Trump administration's zeitgeist. An expert on the Chinese military and a Mandarin speaker, Mulvenon argues that in certain circumstances the need to restrict China's tech rise supersedes the need to ensure the profitability of US companies. Whoever prevails will have an important bearing on the overall tone of US-China relations.

### **Libya's peace process gains momentum**

*Plenty of potential spoilers remain in play*

Early this month, **Libya's** warring factions – acting under the aegis of the UN-negotiated Libyan Political Dialogue Forum – successfully voted on a new “unified executive authority”. The newly-minted executive authority has an interim president and prime minister and has a broad mandate to implement the current ceasefire agreement (brokered last October), provide essential public services and organise national elections scheduled for December.

While this initial breakthrough and the broader UN process has been publicly backed by **France, Germany, Italy, the UK, US and Egypt**, these countries have relatively little skin in the game compared to other players. These other players – namely **Turkey, Russia** and to a lesser extent the **UAE** – have acted as the main backers of the two competing sides in the conflict, the UN-recognised Government of National Accord (GNA) and the Libyan National Army (LNA). These three powers all have their own red lines which they will expect the executive authority to respect. Turkey will want the new authority to respect the favourable maritime boundary agreement it brokered with the GNA, while the UAE will be wary of any government that it perceives to be excessively influenced by political Islam. For its part, Russia is rumoured to be seeking to convert several of its current holdings in Libya into military bases. Then of course, there are the Libyans themselves. Neither the LNA leader Gen. **Khalifa Haftar**, or the GNA Prime Minister **Fayez al-Sarraj** are in particularly strong positions domestically and may actually view elections as a threat. While peace in Libya should not be ruled out, it is far from a sure thing.

## **Biden's silence unlikely to signal an existential threat to the US-Israel alliance**

*Nonetheless, Biden's plan to re-join the Iran nuclear deal is firming as a likely flashpoint in relations*

**Israeli** Prime Minister **Netanyahu** was one of the [last global leaders](#) and major US partners to receive a phone call from **US** President **Biden**. Biden finally called Netanyahu on February 18 after weeks of speculation that his silence was a pointed statement. Biden's Secretary of State Antony Blinken downplayed the significance of the delay. However, the Biden administration is expected to adopt a fundamentally [different approach](#) to former President Trump.

The US' Middle East strategy under Trump was [closely aligned](#) with Israeli interests as perceived by Netanyahu, particularly in isolating **Iran**. Biden, on the other hand, plans to re-join the Iranian nuclear agreement. Biden [spoke](#) with European foreign ministers on Thursday and formally offered to restart negotiations. Netanyahu has warned that re-joining would be a "big mistake." Israel's foreign ministry is expected to lobby the Biden administration to ensure that it does not make major concessions. Israel's recent string of attacks targeting Iran in the region send a signal to Biden that Israel will continue its aggressive policy despite Biden's plans to re-engage.

On Palestine, Biden has already changed the White House's approach by restoring aid to the associated UNRWA refugee agency. Biden has signalled he will prevent any further annexations, in contrast to Trump who supported the annexation of the Golan Heights. The administration has also publicly [reaffirmed](#) its support for a two-state solution – although pushing for the resumption of peace talks is unlikely to be a priority. In the short term, Biden's silence is unlikely to have done little more than bruise Netanyahu's domestic political image at a time when he is politically vulnerable and elections are [looming](#). In the longer term, the relationship is likely to be tested but will retain its strategic importance.