



# ARAB BUSINESS CLUB

MAGAZINE

PROFILES

INTERVIEWS

INVESTMENT

OPPORTUNITIES

**Lebanese Economy  
in 2012**

**Stable & Bracing  
for Regional Turmoil**

**UNHCR**  
**Private Sector Can  
Play a Vital Role**

**Energy Efficiency**  
**the New Focus  
for UAE's Oil and Gas industry**

**Report**

**Setting up a Business  
in Saudi Arabia**

**Market  
Segmentation**

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## RESOURCES – MANAGEMENT

**Power of the Advisory Board:** No business is too small to benefit from having an Advisory Board and an Advisory Board is such a powerful management tool that no small business should be without one. Think about the last time you met with other business people and had an open discussion, sharing your ideas and concerns. An Advisory Board is a formal version of this process.



ARAB BUSINESS CLUB  
NOVEMBER





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## COUNTRY FOCUS

**Lebanese Economy in 2012, Stable & Bracing for Regional Turmoil:** The Lebanese economy used to be one of the strongest in the Middle East; unfortunately the long civil war put an end to that. Before the civil war Lebanon was the banking center of the region and it had a very strong economy. The war destroyed most of the infrastructure and severely reduced the economic output of the country. They have rebuilt the infrastructure since the war has ended but the economy is still a far cry from the level that it was at before the civil war.



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## BEST BUSINESS PRACTICE

**Strategy 105 "Indicators":** Your car fuel gauge is built on simple indication components. A measurement unit showing a full tank level, three quarters of tank level, half tank level, one quarter of the tank and an empty tank. Then, they added a small light that turns on when you reach critical low level of fuel.



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## RESOURCES – MANAGEMENT

**Power of the Advisory Board:** No business is too small to benefit from having an Advisory Board and an Advisory Board is such a powerful management tool that no small business should be without one. Think about the last time you met with other business people and had an open discussion, sharing your ideas and concerns. An Advisory Board is a formal version of this process.



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Being a business leader is not a small or easy feat to accomplish; you have to always be on the edge, aware of all the latest trends and developments in your field, prepared to jump on the next lucrative opportunity when the timing is right, form beneficial and sensible alliances and build long-term and trustworthy relations that break the barriers of geography, culture or language.

Multi-national business clubs are the world's highest regarded channel to achieve all the above, and "Networking Events" have always become of the most effective tools in those clubs' arsenals, through which they could bring together businessmen and businesswomen from all over the world to share opportunities, plans and best practices and to forge new alliances and relations enabling businesses to expand and economies to grow. Since its inception in 2008, Arab Business Club became the international business platform of choice

for the World's business elites who are interested in building trustworthy and beneficial business relations with the Arab World.

The club's trend-setting networking events have become the benchmark of the industry, while Our strive to present our members with as much added value as possible for their membership has seen us introducing more and more unique and exclusive services, well beyond the usual services of traditional business clubs. You can find details about the new services we've recently introduced in the "Members' Exclusive" section of this issue.

Meanwhile I want to take this opportunity to invite all our members to attend our networking event, scheduled next month, and to actively participate in its discussions with their ideas and investment opportunities.



Hamdan

**Hamdan Mohamed Al Morshedi**  
President and Publisher



@HamdanMorshedi



# About the Arab Business Club

## In a glance

Arab Business Club is an international business platform built for the World's business elites; particularly those who are interested in building trustworthy and beneficial business relations with the Arab World. We break through the barriers of culture, Geography and language and bring together elite Businessmen and women, investors, C-level management personnel and decision makers enabling fruitful business ties to be forged quickly and efficiently.

- Arab Business Club was established since August 2008.
- The Club has more than 8500 Members from 27 countries including Key business players, top management professionals, decision makers and high-ranking diplomats.

## KEY ACTIVITIES

- Promoting investment opportunities worldwide.
- Promoting our members' services, products and investments.
- Business & investment matchmaking through our wide connections and regular events.
- Facilitating relations and communication with Arab governments and authorities. Bringing together investors and investment opportunities owners.
- Hosting and organizing exclusive and trend-setting business and networking events.
- Leading and supporting investors & business delegations to/from the Arab World.
- Supporting business setup and establishment in the region through providing advice, feasibility studies, consultancy, local partnerships and helping with licensing process.
- Providing Legal support and advice to our members.
- Hosting and organizing specialized events: Healthcare, Oil & Gas, Tourism, etc.



## After the Spring!

Between 2011 and 2012 the Arab World has seen much more changes in 2 years than it has witnessed in the last 50 years put together! The arrival of Arab spring revolutions has –without a doubt- changed the face of the region for decades to come. Spring countries aside, however, the economic effects of these changes may have been almost negligible on other Arab countries, except for those in direct proximity to the only remaining hot front: Syria, where the warm Arab spring has turned into a cold and sad autumn.

The tragic situation in Syria, the beating heart of Arab World as Syrians love to call their country, is the source of 2 articles of this new issue of Arab Business Club Magazine:

- Our "Corporate Social Responsibility" section has a feature prepared by UNHCR that talks about the crisis of Syrian refugees in neighboring countries and how the private sector in the region can help to alleviate their suffering.
- Our "Country Focus" section has a comprehensive report about the economic situation in Syria's closest neighbor: Lebanon. The report focuses on the effects of the Syrian turmoil on the economic situation in Lebanon and the clouds of doubt it

casts on the country's ability to attract investors. The feature is also our cover story for this issue. Our "Report" section has an extremely useful guide about establishing a business in Saudi Arabia as a foreign company. The guide covers all the essential laws, procedures and problems that any investor will have to deal with to set up his company in the Arab World's largest economy, sector by sector.

Are you a bad manager? You can find the answer in our "Best Business Practice" section, where our regular contributor, Hind Jamjoum, has a very useful article about the art of management and what differentiate good managers from bad ones.

Our "Resources" section will, as always, provide CEOs, business leaders and entrepreneurs with some vital advices in the different aspects of running a business, be it Management, Investment, finance, marketing or Human resources. While the rest of our sections will continue to provide all the useful information, opportunities and advices you used to love and expect from Arab Business Club magazine.

Enjoy,

**Basel Aal Bannoud**  
Managing Editor

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Register and use all the info and services we provide online.

Get all the information you need About Arab Business Club's membership, activities and services.

Follow the club's latest announcements and updates.

Contact other members and share with them your ideas and opportunities.



business leaders  
community

[www.arabbusinessclub.org](http://www.arabbusinessclub.org)

## A Seminar about Foreign Investment and Its effects on Development



On September the 26th 2012, Raffles hotel in Dubai hosted a Seminar organized by the Ministry of Economy under the title: "Foreign Investment and Its Effects on Development". The event was under the patronage and personal appearance of H.E. Engineer Sultan Bin Saeed Al Mansouri, Minister of Economy. The seminar comes among the various initia-

tives and steps taken by the Ministry of Economy to strengthen the investment atmosphere in the country and make it more attractive to foreign investors. Several papers and lectures were presented in the seminar by government officials and leading businessmen and investors in the UAE, among them was Mr. Hamdan Mohamed Al

Morshedi, President and Chairman of the Board, Arab Business Club, who presented an important paper under the title: "FDI and Development in the UAE, Opportunities and Challenges". Mr. Hamdan was honored and presented with an award by H.E. Engineer Sultan Bin Saeed Al Mansouri, Minister of Economy.

## Arab Business Club & World Fashion Organization to Further Develop Mutual Relations

On October the 27th 2012, the Arab Business Club office in Dubai held a meeting between Mr. Hamdan Mohamed Al Morshedi; President and Chairman of the Board; Arab Business Club, and a delegation from the World Fashion Organization represented by Mr. David Lee, Mr. Paco De Jaimes, Ms. Catherine Birch and others. The two parties discussed mutual relations and the prospects of further cooperation between Arab Business Club and the World Fashion Organization.

Mr. Hamdan gave his guests a detailed explanation about the opportunities and projects that the clubs members are interested in and informed them about the upcoming schedule of Arab Business Club and the several initiatives and events that are going to be launched by the club in the upcoming months. The 2 parties exchanged gifts and set up plans in motions for increasing cooperation and coordination between their honorable members.





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## Chinese contractors awarded two deals for Jubail, Ras Al-Khair cities

Saudi Arabia's Royal Commission for Jubail and Yanbu (RCJY) has awarded two contracts worth a total of SR506.98m for the implementation of infrastructure projects in Jubail and Ras Al-Khair industrial cities. China Communications Construction Co (CCCC) won the first contract for building a booster unit to enhance pumping capacity at a seawater cooling network and all related facilities for the industrial area in Phases 3 and 4 of Jubail 2 project. The second contract was signed with China National Chemical Engineering Co (CNCEC) to implement the housing complex in Ras Al-Khair Industrial City. The housing complex will include facilities including a mosque, service workshops, warehouses, a dining hall, a bakery, a sports hall, management and security buildings.



## Arabtec to build 411 villas for Emiratis in Abu Dhabi

The UAE presidential affairs ministry has sent Arabtec Construction a 'Letter of Award' to build villas in Abu Dhabi for UAE citizens. The Dhs423m project involves the construction of 411 villas and associated external works at the Baniyas Residential Development in Abu Dhabi.

## Oman awards contracts for Batinah housing project

Oman's ministry of housing has awarded contracts to local construction firms for projects in the North Al Batinah governorate. The first contract went to Al Midad Al Ilmi Office for Engineering Consultancy for surveying the existing buildings and evaluation of property near the Port of Sohar. The second contract, signed with Consultants Engineers (A.W and Associates) is for the preparation of a detailed study and design of housing units, roads and infrastructure works in Liwa, the ministry said.





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# Abu Dhabi Ranks as Most Productive Economy

Abu Dhabi ranked 22nd among 27 cities in the fifth edition of Cities of Opportunity, an annual report released today by PwC and the Partnership for New York City.

Cities of Opportunities 2012 analyses the current performance of 27 cities at the center of finance, commerce and culture and studies the cities' potential by the year 2025. In addition, the study analyses city employment in the most significant and telling job sectors and projects the trajectory of the cities in jobs, productivity, and population to 2025.

Cities of Opportunity forecasts growth in employment rates towards 2025 in Abu Dhabi's business services, especially in manufacturing, transport and communications, education and hotels and restaurants. As Abu Dhabi joins the world's developed cities in terms of jobs today, the study shows that the biggest

part of employment will be in the leisure and culture sectors and by 2025 reaching 20.3%, and the city's total business services will grow by nearly 9%. With the highest number of hospitals per capita, Abu Dhabi is the top ranked emerging economy in the health, safety and security category, bringing it to a tie with Tokyo. It has surpassed Los Angeles, Paris, Madrid and Hong Kong for this indicator among developed economies. Abu Dhabi also reported the lowest crime rates, bringing it closer to Singapore and Hong Kong, economies that have fared very positively on low crime rates year on year. The capital secured top performance in other key indicators including:

• **6th in the cost of business occupancy**

- 9th in consumer price index
- 15th in the iPod index: measuring number of working hours needed to afford an iPod Nano

• 2nd lowest cost in public transport.  
Abu Dhabi has resources that many cities don't have access to, and with the city's 2030 vision for a sustainable future, the Cities of Opportunities report cites great expectations for the city to improve on its current sustainability ranking. Abu Dhabi ranked last in the sustainability and the natural environments indicator, mainly due to finishing last in two variables, public park space and recycled waste. It has also ranked third from the bottom in thermal control and air pollution.



## Bahraini developer launches \$20.7m project

Bahraini developer Alargan has launched the commercial part of the Geon project, Joyoun Al Qaryah, in the Abu Quwa area with a total investment of BD11m. The project extends to an area of 18,000 sq m, and comprises a number of commercial spaces,

famous restaurants, pharmacies and a large hypermarket. Launched in January 2011, the total area of the Joyoun residential project comprises 82 town houses extending in areas ranging between 160 and 229 sq m.



## Emirates Adds Flights to South East Asia

Emirates is increasing its services to three of its destinations in South East Asia, the Philippines, Indonesia and Malaysia. From 3rd December 2012, there will be an increase in the number of flights on the Dubai to Kuala Lumpur route from three daily to 25 a

week, increasing to 26 a week from 6th February 2013. Starting 1st January 2013, Emirates will introduce a third daily, non-stop flight to Manila; with a third daily, non-stop service beginning on 1st March 2013 to Jakarta.





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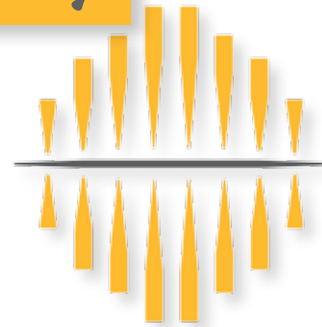
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# Shurooq

## Sharjah Investment and Development Authority



شروق  
SHUROOQ

هيئة الشارقة للاستثمار والتطوير  
SHARJAH INVESTMENT AND DEVELOPMENT AUTHORITY

Shurooq's goal is not simply to develop, but to do so within the framework of the Emirate of Sharjah's wealth of cultural and natural heritage – and to do so to the benefit of every person who resides in Sharjah and the greater UAE.

The Sharjah Investment and Development Authority “Shurooq” is an independent government body based in Al Qasba- Sharjah. Shurooq was established by Emiri Decree No. 2 of 2009, issued by His Highness Dr. Sheikh Sultan bin Mohammed Al Qassimi, Member of the Supreme Council and Ruler of Sharjah, and is chaired by Sheikha Bodour Bint Sultan Al Qasimi, with Marwan Jassim Al Sarkal as CEO.



Shurooq's aim is to achieve social, cultural, environmental and economic development on the basis of Sharjah's distinct Arab and Islamic identity, to create new investment opportunities within the emirate, and to encourage investment by adopting the best standards in providing services so as to attract investors.

The Authority's key mission is to evaluate and follow up on tourism-related infrastructure projects, as well as to overcome obstacles facing investment activities in the emirate of Sharjah, and to provide all the possible facilities and incentives to help attract more investors to the emirate.

**Al Sarkal believes that Sharjah is a highly dynamic city, and a place where people can find democracy, peace and community engagement.**

In line with its mission and aims, Shurooq plans to set up a comprehensive information centre and prepare a media plan that will encourage all types of investment by coordinating with all concerned bodies to release the necessary promotional materials. Shurooq is also responsible for establishing new infrastructure projects, developing investment-related infrastructure projects, modernising already existing projects, and setting up special investment zones, as well as suggesting and drawing up investment-related legislation, investing in investment projects, and signing and concluding partnership agreements with similar bodies, both within and outside the emirate.

The Authority's other responsibilities include working to attract local investors from the UAE and abroad, and cooperating with government bodies, departments and members of the community in developing the emirate as an investment destination in the UAE so as to boost its status both locally and internationally.

Shurooq's current and future strategy aims to enhance integration and coordination between government or-

ganisations through application of the principles of governance and through allowing the free access to information and data.

The strategy also aims to upgrade the standard of professional works through the implementation of the principles of transparency and exchange of expertise, and by concluding agreements and memoranda of understanding that help increase the investment rates and economic activities within the emirate, while focusing on completing the economic structure within the framework of sustainable development and environmental friendliness, in line with international standards.

Shurooq is currently developing several landmark projects in Sharjah, and has already finalised the necessary plans to implement these projects in the near future.

### Clear Goals and Vision

Shurooq's goal is not simply to develop, but to do so within the framework of the Emirate of Sharjah's wealth of cultural and natural heritage – and to do so to the benefit of every person who resides in Sharjah and the greater UAE.

Shurooq's central mandate is social, cultural, and environmental achievement, as well as economic development based on the distinctive Arabic and Islamic identity of the Emirate of Sharjah.

Each project that Shurooq has undertaken to date – and still plan to undertake – is specifically geared to engender the maximum amount of growth and development possible, without ever losing sight of the importance of our cultural heritage.

### The Man Behind

H.E Marwan Bin Jassim Al Sarkal-CEO of Sharjah Investment and Development Authority (Shurooq), CEO of Al Qasba Development Authority

and a Board Member of Sharjah Tourism and Development Authority - is considered one of the key leaders in Sharjah's growth.

A graduate holding a high diploma in accounting from Dubai Men's College in 1999 and a bachelor degree in Applied Sciences in Business Administration, Marwan Al Sarkal initially worked for the Sharjah Electricity and Water Authority in 1999 as a head of the Auditing Department. In 2003, he joined Dubai Shopping Festival and was assigned the post of Finance Manager and thereafter promoted as the Director of Finance and Administration in DSF in 2005.

Possessing a sharp understanding of the market and in-depth insight into the functioning of economies and international legalities and legislation, Al Sarkal has proven his mettle in quality, operations control and strategic planning.

Al Sarkal believes that Sharjah is a highly dynamic city, and a place where people can find democracy, peace and community engagement. For him, UAE is a country where nothing is impossible and where development has become a continuous - fast moving trend which in turn shaped his responsibility to cope with this rapid change. Al Sarkal follows a life method based on dedication and loyalty to the job and owns a clear faith that life brings a lot of challenges which can be turned into valuable opportunities through organized leadership and team spirit.



## In Times of Crisis Private Sector Can Play a Vital Role

The last two years have seen a series of emergencies that have forced more people to flee across borders, leaving their homes, their communities and their livelihoods, than at any time since 2001.

According to The United Nations High Commissioner for Refugees (UNHCR) on average, each and every day over 2,500 people, many of whom are women and children, are forced to leave their home countries due to war, conflict, environmental disaster and other challenges. Most don't know if or when they will return home to resume the life they once knew. Whilst these emergencies spread from places as diverse as Myanmar, Sudan and the Democratic Republic of Congo, the last two years have seen a large number of displaced people come from, and seek shelter in the Middle East and North Africa.

Political upheaval in Yemen, Libya and Syria has forced huge numbers of people to flee from their homes. In Syria alone, since March 2011, over

280,000 people have had to flee to neighbouring countries.

Yet just looking at figures doesn't give the true story. Behind each number is a family, a child, a grandparent, and the impact can be devastating, not just for individuals, but for whole communities, nations and regions, both socially and economically. Unprecedented crises call for an unprecedented response, and the humanitarian world has responded in kind. UNHCR and partners for example have deployed record numbers of staff to emergency zones in the last two years, but the challenges faced are not just due to staff, but due to timing. Whilst there is never a 'good' moment for an emergency, these unprecedented humanitarian crises have taken place at a time of

unprecedented economic turmoil and global financial crisis.

Ultimately, this means that whilst the need for humanitarian assistance has risen drastically, securing the financial support from traditional partners such as governments to ensure that women, children and families in desperate need are supported, is getting progressively difficult.

Increasingly there is recognition that not only do governments and humanitarian organisations have a key role to play in addressing these challenges, but the private sector can also utilise its huge resources of skill and knowledge as well as its financial muscle to address these urgent humanitarian challenges.



The late Sheikh Zayed Al Nahyan, the founder of The United Arab Emirates (UAE), was very well known for his commitment to humanitarian causes regionally and globally. This trait has become of key feature of business activities in the region, with many UAE establishments following his lead.



## The Role of Corporate Social Responsibility

With the rise in Corporate Social Responsibility (CSR), it is clear that more than ever, the private sector can see the economic and social value in addressing society's problems. The Arab business community is part of this trend.

Philanthropy has always been a significant trait in Arab society, from everyday citizens to the regions leaders. For example the late Sheikh Zayed Al Nahyan, the founder of The United Arab Emirates (UAE), was very well known for his commitment to humanitarian causes regionally and globally. This trait has become of key feature of business activities in the region, with many UAE establishments following his lead.

Challenge grants are another route that the private sector is choosing to engage with the humanitarian world, and this has proved to be a successful way of bringing together a variety of organisations from the business community, the world of foundations and humanitarian sector behind a common goal such as improving education.

As business starts to link CSR activities with explicit business benefits, greater numbers are looking at forming long term, strategic and impactful partnerships between the humanitarian and business worlds. The very best partnerships not only fund vital humanitarian work, such as the housing, feeding and supporting of families who have fled their homes, but also utilise the skills, knowledge and expertise of each organisation to improve work and bring about substantial change. Not only does this bring a 'more than money' benefit to each partner, but in many cases can help to build a relationship with stakeholders, can support business objectives and can assist improvements in operations such as supply chain management.

One such partnership between the humanitarian world and the business world is that between UNHCR and the IKEA Foundation. Formed in 2010, the ground breaking partnership supports UNHCR's vital work



Africa and displaced people in Kenya, Ethiopia, Sudan, Bangladesh and their host communities. Not only did this partnership includes a landmark grant -UNHCR's biggest private sector donation to date, it utilises the skills and knowledge of both partners to find innovative solutions to the challenges faced on the ground and improve efficiencies across operations. For example, IKEA's famous knowledge of flat packing has proved invaluable in UNHCR's on-going attempts to transport lifesaving supplies to remote and dangerous locations, IKEA's design expertise is supporting UNHCR's development of better humanitarian products and UNHCR's logistical knowledge has been shared with experts at IKEA. In addition the partnership has supported IKEA's goals to communicate with staff, build brand with customers and reaffirm their commitment to CSR.



## Syrian Refugees in Dire Need for Help

With parts of the Arab and Muslim world facing a time of great crisis, such as Syria, resulting in vast numbers of refugees and internally displaced person's (IDPs) fleeing their homes, the view that society as a whole must respond is growing in strength, and as part of a society touched by these crisis, the business community, through partnerships, grants or philanthropy, can play a key role.

In Syria the conflict is to date causing thousands to flee their homes to Lebanon, Turkey, Jordan and Iraq. In spite of regional solidarity, Syrian refugees are in dire need of financial support in order to keep the sense of normality in their temporary lives as refugees. They are counting on individuals and business leaders for support, no matter how small.

To find out how you as an individual or as a business can play a role in supporting the hundreds thousands of refugees and displaced families in the Arab and Muslim world and beyond, visit [www.unhcr.org](http://www.unhcr.org)

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## Numbers of Syrian Refugees in Neighbouring Countries

Jordan	Lebanon	Iraq	Turkey	North africa	
105,737	92,651	38,143	96,397	5,562	338,490



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# ARAB

## BUSINESS CLUB

## Energy Efficiency the New Focus for UAE's Oil and Gas industry



**E**nergy efficiency is set to become a new focus for the UAE's oil and gas industry, with an increase in exports as well as a growth in domestic consumption affecting the market.

Current proven oil reserves remain at approximately 97 billion barrels, meaning the UAE's oil fields represent approximately 7% of global reserves (while the GCC accounts for 45%): the Emirates are therefore in the top-10 amongst Opec producers.

The UAE currently exports 2.32 million barrels of crude oil per day - mainly to Asian markets with Japan at the forefront - and in terms of natural

gas, the UAE's reserves stand at six trillion cubic meters (tcm). According to a May 2012 Business Monitor International (BMI) report, these UAE oil reserves will decrease by 5.8 billion barrels from 96.8 billion (2011) to approximately 91 billion barrels by 2016, mainly due to an increase in oil production and projected exports. By 2016, BMI estimates that oil production will rise to more than 3.2million barrels per day (mbpd), increasing to 3.5 mbpd by 2021. This increase is supported by a number of factors, including mature oil field redevelopment and the introduction of enhanced oil recovery (EOR) which will maximize current reserves, as well as renewed investment from oil companies both domestically and internationally. Likewise, gas reserves are set to fall from six tcm to approximately 5.8tcm by 2016.



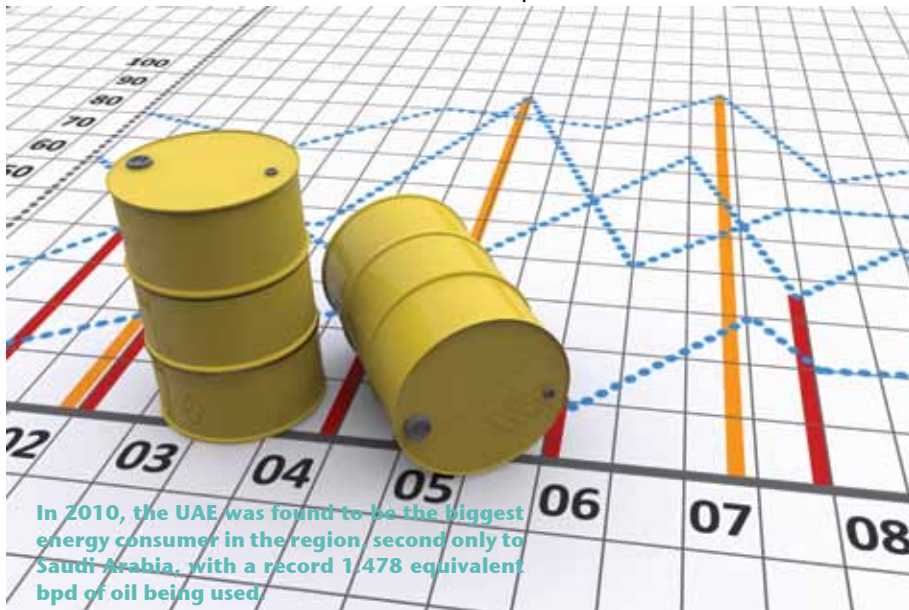
**The UAE currently exports 2.32 million barrels of crude oil per day - mainly to Asian markets with Japan at the forefront - and in terms of natural gas, the UAE's reserves stand at six trillion cubic meters (tcm)**



### Reserves affected by upswing in local demand

Oil and gas reserves are also being affected by increasing domestic use by Gulf states, including the UAE, particularly during the desert heat of the summer months when energy consumption typically spikes. This has been driven both by demand and a growing population, according to a February 2012 Oliver Wyman report.

“Growing energy consumption in the Middle East threatens to sap the region’s competitiveness and economic growth. Even a moderate adoption, however, of measures used elsewhere in the world to increase energy efficiency could significantly reduce investment needs for energy infrastructure, slow the pace of energy consumption growth, free-up oil for export and help mitigate pollution and the region’s carbon footprint,” the report concludes.



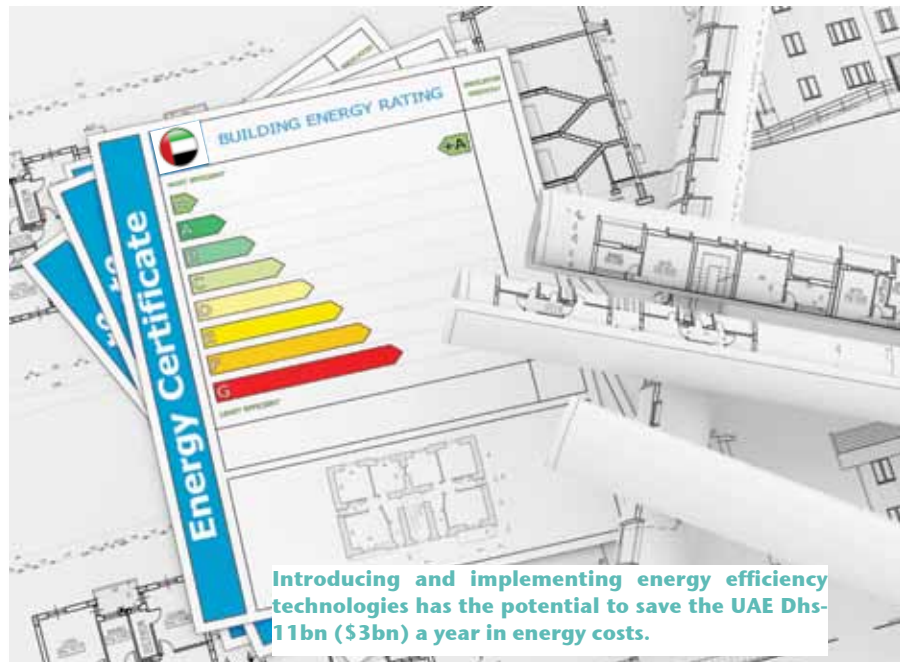
Despite its reserves, natural gas no longer meets domestic energy demand, forcing the region’s countries to dip into their oil reserves and consequently negatively impact revenue generation. In 2010, the UAE was found to be the biggest energy consumer in the region, second only to Saudi Arabia, with a record 1.478 equivalent bpd of oil being used.

However, introducing and implementing energy efficiency technologies has the potential to save the UAE Dh\$11bn (\$3bn) a year in energy costs, the Oliver Wyman report states (assuming constant electricity production costs). These savings could be found in the residential sector (approximately 51%), the commercial sector (approximately 38%) and the industrial sector (approximately 11%).

### Projects coming online to increase efficiency

Abu Dhabi is home to one-third of the top-20 largest oil and gas projects in the region, including the delayed 400km Habshan-Fujairah pipeline, which was completed in May 2012 and is due to start pumping by August 2012. The pipeline is set to allow the capital to export its oil from the strategically-placed emirate of Fujairah on the East coast, bypassing the Strait of Hormuz. Initially designed to carry 1.5 million bpd, it will later expand to transport 1.8 million bpd. The Dh\$37bn (\$10bn) Shah sour gas field project in the capital’s Al Gharbia (formerly the Western Region) is on track for completion in 2014, producing natural gas condensate and natural gas liquids (NGLs). Shah is set to produce one billion cubic feet of gas a day when up and running.

When complete, the exploitation of this field is set to address the rising energy demands of the UAE, while future export projects are due, in turn, to meet increasing global energy export demands.





This overview provides some general guidance on the laws and principal legal factors that must be considered when doing business in Saudi Arabia. Since the kingdom's laws can often be confusing, and even contradictory, it is recommended that foreign investors seek specific legal advice before entering into a business venture in the country.

## The foreign investment licence

Those who are keen to invest in Saudi Arabia must obtain a foreign capital investment licence from the Saudi Arabian General Investment Authority (Sagia).

All Saudi companies, or those registered within other GCC countries, are treated as GCC nationals if they are wholly owned by citizens or governments of GCC member states. GCC firms with foreign shareholders, foreign businesses, or any investor who is not a national of one of the GCC countries must obtain a foreign capital investment licence.

The Foreign Capital Investment Law allows the establishment of companies with 100 per cent foreign ownership within most economic sectors. When an investment is licensed under the Investment Law, a business enjoys all the privileges and incentives offered to wholly Saudi-owned firms. These include: ownership of freehold property (if that property is necessary for the company to carry out its licensed activities); privileges granted by the anti-double-taxation treaties to which the kingdom is a party; legal protection against expropriation or confiscation of investments; and the right to repatriate profits.

## Incorporating a local entity

Saudi company regulations regulate the establishment and governance of corporate entities in the kingdom. The limited liability company (LLC), joint stock firm and branch of a foreign business are the most common forms of legal entities. Others include sole proprietorship, scientific offices and temporary commercial registration (TCR), which is granted to foreign entities that sign contract agreements with a government or semi-government department to execute a project. A TCR is limited to one contract and lasts until that contract's final date.



# Setting up a Business in Saudi Arabia

## Limited liability companies (LLCs)

An LLC is the most common corporate vehicle for equity participation by foreign investors. It must have a minimum of two shareholders, and not more than 50. People and corporate entities may be shareholders. Generally, shareholders are liable for the debts of the company only to the extent of their respective interests in the firm's shares.



Transfer of shares between parties is effective on the date of notarising the articles of association amendment to reflect that transfer, and the liability of a selling shareholder ceases from that date. Sagia regulations and requirements are applied to new foreign shareholders who form a licensed LLC, and the procedures are the same for existing shareholders.

## Joint stock companies

A joint stock company must have a minimum of five shareholders, but there is no maximum. Shareholders may be people or corporate entities. A minimum of SR2m (\$533,000) of share capital must be used to establish a closed joint stock company, and the firm's foundation is subject to approval by the Ministry of Commerce & Industry.

## Branches of foreign companies

Branches of foreign firms in Saudi Arabia are subject to regulations, laws and rules applicable to their activities. As with LLCs and joint stock companies, foreign businesses that establish branches in Saudi Arabia must deposit capital in a local bank. The deposited capital will be blocked until the Ministry of Commerce & Industry issues a certificate of registration for the branch. Contracting firms must have at least a third-class contractor's classification certificate and completion certificates for projects undertaken outside Saudi Arabia. They must be able to prove they are financially solid and require minimum capital of SR1m. If they are working on an industrial project, the capital required will depend on a feasibility study carried out by the investor. If the project's capital requirements are more than SR5m, Sagia allows the company to deposit only 25 per cent of the capital in the bank.

## Laws

Some of the legislation that companies operating under the Foreign Capital Regulation Law must adhere to include:

### . Anti-cover-up Law

The Anti-cover-up Law prohibits non-Saudis from conducting or investing in any business in the kingdom without a foreign capital investment license issued by Sagia and prohibits any Saudi person from assisting in such activity.

### . Environmental Law

The Presidency for Meteorology and Environment (PME) is the entity responsible for regulating pollution control and related environmental matters. The PME (previously known as the Meteorology and Environmental Protection Administration, or Mepa) has issued environmental protection standards regarding ambient air quality, air pollution sources, receiving-water guidelines, direct discharge performance and

discharge pre-treatment guidelines. Saudi Arabia has also approved the General Environmental Regulation and the Environmental Assessment Regulation for the GCC. The General Environmental Regulation prohibits any act or failure to act that may result in adverse environmental effects and requires that precautionary and pre-emptive measures be implemented to ensure that such adverse effects do not occur as a result of the construction of any project.



The Environmental Assessment Regulation applies to a long list of projects that may have an environmental impact and requires that an environmental assessment be conducted on projects that fall under its coverage.

## Immigration

Non-Saudi citizens (other than GCC nationals) must obtain visas to enter the kingdom and must obtain permits to reside there. Visas and permits are not granted on arrival and must be obtained in advance.

Companies are required to register their employees' contracts with the Ministry of Interior before a residency permit can be issued. Each firm is permitted to have a certain quota of residency visas. Employees with residency visas who earn above a threshold salary may sponsor family members. Residency visas are valid for up to one year. Employees cannot work for anyone other than their sponsor and sponsorship cannot be transferred until the employee has worked for his original sponsor for at least two years.

## Real estate

Ownership of real property is evidenced by title deeds. There is a central registry under the Ministry of Justice and the Ministry of Municipalities and Rural Affairs where all real property rights are recorded. A long-awaited mortgage law was approved in July and should become effective in the near future.

A non-GCC investor in possession of a foreign investment license from Sagia may own real property in the kingdom, provided the property is necessary for the investment project. This includes real estate used to house the project's employees.

## Requirements for setting up a company

Commercial activity in Saudi Arabia has been broken down into eight categories:

- Industrial
- Commercial
- Agricultural
- Contracting
- Real estate
- Specialized services
- Non-specialized services
- Consultancy

To operate in any of these activities, a firm must fulfill specific requirements before it is licensed by Sagia.

## Industrial activity

1- The Company must inform the Saudi Arabian Standards Organization and Sagia whether it will be using Saudi, American or European specifications for its products and methods of manufacturing. It must then ensure the specifications of the product it wishes to manufacture are met and make sure the techniques of production adhere to the kingdom's rules. If Saudi certification is not available, certification from the US or EU can be used.

2- The company's capital must be at least SR1m.

3- It must provide a schedule for completing each stage of its project.

4- The investor must produce paperwork from the Saudi Industrial Property Authority (Modon) to show it is leasing or buying industrial land for the purpose of its investment activity.

5- If the company's capital is more than SR5m, each partner must submit a bank certificate for 25 per cent of its share of the capital. If the capital is less than SR5m, a bank guarantee



for the whole sum must be submitted to Sagia. This must be done through a bank licensed in Saudi Arabia after the firm shows its investment license and submits the deposit certificate. Sagia's commercial registration department will not issue a license until this has been done.

## Commercial activity

1- The company must submit to Sagia a commitment that up to 75 per cent of its management and technical employees will be Saudis.

2- A Saudi partner must own at least 25 per cent of the firm. Foreign partners may not own more than 75 per cent of the capital, but their share must exceed SR20m.

3- The business must submit a commitment to train more than 15 per cent of its Saudi employees each year to Sagia.

4- The company must submit a bank certificate showing each foreign investor has access to a percentage of SR20m proportionate to its shares in the firm. This must be ratified by the Saudi embassy in that investor's home country.

## Agricultural activity

1- The minimum investment must be SR25m.

2- A company's activities are subject to approval by the Ministry of Agriculture.



3- The firm must submit to Sagia a bank certificate indicating each foreign investor has access to at least 25 per cent of its shares in the company. This must be ratified by the Saudi embassy.



**4-** The business must submit to Sagia a schedule for completing each stage of the project.

**5-** A company must commit to deposit its capital in a bank licensed in Saudi Arabia after Sagia has issued an investment license. It must submit the investment and deposit certificates to the commercial registration department of the Ministry of Commerce & Industry.

• **Contracting activity**

**1-** The investor must submit three financial statements for its operations outside the kingdom, covering the three years before it has requested its license. The statements must be prepared by a certified accounting firm and ratified by the tax office and Saudi embassy in the investor's home country. They will be used to demonstrate the investor's operations are financially sound.

**2-** The investor must submit to Sagia completion certificates for major projects it has undertaken in the same field in which it plans to invest.



**3-** The company must be classified in its home country in the same activity and must be classified as at least a third-class contractor or its equivalent. Its classifications must be ratified by the Saudi embassy in its home country.

**4-** The firm must submit to Sagia a bank guarantee proving each partner has access to at least SR250,000, and this must be ratified by the Saudi embassy. (Recently, Sagia stopped allowing individuals to invest in contracting, preferring investment to come from large companies with more experience.)

**5-** Consultancy work may only be carried out by an LLC.

**6-** The business must submit a schedule for completing each stage of the project to Sagia.

**7-** The company must commit to deposit its capital in a bank licensed in the kingdom after Sagia has issued an investment license. It must submit the investment and deposit certificates to the commercial registration department of the Ministry of Commerce & Industry.

• **Real estate activity**

**1-** Foreign investors may only deal in properties worth more than SR30m.

**2-** The property must be developed and leased or sold within five years of the investor beginning its activity on the project.

**3-** The property must be outside the borders of Mecca and Medina.

**4-** The company must submit a bank certificate for the capital or the share of each partner. This must be ratified by the Saudi embassy in the firm's home country.

**5-** The company must submit a schedule for the completion of each stage of the project to Sagia.

**6-** Before it can invest in property, the business must submit a study from



a local, approved engineering firm showing the value of the land and the aggregate cost of the scheme.

**7-** A company must commit to deposit its capital in a bank licensed in Saudi Arabia after Sagia has issued an investment license. It must submit the investment and deposit certificates to the commercial registration department of the Ministry of Commerce & Industry.

• **Specialized services**

Under Sagia's classifications, specialized services include communications and tourism.

**1-** The firm must obtain permission from the government body that regulates the field in which it will operate. For example, the Communications and Information Technology Commission, or the Saudi Commission for Tourism and Antiquities.

**2-** The company must submit a schedule for the completion of each stage of the project to Sagia.

**3-** The business must submit to Sagia a commitment to invest its capital in a bank licensed in Saudi Arabia, once Sagia has issued its investment license. If the capital is more than SR5m,



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SAUDI ARABIAN GENERAL INVESTMENT AUTHORITY  
SAGIA

the company does not have to deposit the whole amount but can deposit 25 per cent of it. It must submit the investment and deposit certificates to the commercial registration department of the Ministry of Commerce & Industry.

#### • Non-specialized services

**1-** The company must submit to Sagia a commitment that 10-50 per cent of workers in its facilities will be Saudis.

**2-** After Sagia has issued its investment license, the firm must submit a schedule for the completion of each stage of its project.

**3-** The company must submit a bank certificate to Sagia proving each partner has access to SR250,000. This must be ratified by the Saudi embassy in each investor's home country.

**4-** Non-specialized services may only be carried out by an LLC.

**5-** The company must submit three balance sheets ratified by the tax office and the Saudi embassy in the investor's country to Sagia.

**6-** The company must submit to the commercial registration department at the Ministry of Commerce & Industry an acknowledgement that it has deposited its capital in a bank licensed in Saudi Arabia and that its investment license has been issued by Sagia. It will then be granted commercial registration.

#### • Consultancy activity

**1-** The applicant for the license must have a bachelor's degree or a higher qualification in the field in which he is consulting. This must be ratified by the Saudi embassy in his home country.

**2-** He must submit to Sagia three recommendation certificates from consultancy facilities. These must be ratified by the Saudi embassy.

**3-** He must submit to Sagia experience certificates proving he has worked as a consultant in his specialism for at least five years.

**4-** A consultancy must submit to Sagia a commitment that 75 per cent of its employees will be Saudi.

## The Restriction List

A list of sectors in which foreign investment is not allowed can be found on the Supreme Economic Council's website, [www.sec.gov.sa](http://www.sec.gov.sa).

- Sectors that are restricted or partially restricted include:
- Oil exploration, drilling and production
- Manufacturing of military equipment, devices and uniforms
- Manufacturing of civilian explosives
- Catering to military sectors
- Security and detective services
- Real estate investment in Mecca and Medina
- Tourist orientation and guidance services related to Hajj and Umrah
- Recruitment and employment services, including local recruitment offices
- Real estate brokerage
- Printing and publishing
- Audiovisual and media services
- Land transportation services, excluding intra-city passenger transport by trains
- Some medical services
- Fisheries
- Blood banks, poison centres and quarantines





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**SAMSUNG**



# Lebanese Economy in 2012 Stable & Bracing for Regional Turmoil

The Lebanese economy used to be one of the strongest in the Middle East; unfortunately the long civil war put an end to that. Before the civil war Lebanon was the banking center of the region and it had a very strong economy. The war destroyed most of the infrastructure and severely reduced the economic output of the country. They have rebuilt the infrastructure since the war has ended but the economy is still a far cry from the level that it was at before the civil war.

Even more, between the tense political atmosphere in the country and the regional turmoil, especially in neighboring Syria, Most economic indicators up to the first nine months of this year were extremely negative with the GDP growth sinking to less than 2 percent, the Lebanese economy's worst performance for many decades (except 2005-2007). What follows is an analysis of the current economic situation in Lebanon based on several official and private reports and studies, chief among them is a report prepared by Bank Audi labeled: Lebanon Economic Report.

## The Lebanese Economy Status-Quo

### Economy slowing down in the second quarter

Impacted by few security incidents, in addition to the continuing spillover effects from the regional turmoil, the real economy lost steam in the second quarter of the year. Most real sector indicators show the economy has slowed down but still managed to avoid a recessionary trap or negative real GDP growth rates while sustaining monetary and financial stability indicators.

### External accounts weakened by a soaring trade shortfall

The combination of a higher import cost bill, a challenging global back-

drop and the intensification of crisis in neighboring countries contributed to further widening the trade deficit to new highs, thus putting additional pressure on Lebanon's external accounts. As a matter of fact, the shortfall increased by 22.6% year-on-year to hit US\$ 8.7 billion in the first six months of 2012, i.e more than the totality of financial inflows towards the home economy, leaving a net deficit of US\$ 1.0 billion in the balance of payments.

### Moderate expansion in money supply and contained inflation

Lebanon's monetary conditions were marked during the first half of 2012 by a moderate expansion in money supply, net currency conversions in favor of the Lebanese Pound and a new record high level of BDL's foreign assets. Inflation remained contained at an annual average of 5.1% over the first half. Driven by US\$ to LP conversions and a US\$ 2 billion swap operation, BDL's foreign assets reached a new record high of US\$ 35.2 billion at end-June 2012, thus covering 85.5% of LP money supply and 19.3 months of imports at end-June 2012.

### Growth in banking activity likewise moderate, along with tougher operating conditions

At the mirror image of the macro economy, banking indicators saw a relatively moderate growth year to-date, with total assets growing by US\$

5.3 billion in the first half of this year, i.e 18.2% lower than the increase witnessed over last year's corresponding period and 15.1% below the average growth registered over the last five years. Still, operating conditions continue to be tough amidst pressures on spreads and fee income, with domestic net profits reporting a net contraction of 3.9% over the first five months of 2012, the second consecutive earnings contraction for Lebanon's banking sector at large.

### Market activity characterized by drop in equity prices and expansion in bond spreads

The local security developments and the lingering concerns about the spillover effects of the Syrian unrest on the local front weighed on Lebanese capital markets during the first half of 2012, as reflected by the drop in equity prices, the expansion in bond spreads and the rise in the cost of insuring debt.

The Stock Market price index reported a drop of 3.3% in the first half of 2012, a net contraction for the third consecutive year. The average bond spread rose, in parallel, from 321 basis points at December end 2011 to 363 basis points at June-end 2012, a net expansion of 42 basis points, following a circa 139 basis points expansion in full-year 2011.



### Ratification of a 2012 government budget with an expanding fiscal deficit

The government ratified its 2012 budget law proposal and transferred it to Parliament for approval, encompassing a deficit of LP 5,900 billion, the equivalent of 9.2% of Lebanon's GDP, notwithstanding a number of extra expenditures that were removed off-budget and that were estimated at no less than LP 2,200 billion for which the government is searching for financing sources through revenue raising alternatives.

The government ratification of Lebanon's 2012 budget proposal comes within a current global atypical environment where public debt and deficit woes rise on the top of the radar screens of investors around the world, which makes the issue of avoiding public finance drifts among top domestic priorities, despite some atypical economic and market conditions related to the Lebanese context per se.

The Lebanese economy has slowed down in the second quarter of 2012, as witnessed by most real sector indicators but still managed to avoid the recessionary trap while sustaining monetary and financial stability indicators. It looks like the real economy has been adversely impacted by the few security incidents that were reported during the second quarter of the year, in addition to the continuing spillover effects from the regional turmoil,

though such effects remain partly offset by some compensating factors.

At the external sector level, the significant growth in imports by circa 17.9%, mainly driven by the imports of consumption products, well outpacing the 2.4% growth in exports over the first 6 months of 2012, resulted in a significant expansion of the trade deficit by 22.6% year-on-year to reach a high of 42% of GDP. With the totality of inflows unable to fully offset the country's trade deficit, further pressures were reported on the balance of payments that recorded a deficit of US\$ 1.0 billion in the first 6 months of 2012, after a circa US\$ 2.0 billion deficit in full-year 2011.

At the monetary level, conditions continued to be favorable within the context of low inflation and net conversions from foreign currency holdings to LP holdings reinforcing further the Central Bank's foreign reserves. The moderate growth in money supply by an annual average of 6.4% over the first half of 2012 relative to last year's first half was coupled with a contained inflation rate of 5.1% over the same period.

The favorable currency conversion trend towards the Lebanese Pound has allowed the Central Bank to purchase US\$ 1.5 billion from the foreign exchange market and reinforce its foreign assets to a new record high of US\$ 35.2 billion at June-end. The

latter was also supported by a US\$ 2 billion swap of LP Treasury bills into new FC Eurobonds held by BDL.

At the mirror image of the macro economy, banking indicators saw a relatively moderate growth yearto-date. Deposits grew by US\$ 4.2 billion over the first half of 2012, or 13% less than the average growth of the past five years' corresponding period. Bank credit maintained vigor, with US\$ 2.3 billion of new waves of loans to the private sector, equivalent to last year's first half growth and to the average growth of the previous five years' corresponding period. Still, operating conditions continue to be tough amidst pressures on spreads and fee income, with domestic net profits reporting a net contraction of 3.9% over the first five months of 2012, the second consecutive earnings contraction for Lebanon's banking sector at large. At the capital markets level, both equity and bond markets have been relatively underperforming.

The Stock Market price index reported a drop of 3.3% in the first half of 2012, a net contraction for the third consecutive year. At an average P/E ratio of 6.9x and an average P/NAV ratio of 1.1x, the equity market looks quite attractive relative to regional and global benchmarks but within the context of a market lacking liquidity and efficiency with an annual turnover not exceeding 5% of market capitalization.



The average bond spread rose, in parallel, from 321 basis points at December-end 2011 to 363 basis points at June-end 2012, a net expansion of 42 basis points, following a circa 139 basis points expansion in full year 2011.

The developments in the real sector, external sector, public sector, and financial sector are detailed in what

follows. The concluding remarks are left to the public finance challenges within the context of the 2012 government budget ratification, while taking into consideration the atypical economic and market Conditions related to the Lebanese context at large.

## ECONOMIC CONDITIONS

### Agriculture and Industry Slowdown in local and foreign demand

The agricultural sector showed weakening performance in the first half of 2012 with a slight decrease in activity registered in both the internal and external components of the sector.





In fact, dynamics were impacted by a weaker local demand on account of some security drifts, a fact also compounded by unstable conditions in neighboring countries which took a toll on the land trade channel, not to mention the fact that the bulk of the sector's activity is situated in Lebanon's border areas.

In details, agricultural exports decreased by 4.1% year-on-year to reach US\$ 93 million in the first half of 2012. On the other side of the spectrum, Lebanon's import bill for the agricultural products registered a decrease of 3.7%, but remains high at a level of US\$ 920 million during the aforementioned period of 2012.

Within the context of a declining external demand coupled with a more significant drop in the dollar value of the local demand, the agricultural trade deficit has widened by 3.6% to reach US\$ 827 million in the first half of 2012. In parallel, bank loans to the agricultural sector maintained a minimal share of less than 1% of the total, thus reflecting limited local financing to the sector. Also, the number of

Kafalat guarantees allocated to SMEs specializing in the agricultural sector extended last year's downward streak to report a decline of 13.8% year-on-year in the first six months of 2012.

The industrial sector recorded a relative slowdown in both its internal and external components. In details, industrial exports amounted to US\$ 2,076 million in the first six months of 2012, up by 2.7% from the same period of 2011. As to the imports of industrial machinery, they reached US\$ 116.7 million during the first five months of 2012, down by 15.4% from the same period of last year. The breakdown of industrial machinery imports by country shows that the bulk comes from Italy (22.5%), followed by China (17.5%) and Germany (12.0%). Indeed, investors are displaying a weaker appetite for risk within the context of relatively brittle security conditions and are somewhat refraining from initiating new projects and have therefore reduced their demand for industrial machinery. This becomes more evident when looking at the number of Kafalat guarantees allotted to the industrial sector. As a matter of fact, they went down by 16.2% to reach a total of 202 guarantees in the first half of 2012. Also, the share of the banking loans to the industrial sector remains minimal at 3.3% of the total.

#### Construction Taking a breather in a cloudy regional environment

Lebanon's real estate sector is still characterized by a wait-and-see attitude on account of the recent developments witnessed on a regional basis thus triggering adverse spillover effects; a fact compounded by concerns over local security drifts weighing on both buyers and investors' sentiment. Indeed, the market is still in the midst of the correction phase that started a few months ago whereby it is undergoing a trend break from the double-digit growth levels registered in the previous years.

In details, figures released by the Real Estate Registry revealed that property markets seem to be picking up slowly

from the contraction reported in 2011. As a matter of fact, the value of real estate transactions increased by 7.8% year-on-year to reach US\$ 4,149 million in the first six months of 2012. It is noteworthy that such a rise is not deemed significant as it stems from a low base reported in 2011 and does not recapture the levels recorded in 2009 and 2010. This year's frail performance is also reflected in sales volume which contracted by 8.0%. In parallel, the correction in sales activity from the high base in previous years has been affecting at the same time the land and apartment components of the Lebanese realty market with statistics showing a drop in both built and un-built realty sales volume.

A breakdown of transactions by region showed that buyers are still shying away from the relatively more expensive areas and are favoring those with prices more or less respective to their purchasing power.

Accordingly, the value of sales transactions within Beirut and Baabda went up respectively by a slight

3.1% and 7.8% during the first half of 2012 relative to the low base in the first half of 2011 while other regions such as Metn, Bekaa, and Nabatieh witnessed a double-digit growth rate.

On the supply side, construction activity is slowing down in line with the sluggish demand. Indeed, the increase in the vacancy rates in new buildings prompted developers to take more time to launch new projects. Moreover, construction costs have been on a downward path in 2012, after mod



erate single digit growth in the past couple of years.



Figures released by the Order of Engineers in Beirut and Tripoli show that the area of newly issued construction permits witnessed a significant decrease of 15.6% in the first half of 2012 relative to the same period of 2011, with all regions posting year-on-year contractions. Similarly, cement deliveries, a lagging indicator for construction activity, almost stagnated in the first five months of 2012. It is worth noting that construction activity is also somewhat indirectly related to the tourism sector on account of its role in supplying holiday homes to tourists and Lebanese Diaspora. The touristic sector being deterred by the unrest in Syria has somehow contributed to a net decline in planned and current construction activity.

Realty prices did not go through a considerable downward trend amidst political uncertainties. They have rather remained on the flat side of the staircase in line with the typical evolution of prices in Lebanon. The "sticky-on-the-downside" nature of the Lebanese real estate market is mainly due to the non-speculative nature of demand, the low leverage of developers, and the limited supply of land. As such, no significant downward price correction is anticipated in case of increased regional or domestic uncertainties.

## Trade and Services Tertiary activity on a slightly slower path

The relatively unstable environment has somewhat left a mark on the trade and services sector which was characterized by a slightly weaker momentum during the second quarter of 2012 when compared to the previous one. On one hand, tourism and airport activity are still moving in opposing directions with the former maintaining a net contraction in arrivals and the latter, though remaining on an upward-path, experienced a comparatively weaker drive than that seen in the first quarter of the year. On the other hand, maritime transport has been showing almost the same impetus on the back of sustained private consumption patterns while investment patterns continue to reflect an ongoing wait-and-see mood.

In details, the latest statistics published by the Rafic Hariri International Airport showed that the number of incoming passengers reached 1,397 thousand in the first half of 2012, up by 11.9% from the same period of 2011. This suggests an influx of Lebanese expatriates and to a lesser extent of those of Arabic origin as since mid-May 2012 they have relatively

scaled back their visits to Lebanon. Accordingly, the annual rise of arriving passengers, which peaked in the first quarter of 2012, has been on a downward path since then.

Still, despite such circumstances, arriving passengers are on a positive growth which has had a relatively favorable impact on hotel occupancy and domestic consumption. Indeed, hotel occupancy in Beirut went up by 11% year-on-year in the first half of 2012, moving from 54% in the first six months of 2011 to 65% in the same period of this year, as per Ernst and Young. The year-to-date average de-taxed purchases were up by 7% in the first half of 2012 from the same period of 2011.

On the other hand, Lebanon's tourism sector is still on a divergent trend as it remains under the influence of developments from neighboring countries, thus creating spillover fears through several linkages, of which land traveling. The aggregate number of tourists declined by 7.8% year-on-year to reach 713,919 tourists during the first six months of 2012. Most notably, the number of arriving Arab visitors reported an annual rise of 7.0%, a much slower pace from the double digit-growth seen during previous periods of 2012.





The breakdown of tourists by nationality shows that most visitors were from Iraq accounting for 8.3% of the total, followed by those from the US with 7.8% of the total, the French and Saudis each with 7.4% of the total, Jordanians with 6.8%, and Canadians with 5.2% of the total. As to the Port of Beirut, indicator of maritime transport which handles the bulk of foreign trade services, its activity

was mostly on an upward path as revealed by most of its components.

Regardless of the decline in the number of transshipments (-1.1% year-on-year) and vessels using the Port (-6.9% year-on-year), the tonnage of loaded and unloaded merchandise went up by 7.4% annually to reach 3,486 thousand tons during the first half of 2012. The number of containers handled by the Port (excluding transshipments) rose by 5.5% on a yearly basis to attain 305,531 containers during the aforementioned period of this year.

As to revenues generated by the Port, they reached US\$ 85.1 million, depicting a 7.4% annual increase.

Finally, the value of cleared checks in the banking system showed a moderate rise in spending dynamics.

Total cleared checks, most of which reflect investment-related spending, amounted to US\$ 34,802 million in the first half of 2012, up by a slight 2.0%. In parallel, the value of cash withdrawals by residents using ATMs in the country went up by 8.2% in the first five months of 2012, while POS purchases by Lebanese residents inside

the country surged by 21.7%. Such figures reflect a relatively sustained domestic consumption, indicating that Lebanese consumers are still displaying a good propensity to spend.

## FINANCIAL SECTOR

### Monetary Situation

#### Moderate expansion in money supply

Lebanon's monetary conditions were marked during the first half of 2012 by a moderate expansion in money supply, net currency conversions in favor of the Lebanese Pound and a new record high level of BDL's foreign assets. This compares to a contraction of LP 4,205 billion during the corresponding period of 2011 (the equivalent of US\$ 2,789 million). The rise in LP money supply resulted mainly from a surge in LP saving deposits of LP 3,014 billion (the equivalent of US\$ 2 billion). When adding foreign currency deposits, money supply in its broad sense (M3) grew by US\$ 3,129 million or 3.2% during the first half of 2012. This money supply growth compares to a money creation of US\$ 1,469 million in the first half that resulted from an increase of US\$ 1,879 million in net bank lending to the private sector and from a US\$ 763 million rise in the State's indebtedness towards the banking system (excluding valuation adjustments), within the context of a negative change in net foreign assets (excluding gold) of US\$ 1,173 million. The US\$ 1,660 million difference between the growth in money supply and money creation corresponds to a monetization of financial claims during the first half of 2012.



## Banking Activity Moderate banking activity growth year-to-date coupled with sustained financial standing

Lebanon's banking sector witnessed a moderate activity growth during the first half of 2012, amidst challenging operating conditions characterized by tight spreads, downward pressures on fee income generation within a slow growth environment and increasing provisioning needs for Lebanese banks' subsidiaries in light of regional developments. Banks' total activity growth, measured by the variation of the domestic assets of banks operating in the country, stood at 3.8% in the first half of this year with total balance sheet reaching US\$ 145.9 billion at end-June 2012. The US\$ 5.3 billion growth in total assets yet proved 18.2% lower than the increase witnessed over last year's correspond-

ing period and 15.1% below the average growth registered over the last five years' similar period.

## Equity and Bond Markets Drop in equity prices, expansion in bond spreads

The local security developments and the lingering concerns about the spillover effects of the Syrian unrest on the local front weighed on Lebanese capital markets during the first half of 2012, as reflected by the drop in equity prices, the expansion in bond spreads and the rise in the cost of insuring debt.

The Eurobond market saw some foreign offer for Lebanese debt papers during the first half of 2012 on concerns about the local political situation and worries about the repercussions of the Syrian turmoil on the local front, noting that a revision of Lebanon's outlook by Standard &

Poor's somewhat contributed to this offer. In fact, S&P revised in May 2012 the outlook on the long-term sovereign credit rating of Lebanon to "Negative" from "Stable", while it affirmed its "B/B" long-term and short-term foreign and local currency sovereign credit ratings. The negative outlook reflects S&P's view that the security situation in Lebanon may deteriorate in tandem with Syrian developments, threatening government stability in Lebanon.

In parallel, local market players, especially Lebanese banks that hold 70% of the Eurobond portfolio, continued to show demand for medium-term to long-term bonds during the first half of 2012 on the basis of a high foreign currency primary liquidity available at commercial banks, yet offset by a supply on behalf of foreign players.





Under these conditions, the Lebanese average yield increased by 25 basis points during the first half of 2012 to reach 4.67% at end-June 2012. The average bond spread expanded by 42 bps to reach 363 bps due to a rise in Lebanese yields and a decline in international benchmark yields as Europe's debt crisis underpinned demand for safe haven investments. Lebanon's five-year Credit Default Swap spread, which is a measure of market risk perception, expanded by 16 bps during the first half of 2012 to reach 488 bps at end-June.

## CONCLUSION

While Lebanon's public finance deficit is undeniably elevated and needs to be curbed, there are a number of factors that need to be taken into consideration when addressing Lebanon's public finances and its

fiscal drifts. Although Lebanon has elevated debt ratios, the dynamics were in favor of the country over the past few years. Its debt to GDP ratio, which was as high as 180% in 2006, stands now at around 135%. This improvement in Lebanon's debt ratios compares with a net deterioration worldwide in debt ratios, as the average advanced countries debt to GDP ratio rose by more than 30% over the same period. Not less importantly is the improvement in Lebanon's debt profile as foreign currency debt which used to account for more than 50% of total debt, now accounts for 39% of it, with what this entails in terms of redemption capacity on behalf of the Lebanese government that has control over its local currency. Also, Lebanon's debt is domestic to a large extent, with the proportion of the debt held by Lebanese individuals and institutions accounting for

circa 90% of total debt. Those Lebanese investors are well acquainted with Lebanese risks and don't exit at the first unrest signal.

Another consideration is related to the external position. Lebanon's Central Bank foreign assets exceed a high of US\$ 35 billion (excluding gold). When adding gold, BDL foreign assets reach the US\$ 50 billion threshold, almost 2.5 times Lebanon's FX debt. Even when considering the Central Bank's net foreign assets (including gold reserves), such reserves exceed Lebanon's FX debt.

# Strategy 105: Indicators



Your car fuel gauge is built on simple indication components. A measurement unit showing a full tank level, three quarters of tank level, half tank level, one quarter of the tank and an empty tank. Then, they added a small light that turns on when you reach critical low level of fuel.

This indicator is the only information source to the driver about his fuel level. The only other indicator of no fuel is that the car won't start of course. Nevertheless, like every other indicator within the dashboard set, such as the Speed Meter, RPM meter, Gear position, Seatbelt sign, etc., the drivers require this information to be able to drive his car from point A to point B.

It's quite a similar story in business, if you have completed your business plan, and laid a strategy then you have to be aware of where you are and where you want to be in the future. Business Performance Indicators, also known as Key Performance Indicators, help you measure performance to learn and improve by providing you with important information that is needed to create a stronger decision support system.

Depending on your business nature, identify the fields of operation and their indicators. Remember that you need to measure that field, so find as many indicators as you require, following the SMART methodology: Specific, Measurable, Attainable, Relevant and of course Time-bound.

Simplest forms of indicators are the quantitative ones, presented by numbers, such as financial indicators. This is where you can always design your scores to be ten out of ten or one hundred out of one hundred. Other indicators however show the practicality of your company, business direction and control sufficiency.

Keep in mind that everything can be measured, maybe not perfectly nor completely, but it will reduce uncertainty and provide you with information that will help you take informed decisions.

This basic tool is an essential performance feedback source to every manager. It provides the evidence required to support new strategies or strategies shifts as they link the strategic objectives to the actual work execution.

This is not an easy task. Many indicators will require time and thought on how they should be measured. While clients' satisfactions and employees' moral can be surveyed, there measurement "gauges" are depending on the strategic plan and the planners' perception of their levels.

Suggested reading: KPI Mega Library: 17,000 Key Performance Indicators by Rachad Baroudy PhD.

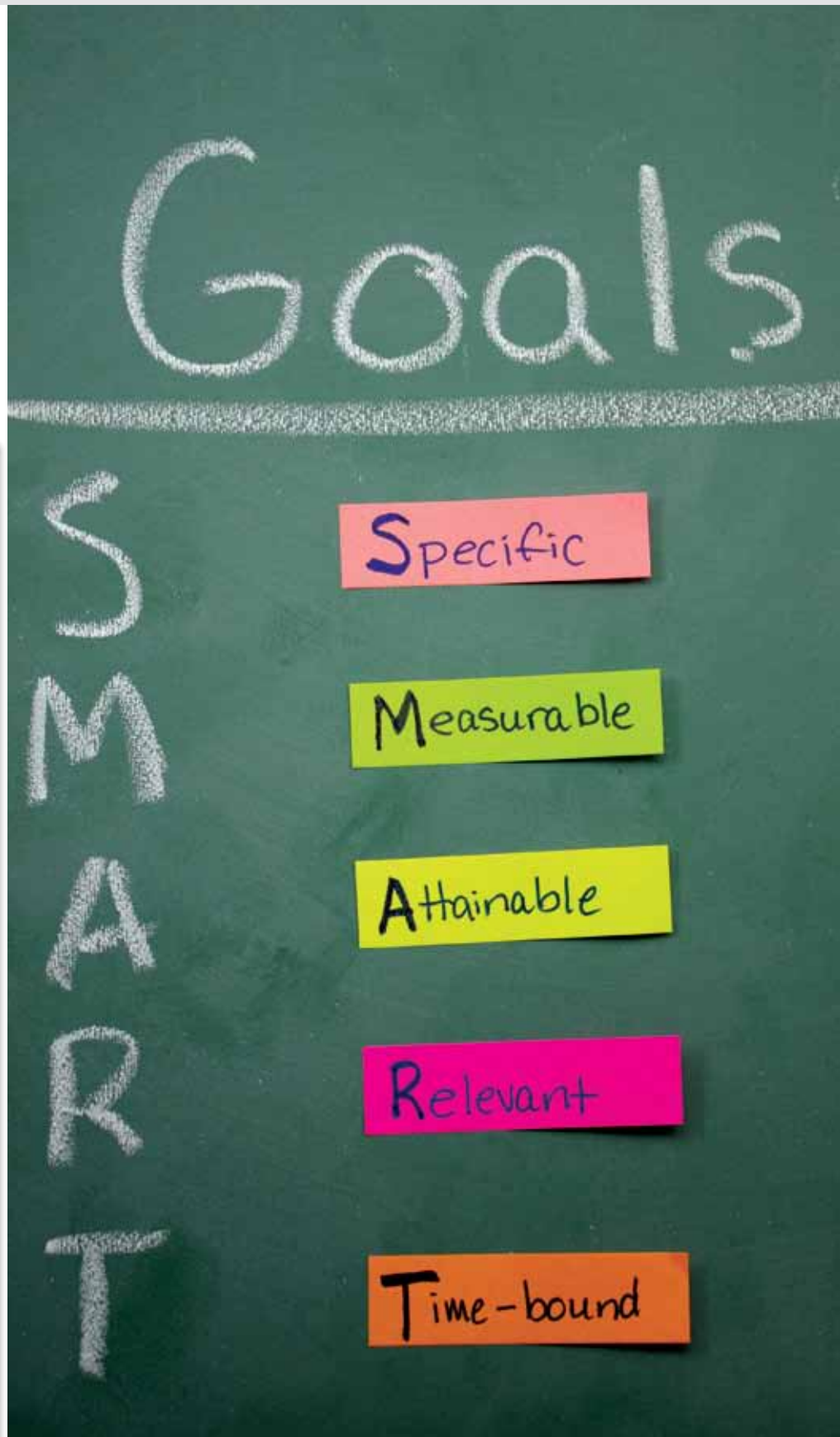


‘Business Performance Indicators, also known as Key Performance Indicators, help you measure performance to learn and improve by providing you with important information that is needed to create a stronger decision support system.’

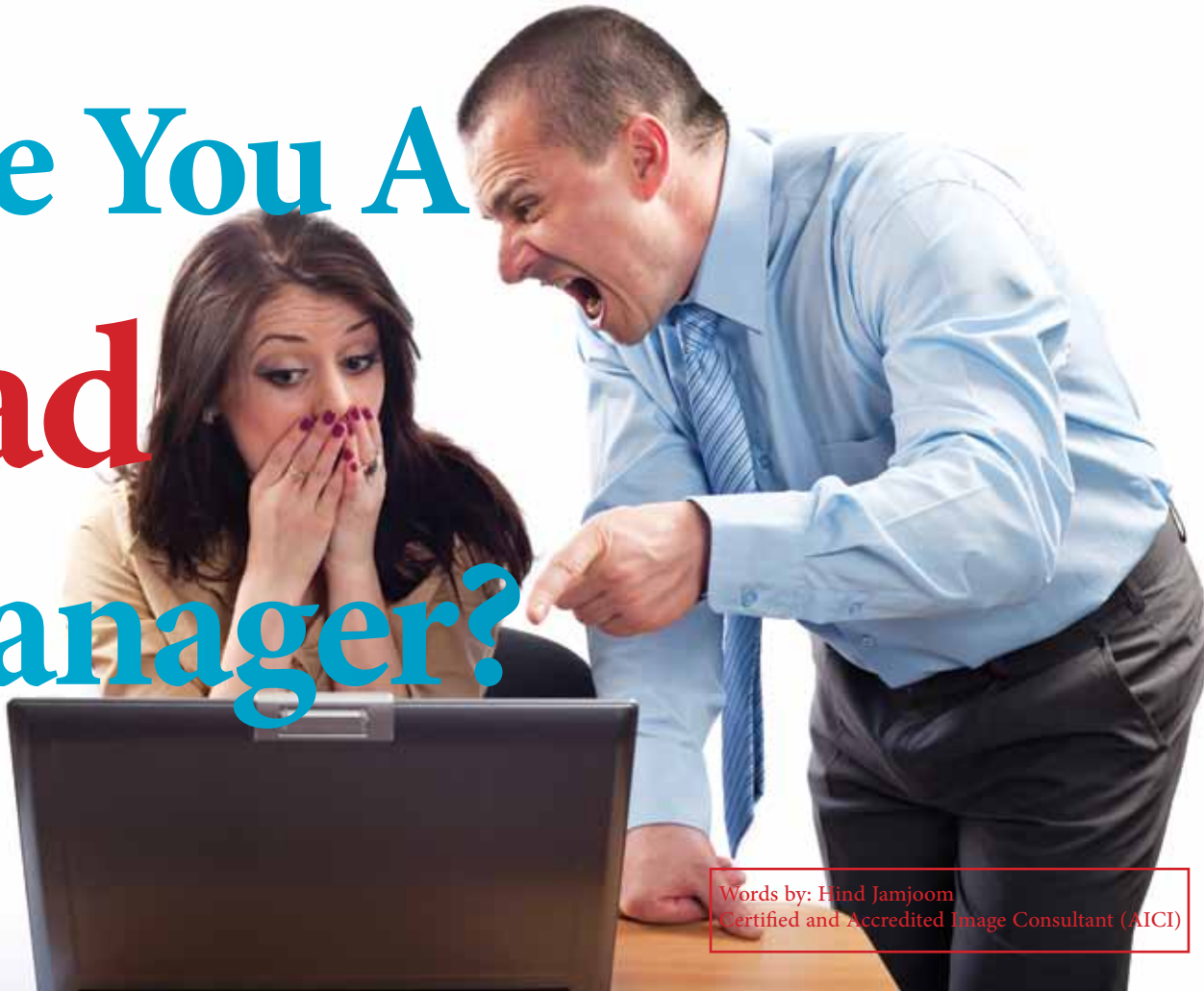
### About Dr. Sultan Al Shaali

*Business Enterprise Executive with experience in all aspects of business administration, human resources, marketing, business development and general management. He has direct experience with Manufacturing, Education, Design and Engineering, Construction, Real Estate, and Industrial Design.*

*Dr. Sultan Al Shaali is currently the CEO of Al Shaali Group  
Twitter: @SultanAlshaali*



# Are You A Bad Manager?



Words by: Hind Jamjoom  
Certified and Accredited Image Consultant (AICI)

**“Leadership is all about people. It is not about organizations. It is not about plans. It is not about strategies. It is all about people; motivating people to get the job done. You have to be people-centered.-  
Colin Powell, Former Secretary of State”**

The biggest challenge for managers is to realize that they can't do everything themselves. They need to learn how to trust their team and how to “confidently” teach them the skills needed to take over their position when they move on. Many managers are not aware of their appearance to employees. They are not prepared to ask others for feedback or to ask their direct reports: “How am I doing”.

Despite all books, trainings and seminars it is easy to fall in the entrapment

of “Bad Boss Behaviors” especially in difficult economic times, and so, one must be aware of how his employees see him/her at work and the image they project about themselves.

Here are some negative behaviors that give one an image of a bad boss; you need to watch out for:

**1- You change your Personal Assistant (PA) every few months.** Could it be because you are treating him/her like a servant? Remember

how much time and effort it takes to train new people, and start treating your PA with courtesy and respect.

**2- Your emails are “short-breathed”.** You limit your emails to one or two words and mainly answer by “yes” or “no” or you even use your own abbreviations such as “Y” for “yes” and “N” for “No”. Such emails may be sufficient but they can also be curt and misleading. Including a “thank you” at the end of your email does make a big difference.





"The biggest challenge for managers is to realize that they can't do everything themselves. They need to learn how to trust their team and how to "confidently" teach them the skills needed"

**3- You change your mind frequently,** making it rather impossible for your employees to know which direction to take and what steps to make? You need to have clear goals for people to aim for.

**4- You don't give instructions.** Don't expect people to read your mind. By taking the time to explain what you need your team to achieve you will be saving your time of having to go back and fix mistakes; which could have been avoided at the first place.

**5- You never say: "Well Done!"** Remember to give credit to a job well done to lift up the spirits of your team and to encourage their creativity and initiative.

**6- You take all the credit.** You need to make sure that your team is getting credit for their contribution to the success of your department or division. If people's efforts are not being acknowledged, it won't be long before they quit their jobs.

**7- You yell!** This is a serious issue that you need to look at. If you cannot control yourself at work; you need to take an anger management course. No matter how busy or how stressed out you are, you should never, and I mean NEVER, yell at your people.

The difference between a winning and a losing team depends on a positive management style. A positive manager coaches and empowers others to succeed in their jobs and create a healthy work environment in which

people want to achieve and meet their goals.

I have been lucky to have had worked under the umbrella of great leaders such as Mr. Franz Amman, formal President at DaimlerChrysler, who used to greet each one of us; each and every morning; and shake our hands with a big smile on his face. He was not just the "President", he was a "human" who knew how to treat people with courtesy and respect.



"Don't expect people to read your mind. By taking the time to explain what you need your team to achieve you will be saving your time of having to go back and fix mistakes"

Of course you still have to discipline your employees, meet your target and enforce policies and strategies, yet you can still be fair and professional. Read more books, attend workshops, listen to audios and learn about the skills to become a "people's manager" rather than a dictator. Be a motivator, listen, train, mentor, and demonstrate that you are a problem-solver. Inspire people with your ideas and with your solutions.

Remember, being a manager means being a role model so you need to demonstrate the best management skills you have and project a positive image that people will always remember you for. You are being watched!

## About Hind Jamjoom

Hind is an Image Consultant Certified and Accredited by the Association of Image Consultants International (AICI). She has been trained in a one-to-one program with Ferial Youakim.

Hind is a holder of BA (HONS) Business Information Systems from the University of Lincoln, UK. Having worked with prestigious companies such as Commercial Bank International, DaimlerChrysler Middle East, DaimlerChrysler Overseas and Kamal Osman Jamjoom Establishment-Mother company of Nayomi, Mikyaji, Mihyar and Franchisee of The Body Shop, List Roma, Neals Yard Remedies & Early Learning Centre- has given Hind enormous experience in corporate etiquette and cross cultural communication.

Twitter: @Hindjamjoom



## CONSTRUCTION

Reference code: abc121

**Spain: Investor partner needed for the completion of a construction project of 7 houses in front of the beach located in Benicassim, SPAIN**

7 semi-detached houses on construction, beachfront and unique location (no more free sites at this zone).

Each house is composed of:

- Three-story house, including garage.
- Terrace and individual garden zone.
- Communal zone, including swimming-pool.

Development of works at 40% completed:

- Pile works, footings and cement platform.
- Structure and partitions distribution.
- Distribution of fence and common zones in cement.

Project's documentations and authorizations are all in order.

Amount needed: 2 Million Euros.

Contact: hamdan@imail.ae

Mobile: +97150 886 4116

## CONSTRUCTION

Reference code: abc112

**UAE: Construction Company for partnership**

### Description

We are looking for a construction company searching for government & private projects in the UAE, including housing projects, buildings, bridges, infrastructure, etc.

Most of government projects are paid in advance in installments as the work progress.

### The offer

The company should have the resources to build and finance projects, while the local partner will help in brining contracts. The company has to have minimum USD 35m to be able to handle such projects.

Contact: hamdan@imail.ae

Mobile: +97150 886 4116

## CONSTRUCTION

Reference code: abc113

**Libya: Construction Company up for partnership**

### Description

We are looking for a construction company who is looking for government infrastructure projects in Libya.

Most of government projects are paid in advance in installments as the work progress.

### The offer

The company should have the resources to build and finance the projects, while the partner will help brining in contracts. The company has to have minimum US\$ 70m to be able to handle such projects.

Contact: hamdan@imail.ae

Mobile: +97150 886 4116

## SPORTS

Reference code: abc110

**Spain: Buyer for a First league football club**

### Description

One of the leading football clubs in the first league in Spain is up for sale or partnership.

### The offer

Cost: Euro 80m

Contact: hamdan@imail.ae

Mobile: +97150 886 4116



**DISTRIBUTION**

Reference code: abc115

**UAE: Magazine distribution service****Description:**

We cover distribution services of magazines to Governments, companies, Embassies & consulates, hotels, Airport lounges, etc, in UAE; we also handle distribution to Bookstores, Fuel stations, and other places that sell magazine. We also use distribution of magazine via Emirates post.

We can send to our list, or you can provide us with your list.

We can handle the National media council approvals for international magazines for distribution as well.

Contact: hamdan@imail.ae

Mobile: +97150 886 4116

**TOURISM**

Reference code: abc126

**UAE: Investor / Partner needed for a tourism company****Description:**

Tourism company working in the country for 15 years is looking for an investor / partner to expand its operations.

**Offer**

US\$ 1.0 million

Contact: hamdan@imail.ae

Mobile: +97150 886 4116

**SERVICES**

Reference code: abc117

**UAE: Business setup service**

Complete solution for setting up your company in UAE, including company formation service sponsor/service agent, PRO service, market research, etc.

Please contact us at hm@wt.ae

Mobile: +97155 968 7177

**Energy**

Reference code: abc123

**UAE: J.V in Renewable Energy, Bio Diesel Plant in Al Qouz****Description:**

an opportunity to invest and become a partner in 100 MT PD Bio Diesel Plant. We use used cooking oil from various Kitchens n convert it in to Bio Diesel This is a Biodegradable substance used to run Diesel engine Truck or Generators. Also used as Recycled Base Lube in Automobile engine oil for blending. Plant is fully paid up n Urgent Require cash flow for Working Capital, 100% production sold.

**The offer**

US\$ 555,000

Contact: hamdan@imail.ae

Mobile: +97150 886 4116

**Food & Beverages**

Reference code: abc124

**UAE: A RUNNING RESTAURANT IN PRIME LOCATION****Description:**

A RUNNING RESTAURANT FOR SALE IN BUR DUBAI (NEAR BURJUMAN CENTRE), 2000 sq.ft.

**The Offer**

US\$ 280,000, Annual rent: US\$ 70,000

Contact: uae@save.ae

Mobile: +97156 729 7000

**Manufacturing**

Reference code: abc125

**UAE: Labels and Sticker factory for sales****Description:**

Factory for stickers and labels cards with its equipment and machinery and valid trade license in Quz 4 area. Size is 2000 sq.ft, the income is between 300 to 500 thousand AED.

**The Offer:**

US\$ 365,000 (Negotiable)

Contact: hamdan@imail.ae

Mobile: +97150 886 4116

**CONSTRUCTION**

Reference code: abc120

**UAE: Contracting Company for sale**

A contracting company (G+1 Grade, already finished meeting requirements to upgrade To G+4) with clean record and big government projects under construction.

**Offer:**

Cost: US\$ 838,000 Negotiable

Contact: hamdan@imail.ae

Mobile: +97150 886 4116

**MANUFACTURING**

Reference code: abc121

**UAE: Furniture factory for sale****Description**

Furniture factory for sale with valid commercial trade license, 15 staff, accommodation: 6 rooms attached to factory, carpentry area, upholstery area, curtain area, painting area.

The factory manufacture the following: doors, dressing rooms, sofas, wooden décor, curtains and all related furniture types. Area of the factory is 1500 square meters and it is located in Umm al-Quwain.

**Offer**

Cost: US\$ 190,500

Contact: hamdan@imail.ae

Mobile: +97150 886 4116

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**Contact:****ads@arabbusinessclub.org**

## Gerry's Grill to open Qatar outlet in November

Philippines-based restaurant chain Gerry's Grill is set to open an outlet in Qatar next month, marking the firm's foray in the Middle East, ABS-CBN has reported. The move is in line with the company's expansion plans, which aim to make Filipino food mainstream like Thai food, said Gerry Apolinario, the CEO and president of the Prime Pacific Grill Inc., the operator of Gerry's Grill. "It's about time. We have what it makes to be a global culinary leader," he said. Last year, Apolinario said that Gerry's Grill was considering the opening of an outlet in Dubai.



## Egypt sees IMF deal by mid next month

Egypt's finance minister Murtaz al-Saeed has said the government aims to reach a deal with the International Monetary Fund (IMF) within two weeks of a visit by an IMF team to Cairo at the end of October, Reuters has reported. "There will be a meeting at the end of the month and I expect within two weeks it (the loan deal) will be done," al-Saeed said, referring to talks for a \$4.8bn IMF loan. Egypt has indicated it might seek more.



## Amer Group in talks to build a \$3bn resort in Tunisia

Egyptian developer and resorts operator, Amer Group is in talks with the Tunisian government to build a \$3bn tourist project in Taparura, on the northern coasts of Sfax city. "Negotiations will continue with the Tunisian side," on the construction of 'Porto Sfax' which will comprise several hotels, golf courses, luxurious residences, a marina, a medical centre and an international school.





# Burgan Bank to issue \$711m BOND



Kuwait's Burgan Bank plans to issue a bond worth up to KD200m (\$711m), Alqabas Arabic daily has reported, citing unnamed sources. The bond will have a maturity of between seven and 10 years and yield around 6.00 to 6.25%, the report said, adding that Kuwait's central bank and markets authority would give approval for the issue soon.

## Qatar to build \$289m medical city in Yemen



Qatar's Hamad Medical Corp (HMC) has unveiled plans to build a medical city in Yemen at a cost of \$289m, the Peninsula has reported. To be fully funded by Qatar and implemented by Qatari Diar, the medical city will include four specializations; heart disease, cancer, pediatrics and gynecology and internal diseases. It will comprise a 1,000 bed hospital and is planned to be completed in three phases. Work on phase one will start in the beginning of next year.

# Tablet rental service launched in the UAE



UAE-based Login Tablets, a subsidiary of Fam-Tech, has become the world's first to offer pre-paid tablet rental system to give people access to the internet and multimedia applications without having to buy any device, Gulf News has reported. "The system enables the end users to unlock software restrictions with time and content credit codes granting access to preloaded premium content from the server. When time or credit is depleted, access to the systems content and connectivity is restricted and only accessible via an additional top up," said Hydar Al Bedaery, project manager at Fam-Tech. The company has partnered with six five-star hotels in the UAE and is set to sign deals with companies in Saudi Arabia and Malaysian to give access to these countries.

# Power of the Advisory Board

No business is too small to benefit from having an Advisory Board and an Advisory Board is such a powerful management tool that no small business should be without one. Think about the last time you met with other business people and had an open discussion, sharing your ideas and concerns. An Advisory Board is a formal version of this process.

Unlike a one-time or casual event, your Advisory Board is composed of people with a genuine interest in your business and a desire to see it do well. As I said in External Management Resources In The Business Plan, you can think of an Advisory Board as a management think tank. Your Advisory Board members will serve as a sounding board, a source of ideas and expertise - and give you honest advice.

More than anyone else, your Advisory Board will be on your side. They will be people with no axe to grind who want to listen to you and advise you. Above all, they'll want to contribute to your business's well-being. Where, you might wonder, would you find such paragons? Just look around you. There are many recently retired executives and managers who might be interested. Other business people and vendors may also be good choices. Aim high. Choose people you admire that you think you will be able to develop a relationship of trust with. There's no harm in asking, and you may be pleasantly surprised when they accept.

Two to three people is sufficient for an Advisory Board for a small business. They will be expected to meet with you (usually on a quarterly basis) to discuss and advise. While being an active part of your business is payment of a sort, you should also pay your Advisory Board members by hosting an upscale lunch each meeting, or by paying each Advisory Board member an honorarium each time. You will also need to prepare for each meeting of your Advisory Board by

preparing an agenda which you'll need to distribute to your Advisory Board members ahead of time. (Include any related materials necessary.) Perhaps more difficult, you need to be prepared to be completely open and frank with your Advisory Board, sharing both your hopes and your fears. They won't be able to advise you properly or well if you hold back. An Advisory Board is an especially valuable management resource for small businesses. No single person can know everything, and ad hoc, on the fly advice can be worse than none. An Advisory Board that meets regularly gets to know you and your business and can provide the management expertise you need to avoid shoals of mistakes and set your business on a true course.

### Advisory Board Meeting Agenda

As soon as you've selected the members of your Advisory Board, it's time to start planning the first meeting. The key to getting your Advisory Board off to the right start is to start as you mean to go on.

You've already given a great deal of thought to what you hope to gain from having an Advisory Board and looking forward to the contributions that your Advisory Board members will make. So you want to be sure that right at this first meeting you let your Advisory Board members contribute.

Your first meeting, therefore, like all your Advisory Board meetings, needs to be planned around a question or

problem. You might find it easiest to state the problem as a goal. For instance, "We want to increase our sales by 25% this next quarter. How might we do this?" Or you might state the topic for discussion more generally: "Should we try to break into the export market?" or "Theft has been increasing. What can we do to cut down on theft at our store?" Once you've decided on the discussion topic, it's time to gather the materials that your Advisory Board members will need. Because this is the first Advisory Board meeting, you should include a business plan and any other documents pertinent to the discussion topic, such as charts, graphs and fact sheets illustrating the background of the discussion topic. If possible, you should send a copy of these documents to all Advisory Board members two weeks in advance, along with a copy of the agenda.

What follows is an example of an Agenda (with comments for running the meeting efficiently) that you might want to use for your first Advisory Board meeting. Notice that each agenda item is timed; building a time schedule into your meeting and sticking to it ensures that your meeting doesn't get bogged down and stimulates on-topic discussion.





You will also want to make some arrangements for recording the minutes of the meeting. Don't try to do this yourself; you need to be able to participate fully, and listening and contributing well is a full-time job. If you don't have someone who can attend and serve as a secretary, ask permission of your Advisory Board members

to tape the meeting. Above all, don't fret about your presentation. You are there to share your vision and hopes for your company and seek advice, not to impress anyone with multimedia presentation effects. Your long-range goal is to establish a working relationship of trust with your Advisory Board members,

so focus instead on ensuring that your Advisory Board members walk away feeling that they've been heard and that they've contributed to the management of your company - and looking forward to the next meeting of the Board.



More than anyone else, your Advisory Board will be on your side. They will be people with no axe to grind who want to listen to you and advise you. Above all, they'll want to contribute to your business's well-being.



You should never have an Advisory Board meeting that runs longer than two hours. Two hours is long enough for most people to give their undivided attention to the task at hand.

## Advisory Board Meeting Agenda Notes

**10:00 - 10:05 a.m.** - Introductions  
(Assuming your Advisory Board members haven't met, introduce yourself and all the Board members, giving a brief outline of their expertise.)

**10:05 - 10:10 a.m.** - Why an Advisory Board?  
(A brief statement of how you see the Advisory Board operating and the contributions you hope the Advisory Board can make to your company. Include details such as how often the Board will meet.)

**10:10 - 10:20 a.m.** - Questions  
(If there are any. If there aren't, ask your Board Members how they see the Advisory Board operating and how they hope to contribute.)  
Discussion Topic: (Insert Your Question/Problem Statement here.)

**10:20 - 10:25 a.m.** - Presentation of the Discussion Topic

(An outline of the history of the topic and how it's presently affecting the company; refrain from giving your views/solutions at this point.)

**10:25 - 11:35 a.m.** - Discussion  
(You want to keep the ideas flowing at this stage; don't reject or dismiss ideas at this point. Do contribute your ideas/views, too.)

**11:35 - 11:50 a.m.** - Proposals/Resolutions  
(Evaluating the ideas the group has heard and choosing the best "solutions".)

**11:50 - 11:55 a.m.** - Summary  
(Summarize the topic, the discussion, and the results for the group and tell them what you plan to do.)

**11:55 a.m.** - Adjournment  
Date of Next Meeting - (Fill in date here.)

If you use this time schedule, this is a great time to take your Advisory Board members out to a good lunch (remembering that the meeting is over and the lunch should be a social occasion!)

You should never have an Advisory Board meeting that runs longer than two hours. Two hours is long enough for most people to give their undivided attention to the task at hand.

In future meetings, you should start with a review of what you've done about the topic that was discussed last meeting, and inviting your Advisory Board members' comments about your company's actions.

Because the "meet and greet" is out of the way, you may want to have two discussion topics at future meetings of your Advisory Board. You may even have three, if you think they'll fit comfortably into the two hour format. But you should never have more than three.





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# How to Buy a Business...

**B**uying an existing business can be a great opportunity, if you know how to buy a business, to get into business without going through the process of starting from scratch. If you buy a turnkey operation, you can skip the startup phase entirely and begin operations as soon as the sale is complete; everything is already set up and ready to go



“ People selling businesses usually have a spec sheet prepared, listing the assets involved and offering an estimate of their value. Ask for details if anything is unclear. ”



But unfortunately, businesses for sale are like used cars; there are lots of them out there, but some of them are lemons. To avoid getting stuck with a bad bargain, you need to fully investigate the business you're thinking of buying before you buy a business. To make sure you're getting a good deal rather than a bad bargain, follow these steps:

## 1. Find out if it's been in an accident.

In other words, before you buy a business, discover the real reason the business is for sale. And don't just take the seller's word for this. Sure, people do retire or become ill, but the real reason may be anything from a big-box retailer moving into town through losing a lucrative, traffic-driving contract such as being a postal outlet. Discover the true reason(s) the business is for sale by talking to people who are familiar with the history of the business you're thinking of buying, such as local realtors, other business people and suppliers.

## 2. Find out what's included in the asking price.

Find out what's actually for sale and what method of business valuation is being used. If you buy a business, what assets are you actually getting? People selling businesses usually have a spec sheet prepared, listing the assets involved and offering an estimate of their value. Ask for details if anything is unclear. And be sure to find out if the assets listed are free and clear of debts and liens; you don't want to buy other people's problems.

Pay special attention to any intangible assets that may be listed, such as goodwill. Sellers tend to inflate the value of this, thinking perhaps of the potential future value of their reputation and established customer base.

**“Remember the old joke about the guy who bought the good looking car only to discover he couldn't drive it away because it had no engine? It's only funny when it happens to someone else.”**



## 3. Look under the hood.

Remember the old joke about the guy who bought the good looking car only to discover he couldn't drive it away because it had no engine? It's only funny when it happens to someone else.

Before you buy a business, study the business's past performance. Ask for

and examine the last three years of the business's financial statements. (If you don't have training in analyzing financial statements yourself, have a professional, such as an accountant, review the financial statements). You will also want to know who prepared this financial data; were they prepared by the management of the business, for instance, or by an accountant? If by an accountant, documents should accompany the financial statements that will explain the depth of the accountant's review. An Auditor's Report, for instance, certifies that a full review has been conducted, while a Review Engagement Report will present the findings of a limited review of the business. A Notice to Reader signifies that the accountant prepared the financial statements based on information provided by the business without conducting any checks

Don't like what you're seeing or just not seeing enough of it? Ask the seller for permission to see the actual business records and get your own audit done.

## 4. Find out what it's actually worth.

Find out what you should actually pay for the business. When you're buying a used car, this is a simple matter of comparison shopping, but business valuation is considerably more complicated. It's common in business valuation to use several different methods of business valuation to arrive at a price. When preparing the asset list (spec sheet), for instance, the seller could have used:

- Book Value (based on the company's balance sheet),
- Modified Book Value (book value adjusted to reflect the current market value of the assets),
- Replacement Value (based on what it would cost to replace the asset),
- or Liquidation Value (based on what the asset would bring in if the business was liquidated).

He may also have incorporated some Earning Value methods into the business valuation process to arrive at his final asking price.

**“You may find that said traditional lending institutions are friendlier than usual, as financing an established business is generally considered to be less risky than financing a startup.”**

Before you buy a business, you want to know how the seller arrived at his estimate of the business's value, and arrive at your own estimate of how much the business is worth. The important “how to buy a business” point is that a business is not worth x amount of dollars just because the seller says so. Remember that the real value of the business depends upon the income that the business generates. Examining the business's financial records should have given you an accurate picture of the business's gross revenues, costs, and profit. You want to buy a business based on the return on investment, not on the stated price. In other words, what you are really buying is the annual profit. If you're having trouble figuring out what the business you want to buy is actually worth, seek advice from a professional business valuator.

## 5. Take it for a spin.

Before you buy a business, get an inside perspective by asking the seller's permission to sit in on the business for several days. If he or she is agreeable, this can be a great way to find out how the business you want to buy truly operates. (If he or she doesn't agree to this, it's not necessarily a bad sign. He may still be thinking of you as a “looky-lou”, as you haven't made an offer yet.)

## 6. Investigate your financing alternatives.

Just as when you buy a car, you need to see if you can truly afford the business you want to buy. If you don't have the cash in your pocket, this is the time to see who's interested in financing the business you're buying and how much that financing help will cost. The usual small business financing sources are friends, family and traditional lending institutions (such as banks and credit unions).

You may find that said traditional lending institutions are friendlier than usual, as financing an established business is generally considered to be less risky than financing a startup. You may also want to consider asking the seller to finance part of your purchase of his business. One common arrangement is for the seller to carry a promissory note for part of the purchase price. (Note that if you're going to approach the seller for financing, you have to make the option attractive to him. You may need to offer a rate of interest above the going rate, for instance.)

## 7. Make an offer.

Assuming that the process hasn't broken down at some point before this, and you do want to buy the business, it's time to make an offer and start negotiating. You make an offer and the seller makes a counter-offer. The

two of you will go through a process that will hopefully see you meeting on middle ground.

Don't be surprised if you're asked to



accompany your offer to buy a business with a non-refundable deposit; sellers are typically only interested in dealing with serious buyers. The usual rules apply. Always be prepared to walk away and don't get so caught up in the process that you get pulled past the price you're prepared to actually pay.

## 8. Get a purchase/sale agreement drawn up.

Once you and the seller have reached the point of agreement on terms, the details need to be specified in a contract. Because the contract needs to itemize every aspect of the sale, it should be drawn up by a lawyer.

How to Buy a Business?

In one Word: Carefully

Don't be afraid to buy a business that someone else has started and grown. Buying a business can truly be the opportunity to own and operate the successful business you've been dreaming of - as long as you resist the temptation to get drawn in by a shiny paint job and do more than just kick the tires before you make an offer.





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# Market Segmentation



- Target Markets and Market Segmentation
- What Is Marketing Mix?
- How Is Optimal Marketing Strategy Determined?

Just as there are different market segments for any given product or service, there are different approaches to constructing market segments. A marketing strategy is a plan of action and a course of action that is selected from among several alternatives. Marketing strategy pulls together ideas and actions related to particular consumer groups, including various methods of messaging and communication, distribution channels, and pricing structures. A marketing strategy brings together target markets and marketing mixes.

There are three primary alternative approaches to constructing a segmentation strategy:

- Single Target Market Strategy
- Concentrated Marketing Strategy
- Full Coverage Marketing Strategy

## Target Markets and Market Segmentation

When a business selects a market segment to which it will focus its marketing efforts, the business has identified a target market. Target markets are further divided into segments. These market segments are made up of consumers who share particular attributes that are relevant to a marketing effort.

Differentiated strategies, such as those listed above, are almost always more effective than undifferentiated marketing

strategy. An undifferentiated marketing strategy does not consider the differences between market segments and uses the same marketing mix for all of the markets that are intended to be included in the target.

## What Is Marketing Mix?

A marketing mix consists of variables that can be manipulated to connect with consumer needs. Traditionally, these variables are known as the eight Ps: Product, price, place, promotion, packaging, programming, partnership, and people.

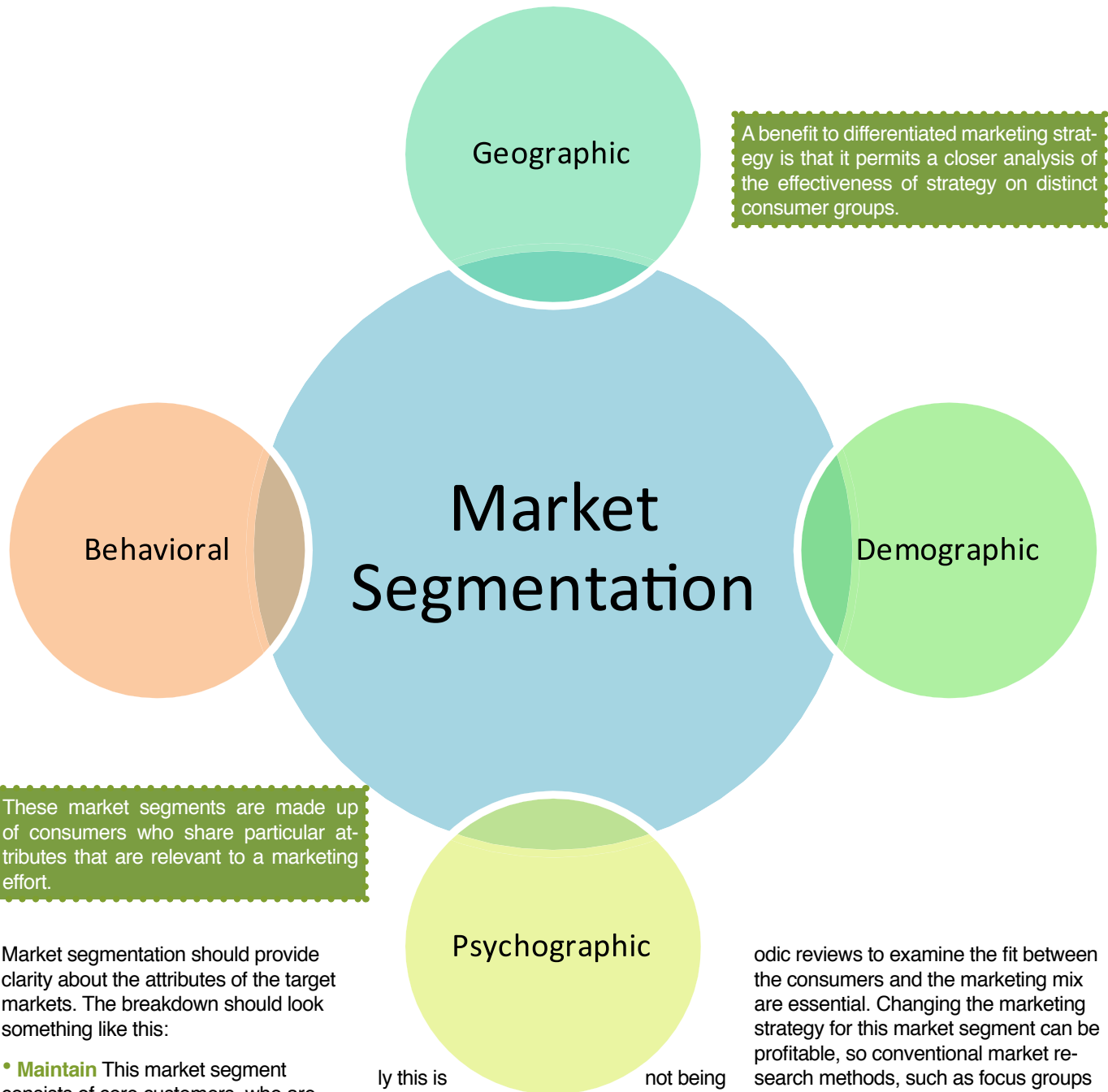
## How Is Optimal Marketing Strategy Determined?

A benefit to differentiated marketing strategy is that it permits a closer analysis of the effectiveness of strategy on distinct consumer groups. Using market research analysis techniques,

a thorough understanding of the fit between marketing strategies and market segments is possible. Armed with this information, marketers and business decision-makers can determine optimal strategy for various customers and consumer groups.

A common method for analyzing the consumer constituency is to use a matrix or quadrant approach in which four categories of customers emerge. The market segments may be described as follows: 1) Segments to maintain; 2) segments to convert; 3) segments to grow; and 4) segments to ignore. The logic behind target market segmentation dictates that the whole universe of markets cannot be addressed by the finite resources of marketing and advertising. It is necessary to target the markets with the most probability of success.





Market segmentation should provide clarity about the attributes of the target markets. The breakdown should look something like this:

- **Maintain** This market segment consists of core customers, who are often brand advocates. The customers in this market segment are attractive to the business because they are a good fit with the existing marketing mix and because they require very little effort to engage them with the brand. It is good strategy to protect these customers from competitor attacks.

- **Convert** This market segment consists of consumers who can be attracted to the product or service, but current-

ly this is maximized by not being the marketing

It is worth spending some resources on this market segment as targeting it effectively often only means that some element of the marketing mix must be manipulated or improved.

- **Grow** This market segment is an easy target as the consumers can be won over to the business with little effort. Generally, this market segment is not profitable at current levels so peri-

odic reviews to examine the fit between the consumers and the marketing mix are essential. Changing the marketing strategy for this market segment can be profitable, so conventional market research methods, such as focus groups or ethnographic market research, can be productively employed.

- **Ignore** This market segment must generally be cut from the targeted market segments. The decision to do this can be difficult as market researchers and marketers are trained to work to find the fit. If the resource spend develop a different product or tackle a Blue Ocean strategy plan to capture an open niche.

## Cocktail Reception

### The Autumn Road Show Middle East 2012

On October the 11th 2012, the Peregrine Ballroom in the One and Only Mirage Hotel in Dubai hosted a VIP Cocktail Reception for the Autumn Road Show Middle East 2012.

The event was organized by The Leading Hotels of the World with Arab Business Club and Qatar Airways as Partners. The Event was attended by Arab Business Club elite members, the Leaders club members, government top executives, corporate senior executives and officers in the UAE.







## Mark your calendar

### Datamatix Gitex Conference

7-11 October, 2012

UAE, Dubai

Datamatix Gitex Conference aims to gather the innovative minds and the best players in the world of technology to deal with the modern issues, advanced solutions and strategies regarding information technology.

### The Jordan Energy Investment Summit

10 - 12 October, 2012

Jordan

Under the patronage of the Ministry Of Energy And Mineral Resources the Summit featured an exceptional mix of speakers representing major decision makers from the Ministry of Energy And Mineral Resources and key government affiliates including: the Natural Resources Authority, The Jordanian Atomic Energy Commission, National Electric Power Company, National Energy Research Centre and the Jordan Petroleum Refinery. Showcase presentations, revealing new and on-going restructuring initiatives, announcing new projects and disclosing the latest attractive fiscal, contractual and environmental terms.

### Assur Expo 2012

10-13 October, 2012

Tunisia, Tunisia

Assur Expo is the Mega exhibition on Agro Finance, Insurance & Related Industry in Tunisia which will be held between 10 to 13 Oct, at Tunis-La Chargaia Expo Center, Tunisia. The Assur Expo is being organized by Sogefoires International. It will showcase National banks & finance companies, Nationalized insurance companies, private banks & finance institutions, private insurance company, private consultants.

### Healthcare event

Oct 17, 2012

The Healthcare Meeting aims to be the foremost annual gathering of the Arab Business Owners and C-Level management from Hospitals, Ministries of Health, Healthcare City Hospitals, Pharmacies, Doctors, Medical Suppliers and Medical HR.

The program for the 2012 Health & Care Meeting is designed to provide an unrivaled platform for the world's leading manufacturers, wholesalers and distributors to meet the medical and scientific community from the Middle East and beyond.

### In Shape

19-22 October

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Known as the region's most prominent health, beauty and fitness fair, IN SHAPE Fair is the ideal platform to introduce new products and services, as well as promote your company or brand's image to professionals as well as to both male and female consumers of all ages from Lebanon and the region.

### Abu Dhabi International Petroleum Exhibition & Conference (ADIPEC) 2012

5-8 November, 2012

UAE, Dubai

Abu Dhabi International Petroleum Exhibition and Conference (ADIPEC) is the meeting place of the international oil and gas community. The theme for 2012 is 'Meeting the Increasing Oil and Gas Demand through Innovation.

### Cairo Buildex

8-11 November, 2012

Egypt, Cairo

Cairo Buildex will showcase Building Materials and Systems, Construction Equipments, Prefabricated Buildings, Roads and Flyovers, Construction Tools, Marble Granite and Ceramics, Kitchen and Bathroom Products, Landscaping, Safety and Security Equipment, Air-conditioning, Lighting, Flooring, Interiors, Specialist Vehicles Detection Equipment, Floor Finishes, Identification Systems, Interiors & Lighting, Locking Equipment, Marble & Granite Products, Rescue and Emergency Equipment, Security Doors.

### Wellbeing 2012

11-14 November, 2012

KSA, Jeddah

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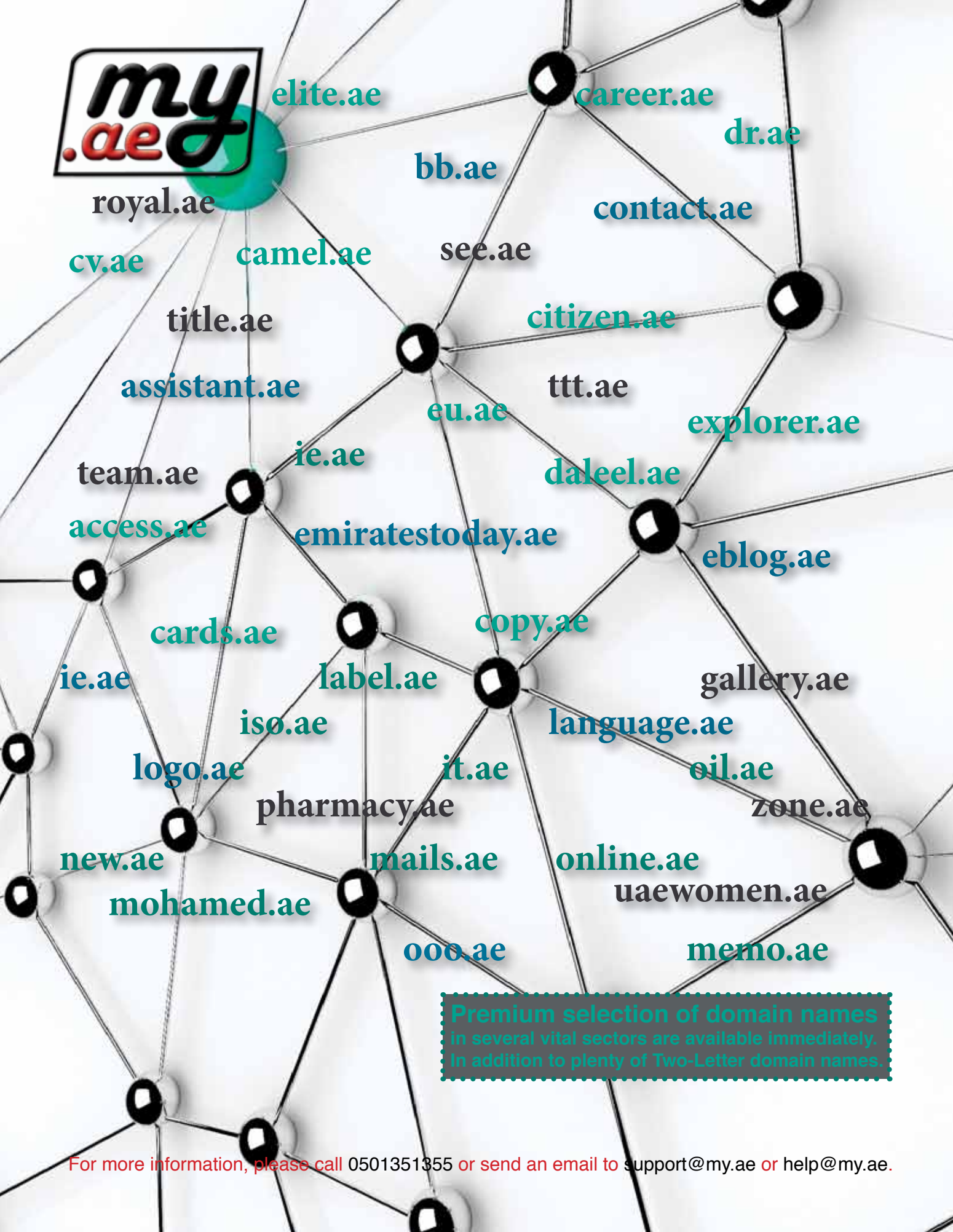
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# ARAB BUSINESS CLUB MAGAZINE

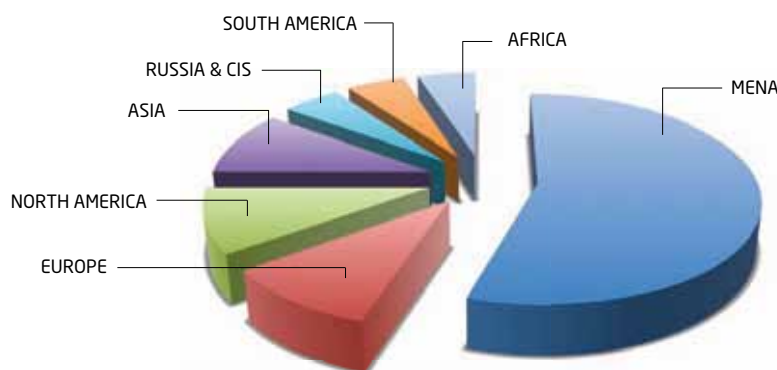
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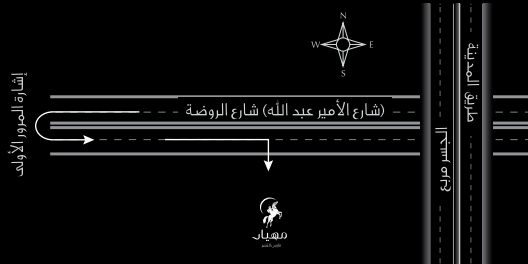


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