

POLICY REPORT  
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# Part 3 of 4

# China's Approach to Iraq, Egypt, and Oman

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Cover Image: Aerial photo of the Faw Grand Port under construction in Basra, Iraq. The project is set to become one of the largest ports in the Middle East. (Murtadha Al-Sudani / Anadolu via Getty Images)

## EXECUTIVE SUMMARY

A key barrier to Middle Eastern economic growth is the lack of economic connectivity that exists among the region's states, and between them and the rest of the world. Since the onset of the Belt and Road Initiative, China has emerged as an increasingly key provider of physical and digital infrastructure in the Middle East. Accordingly, could the nature and quantity of China's infrastructure engagement in the region herald a tangible improvement in the Middle East's economic connectivity?

To ascertain whether China's infrastructure engagement could address these deficits, this series began by looking at economic connectivity and integration deficits as key barriers to Middle Eastern economic growth. Part 1 also introduced the general nature of China's investment and infrastructure engagement in the Middle East, and its imbalanced character that focuses on a few select regional countries. Part 2 contained two case studies on the highest and second highest focus countries of this Chinese engagement, Saudi Arabia and the UAE. This report, Part 3, will do the same for Iraq, Egypt, and Oman. Finally, Part 4 will use these case studies to analyze whether this uneven Chinese engagement can nonetheless produce tangible spin-off connectivity improvements that could address the Middle East's connectivity deficits on a regional level.

## Introduction

China is a key investment, industrial, and infrastructure player in the Middle East, but its focus is overwhelmingly weighted toward Saudi Arabia, the United Arab Emirates, Iraq, and Egypt. An analysis of the nature and extent of China's infrastructure engagement in these four countries could establish whether this uneven Chinese focus can still pose prospects for spin-off connectivity and integration improvements, and therefore growth prospects, for the surrounding region. Part 2 of the series pursued this inquiry for Saudi Arabia and the UAE, the two highest recipients of Chinese infrastructure engagement, so this part of the series, Part 3, will do so for the third and fourth highest recipients: Iraq and Egypt. Oman will also be looked at briefly, as China's leadership of the Duqm Port Special Economic Zone development poses notable possible connectivity dividends if the development reaches its potential. Through this comparative case study analysis, and a detailed consideration of policy options for each case to leverage their impact on a regional scale, the analysis of this series assesses the variable outcomes of this uneven engagement.

In Iraq, China's involvement remains overwhelmingly concentrated in the oil and gas sector, a trend that has persisted both before and after the launch of the Belt and Road Initiative (BRI). While a 2019 oil-for-infrastructure deal has led to an uptick in Chinese construction projects, these are predominantly focused on energy-related facilities like refineries and power plants. The few non-energy projects, such as one concerning the construction of 1,000 schools and the new Nasiriyah International Airport, offer limited connectivity enhancements. The airport, for instance, is not considered a "groundbreaking" development due to its limited passenger capacity and proximity to the existing Basra International Airport. The report finds that China's failure to diversify into more impactful connectivity projects is not due to a lack of interest. Notably, internal Iraqi political rivalries thwarted Chinese involvement in the strategic Al Faw port project – a potential alternative to the Suez Canal. The contract was awarded to a South Korean firm instead. However, the door remains open for Chinese participation in the ambitious "Development Road" project connecting Al Faw with Türkiye.

In Egypt, however, Chinese investment is creating significant and multifaceted connectivity dividends. This is driven by a strategic synergy between the BRI and Egypt's Vision 2030, positioning Egypt as a pivotal hub linking the Middle East, Africa, and Europe. China's engagement is heavily focused on the Suez Canal Economic Zone (SC Zone), which is critical to the success of the BRI. This includes extensive port construction, improvement, and operation at Alexandria, El Dekheila, Port Said, and Ain Sokhna. A key project aims to create

an integrated Red Sea-Mediterranean logistics zone by linking the Ain Sokhna and Dekheila ports via high-speed rail. Beyond physical infrastructure, China is driving the industrialization of the SC Zone through the China-Egypt TEDA Suez Economic and Trade Cooperation Zone.<sup>1</sup> This has attracted numerous international firms and established industrial clusters, creating a positive feedback mechanism that spurs further connectivity enhancements. Egypt is also being integrated into the Digital Silk Road. Huawei has established its regional information and communications technology (ICT) hub in Cairo, launching the first public cloud service in the country and an Arabic large language model (LLM) to support digital transformation across 20 Arab markets.

While Oman is not a top recipient of Chinese investment, it is positioned to potentially become a BRI focus. The likely centerpiece of this future engagement is the China-Oman Industrial Park in the Duqm Special Economic Zone. A Chinese consortium has pledged \$10.7 billion to develop the park, which is slated to become the largest free trade zone in the Middle East. Although the project is still in its early stages, tangible progress includes a factory for the oil and gas industry and a “Duqm Material Market” designed to be a regional wholesaler for building materials. If realized, the Duqm development holds immense potential to create extensive linkages among the Arabian Peninsula, South Asia, and East Africa, attracting international companies and creating a positive feedback loop for regional connectivity.

## Policy Recommendations

To best leverage existing Chinese infrastructure commitments across the three countries to maximize regional economic connectivity, the report offers the below policy recommendations.

### 1 IRAQ

#### Physical Connectivity

Adopt an “anchored and phased rail model” for the Development Road project.

Iraq and its Chinese/Gulf partners could break the rail line into commercially viable segments (e.g., Al Faw-Karbala), anchored by new industrial zones. A two-level financing mechanism – repaying debt via project revenue using Build-Operate-Transfer (BOT) proceeds, backed by a ring-fenced oil escrow – would insulate the project from Iraq’s corruption and political risk, ensuring construction and regional integration can proceed.

### 2 EGYPT

#### Digital Connectivity

Formalize the Huawei Cairo Hub as a Regional Digital Free Zone (DFZ).

This virtual regulatory zone would grant tax breaks and streamlined administration to regional tech companies to go beyond mere cloud utilization to establish physical commercial presences. Foreign company trust to permit their data flow into the zone would be sought through legal guarantees like secured data localization within the zone and specialized arbitration mechanisms. This could begin to inculcate a more regional digital market and position Egypt as the low-cost, secure AI/cloud gateway for North Africa and the Levant.

### 3 OMAN

#### Multimodal Integration

Actively promote the Duqm Special Economic Zone’s expansion into the Gulf Cooperation Council by accelerating rail planning.

Beijing should offer its master-planning expertise (e.g., through Tianjin TEDA) to Saudi and Omani decision-makers to help prove the viability of a Duqm-Riyadh freight rail link. This rail line is necessary to connect Duqm’s industrial and bulk mineral output to Saudi Arabia’s booming construction market, in turn enabling the realization of China’s existing commitment to the SEZ.

<sup>1</sup> Joudeh, Safa. 2025. “Understanding Chinese Industrial Zone Practices from an Egyptian Perspective.” Carnegie Endowment for International Peace, February 6. <https://carnegieendowment.org/posts/2025/02/understanding-chinese-industrial-zone-practices-from-a-local-perspective?lang=en>.

## Section I: Iraq

The September 2019 oil-for-infrastructure deal committed Iraq to selling a set amount of oil per day to China with the revenues ostensibly being used to repay a Chinese credit loan that funds Chinese contractors (who themselves often use foreign or local subcontractors) to build purportedly non-energy-related infrastructure projects in Iraq.<sup>2,3</sup> An immense uptick in the rate of Chinese construction projects in Iraq followed. However, as in the decade preceding it, that construction has remained overwhelmingly focused on oil and gas projects: petrochemical refineries, petroleum exploration and development, a gas processing facility, and an oil power plant.<sup>4,5,6,7,8</sup> Indeed, the only non-energy sector infrastructure project that has been a direct product of the oil for infrastructure framework was a deal for China's Power Construction Corporation of China (PowerChina) and Sinotech to build 1,000 schools in the country.<sup>9,10</sup> Author interviews in Baghdad with individuals in the Iraqi banking sector and administration of former Prime Minister Adil Abdul-Mahdi revealed that, at least as of early 2024, the agreement was also being used to fund Chinese energy sector projects in Iraq, perhaps explaining, in part, the negligible number of non-energy projects produced by the framework.<sup>11</sup>

Outside of this schools project, Chinese firms reportedly will be awarded contracts to build 1,000 health facilities in the country and 90,000 houses in Baghdad's Sadr City.<sup>12,13,14</sup> There has been tangible progress so far: Arrangements were confirmed in March 2025 for 16 hospitals to be constructed by 2028 under the oil-for-infrastructure deal,<sup>15,16</sup> and a \$2 billion project was signed in December 2024 for 30,000 housing units to be built as part of a new residential city on Baghdad's outskirts (although not in Sadr City).<sup>17</sup>

The remaining small number of non-oil and gas projects has included PowerChina's plans in 2021 to construct 2 gigawatts' worth of solar parks with a value of \$3.7 billion, with construction ostensibly planned to commence in

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- 2 Muhsen, Majda. 2019. "Iraq Signs Eight Agreements with China." *Zawya*, September 30. <https://www.zawya.com/en/business/iraq-signs-eight-agreements-with-china-ofu74jvp>.
  - 3 Emirates Policy Center. 2020. "Iraqi-Chinese Economic Agreement: a Debate on Objectives and Benefits." Emirates Policy Center, February 19. <https://www.epc.ae/en/details/featured/iraqi-chinese-economic-agreement-a-debate-on-objectives-and-benefits>.
  - 4 O'Farrell, Seth. 2022. "Iraq Receives \$10bn in Belt and Road Contracts." *FDI Intelligence*, February 18. <https://www.fdiintelligence.com/content/news/iraq-receives-10bn-in-belt-and-road-contracts-80693>.
  - 5 Asia Investment Research. 2022. "Alleged China - Iraq Belt And Road Initiative Investments Did Not Happen." February 14. <https://www.asiainvestmentresearch.org/news/alleged-china-iraq-belt-and-road-initiative-investments-did-not-happen>.
  - 6 Calabrese, John. 2019. "China-Iraq Relations: Poised for a 'Quantum Leap'?" *Middle East Institute*, October 8. <https://www.mei.edu/publications/china-iraq-relations-poised-quantum-leap>.
  - 7 Shokri, Umud. 2023. "Iran-Iraq Competition in Regional Maritime and Overland Transit Corridors." *Middle East Institute*, April 11. <https://www.mei.edu/publications/iran-iraq-competition-regional-maritime-and-overland-transit-corridors>.
  - 8 Hasan, Harith. 2022. "Pivot to the East: The Implications of China's Growing Economic Foothold in Iraq." Emirates Policy Center, November 3. <https://epc.ae/en/details/featured/pivot-to-the-east-the-implications-of-china-s-growing-economic-foothold-in-iraq>.
  - 9 Kawach, Nadim. 2025a. "Iraq Revives Oil-for-Projects Deal with China." *AGBI*, August 1. <https://www.agbi.com/construction/2025/08/iraq-revives-oil-for-projects-deal-with-china/>.
  - 10 Kawach, Nadim. 2025b. "China's Tsingshan to Build 'Steel City' in Iraq." *AGBI*, May 15. <https://www.agbi.com/infrastructure/2025/05/chinas-tsingshan-to-build-steel-city-in-iraq/>.
  - 11 Author interviews in Baghdad, January 2024.
  - 12 Hasan, Harith. 2022. "Pivot to the East: The Implications of China's Growing Economic Foothold in Iraq." Emirates Policy Center, November 3. <https://epc.ae/en/details/featured/pivot-to-the-east-the-implications-of-china-s-growing-economic-foothold-in-iraq>.
  - 13 Zawya. 2022. "China's CSEC to Start Work on Nasiriyah Airport." April 27. <https://www.zawya.com/en/projects/bri/projects-chinas-csec-to-start-work-on-nasiriyah-airport-r0m52uzb>.
  - 14 Global Construction Review. 2021. "China to Build Airport, Housing and Healthcare Facilities for Iraqi Oil." July 26. <https://www.globalconstructionreview.com/china-build-airport-housing-and-healthcare-facilit/>.
  - 15 Lee, John. 2025. "List of New 100-Bed Hospitals Under China Agreement." *Iraq Business News*, March 13. <https://www.iraq-businessnews.com/2025/03/13/list-of-new-100-bed-hospitals-under-china-agreement/>.
  - 16 BNE Intellinews. 2025a. "China Signs Latest Hospital Building Contract in Iraq." March 6. <https://www.intellinews.com/china-signs-latest-hospital-building-contract-in-iraq-370404/>.
  - 17 al Ansary, Khalid. 2023. "Iraq Breaks Ground on \$2 Billion Project to Build New City." *Bloomberg*, December 29. <https://www.bloomberg.com/news/articles/2023-12-28/iraq-breaks-ground-on-2-billion-project-to-build-new-city>.

2026.<sup>18,19</sup> However, the prospects of it being realized seem somewhat uncertain given the price (\$1.85 million per megawatt) is unusually high compared to regional benchmarks.<sup>20</sup> PowerChina also won a contract in July 2024 to construct Iraq's first large-scale seawater desalination plant in Basra as well as a 300-megawatt power plant to supply its electricity.<sup>21</sup> A final, particularly notable deal was the May 2025 announcement that China's Shang Xin company will construct a more than \$2 billion industrial city in Basra – Iraq's first industrial city – initially focusing on sponge iron, aluminum, and stainless steel production. This production will be initially focused on supplying the domestic market, with an eye to building export capacity in the longer term.<sup>22,23</sup>

Table 1

**Chinese investment and construction contracts (≥\$100 million) in Iraq in the 8.5 years (March 2005–September 2013) before the BRI**

Year	Size (\$ millions)	Sector	Subsector
2007	\$1,080	Energy	-
2009	\$8,580	Energy	Oil
2010	\$570	Energy, Real Estate	Oil, Construction
2011	\$1,180	Energy	Oil
2012	\$2,010	Energy, Utilities	Oil
2013	\$550	Energy	Oil
<b>Total</b>	<b>\$13,970</b>	<b>Energy [9] = \$13,480 (\$ millions)</b> <b>Real estate [2] = \$360</b> <b>Utilities [1] = \$130</b>	

This data was extracted and collated from AEI China Global Investment Tracker, which began at the start of 2005.

The totaled tallies represent the total amount of projects per sector and their combined value.

The construction of Nasiriyah International Airport should clearly pose a certain level of connectivity enhancement between south-central Iraq and the surrounding region, with a notable feature of the development to be an accompanying cargo building and a 25-kilometer (15.5-mile) motorway that will connect the airport to the surrounding Dhi Qar governorate.<sup>24</sup> However, with an annual passenger capacity of only 750,000, the airport won't be a particularly groundbreaking connectivity enhancement, especially seeing as Basra International Airport is less than a two-hour drive from Nasiriyah.<sup>25</sup> The industrial city in Basra could pose a certain level of spin-off connectivity improvements in the future if the zone is used to develop export capacity for the materials being produced there. The development of the zone into an export-focused one could necessitate the upgrading of transport and logistics infrastructure connecting it to Umm Qasr Port or the future Al Faw Port.

18 Power Technology. 2024. "Power Plant Profile: Power China Solar PV Park, Iraq." October 14. <https://www.power-technology.com/data-insights/power-plant-profile-power-china-solar-pv-park-iraq/?cf-view>.

19 Enerdata. 2023. "Iraq Authorises a 750 MW Solar Project to Be Developed by Power China." June 2. <https://www.enerdata.net/publications/daily-energy-news/iraq-authorises-750-mw-solar-project-be-developed-power-china.html>.

20 O'Farrell, Seth. 2022. "Iraq Receives \$10bn in Belt and Road Contracts." FDI Intelligence, February 18. <https://www.fdiintelligence.com/content/news/iraq-receives-10bn-in-belt-and-road-contracts-80693>.

21 Reuters. 2025. "PowerChina Wins \$4 Billion Contract for Iraqi Water Desalination Plant, Sources Say." July 24. <https://www.reuters.com/sustainability/land-use-biodiversity/powerchina-wins-4-billion-contract-iraqi-water-desalination-plant-sources-say-2025-07-24/>.

22 BNE Intellinews. 2025b. "China's Shang Xin Secures \$2bn Contract to Build Industrial Complex in Iraq's Basra." March 23. <https://www.intellinews.com/china-s-shang-xin-secures-2bn-contract-to-build-industrial-complex-in-iraq-s-basra-372972/>.

23 Kawach, Nadim. 2025b. "China's Tsingshan to Build 'Steel City' in Iraq." AGBI, May 15. <https://www.agbi.com/infrastructure/2025/05/chinas-tsingshan-to-build-steel-city-in-iraq/>.

24 Zawya. 2022. "China's CSEC to Start Work on Nasiriyah Airport." April 27. <https://www.zawya.com/en/projects/bri/projects-chinas-csec-to-start-work-on-nasiriyah-airport-r0m52uzb>.

25 Global Construction Review. 2021. "China to Build Airport, Housing and Healthcare Facilities for Iraqi Oil." July 26. <https://www.globalconstructionreview.com/china-build-airport-housing-and-healthcare-facilit/>.

This data is extrapolated from the AEI China Global Investment Tracker. The only information accessible is from July 2024 to October 2013 – i.e. 10 ¾ years after the onset of the BRI.

Table 2

### Chinese investments and construction contracts (≥\$100 million) in Iraq in the 10 ¾ years (October 2013–July 2024) since the BRI

Year	Size (\$ millions)	Sector	Subsector
2013	\$1,930	Real estate, Energy, Utilities	Construction, Oil
2014	\$610	Real estate, Energy	Construction, Oil
2015	\$670	Energy	Oil
2016	\$1,800	Utilities, Energy, Real Estate	Gas, Construction
2017	\$450	Real estate	Construction
2018	\$1,830	Energy	Oil
2019	\$3,250	Real estate, Energy	Construction, Oil, Gas
2020	\$380	Energy	Gas, Oil
2021	\$4,260	Energy	Oil
2022	\$4,250	Energy, Transport, Other	Oil, Gas, Education, Aviation
2023	\$710	Energy, Real Estate	Oil, Construction
2024	\$480	Real estate, Tourism	Construction
<b>Total</b>	<b>\$20,270</b>	<b>Energy [32] = \$16,940 (\$ millions)</b> <b>Real estate [8] = \$2,060</b> <b>Utilities [3] = \$600</b> <b>Tourism [1] = \$380</b> <b>Transport [1] = \$370</b> <b>Education [1] = \$270</b>	

The totaled tallies represent the total amount of projects per sector and their combined value.

The fact that China has not properly diversified its sectoral focuses in Iraq past the oil and gas sector is not necessarily due to a lack of Chinese interest. The Iraqi government plans to include a new port facility, dry dock, oil terminal, dry canal, accompanying transport infrastructure, industrial zones, and housing projects in the Al Faw port project, which centers on the eponymous town spanning the Iraqi coastline south of Basra.<sup>26,27</sup> Furthermore, the project is envisaged to link with Türkiye through road and rail links, thus presenting itself as an alternative to the Suez Canal and a transportation hub between Europe and Asia.<sup>28,29</sup> However, China has been notably absent from the Al Faw project thus far, with the port construction contract being awarded to South Korean company Daewoo, and Abu Dhabi Ports having signed on for further potential investment, management, and operation of the port.<sup>30,31</sup> This absence has been due not to a lack of interest but instead to the Sadrist movement pressuring the Iraqi government to forgo Chinese involvement in favor of Daewoo amid a push by Iraqi groups like Asa'ib Ahl Al-Haq, a major rival of the Sadrist movement, for increased Chinese investment in Iraq.<sup>32</sup>

26 Shokri, Umut. 2023. "Iran-Iraq Competition in Regional Maritime and Overland Transit Corridors." Middle East Institute, April 11. <https://www.mei.edu/publications/iran-iraq-competition-regional-maritime-and-overland-transit-corridors>.

27 Duman, Bilgay, and M. Alaca. 2023. "Basra-Turkey 'Dry Canal' Project: Ambitious Vision or Pipe Dream?" Arab Gulf States Institute in Washington, February 22. <https://agsiw.org/basra-turkey-dry-canal-project-ambitious-vision-or-pipe-dream/>.

28 Iraqi Thoughts. 2023. "Faw Grand Port Project: Prospects And Challenges." February 9. <https://1001iraqithoughts.com/2023/02/09/faw-grand-port-project-prospects-and-challenges/>.

29 Duman, Bilgay, and M. Alaca. 2023. "Basra-Turkey 'Dry Canal' Project: Ambitious Vision or Pipe Dream?" Arab Gulf States Institute in Washington, February 22. <https://agsiw.org/basra-turkey-dry-canal-project-ambitious-vision-or-pipe-dream/>.

30 Hellenic Shipping News. 2024. "Daewoo Completes Wharf Construction at Al-Faw New Port in Iraq." October 21. <https://www.hellenicshippingnews.com/daewoo-ec-completes-wharf-construction-at-al-faw-new-port-in-iraq/>.

31 Arab News. 2024. "AD Ports Group Sign Agreement to Develop Iraq's Al-Faw Grand Port." April 4. <https://www.arabnews.com/node/2487966/business-economy>.

32 Hasan, Harith. 2022. "Pivot to the East: The Implications of China's Growing Economic Foothold in Iraq." Emirates Policy Center, November 3. <https://epc.ae/en/details/featured/pivot-to-the-east-the-implications-of-china-s-growing-economic-foothold-in-iraq>.



Aerial view of the Grand Faw Port in Basra, Iraq. When construction is completed, the port is set to connect Iraq to Asia and Europe via Türkiye with land and rail lines. (Murtadha Al-Sudani/Anadolu via Getty Images)

Nonetheless, over the past couple of years, Baghdad has openly solicited China's assistance in constructing Iraq's ambitious Development Road project (DRP),<sup>33</sup> the transport and logistics corridor that would connect Al Faw with Türkiye. However, since its apparent interest the Al Faw port project, Chinese companies have not submitted any tenders for the DRP.<sup>34</sup> Iraq's crippling levels of corruption, bureaucratic inefficiency, domestic political contestation over territories the project would pass through, and overwhelming economic reliance on oil revenue present risks. Those, plus the projected decline in global demand for oil over the course of the DRP's construction lifetime, have likely cooled Chinese interest in investment as questions about its financial viability and full implementation linger.

There may be future Chinese interest in certain projects within the broader DRP that do not depend on the corridor's completion, with industrial zones being a key candidate. However, the level of implementation challenges and the burgeoning progress of the BRI Middle Corridor through Central Asia to Türkiye as a far more straightforward alternative<sup>35,36,37</sup> mean Chinese leadership of the project's transport corridor construction is unlikely. While the early years of the BRI were characterized by often somewhat indiscriminate Chinese project selection and spending, its current era has been characterized by more disciplined targeting, requiring more concrete commercial viability

33 Shafaq News. 2023. "Report: Iraq Considers Opportunities for Chinese-Iraqi Development." October 4. <https://shafaq.com/en/Report/Report-Iraq-considers-opportunities-for-Chinese-Iraqi-Development>.

34 Emirates Policy Center. 2025. "Why China Is Reluctant to Support Iraq's Development Road Project." January 7. <https://www.epc.ae/en/details/featured/why-china-is-reluctant-to-support-iraq-s-development-road-project->

35 Yuan Shenggao. 2025. "Türkiye Emerges as Key Link in Eurasian Trade." China Daily, September 1. <https://www.chinadailyhk.com/hk/article/618991>.

36 Olander, Eric. 2025. "Erdogan Pitches Closer Alignment Between Türkiye's Middle Corridor and China's Belt and Road." China Global South Project, September 1. <https://chinaglobalsouth.com/2025/09/01/erdogan-middle-corridor-bri-china/>.

37 Nuriyev, Elkhan. 2025. "China's Middle Corridor Push Puts Europe in the Slow Lane." Asia Times, September 29. <https://asiatimes.com/2025/09/chinas-middle-corridor-push-puts-europe-in-the-slow-lane/>.

prospects.<sup>38,39,40</sup> In this more risk-averse BRI climate, the DRP becomes a notably less favorable concept for Beijing.

## Section 2: Egypt

Egypt occupies fourth place in terms of the total value of general Chinese investment and construction projects in the Middle East. China is increasingly assuming a key position in Egypt's industrialization, spurred by the interdependence it continues to develop with Egypt's development strategy, with both nations pushing enthusiastically toward the integration of the BRI and Egypt's Vision 2030.<sup>41,42</sup>

China's role as the leading investor in the construction of the new Egyptian administrative capital east of Cairo<sup>43,44,45,46</sup> illustrates this interdependence. The development is emblematic of the nearly 850% increase in Chinese real estate investments seen in the nearly 11 years since the onset of the BRI (table 4) compared to the nearly nine-year period before the BRI (table 3). In January 2024, China State Construction Engineering Company (CSCEC) completed 20 large-scale office buildings, hotels, and residential towers in the new capital's central business district, including the \$3 billion Iconic Tower, the tallest on the continent.<sup>47</sup> This follows AVIC International and China Railway Group's completion of the railway linking the new city with Cairo in July 2022.<sup>48</sup> And in June 2025, CSCEC signed on to operate and maintain the new capital's central business district, where it will manage property, utilities, and urban services, thus realizing a build-operate-maintain PPP model.<sup>49</sup> A further aspect of this interdependence is reflected in China consolidating itself as a leading investor in the SC Zone. This consolidation is occurring specifically through the China-Egypt TEDA Suez Economic and Trade Cooperation Zone, a part of the greater Ain Sokhna Industrial Zone within the Suez corridor that is being led by China's Tianjin TEDA Co Ltd.<sup>50,51,52</sup>

The focus of China's foreign direct investment in Egypt is predominantly on physical infrastructure, helped in no small part by the scale of Chinese funding of the new administrative capital and the array of construction contracts that

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- 38 Umbach, Frank. 2022. "How China's Belt and Road Initiative Is Faring." GIS, April 8. <https://www.gisreportsonline.com/r/belt-road-initiative/>.
- 39 Ebel, Pippa. 2023. "China's Belt and Road Initiative: Ten Years On." Council on Geostategy, May 11. <https://www.geostategy.org.uk/research/chinas-belt-and-road-initiative-ten-years-on/>.
- 40 Boston University Global Development Policy Center. 2023. "Small Is Beautiful: A New Era in China's Overseas Development Finance?" January 19. <https://www.bu.edu/gdp/2023/01/19/small-is-beautiful-a-new-era-in-chinas-overseas-development-finance/>.
- 41 Sun, Degang. 2018. "From Bystander to Stakeholder?: China's Participation in Middle East Security Affairs." *The Middle East in London* 14 (4): 10.
- 42 Chen, Juan. 2018. "Strategic Synergy between Egypt 'Vision 2030' and China's 'Belt and Road' Initiative." *Outlines of Global Transformations: Politics, Economics, Law* 11 (5): 219–32.
- 43 Wood, David. 2018. "Egypt Loves China's Deep Pockets." *Foreign Policy*, August 28. <https://foreignpolicy.com/2018/08/28/egypt-loves-chinas-deep-pockets/>.
- 44 Abu Al-Khair, Waleed. 2022. "Chinese Investment in Egypt Comes at High Price, Analysts Warn." *Caravanserai*, January 3. [https://central.asia-news.com/en\\_GB/articles/cnmi\\_ca/features/2022/01/03/feature-01](https://central.asia-news.com/en_GB/articles/cnmi_ca/features/2022/01/03/feature-01).
- 45 McGregor, Grady. 2022. "China Emerges as Lead Funder for Egypt's New Administrative City." *Al-Monitor*, December 20. <https://www.al-monitor.com/originals/2022/12/china-emerges-lead-funder-egypts-new-administrative-city>.
- 46 Fernández, Enrique. 2023. "Egypt's Plan to Increase Foreign Capital Investment." *Atalayar*, May 14. <https://www.atalayar.com/en/articulo/economy-and-business/egypts-plan-to-increase-foreign-capital-investment/20230509180234184451.html>.
- 47 Rogers, David. 2024a. "First Three Buildings Completed for Financial District of Egypt's New Capital." *Global Construction Review*, January 15. <https://www.globalconstructionreview.com/first-three-buildings-completed-for-financial-district-of-egypts-new-capital/>.
- 48 Rogers, David. 2024b. "Egypt Opens First Electric Light Railway to Link Cairo and New Capital." *Global Construction Review*, July 4. <https://www.globalconstructionreview.com/egypt-opens-first-electric-light-railway-to-link-cairo-and-new-capital/>.
- 49 Mukherjee, Vasudha. 2025. "Egypt's New Capital City to Be Built, Operated by Chinese Construction Firm." *Business Standard*, June 9. [https://www.business-standard.com/world-news/egypt-new-administrative-capital-cairo-china-cscec-iconic-tower-nac-125060900608\\_1.html](https://www.business-standard.com/world-news/egypt-new-administrative-capital-cairo-china-cscec-iconic-tower-nac-125060900608_1.html).
- 50 Breuer, Julia. 2017. *Two Belts, One Road? The Role of Africa in China's Belt & Road Initiative*. Blickwechsel.3-4
- 51 Abu Al-Khair, Waleed. 2022. "Chinese Investment in Egypt Comes at High Price, Analysts Warn." *Caravanserai*, January 3. [https://central.asia-news.com/en\\_GB/articles/cnmi\\_ca/features/2022/01/03/feature-01](https://central.asia-news.com/en_GB/articles/cnmi_ca/features/2022/01/03/feature-01).
- 52 Ahmed, Taha, and T. Shehadi. 2020. "How the Suez Canal Economic Zone Is Aiding Egypt's Economic Resurgence." *FDI Intelligence*, March 9. <https://www.fdiintelligence.com/content/locations/middle-east-africa/egypt/how-the-suez-canal-economic-zone-is-aiding-egypt-s-economic-resurgence-76816>.

saw CSEC build the city's CBD.<sup>53,54,55,56</sup> Indeed, this reflects the most notable finding from a comparison of Chinese investment and infrastructure attention in Egypt's real estate sector from \$720 million in the 8½ years pre-BRI to \$6.87 billion in the 10¾ years since, as shown in tables 3 and 4.

The extent of China's primary development focus on the new administrative capital, and also the SC Zone, carries significant implications for Egypt and the region's development. The BRI-Egypt Vision 2030 integration planning projects the capital to become the central node connecting Suez with new parts of Egypt's Mediterranean coast, seemingly at Alexandria, via "integrated land and maritime transport and trade infrastructure."<sup>57,58,59,60</sup> Here, the new capital would serve as an operational headquarters of sorts,<sup>61</sup> providing a modern financial center and policymaking hub that could efficiently serve the growth of such a corridor.

**Table 3**

**Chinese investments and construction contracts (≥\$100 million) in Egypt in the 8.5 years (March 2005–September 2013) before the BRI**

Year	Size (\$ millions)	Sector	Subsector
2006	\$940	Metals	Aluminum
2007	\$150	Logistics	-
2008	\$590	Transport, Real Estate	Shipping, Construction
2009	\$280	Real estate	Construction
2010	\$1,990	Energy	Oil
2011	\$440	Transport, Energy	Shipping, Gas
2012	\$550	Other, Energy	Industry, Oil
2013	\$3,430	Real estate, Energy	Property
<b>Total</b>	<b>\$8,270</b>	<b>Energy [4] = \$5,560</b> <b>Real estate [3] = \$720</b> <b>Transport [4] = \$670</b> <b>Industry [2] = \$420</b> <b>Logistics [1] = \$150</b>	

This data was extracted and collated from AEI China Global Investment Tracker, which began at the start of 2005.

The totaled tallies represent the total amount of projects per sector and their combined value.

53 Ghiles, Frances. 2019. "China's Deep Pockets in Egypt." *The Arab Weekly*. <https://thearabweekly.com/chinas-deep-pockets-egypt>.

54 Chen, Juan. 2018. "Strategic Synergy between Egypt 'Vision 2030' and China's 'Belt and Road' Initiative." *Outlines of Global Transformations: Politics, Economics, Law* 11 (5): 226-27.

55 Abu Al-Khair, Waleed. 2022. "Chinese Investment in Egypt Comes at High Price, Analysts Warn." *Caravanserai*, January 3. [https://central.asia-news.com/en\\_GB/articles/cnmi\\_ca/features/2022/01/03/feature-01](https://central.asia-news.com/en_GB/articles/cnmi_ca/features/2022/01/03/feature-01).

56 McGregor, Grady. 2022. "China Emerges as Lead Funder for Egypt's New Administrative City." *Al-Monitor*, December 20. <https://www.al-monitor.com/originals/2022/12/china-emerges-lead-funder-egypts-new-administrative-city>.

57 Chen, Juan. 2018. "Strategic Synergy between Egypt 'Vision 2030' and China's 'Belt and Road' Initiative." *Outlines of Global Transformations: Politics, Economics, Law* 11 (5): 219–32.

58 McGregor, Grady. 2022. "China Emerges as Lead Funder for Egypt's New Administrative City." *Al-Monitor*, December 20. <https://www.al-monitor.com/originals/2022/12/china-emerges-lead-funder-egypts-new-administrative-city>.

59 Xinhua. 2022. "Chinese-constructed CBD project in Egyptian capital boosts local development." *The State Council Information Office*, August 23. [http://english.scio.gov.cn/beltandroad/2022-08/23/content\\_78384445.htm](http://english.scio.gov.cn/beltandroad/2022-08/23/content_78384445.htm)

60 Calabrese, John. 2020. "China's Maritime Silk Road and the Middle East: Tacking Against the Wind." *Middle East Institute*, May 19. <https://www.mei.edu/publications/chinas-maritime-silk-road-and-middle-east-tacking-against-wind>.

61 Hassan, Nadin. 2025. "Suez Canal Economic Zone Reports 38% Revenue Growth, Secures \$6.3bn in Projects." *Arab News*, September 16. <https://www.arabnews.com/node/2615493/business-economy>.

Indeed, China's aim is to use Egypt's position among the Middle East, Africa, and Europe to spur BRI cooperation across all three regions.<sup>62</sup> Accordingly, the continuity of China's development focus on the SC Zone at large is essentially assured by the fact that the BRI won't be able to succeed without an optimally functioning Suez Canal and SC Zone.<sup>63</sup> As such, port construction and investment is a central focus of China in Egypt,<sup>64</sup> with China's improvement, enlargement, and operation of the Alexandria and nearby El Dekheila ports (Egypt's two main commercial ports), as well as Port Said, all located on the Mediterranean coast, aimed at strengthening Egypt's strategic proximity prospects to the European market.<sup>65,66,67,68</sup> Additionally, the 2021 completion of a new terminal basin at Ain Sokhna, near the Red Sea mouth of the Suez Canal, by China Harbor Engineering Company tangibly increased the competitiveness of the port's offering, and, by extension, the competitiveness of the SC Zone as a connectivity hub.<sup>69,70</sup> This project came off the back of China's TEDA finishing the construction of first development phase at Ain Sokhna in 2020.<sup>71</sup>

The dynamic of Chinese investment in such connectivity zones attracting further investment and development of the zone is again evident in the case of Ain Sokhna, as COSCO Shipping Ports Ltd. (CSPL), a subsidiary of China's COSCO Shipping Corp., acquired a 25% stake for an additional container terminal at Ain Sokhna port in March 2023 that will see CSPL lead its development and operation for 30 years.<sup>72,73</sup> Perhaps the peak of the connectivity dividend Egypt is set to realize from Chinese port infrastructure leadership is the project signed in August 2022 involving Egypt, Hong Kong's Hutchison Ports, and China's COSCO, as well as French and Italian shipping firms CMA, CGM, and MSC, respectively. This project is set to pursue the development of the Ain Sokhna and Dekheila port development projects within a superstructure framework that will link the two ports through use of high-speed rail transport shipping containers, thus creating an integrated Red Sea-Mediterranean Sea logistics zone.<sup>74,75</sup> The development of this integrated logistics axis will further open Egyptian commerce links with the world.

62 Hassanein, Haisam. 2019. "Egypt Takes Another Step Toward China." Washington Institute. <https://www.washingtoninstitute.org/policy-analysis/view/egypt-takes-another-step-toward-china>.

63 Tiezzi, Shannon. 2016. "Xi's Visit Cements Egypt's Place on the 'Belt and Road'." The Diplomat, January 22. <https://thediplomat.com/2016/01/xis-visit-cements-egypts-place-on-the-belt-and-road/>.

64 China-Arab States Cooperation Forum Research Centre. 2018. Joint Development of the "Belt and Road", A New Era of Promoting China-Arab Collective Cooperation – Achievements and Prospects of the China-Arab States Cooperation Forum. China-Arab States Cooperation Forum Research Centre, 19.

65 Hassanein, Haisam. 2019. "Egypt Takes Another Step Toward China." Washington Institute. <https://www.washingtoninstitute.org/policy-analysis/view/egypt-takes-another-step-toward-china>.

66 Ayyad, Ibrahim. 2022. "Egypt-Chinese Consortium to Run Terminals in Red Sea, Mediterranean Ports." Al-Monitor, August 24. <https://www.al-monitor.com/originals/2022/08/egypt-chinese-consortium-run-terminals-red-sea-mediterranean-ports>.

67 Zhong, Nan. 2023. "CSPL's Egypt Port Stake to Boost Trade, Biz, BRI." China Daily, March 17. <https://www.chinadaily.com.cn/a/202303/17/WS6413bcc1a31057c47ebb4fbb.html>.

68 Zawya. 2023. "Egypt Inks \$1.6bn Deals to Manage, Operate Sokhna, Dekheila Ports." March 16. <https://www.zawya.com/en/economy/north-africa/egypt-inks-16bn-deals-to-manage-operate-sokhna-dekheila-ports-yzr37fur>.

69 Xinhua. 2018. "China Harbour Builds New Terminal South of Egypt's Suez Canal." August 29. [http://www.xinhuanet.com/english/2018-08/29/c\\_137428464.htm](http://www.xinhuanet.com/english/2018-08/29/c_137428464.htm).

70 Ganic, Eldin. 2021. "Work on Sokhna's Second Container Terminal Complete." Dredging Today, February 5. <https://www.dredgingtoday.com/2021/02/05/work-on-sokhnas-second-container-terminal-complete/>.

71 Ahmed, Taha, and T. Shehadi. 2020. "How the Suez Canal Economic Zone Is Aiding Egypt's Economic Resurgence." FDI Intelligence, March 9. <https://www.fdiintelligence.com/content/locations/middle-east-africa/egypt/how-the-suez-canal-economic-zone-is-aiding-egypt-s-economic-resurgence-76816>.

72 Zhong, Nan. 2023. "CSPL's Egypt Port Stake to Boost Trade, Biz, BRI." China Daily, March 17. <https://www.chinadaily.com.cn/a/202303/17/WS6413bcc1a31057c47ebb4fbb.html>.

73 Si, Katherine. 2023. "Cosco Shipping Ports Invests in Egypt's Ain Sokhna Container Terminal." Seatrade Maritime News, March 17. <https://www.seatrade-maritime.com/ports/cosco-shipping-ports-invests-egypts-ain-sokhna-container-terminal>.

74 Ayyad, Ibrahim. 2022. "Egypt-Chinese Consortium to Run Terminals in Red Sea, Mediterranean Ports." Al-Monitor, August 24. <https://www.al-monitor.com/originals/2022/08/egypt-chinese-consortium-run-terminals-red-sea-mediterranean-ports>.

75 Ahram Online. 2023. "Egypt Signs \$1.6 Billion Deals with Int'l Consortiums to Manage, Operate Sokhna & Dekheila Ports." March 15. <https://english.ahram.org.eg/NewsContentP/3/491793/Business/Egypt-signs-billion-deals-with-intl-consortiums.aspx>.

This data was extrapolated from the AEI China Global Investment Tracker. The only information accessible is from July 2024 to October 2013 – i.e. 10 ¾ years after the onset of the BRI.

Table 4

### Chinese investments and construction contracts (≥\$100 million) in Egypt in the 10 ¾ years (October 2013– July 2024) since the BRI

Year	Size (\$ millions)	Sector	Subsector
2014	\$370	Real estate	Construction
2015	\$790	Transport, Other	Rail, Industry
2016	\$1,970	Energy, Real estate	Construction
2017	\$3,630	Agriculture, Transport, Energy	Rail, Oil
2018	\$4,260	Energy, Logistics, Real estate, Other	Alternative, Industry, Textiles, Construction
2019	\$850	Chemicals	-
2020	\$380	Logistics	-
2021	\$3,050	Real estate, Energy, Other	Construction, Alternative, Industry
2022	\$660	Logistics, Energy	Alternative
2023	\$1,600	Other, Logistics, Energy	Industry, Alternative
2024	\$1,530	Metals, Transport, Agriculture	Steel, Shipping
<b>Total</b>	<b>\$18,370</b>	<b>Real estate [5] = \$6,870</b> <b>Energy [8] = \$4,370</b> <b>Transport [3] = \$2,120</b> <b>Agriculture [1] = \$1,100</b> <b>Logistics [4] = \$970</b> <b>Industry [4] = \$870</b> <b>Chemicals [1] = \$850</b> <b>Textiles [1] = \$670</b> <b>Metals [1] = \$150</b>	

The totaled tallies represent the total amount of projects per sector and their combined value.

China emerged as the key actor in rail construction to spur connectivity between the SC Zone and Egyptian port cities west of the Nile Delta. Between 2017 and 2020, Chinese enterprises signed multiple rail construction contracts to connect Egyptian industrial areas with seaports, including with Suez, between Ain Sokhna and El Alamein.<sup>76</sup> However, these deals never materialized. A European and Egyptian consortium has more recently won contracts for and started construction on a passenger and freight rail project from Ain Sokhna to Alexandria to El Alamein and finishing at Marsa Matruh on the western end of Egypt's Mediterranean coast.<sup>77</sup> Indeed, this project is 67% complete as of September 2025.<sup>78,79</sup>

China has been key in the industrialization and commercial diversification of the SC Zone, with its development formally integrated into the BRI, reflecting China's ambitions to develop Egypt as a pivot or hub for the initiative.<sup>80,81,82,83</sup> Further signs of China's enduring centrality to the SC Zone's development

76 Calabrese, John. 2020. "Towering Ambitions: Egypt and China Building for the Future." Middle East Institute, October 6. <https://www.mei.edu/publications/towering-ambitions-egypt-and-china-building-future>.

77 Zawya. 2021. "Egypt Launches First High-Speed Train Project." August 31. <https://www.zawya.com/en/projects/projects-egypt-launches-first-high-speed-train-project-report-b319rht3>.

78 Daily News Egypt. 2025. "First Line of Egypt's High-Speed Rail Network Is 67% Complete." September 28. <https://www.dailynewsegypt.com/2025/09/28/first-line-of-egypts-high-speed-rail-network-is-67-complete/>.

79 Kumar, Pramod. 2025. "Egypt to Launch High-Speed Electric Train Next Year." AGBI, August 27. <https://www.agbi.com/transport/2025/08/egypt-to-operate-high-speed-electric-train-next-year/>.

80 Chen, Juan. 2018. "Strategic Synergy between Egypt 'Vision 2030' and China's 'Belt and Road' Initiative." *Outlines of Global Transformations: Politics, Economics, Law* 11 (5): 226.

81 Blaydes, Lisa. 2019. "China in the Middle East: Influence and Investment." *The Diplomat*. <https://thediplomat.com/2019/09/china-in-the-middle-east-influence-and-investment/>.

82 Calabrese, John. 2020. "China's Maritime Silk Road and the Middle East: Tacking Against the Wind." Middle East Institute, May 19. <https://www.mei.edu/publications/chinas-maritime-silk-road-and-middle-east-tacking-against-wind>.

83 Tiezzi, Shannon. 2016. "Xi's Visit Cements Egypt's Place on the 'Belt and Road'." *The Diplomat*, January 22. <https://thediplomat.com/2016/01/xis-visit-cements-egypts-place-on-the-belt-and-road/>.



A ceremony in the China-Egypt TEDA Suez Economic and Trade Cooperation Zone, approximately 120 km east of Cairo, Egypt, on Nov. 28, 2024. (Wang Dongzhen/Xinhua via Getty Images)

include the mass industrial transfer that is occurring from China to the zone, with the TEDA Zone having been modeled directly on China's Tianjin Economic-Technological Development Area. The TEDA Zone has subsequently attracted the mass entrance of international and Chinese firms into Suez to establish industrial clusters in industries like transport vehicle manufacturing as well as steel, building materials, and textiles.<sup>84, 85, 86, 87, 88, 89</sup> New Chinese industrial transfer investments in the TEDA Zone are continuing to perpetuate.<sup>90</sup> Major deals in 2025 alone include industrial product manufacturing, solar manufacturing, tire manufacturing, and textile production facilities.<sup>91, 92, 93, 94</sup> Further, there was a July 2025 deal between TEDA and Egypt to increase the size of the TEDA Zone, with plans to attract further high-end manufacturing enterprises, including for automobiles and spare parts, new energy, new materials, and fine chemicals.<sup>95</sup>

84 Calabrese, John. 2020. "China's Maritime Silk Road and the Middle East: Tacking Against the Wind." Middle East Institute, May 19. <https://www.mei.edu/publications/chinas-maritime-silk-road-and-middle-east-tacking-against-wind>

85 Abu Al-Khair, Waleed. 2022. "Chinese Investment in Egypt Comes at High Price, Analysts Warn." Caravanserai, January 3. [https://central.asia-news.com/en\\_GB/articles/cnmi\\_ca/features/2022/01/03/feature-01](https://central.asia-news.com/en_GB/articles/cnmi_ca/features/2022/01/03/feature-01)

86 Nyabiagi, Jevans. 2022. "China Buckles in Its Belt and Road Ambitions with Suez Investments." South China Morning Post, January 1. <https://www.scmp.com/news/china/diplomacy/article/3161705/china-buckles-its-belt-and-road-ambitions-suez-investments>

87 Xinhua. 2022. "Roundup: China's TEDA Launches Logistic, Used-Car Projects in Egypt." January 27. <https://english.news.cn/20220127/ba5cc8fd2de04d168b6fbb97fe78a016/c.html>

88 Reuters. 2023. "China's Xinxing to Invest \$2 Bln in Suez Canal Economic Zone- Egyptian Cabinet." March 23. <https://www.reuters.com/markets/commodities/chinas-xinxing-invest-2-bln-suez-canal-economic-zone-egyptian-cabinet-2023-03-23/>

89 Egypt Independent. 2023. "Suez Canal Economic Zone Launches Chinese Projects in Billions of Dollars." February 20. <https://egyptindependent.com/suez-canal-economic-zone-launches-chinese-projects-in-billions-of-dollars/>

90 Reuters. 2023. "China's Xinxing to Invest \$2 Bln in Suez Canal Economic Zone- Egyptian Cabinet." March 23. <https://www.reuters.com/markets/commodities/chinas-xinxing-invest-2-bln-suez-canal-economic-zone-egyptian-cabinet-2023-03-23/>

91 Al Helou, Elias. 2025. "Egypt and China to Build \$1 Billion Tire Manufacturing Facility in Suez Canal Economic Zone." Middle East Economy, August 13. <https://economymiddleeast.com/news/egypt-and-china-to-build-1-billion-tire-manufacturing-facility-in-suez-canal-economic-zone/>

92 Megaproject. 2025. "\$1.65 Billion Egypt's Xinfeng Integrated Metallurgical Complex Agreement Signed." March 27. <https://megaproject.com/news/factory/1-65-billion-egypts-xinfeng-integrated-metallurgical-complex-agreement-signed>

93 Africa Energy Portal. 2025. "Chinese Sunrev to Build \$200 Million Solar Energy Complex in Egypt's SCZone." June 20. <https://africa-energy-portal.org/news/chinese-sunrev-build-200-million-solar-energy-complex-egypts-sczone>

94 El Sayed, Aya. 2025. "Egypt's SCZONE Breaks Ground on \$55m Chinese Textile Projects in Sokhna." Amwal Al Ghad, July 31. <https://en.amwalalghad.com/egypts-sczone-breaks-ground-on-55m-chinese-textile-projects-in-sokhna/>

95 Xinhua. 2025a. "Egypt, China Sign Deal for Flagship Industrial Zone Expansion." July 17. <https://www.chinadailyhk.com/hk/article/616116>

Overall, Chinese investment in the SC Zone since 2022 has exceeded \$4 billion.<sup>96</sup>

While such enterprises in the zone aren't necessarily direct causes of connectivity improvements, they do herald a positive feedback mechanism for increasing connectivity. Such industrialization and commercial diversification of the zone spurs further connectivity enhancements to capitalize on this development, which in turn incentivizes the entrance of more enterprises, and so on. Furthermore, the more Chinese enterprises that establish operations in the SC Zone, the more connectivity-related resources China is likely to expend on the Zone to enable these enterprises to achieve maximum success. We are already seeing this dynamic with the ongoing Chinese port improvement and enlargement activity at Ain Sokhna.

The transfer of Chinese fiberglass industrial capacity to the SC Zone serves as an example of this feedback loop, as Egypt has now been established as a leading global producer of fiberglass.<sup>97,98</sup> A further example is how China's leadership of the development of the textile industrial park in Sadat City<sup>99</sup> will incentivize the entry of apparel manufacturers given the ability for duty-free exports to the EU as part of the Egypt-EU free trade agreement. This phenomenon is illustrative of the additional regional integration prospects heralded by the development of the SC Zone. Improved international access and supply chain capabilities will likely attract an extensive number of businesses that will be attracted to the zone from around the region.<sup>100</sup> This is driven by dynamics like the zone's tenant businesses being granted full control of their import/export activities as well as being exempt from customs duties, with this ameliorating one of the four key trade barriers alluded to at the beginning of this series: insufficient border facilities and customs efficiency.<sup>101</sup>

Crucially for Egypt, the zone's rapid development has taken on a life of its own, making it a regional economic hub in its own right as opposed to depending on the canal for its attractiveness. Illustrating this is its record revenue for the 2024-25 fiscal year – up 38% from the year prior despite the 54% decline in Suez Canal traffic during this period due to the al-Houthi militant targeting of shipping in the Red Sea.<sup>102</sup> Evidently, firms are seeing the standalone value of the zone, whether in the condensed supply chain opportunities offered by the industrial clusters or the burgeoning rail connections to the Mediterranean coast and on to Europe. Thus, from a connectivity standpoint, the zone's China-led development is not only catalyzing original connectivity enhancements for Egypt but is also improving the sustainability and resilience of Egypt's position as a connecting hub between the Middle East and Europe.

On top of integration into the BRI, Egypt is similarly looking as if it is set to be integrated into the Digital Silk Road under with a memorandum of understanding signed with China.<sup>103</sup> The regional integration prospects for this ICT investment are clear, with Huawei's Cairo OpenLab as the central hub for

96 Xinhua. 2025b. "Egypt, China Sign Deal for Flagship Industrial Zone Expansion." China Daily, July 17. <https://www.zawya.com/en/economy/north-africa/sczone-mdc-teda-egypt-ink-100-deal-for-joint-project-in-sokhna-industrial-zone-d1ock765>.

97 Abdel Ghafar, Adel, and A. Jacobs. 2019. Beijing Calling: Assessing China's Growing Footprint in North Africa. *Brookings*: 4-5.

98 Hancock, Melissa. 2023. "China Shows Faith in Egypt with Deeper Investment." *Arabian Gulf Business Insight*, November 15. <https://www.agbi.com/analysis/trade/2023/11/egypt-china-investment-belt-road/>.

99 Calabrese, John. 2020a. "China's Maritime Silk Road and the Middle East: Tacking Against the Wind." *Middle East Institute*, May 19. <https://www.mei.edu/publications/chinas-maritime-silk-road-and-middle-east-tacking-against-wind>.

100 Hafez, Reham, and I. Madney. 2020. "Suez Canal Region as an Economic Hub in Egypt Location Analysis for the Mass Real Estate Appraisal Process." *HBRC Journal* 16 (1): 61–62.

101 Ahmed, Taha, and T. Shehadi. 2020. "How the Suez Canal Economic Zone Is Aiding Egypt's Economic Resurgence." *FDI Intelligence*, March 9. <https://www.fdiintelligence.com/content/locations/middle-east-africa/egypt/how-the-suez-canal-economic-zone-is-aiding-egypt-s-economic-resurgence-76816>.

102 Hassan, Nadin. 2025. "Suez Canal Economic Zone Reports 38% Revenue Growth, Secures \$6.3bn in Projects." *Arab News*, September 16. <https://www.arabnews.com/node/2615493/business-economy>.

103 Metwally, Hisham. 2018. "BRI Chinese Investment Grabs Egypt's Attention." *China Focus*, September 19. <http://www.cnfocus.com/bri-chinese-investment-grabs-egypt-s-attention/>.

rolling out a regional ICT ecosystem.<sup>104,105</sup> Most recently, in May 2024, Huawei added to this Cairo hub by launching North Africa's first Arabic large language model (LLM) and public cloud service, the latter of which includes Huawei's full stack of innovative cloud services like the DataArts data governance platform, the ModelArts AI development pipeline, and AI APIs (tools that allow developers to integrate pre-built AI functionalities into their own applications without needing to develop complex AI models from scratch). This will support Egypt and 20 surrounding Arab markets by ensuring they aren't left behind by typically English language-centric AI and digital transformation services/infrastructure.<sup>106</sup> Companies in these markets now have access to capabilities to expand their customer bases, perhaps across regional borders with AI customer chatbots or other customer service functions as well as increased data analytics capacity that enables greater supply chain awareness.

In the year since its launch, 300 regional enterprise customers joined Huawei's cloud service.<sup>107</sup> The cloud hub provides elastic/scalable computing resources on a pay-as-you-go model, allowing businesses and governments across North Africa and the Levant to access superior computing power (for data processing and storage) without the massive upfront capital expenditure required to build and maintain their own data centers. Along with the Arabic LLM, this all democratizes access to these essential technologies and the digital economy more broadly. Furthermore, the hub's inclusion of Huawei's full stack of cloud services will enable developers and companies to build their own AI applications and industry-specific LLMs without needing extensive local hardware investment. Indeed, Huawei's Cairo hub can support 200 local software partners and 1,300 channel partners from the region to develop solutions that can be sold and utilized across the Middle East and North Africa, empowering this aim and naturally encouraging cross-border trade in digital services.<sup>108</sup>

On top of the public cloud in Cairo, in October 2024 Huawei partnered with Egypt's Talaat Moustafa Group (TMG) to build and deploy AI-powered cloud technology for TMG's "NOOR Cloud" services, aimed at increasing the digital capacity of the Egyptian market.<sup>109</sup> And a further pivotal area of technology engagement by China has been establishing one of the two key hubs of the China-Arab State Technology Transfer Center in Egypt.<sup>110</sup> The Center, which is a platform as opposed to a unitary physical center, is focused on overcoming the traditional barriers of information asymmetry and difficulties in cross-border payments that currently plague the Middle East's ability for regional and global technological integration.<sup>111</sup>

### Section 3: Oman

While not figuring yet as a leading Chinese investment and infrastructure project recipient, Oman is set to be a key BRI focus in the coming years. Oman is one of the four Middle Eastern nations designated in the industrial



People visit the booth of China's Huawei Technologies Co., Ltd. at the Egypt Petroleum Show EGYPS in Cairo, Egypt, on Feb. 13, 2023. (Ahmed Gomaa/Xinhua via Getty Images)

104 Huawei. 2017. "Huawei Announces New OpenLab in Cairo to Build ICT Ecosystem in Northern Africa." December 11. <https://www.huawei.com/en/news/2017/12/Huawei-New-OpenLab-Cairo>.

105 Law, Marcus. 2024. "Huawei Cloud Expands Global Footprint with New Cairo Region." Data Centre Magazine, May 21. <https://datacentremagazine.com/articles/huawei-cloud-expands-global-footprint-with-new-cairo-region>.

106 Dutton, Jack. 2024. "Huawei Launches Egypt Public Cloud Service as China Ties Grow." AI-Monitor, May 21. <https://www.ai-monitor.com/originals/2024/05/huawei-launches-egypt-public-cloud-service-china-ties-grow>.

107 Ahram Online. 2025. "Huawei Cloud: Enabling the Leap to Intelligence in Northern Africa with Inclusive AI." July 30. <https://english.ahram.org.eg/News/550496.aspx>.

108 Day of Dubai. 2024. "Huawei Cloud Goes Live in Egypt." May 28. <https://www.dayofdubai.com/news/huawei-cloud-goes-live-in-egypt#:~:text=Mark%20Chen%2C%20President%20of%20Huawei,teams%20to%20support%20cloud%20adoption>.

109 Daily News Egypt. 2024. "Huawei, Talaat Moustafa Group Partner for Smart City Cloud Services." September 29. <https://www.dailynewsegyp.com/2024/09/29/huawei-talaat-moustafa-group-partner-for-smart-city-cloud-services/>.

110 Xinhua. 2022. "China, Arab Countries Deepen Cooperation on Technology." Macau News Agency, December 12. <https://www.macaubusiness.com/china-arab-countries-deepen-cooperation-on-technology/>.

111 Zhang, Zhihao. 2017. "China, Egypt Take Steps to Share Their Technology." China Daily, May 9. [http://www.chinadaily.com.cn/beltandroadinitiative/2017-05/09/content\\_29274074.htm](http://www.chinadaily.com.cn/beltandroadinitiative/2017-05/09/content_29274074.htm).

park-port connection framework. Indeed, in 2016, the Special Economic Zone Authority at Duqm signed a 50-year lease agreement with Oman Wanfang, a consortium of Chinese companies, to develop the China-Oman Industrial Park at Duqm.<sup>112,115,114</sup> While the park is still nascent, the consortium has pledged \$10.7 billion to develop a 13-square-kilometer development that will include not only oil and gas projects but also port development, a methanol plant, a solar power equipment production facility and housing and tourism projects.<sup>115</sup> In alignment with these plans, the Chinese government labeled the zone as one of the “Top Overseas Industrial Parks” that have Chinese involvement and it is indeed set to become the largest free trade zone in the Middle East if these plans materialize.<sup>116,117</sup>

Tangible progress in the park thus far includes the completion in 2021 of a factory that constructs piping for the oil and gas industry as well as the Duqm Material Market (a commercial and manufacturing center for building materials that will involve the transfer of Chinese manufacturing technology to the park to establish it as a regional and international wholesaler), which was opened in August 2024.<sup>118,119,120</sup> This market possesses all the necessary services for relevant local and international businesses to establish their investments and operations. It also facilitates the connection with Duqm port to expedite the import of components and export of finished goods from the market.

The connectivity potential of Duqm is clear, as the park-port connection would provide extensive linkages for the park’s tenant enterprises to not only the Arabian Peninsula but also South Asia and East Africa.<sup>121</sup> If the park continues its development, positive feedback loops similar to the Egyptian projects should also be evident in Oman, as the park would attract international companies – for instance building and construction materials companies eager to take advantage of enhanced logistics and supply chain opportunities. This inflow of companies should in turn incentivize increased improvement of the broader Duqm Special Economic Zone’s connectivity resources to the surrounding regions.

Outside of Duqm, China’s connectivity role extends indirectly to its leadership in Oman’s solar sector. Oman’s ambitious Green Hydrogen Export Corridor plan is aiming to position the country as the Middle East’s largest green hydrogen exporter by 2030, with its output exported through Duqm to Europe via the Netherlands. Extensive development is being carried out at Duqm to enable this plan, further spurring its evolution into a major logistics hub. Green hydrogen production relies on renewable energy, and Oman’s renewables sector, particularly solar, is increasingly being driven by Chinese investment (with this investment creating a fully integrated solar supply chain within

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- 112 Omar, Omar, and A. Mawany. 2017. “A Future Logistics Hub of The Middle East.” Mondaq, November 22. <https://www.mondaq.com/rail-road-cycling/648618/a-future-logistics-hub-of-the-middle-east>.
- 113 Jabarkhyl, Nawied. 2017. “Oman Counts on Chinese Billions to Build Desert Boomtown.” Reuters, September 6. <https://www.reuters.com/article/us-oman-china-investment/oman-counts-on-chinese-billions-to-build-desert-boomtown-idUSKCN1BG1WJ>.
- 114 Silk Road Briefing. 2020. “Belt & Road Financing & Investment to Expand In Key Middle East Logistics Hubs.” July 1. <https://www.silkroadbriefing.com/news/2020/07/01/belt-road-financing-investment-expand-key-middle-east-logistics-hubs/>.
- 115 Funaiolo, Matthew, et al. 2023. “Dire Straits: China’s Push to Secure Its Energy Interests in the Middle East.” Center for Strategic and International Studies, February 3. <https://features.csis.org/hiddenreach/china-middle-east-military-facility/>.
- 116 Prabhu, Conrad. 2017. “Deals Signed for \$3 Billion Chinese Projects in Duqm SEZ.” Oman Observer, April 19. <https://www.omanobserver.com/deals-signed-3-billion-chinese-projects-duqm-sez/>.
- 117 Bianco, Cinzia, and C. Čok. 2020. “Emirati Diplomacy and Chinese BRInkmanship.” Middle East Institute, July 28. <https://www.mei.edu/publications/emirati-diplomacy-and-chinese-brinkmanship>.
- 118 Times of Oman. 2021. “First Factory in China-Oman Industrial City at Duqm Opens.” October 25. <https://timesofoman.com/article/108466-first-factory-in-china-oman-industrial-city-at-duqm-opens>.
- 119 Duqm Special Economic Zone. 2022. “Duqm Materials Market Completes 70% of Construction.” November 7. <https://duqm.gov.om/en/sezad/media/news/2022/duqm-materials-market-completes-70-of-construction>.
- 120 Zawya. 2024. “Duqm Materials Market Opens at China-Oman Industrial City.” August 19. [https://www.zawya.com/en/projects/bri/duqm-materials-market-opens-at-china-oman-industrial-city-h13kw6t1?utm\\_source=substack&utm\\_medium=email](https://www.zawya.com/en/projects/bri/duqm-materials-market-opens-at-china-oman-industrial-city-h13kw6t1?utm_source=substack&utm_medium=email).
- 121 Fulton, Jonathan. 2017. “The G.C.C. Countries and China’s Belt and Road Initiative (BRI): Curbing Their Enthusiasm?” Middle East Institute. <https://www.mei.edu/publications/gcc-countries-and-chinas-belt-and-road-initiative-bri-curbing-their-enthusiasm>.

Oman),<sup>122,123,124,125,126</sup> meaning China is playing a key, if indirect, role here in spurring Oman's supply chain integration with Europe.

## 1 IRAQ

Industrial zones as self-financing anchor projects for Development Road rail infrastructure

### Section 4: Policy Recommendations

Chinese infrastructure could realistically fill out segments of the DRP in a staged and incremental approach that could mitigate Iraq's corruption and political inefficiency. Here, the approach could be centered on using industrial zones as self-financing anchor projects for connectivity projects. Iraqi and Chinese policymakers could agree to ring-fence implementation of Development Road transport and logistics projects into three stages using an "Anchored and Phased Model." This model would prioritize the joint development of export-focused industrial zones along the route, funded and managed through a new two-level framework that overcomes concerns of Chinese financiers regarding Iraq's medium- to long-term ability to finance the projects due to the volatility of oil revenue.

This process could create financial insulation through an escrow and debt guarantee mechanism. It could also create operational and regulatory insulation through the SEZ status, enabling streamlined, independent regulatory frameworks and laws separate from mainland/traditional Iraqi legal and administrative processes. Here, administration of the SEZs, and DRP projects more broadly, could occur through a Single-Window Administration: a dedicated, independent authority that would oversee the DRP and the accompanying zones to overcome bureaucratic bottlenecks by providing all necessary licenses and permits through one simplified process, rather than requiring the company or consortium to navigate numerous decentralized, inefficient, and often corrupt Iraqi ministries.

Significant elements of Iraq's bureaucracy as well as patronage and militia networks would likely resist a Single-Window Administration, given that it would undermine their ability to monopolize or exploit projects in their fiefdoms for personal power or financial gain. Those factors, however, are a fundamental cause of investor reluctance to engage in the Development Road, making the case for why such a mechanism is necessary. Accordingly, while successfully establishing the mechanism will need significant political creativity, bargaining, and determination from Iraq's top leadership, their motivation to pursue this outcome should be strong.

#### The Anchored and Phased Model

The DRP railroad (from Grand Faw Port to Türkiye) could be broken into three large, distinct, and contiguous phases that each end in a city where industrial zones would also be established (e.g., Al Faw-Karbala, Karbala-Mosul, Mosul-Türkiye). Each phase constitutes a minimum operational length in and of itself to be attractive to a rail contractor should the subsequent phases fail to proceed. This division serves to assuage concerns of Chinese contractors regarding grappling with the rail project as a whole. By dividing the project in three, roughly according to the geographical scopes mentioned above, the risks pertaining to a lack of guarantees of the commercial viability of the

122 Reuters. 2025. "IFC Clears Oman Polysilicon Loan Despite US Objection." August 11. <https://www.agbi.com/manufacturing/2025/08/ifc-clears-oman-polysilicon-loan-despite-us-objection/>.

123 Al Helou, Elias. 2025. "Oman Strengthens Clean Energy Push with \$565 Million Solar Manufacturing Facility." Middle East Economy, April 29. <https://economymiddleeast.com/news/oman-strengthens-clean-energy-push-with-565-million-solar-manufacturing-facility/>.

124 Wang, Vera. 2024. "China's Drinda to Build 10 GW Solar Cell Factory in Oman." Solarbe Global, June 24. <https://www.solarbeglobal.com/chinas-drinda-to-build-10-gw-solar-cell-factory-in-oman/>.

125 Enerdata. 2025. "Shanghai Electric completes 500 MW Manah I solar project in Oman." Enerdata, August 20. <https://www.enerdata.net/publications/daily-energy-news/shanghai-electric-completes-500-mw-manah-i-solar-project-oman.html>.

126 Zawya. 2025a. "Oman's OQ Issues Go Ahead for 300 MW Renewable Projects, Signs \$2bn Strategic Deals." May 12. <https://www.zawya.com/en/projects/utilities/omans-oq-issues-go-ahead-for-300-mw-renewable-projects-signs-2bn-strategic-deals-poud6trc>.

This model would prioritize the joint development of export-focused industrial zones along the route, funded and managed through a new two-level framework that overcomes concerns of Chinese financiers regarding Iraq's medium- to long-term ability to finance the projects due to the volatility of oil revenue.

entire expanse of such a project, combined with political contestation across different Iraqi regions, could be mitigated to a more acceptable extent for the contractor within each project stage while still offering a line length that would justify the contractor going to the effort of setting up shop in the country.

Here, Chinese contractors or joint venture consortiums (perhaps with companies from other countries) should bid for the entire rail construction project and the attendant industrial zones along the route, but with staged contract awards. The commitment to subsequent phases is guaranteed, but the Notice to Proceed (NTP) for each phase is tied to an anchor trigger that proves commercial viability of the upcoming project phase.

#### **Anchor Phase 1: Al Faw-Karbala**

The DRP rail project aspires to pass through Basra, Diwaniyah, Najaf, Karbala, Baghdad, and Mosul. To constitute an attractive length for a standalone rail project, Diwaniyah, Najaf, Karbala, or Baghdad would be the most viable options for the end of the first phase (which begins in Al Faw) to enable a viable second phase to then extend to Mosul.

The proposed choice of Karbala as the end of the first stage is due to its particular suitability for developing industrial zones and because it would enable diversification of industrialization away from a predominant focus on Baghdad. Karbala has the strongest foundation compared with Najaf and Diwaniyah for large-scale, resource-intensive industrial clusters due to the Karbala Industrial City (a petrochemical, power plant, and renewables hub currently under development), which provides momentum in industrial-scale power generation. The recent opening of Iraq's largest (300MW) solar plant in Karbala also provides a significant platform for industrial development there. The momentum to build off the comprehensive industrial zone development necessary to produce the sort and quantity of materials to justify a rail freight link in Karbala is evident also in the concrete plans for a 9-square kilometer industrial zone comprising nearly 90 factories to produce light, imported oil-related and engineering products.

Karbala's status as a destination for one of the world's largest annual religious pilgrimages strengthens the case for its selection. The event creates a guaranteed, multimillion-person consumer market that drives demand for everything from construction materials (e.g. for hotels and infrastructure) to packaged goods (e.g. food, supplies). The vast desert expanses to its west, which are ideal for large-scale industrial projects, gives it a further advantage. Furthermore, it is geographically closer to Baghdad and its immense consumer market than Najaf or Diwaniyah. This strong market potential in and around Karbala further means it has the capacity to generate sufficient industrial momentum to make the construction of a connecting rail project commercially viable (for instance, due to the need for rail freight to provide the necessary inputs to the Karbala zone for its subsequent production activities).

The NTP for the rail section of Phase 1 is issued once sufficient commercial activity from the industrial zones in Karbala is realized.

#### **Anchor Phase 2: Karbala-Mosul**

Same as Phase 1, once sufficient commercial activity is established in Mosul's preexisting industrial zones, supplemented by new Chinese-led zones, the NTP would be issued for the rail section connecting Karbala to Mosul. If Phase 1 is completed successfully, then Phase 2 should offer a sufficiently compelling prospect for Chinese rail and construction contractors or consortiums given the industrial potential of Mosul.

Mosul is Iraq's second-largest city and is still yet to recover from the devastation wrought by the conflict with ISIS. The immense reconstruction requirements necessitate huge volumes of building materials, machinery, and

equipment – ideal demand for the establishment of further industrial zones focusing on attracting companies in construction and engineering industries that would justify rail freight links for inputs and outputs. Furthermore, the surrounding Ninewa plains are one of Iraq's most historically fertile agricultural regions, producing grain, fruit, and other products – pointing to the potential for agricultural processing and food manufacturing industrial zones. Turkish companies have already begun investing in Mosul's reconstruction and industrialization, including in nearby Tal Afar, providing momentum toward progressing the city into a commercially viable freight rail destination for Phase 2.<sup>127</sup>

### **Anchor Phase 3: Mosul-Türkiye**

The NTP for Phase 3 would be triggered by the conclusion of “operational protocol alignment” (for instance regarding rail interoperability standards and customs and inspection harmonization) and transit agreements between Iraq and Türkiye, Qatar, and the UAE (the latter two being the Gulf states that have committed to the project, and the Gulf partners leading the freight generation for the DRP). These agreements would, firstly, ensure interoperability of the DRP and the two key connecting markets and trade corridors on both its ends, and secondly, secure future cargo generation and transit volume. These achievements should thus justify Chinese contractor or consortium needs to justify the completion of Phase 3.

## **The Two-Level Financing Mechanism**

### **(Level 1) Primary Guarantee: Project-Level Revenue (BOT Proceeds)**

The core financing mechanism is the BOT (Build-Operate-Transfer) model. The Chinese joint venture consortium/s or contractor/s takes on the responsibility to build the industrial zone/s and the railroad that connects to it, operate it for a long-term concession period to recover the project costs plus a level of profit, and then transfer it back to Iraq. The debt for the infrastructure is primarily guaranteed and repaid by proceeds generated by the industrial zone and railroad itself (e.g., track access charges for the railroad, and in terms of the industrial zones: land lease fees, utilities fees, and/or a share of the profits from the zone's tenants).

This makes the infrastructure a self-financing asset. It aligns the contractor's interest directly with the commercial success of the industrial zone or rail line in question, incentivizing them to ensure the project is viable and efficiently run. This mechanism is the reason for the phased approach that relies on ensuring the commercial viability of each project before commencement.

### **(Level 2) Secondary Guarantee/Contingency: Ring-Fenced Oil Revenue (Escrow Account)**

Iraqi oil revenues would be used to fund a special escrow account (in a similar manner to the original oil-for-infrastructure framework), which acts as a contingency for the project's financing. This account does not pay the contractor directly unless the project's primary revenue stream (BOT proceeds) fails to meet debt service requirements due to political force majeure or if Iraq cancels a subsequent phase.

This is the political concession that should make the project acceptable to the Chinese and/or consortium partners. It insulates the loan/debt from Iraq's high political, security, and bureaucratic risks, guaranteeing the Chinese SOE or bank will be repaid even if the project in question suffers disruption.

127 Daily Sabah. 2025. “Türkiye's Engagements Could Transform Iraq's Mosul into Trade Hub.” January 28. <https://www.dailysabah.com/business/economy/turkiyes-engagements-could-transform-iraqs-mosul-into-trade-hub>.

## 2 EGYPT

Formalize Cairo's Digital Silk Road Hub as a Regional Digital Free Zone

The Egyptian government could formally designate this budding ecosystem as a Regional Digital Free Zone (DFZ). It would leverage the existing infrastructure: While the Huawei hub provides the technology, the DFZ provides the legal and financial incentives necessary to attract and integrate regional commercial activity.

Huawei's regional operational base, the Cairo OpenLab, aims to coordinate the development and deployment of digital services and infrastructure across the region. So far, this includes the first public cloud service in Egypt and an Arabic LLM, the combination of which offers a regional digital foundation for businesses and governments: scalable computing power, data storage capabilities, and the tailoring of digital transformation to the regional linguistic environment.

The Egyptian government could formally designate this budding ecosystem as a Regional Digital Free Zone (DFZ), essentially a regulatory firewall designed to attract foreign digital investment and trade. In Cairo's case, it would leverage the existing infrastructure: While the Huawei hub provides the technology, the DFZ provides the legal and financial incentives necessary to attract and integrate regional commercial activity.

Companies registering in the DFZ would be required to use the certified data centers in Cairo that drive the Huawei public cloud for their processing and storage needs. This establishes the necessary legal nexus between the company and the physical infrastructure to justify the Egyptian government granting DFZ privileges.

### Preferential Terms for Companies

The DFZ would be defined by its legal and administrative jurisdiction and would be a "virtual" regulatory zone (i.e., not a physical zone with physical boundaries) established under special legislation by the Egyptian Ministry of Communications and Information Technology. This would entail creating a regulatory framework that offers preferential terms for companies from across the region to use the public cloud's full stack cloud services and storage capabilities. Preferential terms are the mechanisms needed to incentivize regional use. These could include lowering usage fees, streamlined market access regulation (for instance the ability to conduct all business administration through the Egyptian General Authority for Investment and Free Zones) if registered companies want to create a Permanent Establishment in Egypt, and enabling 100% foreign ownership and/or tax breaks if establishing a Permanent Establishment.

Essentially, the DFZ provides the necessary economic incentives (tax breaks, profit repatriation, etc.) to convert technical access into actual commercial activity. Attracting enterprise customers to establish formal legal residency would ensure the Digital Silk Road is used for intra-regional commerce, substantially elevating the level of connectivity enhancement achieved. To this end, the zone's legislation could also enable companies to register such physical presences using only a virtual office or a space in a legally designated building. The area in the new administrative city outside Cairo surrounding the Orange data centers that is one of the main data centers for the Huawei public cloud would be a logical choice for the location of such buildings.

Incentivizing the companies to physically locate presences could begin to concentrate talent and capital in a cross-border digital ecosystem that links the business communities of different Arab states. This could create a self-sustaining innovation cluster where skilled workers from across the Arab world would be drawn to collaborate on AI and digital solutions based on the Arabic LLM. This human capital exchange is a powerful form of regional integration.

### Trust-Building and Data Sovereignty

DFZs operate under independent laws and regulations separate from the base economy, often providing streamlined processes and legal certainty, meaning prospective companies know their data will be subject to a consistent, favorable set of laws (as opposed to navigating the complex, often restrictive

regulations of the Egyptian mainland). This increases their confidence in registering in the zone and thus conducting regional digital trade. The DFZ more broadly could therefore minimize the regulatory compliance fatigue that afflicts cross-border operations in the MENA region.

As part of creating this favorable legal environment, the DFZ's charter – a specialized legislative act that creates a distinct legal jurisdiction – should explicitly address data sovereignty and security concerns for regional customers. Data sovereignty is the principle that data is subject to the laws and governance structures of the nation in which it is collected or processed. For other Arab governments and companies in sensitive industries (e.g., finance or health care), the concern is that hosting sensitive data in a foreign country, in this case Egypt, exposes this data to different legal, security, and intelligence requirements (e.g. conditions that enable host governments to mandate access to, or forced technology transfer of, data or proprietary algorithms) that could ultimately jeopardize it.

The legal guarantees within the DFZ charter to assuage these fears should start with data localization laws to ensure legal ring-fencing. While the cloud is accessible regionally, the DFZ can mandate that all data originating from a foreign entity remains physically and logically isolated within the DFZ's designated data centers that power the public cloud, subject only to the DFZ's specific, agreed-upon laws. Logical separation here refers to the technical and software-based separation of a customer's data and computing environment within a shared infrastructure (the public cloud) to ensure it cannot be accessed, affected, or commingled with data belonging to other customers or the host government's general systems.

Legal guarantees should also extend to noninterference clauses within the charter to guarantee that the Egyptian government's mainland legal bodies (e.g., tax authorities or security agencies) cannot arbitrarily access or seize the data stored by DFZ-registered companies without following special, restrictive legal procedures defined by the charter. Similarly, protection of digital assets clauses within the charter should guarantee the intellectual property developed and hosted by registered companies. This ensures the companies aren't subject to standard national IP risks, such as ambiguous legal frameworks that don't contain modern legislation for digital IP, or relying on standard judicial systems that lack the specialized expertise to adjudicate on these new-age matters.

Naturally, the DFZ would therefore require its own unique legal jurisdiction: a DFZ authority, which could be a specialized department under the Egyptian communications ministry. This jurisdiction would be constituted by a structured system of alternative dispute resolution (ADR) and specialized tribunals (probably operating under common law to provide predictability and legal sophistication that foreign companies will trust).

### **The Benefit for Egypt of the DFZ**

The ICT sector is the fastest-growing part of the Egyptian economy, and the government explicitly aims to increase digital exports (from services like outsourcing and software development) to \$9 billion by 2026.<sup>128</sup> By waiving fees (for use of the zone) and taxes (for instance Egyptian VAT and corporate income tax for sales the companies make to customers on the Egyptian mainland), Egypt would make its cloud infrastructure cost-competitive compared with other regional hubs. This incentivizes foreign companies to choose the Huawei Cairo hub to host their regional software, data, and AI applications, rather than a competitor cloud hub in Saudi Arabia or the UAE.

The attraction of this for Egypt is that the use of the cloud infrastructure

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128 Ahram Online. 2024. "Egypt Plans to Raise Outsourcing Exports to \$9 Bln by 2026." July 9. <https://english.ahram.org.eg/News/526895.aspx>.

drives the growth of Egypt's entire ICT sector. Egypt's long-term strategy is to transform into a regional technological and innovation hub for the Middle East and Africa.<sup>129</sup> Granting exemptions would secure the use of the Huawei public cloud as an anchor piece of digital infrastructure, which would be essential for positioning Egypt as a regional center for cloud computing, data centers, and advanced technologies like AI. The development of a dynamic, low-cost cloud hub could attract global tech companies to interact with and invest in the ecosystem, thus fueling job creation and skill development by requiring a large, trained workforce to manage the expanding data centers and develop further cloud applications.

Without a competitive, low-cost digital infrastructure hub, Egyptian technology companies, e-commerce companies, and so on will continue to look to have their data hosted on foreign cloud platforms. For Egypt, this results in a net loss of not only data but also of revenue (foreign currency outflows to pay the cloud service bills, and a decreased tax base from the lost commercial activity) and talent (the best tech jobs are located where the high-quality infrastructure and data are, so high-skilled Egyptians in tech fields would continue to migrate accordingly).

### **Why the DFZ is Not a Concession of Egyptian Sovereignty**

The core objection to a DFZ model by Egypt may be the perceived loss of legal and data sovereignty. However, the DFZ would not be a concession of sovereignty but instead a strategic exercise of it: Egypt defines the zone's charter, writes the laws, and sets the rules. By creating a specialized legal framework (e.g., using international common law for commercial disputes) and specialized tribunals, Egypt is not ceding its judicial authority but instead upgrading its legal environment to attract digital investment.

The DFZ is a proactive strategy for Egypt to actually assert its sovereignty. The legal ring-fencing is a sovereign choice to provide predictability and trust to international partners. The data remains physically and legally on Egyptian soil, but it is governed by a specialized, transparent framework that Egypt itself designs and controls through its Ministry of Communications and IT or a body like GAFI. This builds the trust required for cross-border data flows, making Egypt a key digital bridge for the region, while nonetheless maintaining sovereignty.

### **The Unique Selling Point to Foreign Companies of the Cairo DFZ**

For foreign companies, the attraction of registering in the Cairo zone as opposed to other major technology-focused SEZs (those in the UAE for instance), would relate to its cost-effectiveness (lower labor costs and lower office and living costs), access to human capital (Egypt's immense population, including a large, tech-savvy youth demographic), and strategic focus on the North African market (a Cairo zone would offer the lowest-latency prospects, and would be the more culturally aligned launchpad for North Africa). While such zones in the UAE would be ideal for companies operating in high-value finance and trade spaces due to its financial centers and world-leading logistics hubs, the Cairo zone would be more attractive for companies pursuing an outsourcing or offshoring (i.e. cost advantage) model.

Furthermore, the fusion of the DFZ with the Huawei infrastructure creates a unique technical value proposition for foreign companies. First, the DFZ would be the only zone explicitly built around the Arabic LLM. Companies focused on developing culturally attuned AI, Arabic-language content, or advanced fintech/edtech solutions for the Arab world would need to locate near this

129 Harshan, Agnivesh. 2025. "MENA Watch: Egypt Hits Strides on Digital and Natural Resources Fronts." *Global Business Outlook*, September 24. <https://globalbusinessoutlook.com/economy/mena-watch-egypt-hits-strides-digital-and-natural-resources-fronts/>.

### 3 OMAN

Integrate Duqm's SEZ into an expanded GCC Rail Network

LLM to maximize development efficiency. Second, companies seeking to enter the Chinese ecosystem, leverage Digital Silk Road initiatives, or work with the China-Arab State Technology Transfer Center could gain direct, physical proximity to these key institutions by locating in the Cairo DFZ.

The Duqm Special Economic Zone (SEZAD) as planned would become the MENA region's largest SEZ. The linkage potential this could create among the Arabian Peninsula, South Asia, and East Africa is clear. However, while the Omani government has invested considerably in the zone since its launch in 2011, foreign investment was slower to follow, and only really started to come in salient quantities after the government's green hydrogen strategy was released in 2022. This strategy saw the government shift to start framing the zone primarily around green hydrogen, green ammonia, and green steel to empower the green energy foundation of Oman's Vision 2040.<sup>130,131,132,133,134</sup> This foreign investor lag was largely due to SEZAD's being a greenfield project in a remote undeveloped area. Until the green hydrogen strategy was released, the general industrial park framing of SEZAD didn't offer investors the sorts of potential returns necessary to attract their engagement in an area that lacks sufficient transport infrastructure connecting it to the rest of Oman and then to Saudi Arabia and the UAE.

The sort of returns available from the green energy projects, and Duqm's well-developed port to transport the green hydrogen and ammonia to foreign markets, was a combination necessary to draw investors to SEZAD. However, while the green hydrogen and ammonia produced there are largely destined for Europe and Asia,<sup>135,136,137</sup> the green steel is aimed for GCC markets alongside these foreign ones.<sup>138,139</sup> Accordingly, the development of rail links from SEZAD into Saudi Arabia (which would likely be the leading market for this steel) is imperative due to the inefficiency (both logistically and in terms of cost) of Oman-Saudi road networks. Furthermore, the burgeoning raw minerals mining industry in Oman, much of which is occurring around the Duqm area, is set to take off, given its vast reserves and growing government and foreign investor focus.<sup>140,141</sup> An established rail network will thus also be required to adequately transport these minerals.

There are long-standing plans for a rail network, the Oman National Railway Project (ONRP), to link Duqm to the UAE (which itself is linked by rail to eastern Saudi Arabia), which would also link Oman's three major maritime gateways:

- 130 Alharari, Muhammed. 2023. "Oman: Hydrom Awards First Green Hydrogen Projects in the Country." Construction Week, June 5. <https://www.constructionweekonline.com/news/hydrom-first-green-hydrogen>.
- 131 Ashraf, Doaa. 2023. "Oman Begins Construction of It First Green-Hydrogen-Ready Steel Plant." Egypt Oil&Gas Group, November 28. <https://egyptoil-gas.com/news/oman-begins-construction-of-it-first-green-hydrogen-ready-steel-plant/>.
- 132 Radowitz, Bernd. 2023. "European and Korean Consortia Sign Deals to Build Multi-GW Green Hydrogen Projects in Oman." Hydrogen Insight, June 22. <https://www.hydrogeninsight.com/production/european-and-korean-consortia-sign-deals-to-build-multi-gw-green-hydrogen-projects-in-oman/2-1-1472628>.
- 133 Zawya. 2025b. "Oman: Hydrom Concludes Korea Roadshow to Boost Green Hydrogen Ties." August 25. <https://omanet.om/en/news/economy/hydrom-korea-green-hydrogen-boost/>.
- 134 Meranti Green Steel. 2025. "Meranti Green Steel Announces Strategic Green Iron Project in Oman." August 11. <https://www.merantigreensteel.com/blog/meranti-green-steel-announces-strategic-green-iron-project-in-oman>.
- 135 Gnana, Jennifer. 2021. "Germany's Uniper Joins Oman Green Hydrogen Project." The National, July 19. <https://www.thenationalnews.com/business/energy/2021/07/19/germanys-uniper-joins-oman-green-hydrogen-project/>.
- 136 Zawya. 2025c. "The Sultanate of Oman Signs Historic Agreement to Establish the World's First Liquid Hydrogen Corridor to Europe." April 16. <https://www.zawya.com/en/press-release/companies-news/the-sultanate-of-oman-signs-historic-agreement-to-establish-the-worlds-first-liquid-hydrogen-corridor-to-europe-tpe351dd>.
- 137 Singh, Ruchira. 2025. "INTERVIEW: Oman's Hydrom Eyes Asia with Roadshows for Hydrogen Offtake Deals." S&P Global, August 29. <https://www.spglobal.com/commodity-insights/en/news-research/latest-news/energy-transition/082925-interview-omans-hydrom-eyes-asia-with-roadshows-for-hydrogen-offtake-deals>.
- 138 Rizvi, Faiza. 2022. "Proudly Made in the GCC: Jindal Shaded CEO on the \$3 Billion Green Steel Project." Oil&Gas, December 29. <https://www.oilandgasmiddleeast.com/people/proudly-made-in-the-gcc-jindal-shadeed-ceo-on-the-3-billion-green-steel-project>.
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- 140 United States International Trade Administration. 2024. "Oman Country Commercial Guide." February 20. <https://www.trade.gov/country-commercial-guides/oman-mining-and-minerals>.
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Salalah, Duqm, and Sohar. The line connecting Muscat to Duqm will be Phase 2 of the ONRP. Preparatory construction work for Phase 1, linking Sohar on Oman's northern coast with Abu Dhabi in the UAE, is currently underway, with an Omani-Emirati JV, Hafeet Rail, in charge. Design and planning work for Phase 2 is in progress, and this work's completion, along with sufficient progress being seen in Phase 1, should see Phase 2 commenced.

However, this still leaves a significant connectivity vacuum between southern Oman and southeastern Saudi Arabia (by far the more direct route between Duqm and Saudi Arabia compared with the ONRP option) unaddressed. The current highway linking Duqm to Saudi Arabia is a single-lane road insufficient to deal with the projected future industrial output of SEZAD or the mined bulk minerals from Duqm's surrounding region.

Ongoing studies pursued by Oman's Ministry of Transport, Communications & Information Technology and its counterparts in Saudi Arabia are weighing the commercial viability of a Duqm to Riyadh rail line. This line would also pass through the Economic Zone in Al Dhahirah governorate (EZAD) in Oman, whose construction is in its infancy near the Rub Al-Khali border crossing between both nations. The case for such a rail line is even more compelling given the current road connections between EZAD inland into Saudi Arabia – the major market for the EZAD's industrial output – are insufficient to serve the planned output of the zone, which will include a dry port (inland intermodal terminals that rely heavily on efficient long-haul rail, or dedicated road links, to connect to sea ports and regional markets).

As illustrated by the development of the green hydrogen production and its transportability from the specialized Duqm Port, the commercial viability of SEZAD now appears highly likely. Therefore, in building on the same SEZ-rail phased logic discussed in the policy recommendation for Iraq's Development Road, Chinese rail SOEs could consider assisting the broader deliberation process currently occurring between Omani and Saudi decision makers regarding the Duqm to Riyadh railway. Expressions of interest from Chinese rail construction SOEs, which are the most cost-competitive worldwide, during this Omani-Saudi deliberation process could influence the decision to greenlight the project.

The commercial viability calculus of the Duqm-Riyadh rail project is also very much affected by the commercial viability of the Al Dhahirah zone. Accordingly, Beijing could offer Tianjin TEDA Investment Holdings Co., Ltd. as an informal, casual advisor to the Omani and Saudi deliberators. It could draw on its SEZ creation and governance experience in China and Egypt to suggest ways to maximize the commercial potential of the Al Dhahirah SEZ, thus in turn elevating the commercial potential of the prospective Duqm-Riyadh rail link.

China's interests in such a rail project should be substantial given its preexisting commitment to develop the China-Oman Industrial Park within SEZAD. As discussed, this park has yet to see much investment of the pledged amount materialize, likely a product of the concerns other foreign investors initially displayed toward SEZAD: its lack of sufficient logistics connections to Oman and GCC markets. This rail link would make the China-Oman Industrial Park a far more commercially viable, and thus attractive, prospect.

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