

January 2025

Greetings from Washington,

The 2025 World Economic Forum in Davos convened against a backdrop of heightened global uncertainty. Conversations were dominated by three interwoven themes: the approach of the new U.S. administration, escalating trade tensions, and the intensifying race in artificial intelligence (AI)—particularly between the U.S. and China. These developments are reshaping the global economic landscape, creating both risks and opportunities for economies worldwide. For the Middle East and North Africa (MENA), the impact will vary significantly between oil-exporting and oil-importing nations.

U.S. Foreign Economic Policy: A Shift in Direction?

With a new administration in Washington, policymakers and business leaders in Davos were keen to decipher the direction of U.S. economic policy. While early signals suggest a recalibration of trade relations and industrial policy, there remains considerable uncertainty about how the administration will navigate geopolitics, particularly with China, Europe, and key emerging markets, shifting U.S. policy priorities on clean energy, reshoring industries, and defense alliances is expected to significantly impact global markets.

For MENA, U.S. policy decisions on energy, trade, and security partnerships will be critical. If Washington adopts a more protectionist stance, it could disrupt trade flows and investment patterns for the region. On the other hand, renewed diplomatic engagement with Gulf allies and energy producers may provide opportunities for deeper collaboration, particularly in energy transition projects.

The Trade War Intensifies: Fragmentation and Realignment

The U.S.-China trade war, once viewed as a temporary standoff, has now evolved into a structural shift in global trade. Recently, the U.S. announced [tariff hikes](#) on key imports, including a 25 percent tariff on Chinese electric vehicles, a 10 percent tariff on certain Canadian and Mexican steel products, and new restrictions on goods from Panama. These measures are expected to increase prices for American consumers and businesses while further straining global supply chains.

Tariffs, export controls, and reshoring strategies are forcing companies to rethink supply chains. Business leaders at Davos voiced concerns over the growing weaponization of trade policies, with many anticipating long-term realignments in global trade routes. Recent analysis [pointed](#) that tariffs introduced over the past five years have reshaped global value chains, with U.S. and Chinese firms seeking alternatives.

For MENA, this shift presents both risks and openings. Oil exporters, particularly in the Gulf, could benefit as China seeks to diversify energy imports away from the U.S. and its allies. At the same time, supply chain disruptions could incentivize investments in regional manufacturing and logistics hubs, positioning countries like the UAE and Saudi Arabia as key nodes in new trade networks. For oil importers, such as Egypt and Jordan, heightened trade uncertainty may increase input costs and weaken export competitiveness, particularly in industries reliant on Chinese supply chains.

The AI Marathon: A New Battleground for Economic Dominance

Perhaps the most dynamic conversation at Davos revolved around artificial intelligence. The race between the U.S. and China to dominate AI innovation is no longer just about technology but also about economic and geopolitical leverage. AI-driven automation, data monopolization, and regulatory battles are shaping the next phase of global economic competition. [McKinsey & Company](#) recently highlighted that AI investments globally have surpassed \$200 billion annually, with significant implications for productivity and employment.

For MENA economies, the implications are profound. AI offers the potential to drive productivity gains, enhance digital infrastructure, and improve economic efficiency. Gulf countries, particularly the UAE and Saudi Arabia, have already launched ambitious AI strategies ([UAE National AI Strategy 2031](#) and [Saudi Arabia's Vision 2030](#)), aiming to position themselves as global tech hubs. For instance, the Kingdom Holding Company (KHC), a Saudi conglomerate, has [acquired](#) a \$400 million stake in xAI Corporation, an AI company founded by Elon Musk. Additionally, Saudi Arabia's government is planning to establish a \$40 billion [fund](#) dedicated to AI investment, signaling a strategic move to diversify its economy and solidify its position in the Middle East's AI landscape.

However, the region still faces challenges in AI talent development, regulatory frameworks, and local innovation ecosystems. Oil importers, with fewer fiscal buffers, risk falling behind unless they accelerate investment in digital transformation and workforce upskilling.

Implications for MENA: A Divided Landscape

Oil Exporters: Adapting to a Shifting Global Order

For MENA's oil-exporting economies, these global trends present both risks and opportunities:

- **Energy Market Volatility:** Uncertainty in global trade and economic growth could lead to [fluctuating](#) oil demand and price instability. However, growing U.S.-China tensions may reinforce China's pivot toward Gulf energy suppliers, providing a cushion against potential Western policy shifts.
 - **AI and Economic Diversification:** Gulf economies, led by Saudi Arabia and the UAE, are pushing aggressive AI and digital economy strategies to reduce dependence on hydrocarbons. Successful execution of these initiatives will be key to long-term economic resilience.
 - **Investment and Trade Realignment:** The GCC's position as a strategic investment hub could be reinforced as global supply chains shift. However, balancing relations with both the U.S. and China will require diplomatic and economic agility.

Oil Importers: Navigating External Pressures

For oil-importing economies like Egypt, Jordan, and Morocco, the external environment presents mounting challenges:

- **Rising Import Costs:** Trade disruptions could [increase](#) the cost of essential imports, exacerbating fiscal pressures and inflationary risks.
- **Limited AI Readiness:** While some progress has been made in digitalization, most oil-importing economies lack the necessary infrastructure and investment to compete in the AI-driven economy. Without targeted policies, the technology gap between MENA and global leaders will widen.
- **Debt and Capital Flows:** With global interest rates still uncertain, access to financing remains a concern. [According to the International Monetary Fund \(IMF\), Egypt's general government gross debt stands at approximately 95.8 percent of its GDP, Jordan's at 68 percent, and Morocco's at 42.4 percent.](#) With global interest rates still uncertain, access to financing remains a concern. These economies will need to prioritize structural reforms to attract investment and sustain economic growth amid global volatility.

Conclusion: A Region at a Crossroads

The discussions at Davos underscored a world in transition—one where economic alliances are shifting, AI is reshaping industries, and trade policies are becoming increasingly unpredictable. For MENA, adapting to these changes will require strategic foresight, policy agility, and deeper regional cooperation. Oil exporters have an opportunity to leverage their energy and investment power, while oil importers must double down on economic resilience and innovation.

Sincerely,

Racha Helwa
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New Publications



The green gold rush: Why renewable energy is Egypt's next big opportunity

By Amb. Jonathan R. Cohen and Racha Helwa

[Read Here](#)

If the MENA region wants to unlock its youth potential, it should look to sports



By Hezha Barzani

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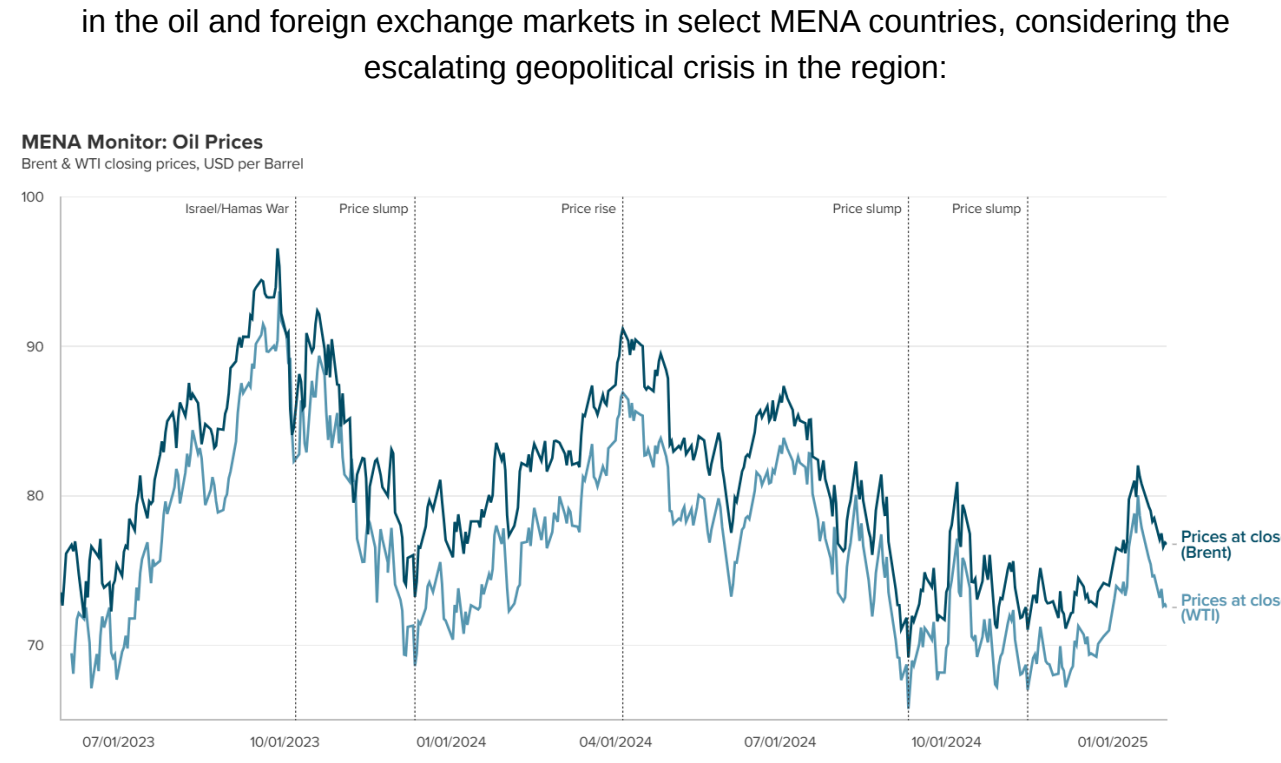
Big Data

Impact of US-China Trade Tariff Retaliation on MENA Countries

Impact Area	Description
Stock Market Reactions	Major Gulf stock markets declined due to U.S. tariffs on key trade partners; Saudi and Qatari indices saw drops.
Shift in Metal Imports	U.S. firms likely to turn to MENA, India, Chile, and Peru for metal imports due to tariff impact.
China's Deepening Engagement	China has invested approximately \$152.4 billion in MENA from 2013-2021 across infrastructure, energy, and technology.
Diversification of Economic Partnerships	18 MENA countries and the Palestinian Authority joined China's Belt and Road Initiative, reducing dependence on Western trade partners.

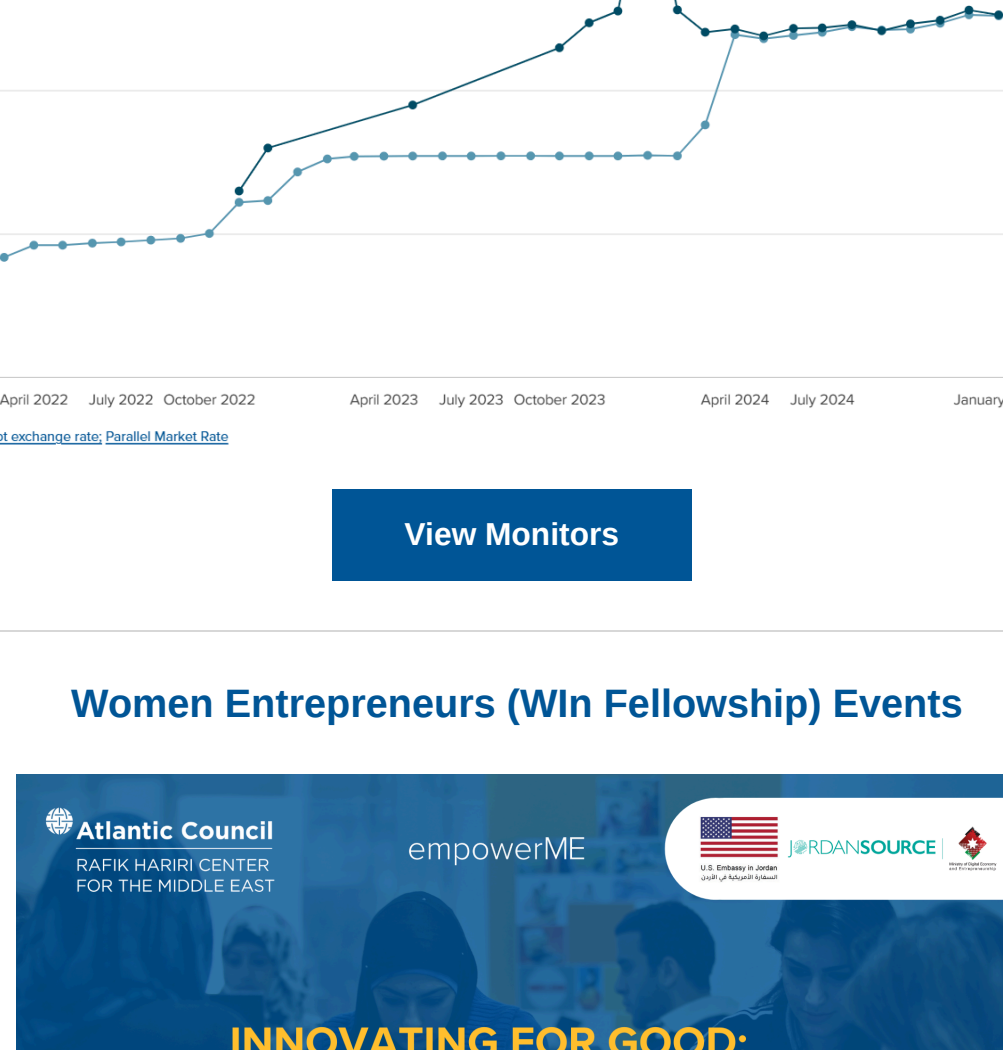
MENA Monitors: Oil & Foreign Exchange

Check out our latest updates to the [MENA Monitors](#), which tracks the fluctuations in the oil and foreign exchange markets in select MENA countries, considering the escalating geopolitical crisis in the region:



[View Monitors](#)

Women Entrepreneurs (Win Fellowship) Events



Past Event
Innovating for good: Jordan's impact-driven startups

On January 28th, the Women Innovator Fellowship hosted an event that explored how startups in Jordan are successfully positioning the country as an innovation-driven economy and contributing to the growth of the region's impact-driven businesses. Speakers included Senior Entrepreneur Experience Associate at Endeavor Jordan Rand Alkilani, Associate Professor, Technology Management Economics and Policy at the University of Jordan Ashraf Bany Mohammed, Managing Director at Hikma Ventures Lana Ghanem, Co-Founder at Seven Cities Dina Saoudi, and Founder & CEO of Jabal Amman Publishers and Kutubea Siman Sweis.

[Watch Event](#)



Upcoming Event
The role of AI in transforming Saudi Arabia's economic landscape

On Tuesday, February 18, the Women Innovator Fellowship will host an event to explore artificial intelligence's (AI's) transformative role in Saudi Arabia's economic landscape.

[Register](#)

The MENA Economic Digest

- [Saudi Arabia Plans \\$40 Billion Push Into Artificial Intelligence](#) (The New York Times)
- [Five GCC economic themes to watch in 2025](#) (PwC)
- [Major Gulf markets fall as Trump tariffs stoke broader trade war fears](#) (Reuters)
- [China's ties with Saudi Arabia buoyed by green tech](#) (Financial Times)

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