

US-Arab Tradeline



National U.S.-Arab Chamber of Commerce
الغرفة التجارية العربية الأمريكية الوطنية

Volume XI No. 13 • November 2003

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Iraqi oil growth hinges on good planning

Rebecca Givner-Forbes

Iraqi oil is a tremendous resource. There are 112 billion barrels of proven reserves – in the approximately 10 percent of the country that has been explored. The rest of the country may yield another 100 billion barrels, putting Iraq neck-and-neck with oil leader Saudi Arabia and having an enormous impact on the future of the country.

At the same time, the expectation of the Coalition Provisional Authority (CPA) and the international community is that Iraq will be a democracy. A look at the international landscape reveals that petro-states and democracy are oftentimes at odds. According to World Bank studies, petroleum economies are less likely to liberalize and modernize their economies. In the MENA region, they have seen lower growth rates than non-oil economies.

In Saddam Hussein's Iraq, money from oil revenues was squandered on an elite few and on military programs, leaving the rest of the country to deteriorate even while billions flowed in.

The assumption leading up to the coalition invasion was that Iraqi oil would provide the cash needed to give the long suffering nation a new lease on life, and make the oil industry the backbone to a vibrant and prosperous modern state. The question of how to structure the Iraqi oil industry so that it can properly nourish the country has been at the forefront of international debate.

Currently, Iraqi oil revenues are collected in the Development Fund set up in May by the UN and held at the Iraqi Central Bank, to be spent on food and reconstruction projects. Money is allocated to projects by the CPA, and the Fund is overseen by an international group of auditors.

One option is to maintain this system, ideally turning over the management of the Fund to the Iraqi government once it is elected.

There is the fear, however, that putting all control of the oil revenues with the fledgling government may invite corruption, or at least an inordinate amount of government control into the economy.

Other models seek to decentralize oil revenue. One idea is to create a model based on the system used in the state of Alaska, whereby revenues from oil are individually divided up among the citizens. This would put instant liquidity into the Iraqi market and give each Iraqi a palpable stake in the system.

However, resources cannot be diverted from government coffers into individual bank accounts



until the government has enough money to function and provide necessary public services.

Khalil Hassan, National Network Coordinator for the Iraq Foundation, said the funds should stay with the government.

"[Oil revenues cannot] just go for personal use. We have to invest the money into the country first, into the infrastructure...the manufacturing sector, agriculture... a lot of things that have to be done before we can directly give it into the people," he told US-Arab Tradeline.

But Hassan is also concerned that the economy become properly diversified, citing Iraq's other resources, such as agriculture, industry, the potential for tourism, and a skilled populace. As other international situations demonstrate, central reliance on oil revenues often inhibits economic diversification.

The best option may be to resist the temptation to funnel oil revenues directly into the public budget. Dr. Ariel Cohen, who works on energy security for

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“If some sort of democratic arrangement can be set up on that level, then I think the nitty-gritty of how the money is dispersed is kind of secondary.”

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the Heritage Foundation, recommends privatizing the oil industry, allowing international oil companies to raise the equity to rehabilitate and modernize the industry.

“If you sell equity it allows many investors to get involved... So you maximize the number of bidders, and by that you drive the price of shares up, thereby benefiting the Iraqi people,” Cohen told Tradeline. This is the best way, he said, to attract needed foreign investment into the industry.

Under Cohen’s plan, revenue would go back into the government and economy by taxing the oil companies’ production.

“The second part of the process,” he said, “is that you must have transparency in taxation and expenditure of the taxation money... what you do with the taxation revenue--there are two ways to do it. One way [is] to put it in the hands of the government... because the government will run security, they will run part of education, they will run roads, what have you. But the other part will go into the hands of the Iraqi people and will provide a significant part of their revenue through distribution of that income.”

Cohen warns strongly against going with “the old model,” of the state-run oil industry.

“I was in OPEC just a week ago in Vienna, and they were saying ‘oh, we think [the Iraqis] are just going to recreate the central government-owned oil company.’ That is a prescription for lack of transparency, for corruption, for having Iraqi oil not very attractive for foreign investors,” he said.

After a plague of corruption in state-run industries in the 20th century, he said the world needs “new models” for the 21st century based on accountability and transparency.

It could be a long time before Iraq sees any surplus revenues from oil, longer if the country is expected to pay back over \$300 billion in debt accrued by Hussein and in war reparations from his invasion of Kuwait.

The implications of this are two-fold. First, the idea leading up to the war that oil revenues would be plentiful enough to fund reconstruction was a pipe dream. US funds, combined with whatever can be mustered from international donors, will pay for most critical Iraqi

reconstruction through 2005 and perhaps beyond.

Second, the CPA will probably turn over power to an Iraqi government before the oil industry is fully developed and yielding surpluses. The US may then not be intimately involved in formulating whatever oil revenue system is put into place.

Not having Iraqi oil producing a surplus for the next few years may turn out to be a blessing in disguise for the Iraqis, as it gives the country a couple of years to develop the institutions of governance needed to decide upon the just use and distribution of revenue. It is at this stage that the United States has the greatest opportunity for influence.

“In Iraq I think the real question is what system of governance is going to be set up so that the people controlling the [oil revenues] are viewed as legitimate and transparent and credible by the population,” Amy Hawthorne of the Carnegie Endowment for International Peace, told Tradeline. “I think that’s really the deeper question that has to be resolved. If some sort of democratic arrangement can be set up on that level, then I think the nitty-gritty of how the money is dispersed is kind of secondary.”

Cohen agrees that the extent to which Iraqis will be able to use their oil resources for the good of the country is most dependent on the government that is set-up. The United States’ most important role in Iraq will be at this level, in creating a political environment in Iraq that can maintain stability and balance competing interests peacefully.

“Once a democratic process is set up and you have different interests represented at the table then they can agree on a transparent process, that the budgets are voted on, that the books are audited, that there are rules and regulations that are clear and understandable to everybody,” Cohen said.

Iraq will be an independent, sovereign country by the time the oil industry is fully developed. The role of the international community then will be to leave Iraq with a system in which the chance to have democratic and equitable governance, as well as internal stability and sustainable peace, is not compromised by the country’s economic identity as a petro-state. ♦

Arab world stock markets surge

Rebecca Givner-Forbes

Investors in the Kuwait Stock Exchange (KSE) have had a great year. Buoyed by the war in Iraq, the KSE soared 89 percent in the first three quarters of 2003. Across the GCC, capital markets have boomed, breaking records and receiving unprecedented attention from international investors.

Much of the impetus for the local boom is, of course, the war in Iraq. But the strong performance cannot be chalked up to mere post-war optimism. A number of factors combined at the right moment to precipitate the

surge unleashed by the war.

Proximate factors include high oil revenues, which translated into higher government expenditure and therefore more liquidity in the market. Low interest rates have made stock markets and bourses appealing destinations for this liquidity. According to Global Investment House, rising stock values have been supported by strong corporate performance, demonstrating that the increase is backed by more than just a speculative boom.

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Consumer groups improve export potential from the inside

M. Scott Bortot

A couple years ago, Egyptian President Hosni Mubarak announced that boosting exports are a matter of "life and death" for his country's economy. In Lebanon, government and businesses agree that exports, currently about five percent of GDP, need to be advanced.

Help in expanding exports in these and other Arab countries might be coming from a surprising source – consumer activism.

One of the ways to increase exports is by improving quality to make them more competitive in global markets. Years of state-subsidized industry in many Arab countries led to the manufacture of low quality goods. In addition to being poorly competitive in international markets, these goods were often not well-received by local consumers.

Given a choice, consumers have turned to imported goods to satisfy their tastes and needs. In an era of market liberalization in the Arab world, local manufacturing must be competitive to maintain local business as well as expand into international markets.

Even in the UAE, among the more robust economies of the region, there is an acute awareness that supporting consumer rights leads to stronger trade. Established in 1987, the Consumer Protection Program of the UAE has been fighting to make goods safe for consumers.

"The purpose of the CPA is to ensure transparency within the whole system, which would lead to a healthy environment for trade, the consumer and the country as a whole," CPA's chairman, Hassan Al Katheeri told Gulf News earlier this year.

The CPA is one of the earlier consumer rights groups in the region. Today, most Arab countries have consumer protection groups active in improving the quality of goods. In addition, there are regional meetings that take place under the auspices of the Arab Federation of Consumers.

Consumers Lebanon is a member in the federation. Formed in 2000 by Dr. Zuheir Berro, Consumers Lebanon has had an uphill battle to make known the merits of consumerism to both the government and Lebanese consumer.

"We have made a lot of progress in the area of consumer rights but we must still continue and other civil society organizations must also progress," Dr. Berro told *US-Arab Tradeline*. "We are doing this to help with consumer safety as well as to increase exportation to the European Union and the United States."



Pressure from Consumers Lebanon has led to better quality standards in bottled water, gas canister safety and a reduction in automobile emissions. To make sure more issues can be tackled, a consumer hotline has been created by the organization where people regularly lodge complaints.

The organization's cause has been furthered by international help from the UN and USAID in support of certain projects. Also, the country's media has taken notice of Consumer Lebanon and it has received a lot of positive press.

Oussama Salama, a lawyer who works for Consumers Lebanon, said although the media's efforts have been helpful, consumer rights awareness is still in the formative stages.

"To have a real consumer rights movement in Lebanon takes a long time because we have been working for three years just to introduce the concept to society," Salama told *Tradeline*. "Now I think we are in our second phase in which we can say that yes, our work is now to improve product and service quality."

Despite the great strides made by the organization in improving goods and services, consumer rights legislation is still under debate.

"We don't have a law now but our government is working on that," Dr. Berro said. "We presented a draft about three years ago and now the minister of trade is working [on its details] with Consumers International of France."

As is the case with Lebanon, a consumer rights law has yet to be enacted in Egypt. However, according to the Central Egyptian Society for Consumer Protection (CESCP), this is about to change.

"We have been trying to introduce this law for consumer protection for years," Fahmi Seddik, general director of the CESCP told *Tradeline*. "Now, there is a draft law in parliament and it is expected to go through in next year's parliamentary session."

The proposed law calls for issuing fines if consumers are injured by poorly made products and making manda-

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"We have made a lot of progress in the area of consumer rights but we must still continue and other civil society organizations must also progress"

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tory the printing ingredients on all consumable goods.

Seddik acknowledges the importance of improving the quality of goods manufactured by his country to boost exports. To this end, his organization has achieved a good measure of success.

In one of the country's leading newspapers, the CESCOP published the results of a laboratory test on locally produced meat and dairy products for sale in stores on the basis of "fitness for human consumption." The consumer report prompted the wrath of a company whose product was slammed in the study. Although the company took the CESCOP to court for damages, it lost the case.

In the end, many of the companies cited on the list

have made improvements to their products and Seddik said this trend will continue.

"Many of the companies will react to the group's efforts by meeting international specifications," he said.

Although the CESCOP was established nearly ten years ago, it still struggles to have its message reach a wider audience. Through working with other NGOs, the group has convened seminars at universities and with professionals to educate on matters such as school lunch nutrition and the dangers of reusing cooking oil multiple times.

While groups like the CPA, Consumers Lebanon and the CESCOP are still in the development stage, their efforts are sure to improve the quality and reputation of goods produced in the Arab world. ♦

Reports underline challenges and progress for Lebanese economy

A recently released US Department of Commerce report had this to say about Lebanon:

"Some foreign companies have left or decided to move their regional offices to neighboring countries, or refrained from investing in Lebanon because of frustration resulting from red tape and corruption..." said the Country Commercial Guide 2004 for Lebanon.

However, with new improvements to Lebanon's business environment, such sentiments are on the verge of becoming just a bad memory.

The Commerce Department's Country Commercial Guide 2004 for Lebanon, along with a Business Monitor International (BMI) report, highlight encouraging developments and trends that are catching the eye of international investors, including US companies.

"Passage of the Investment Development Law, granting the Investment Development Authority for Lebanon the authority to award licenses, permits, and all the necessary government formalities is expected to curtail red tape for new investments," the Commerce Department report said.

The report also noted US companies have been utilizing Lebanon's highly skilled labor force. Currently, there are some 160 US businesses with operations in Lebanon. Among them are tech firms like Microsoft, Computer Associates and Cisco Systems. These

companies will soon be joined by Intel which has announced plans to open an office in Lebanon.

On the fiscal level, the report highlighted several positive developments for Lebanon as a result of the 2002 Paris II Donors conference. A large amount of the \$4.3 that was pledged at the conference is earmarked "to support fiscal adjustment and debt restructuring."

Some of these measures have generated a relatively positive forecast by BMI for Lebanon. BMI forecasts 2.4 percent growth in GDP for 2003 and this is expected to rise 3.1 percent in 2004.

"The performance of most economic sectors was lackluster in the first quarter due to the war in Iraq, but activity has been picking up in the third quarter and reasonable growth across most sectors is expected in the second half of the year," said the BMI report.

BMI also predicts a budget deficit equivalent to 7.78 percent of GDP in 2003 and 7.35 percent for 2004.

Despite the positive forecasts, the report warned Lebanon still has challenges ahead in light of trade deficits, government debt and regional instabilities.

"The tight fiscal policy caused by the government's high public debt, alongside continued problems in Iraq, presents substantial downward risks," the report said. ♦

M. Scott Bortot

Long-term efforts by GCC countries to develop mature, transparent capital markets are coming to fruition. Bahrain and Dubai in particular have transformed themselves into two of the world's premier financial centers, and have been dubbed upcoming "Singapore" in the press. Other Gulf governments have been taking measures to improve transparency and regulation.

Confidence is high, not just because of the war, but because of the higher international profile GCC markets have earned. In 2003, western investors diversified into emerging markets to hedge against bearish conditions at home. The increased foreign investment has raised domestic confidence, and the two have been mutually reinforcing.

Confidence is contagious. Though the best performance has been in the Gulf, capital markets across the Arab world are improving. Dubai-based Shuaa capital anticipates that total trading volume across the Arab world will reach \$120 billion – more than twice the figure for 2002.

The development of capital markets in the region is one of the keys to the region's economic improvement. In the United States, the transformation in capital distribution helped fuel post-WWII economic growth and the growth of the middle class. Moving away from a system based on private financial institutions like banks to one based on public exchanges democratized access to capital by making available to the public investment opportunities previously within the reach of only the very wealthy.

Currently, 70 percent of capital in the Arab world is controlled by banks, meaning access to it is still limited mostly to the rich and connected. Also, many of these banks host a higher than average proportion of poorly-performing and non-performing loans, indicating that capital is not being channeled to the most worthy and sound recipients.

Public stock exchanges help remedy this by creating a more efficient mechanism for the allocation of funds. Start-up funds are made more available for entrepreneurial enterprises, many of which are more credit worthy than large counterparts but do not have the size or connections to obtain bank loans. Banks, in turn, would be forced to clean up their portfolios to compete for capital.

There are currently 12 stock exchanges in the Arab world. However, there are a number of steps that need to happen in order for these markets to best serve the economy. First, an expansion in mutual funds is sorely needed to allow smaller investors to diversify. While in most developing countries investment in mutual funds represents 30 percent of total market capitalization, in the Arab world it stands at 3 percent.

Also, companies listing shares need to issue transparent and accurate quarterly reports. Not doing so is a guarantee of scaring away potential international investors. Laws and regulations governing trading should be strengthened. Governments need to continue backing privatization



programs, divesting their large stakes by floating public shares.

For all that remains to be done from country to country, signs of progress abound: In Jordan, an aggressive privatization program executed by the government has led to a diversified market in which 25 percent of the population holds shares. In Egypt, the government's decision to float the Egyptian pound has led to a 50 percent rise in Cairo's EFG index from January to October.

In Dubai, new index due out in early 2004 will provide a welcome opportunity for investors to diversify across other Arab countries. Dow Jones plans to launch the Dow Jones DIFC Arabia titans 50 index, a blue chip index covering 50 top Arab companies from Bahrain, Egypt, Jordan, Kuwait, Lebanon, Morocco, Oman, Palestine, Qatar, Tunisia, and the UAE. Financial products linked to the index will be traded on the Dubai Regional exchange.

In the Gulf, governments have tied the development of capital markets to their efforts to create jobs. As an alternative to expanding the public sector to soak up excess labor, governments are working hard to cultivate and strengthen capital markets and stock exchanges that can fuel the entrepreneurialism that creates private sector employment.

Gulf governments have worked particularly hard on the investment environment.

"The faith if the investors in local markets has increased substantially...with the local markets improving their regulations – forcing companies to be more transparent and open," Shailesh Dash, senior financial analyst at Global Investment House in Kuwait told *US-Arab Tradeline*.

To attract foreign investors, he said, "governments in the region are [passing] new laws and removing the

Bahrain and Dubai in particular have transformed themselves into two of the world's premier financial centers, and have been dubbed upcoming "Singapore"

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November

29th-3rd

The Big 5 Show 2003 – Dubai

The Big 5 Show, the largest trade show for the construction industry in the Arabian Gulf, is a unique event, combining five major exhibitions under one roof while featuring around 1,700 companies from 49 countries. The Big 5 is the annual meeting place for all industry professionals while serving as the most comprehensive event of the year for contractors and specifiers, architects, engineers and buyers throughout the GCC countries. The main component of the show is the Building and Construction section, which is a must-attend event for suppliers of systems, components, materials, fittings and services to the GCC's buoyant building sector. The five major exhibitions will be: Water Technology; Air Conditioning; Cleaning and Maintenance; Glass & Metals; and Bathrooms & Ceramics. For more information please contact: DMG INDEX Exhibitions Ltd. PO Box 32989, Dubai, United Arab Emirates.

Tel: 971 4 3319688 • Fax: 971 4 3319480.
Email: dmg@emirates.net.ae

December

1st-3rd

The Middle East Exclusive – Dubai

Aimed at attracting international and regional representatives of the duty free industry, The Middle East Exclusive exhibition is the first of its kind in the region. The phenomenal growth of Dubai and the ongoing success of the award-winning Dubai Duty Free make the city the perfect choice for this inaugural event. Middle East Exclusive is the first trade event to bring together the world's most luxurious brands with key buyers and decision-makers from duty free and travel retailing outlets, department stores, boutiques, cruise lines, and leading hotel and restaurants from across the Middle East and Asian sub-continent. Luxury goods and travel related products are the driving force behind the retail industry in the Middle East. Over recent years, the Middle East has built up a reputation as the shopping center of the world - with luxury goods and travel retail at its heart. And, during this time, award-winning duty-free complexes such as Dubai Duty Free, Abu Dhabi Duty Free and Bahrain Duty Free have become market leaders and trendsetters for the rest of the world. Middle East Exclusive is positioned in the marketplace as the most effective forum for networking with influential industry figures from throughout the Middle East, plus North Africa, Levant and the Indian sub-continent. For more information please visit: www.middleeastexclusive.com or contact: Channels Exhibitions. PO Box 55254, Dubai, United Arab Emirates.

Tel: 971 4 2824737 • Fax: 971 4 2825757.
Email: channels@emirates.net.ae

4th-9th

Tunisia Hotel Equipment – Tunis

Tunisia Hotel Equipment is the Mediterranean hotels, restaurants, and communities equipment exhibition. Featured products will include: equipment and supplies for hotels, restaurants, cafes, coffee shops, and supermarkets, and equipment for public collectivities. For more information please contact: Societe des Foires Internationales de Tunis s.a. B.P. 1, Le Kram, Tunis, Tunisia.

Tel: 216 71 730111 • Fax: 216 71 730666.
Email: itf.com@fkram.com.tn

7th-8th

The 2003 World Islamic Banking Conference – Manama

Celebrating its historic 10th Anniversary this year, the World Islamic Banking Conference promises to build on its decade of success with an unparalleled line up of speakers and exciting and provocative panel topics, with a special focus on this year's theme of "Islamic Banking and Infrastructure Development." The Special 10th Anniversary Conference will be convened under the official patronage of H.H. Shaikh Khalifa Bin Salman Al Khalifa, the Prime Minister of the Kingdom of Bahrain and supported by the Bahrain Monetary Agency and the Ministry of Finance and National Economy. This will be the largest and most significant industry gathering of its kind, attracting the proactive support and intellectual engagement of the world's senior decision-makers and visionaries from the Islamic and conventional banking and finance industry, together with the world's broadcast and print media. Apart from the Interactive Conference Discussion Sessions and Networking Functions, the event will also include the 10th Anniversary Special Power Table Discussion Panel, the IT for Banking and Finance Exhibition and the International Industry Awards Ceremony. For more information please visit: www.megaevents.net/wibc/ or contact: Middle East Global Advisors. Armie Evans. PO Box 72045, Dubai, United Arab Emirates.

Tel: 971 4 3431200 • Fax: 971 4 3436003.
Email: armie@megaevents.net

7th-11th

Dubai 2003 – Dubai

Dubai 2003, the 8th International Aerospace Exhibition, is expected to attract 500 exhibitors and over 30,000 trade visitors from some 25 countries. In conjunction with the exhibition, the Defense News Middle East Air Chiefs' Conference will be held, with HH General Sheikh Mohammed Bin Rashid Al Maktoum, Crown Prince of Dubai and Defense Minister of the United Arab Emirates, delivering the event's keynote address. Sponsored by Northrop Grumman Integrated Systems, the conference is being designed to cover cutting-edge defense and aerospace issues. "The conference will cover a range of topics including anti-terrorism strategies and intelligence sharing which has been so pertinent to recent international events, particularly within the Middle East," said David Smith, Vice President, Marketing and Business Development, Defense News Media Group. The conference is expected to be a gathering of some of the most important military delegations from around the Middle East. For more information please visit: www.fairs-exhibs.com/airindex.html or contact: Fairs & Exhibitions Ltd. PO Box 773, Dubai, United Arab Emirates.

Tel: 971 4 2822855 • Fax: 971 4 2822866.
Email: info@fairsexhibs.com

7th-10th

GCC Power 2003 – Muscat

The 1st GCC Cigre International Conference and Exhibition, will take place at the Oman International Exhibition Centre and the adjoining Novotel hotel from 7-10 December, 2003. Across the GCC region, demand for electrical power

is increasing rapidly, due to industrial expansion and population growth. Major new projects are underway to generate and deliver this electricity, creating countless opportunities for new investors, developers and contractors in the region. At the same time, new challenges are emerging in creating the right regulatory environment to attract international finance and make projects viable for private sector participation. This exhibition will be an essential meeting point for all concerned to develop business contacts and discuss the key issues facing the electrical industry today. The exhibition will accompany a strategic conference, which will bring together senior policy makers from each GCC state with major international developers and financiers to discuss emerging opportunities across the region. Focusing on the prospects for private sector participation in electricity generation and transmission, the conference will examine existing case studies to identify solutions for the future. The key focuses of the event will be: Power generation; Construction and operation of substations and their auxiliaries; Construction, insulation and operation of HV transmission lines; and Operation and protection of power interconnection systems. For more information please visit: <http://www.thecwcgroup.com/exhibitions> or contact: Vasyly Zhygalo.

Tel: 44 20 70894190 • Fax: 44 20 70894201.
Email: vzhygalo@thecwcgroup.com.

8th-11th IBEX – Amman

IBEX, the “First International Banking Equipment Exhibition,” is the first specialized exhibition in banking equipment and services. IBEX is specifically designed for bank executives, financial service experts, as well as other bank-related industries and all possible activities revolving around the world of banking. The purpose of the event is to provide banking field professionals with updated, accurate and detailed services and information for all aspects and sectors of their business. For more information please visit: www.bhg-expo.com/ibex.htm or contact: BHG. PO Box 416, El Gezira, Zamalak, Cairo, Egypt.

Tel: 20 2 4030589 • Fax: 20 2 4047267.
Email: info@bhg-expo.com.

8th-11th 2nd World Petroleum & Petrochemical Exhibition – Doha

The 2nd World Petroleum and Petrochemical Exhibition (WPPE) offers exhibitors a truly unique opportunity to showcase their company and to meet with the normally hard-to-reach international decision-makers within the petroleum industry. Exhibitors can strengthen their relationships with these key players, utilize the corporate hospitality to create new contacts, increase corporate profiles and obtain worldwide business from the recognized leaders in the petroleum industry. There is no better opportunity, nor a better venue, for the exchange of views, ideas, experience and the latest technologies and theories on petroleum and petrochemical industries than the WPPE. For more information please visit: qatarexpocom.qa/English/Exhibition/wppe/index.html or contact: Qatar Expo for Exhibitions. PO Box 8019, Doha, Qatar.

Tel: 974 4323290 • Fax: 974 4448447.
Email: info@qatarexpocom.qa.

8th-11th Gulf Traffic 2003 – Dubai

Gulf Traffic is the only event in the Middle East that caters to the traffic and transport infrastructure industries. Gulf Traffic was first launched in 2002 into a region where investment in traffic and transport infrastructure was at an all time high. The show was a huge success, so much so that this year's event has moved to the Dubai International Exhibition Centre with an increase in floorspace of 350 percent. Gulf Traffic promises to continue with the success of the 2002 show and establish itself as a must-attend event on the international traffic and transport industry exhibition calendar. Gulf Traffic 2003 also sees the launch of MENA Rail - a vertical section in the show dedicated to the railway and metro sector, an additional focus that has gained support from many of the leading railway and transport figures in the region. For more information please visit: www.gulftraffic.com or contact: IIR Exhibitions. PO Box 28943, Dubai, United Arab Emirates.

Tel: 971 4 3365161 • Fax: 971 4 3360137.
Email: enquiries@iirdubai.com.

11th-15th Middle East International Motor Show – Dubai

The Middle East International Motor Show is a biennial event and is the largest and the most popular international automotive show in the region. The last exhibition, held in 2001, had a participation of more than 140 exhibitors representing 300 companies from 25 countries. The 2003 Motor Show will showcase the latest in the global automobile industry, featuring passenger cars, off road vehicles, concept cars, sports cars and motorcycles from a host of international manufacturers. For more information please visit: www.dubaimotorshow.com/ or contact: Dubai World Trade Centre. Pankaj Nadkarni. PO Box 9292, Dubai, United Arab Emirates.

Tel: 971 4 3086056 • Fax: 971 4 3318034.
Email: pankaj.nadkarni@dwtc.com.

14th-17th ELECTRICX 2003 – Cairo

With 11 successful years behind it, ELECTRICX continues to lead the field as the undisputed leading annual electro-technical, power and energy exhibition in Egypt, North Africa and the Middle East. ELECTRICX has been and continues to be the best show for delivering real business and distributorship opportunities for local and international visitors. The region's power and energy markets are growing at an unparalleled pace while the demand for new products and technologies is also growing along with the increase in the number of projects. ELECTRICX is not only an exhibition it is also an industry event, as decision-makers from a variety of sectors attend this important event as well as Egyptian and international manufacturers and distributors who display their services and products to the market. For more information please visit: www.egytec.com/Events/Electricx2003/electricx2003.html or contact: Egytec Engineering Company. 49 Mohamed Mazhar St., Zamalak, Cairo, Egypt.

Tel: 20 2 7359801 • Fax: 20 2 7358801.
Email: egytec@tedata.net.eg.



General

- ◆ On September 30, the US government moved forward with an initiative to support business growth in the region with the establishment of the Middle East Finance Corporation, which will provide loans to small and medium business enterprises. The Middle East Finance Corporation is part of the US government's larger Middle Eastern Partnership Initiative (MEPI), a government program which targets four development areas: political reform, economic reform, educational reform, and the empowerment of women. The corporation will be launched with \$20 million for its first year, with a planned increase of \$10 additional million on deck for 2004.
- ◆ After being awarded one of three mobile licenses in Iraq on October 6, Atheer Telecommunications provided details of its investment make-up for its operation. The company is to be operated and managed by Kuwait MTC, but 50 percent of investment is being provided by Iraqi investors. The Iraqi investment, put up by a consortium of Iraqi businessmen, is represented in a new Iraqi company called Digla Telecommunications Company (DTC). Kuwaiti investment is gathered in MTC and also in another company called Kharafi National.
- ◆ On October 9, US-based Fluor Corporation was selected by the Kuwait Oil Company (KOC), a subsidiary of Kuwait Petroleum Corporation (KPC), to supply comprehensive consulting services, specializing in project management, in support of KOC's capital-expenditure program. Some \$44 million of the five-year contract's total value was booked in the company's second quarter. The services relating to the construction of new facilities and upgrading of existing facilities are broad-based and include project management, coordination and planning.
- ◆ The newly-established Arab Business Women's Council met for the first time on October 7 in Abu Dhabi, bringing together women leaders from the scientific, economic, and political communities. The three-day Economic Business Women's Forum was convened under the patronage of Sheikha Fatima, wife of the President and Chairperson of the UAE Women's Federation, and supported by the Arab League and the Abu Dhabi Chamber of Commerce and Industry. One suggestion that arose at the conference was to compile a database of Arab women's businesses and activities in trade, business, real estate, industry, and investment.
- ◆ *AFP* reported that Iraq's interim finance minister unveiled a \$13 billion budget for 2004 based heavily on oil revenues and infusion of foreign aid. The budget was approved by the US-sponsored Governing Council on October 9. The budget introduces a personal income tax at a maximum rate of 15 percent, and a corporate tax at a flat rate of 15 percent. Moreover, the budget does not allocate funds to most state enterprises.
- ◆ Saudi Arabia, in a major step towards privatizing its electricity sector, is selling off 11 power generation and desalination projects as well as 10 electricity transmission projects. The total value of the 21 projects is \$12.8 billion. The move is part of a larger initiative to widen

private participation in all Saudi productive sectors. Per the deals currently extended, the government would buy electricity and water from the private plants for a period of twenty years.

- ◆ Captain Abdul Rahman Al Quoud, undersecretary of civil aviation for Bahrain, told the *Gulf News* on October 14 that Bahrain International Airport is ready for a major expansion program that would cost more than \$170 million. The master plan, including the new designs, has already been completed and work is due to begin late in 2004. Improvements will include an increase in the number of check-in counters from 44 to 100 as well as doubling the number of air bridges.
- ◆ Saudi Basic Industries Corporation (SABIC) reported third quarter 2003 net profits of \$417.3 million, compared to \$280 million in the same period in 2002, an increase of 49 percent. Profits earned in the first nine months of 2003 grew by 133 percent over the same period last year. Company officials said the increase in profits was due to price improvements in products.
- ◆ The US Agency for International Development (USAID) announced on October 21 that it has awarded an initial \$5 million to Development Alternatives Inc. (DAI) to carry out agricultural development in Iraq. The agreement is part of the framework of the year-long Agriculture Reconstruction and Development Program for Iraq (ARDI). The program is designed to support Iraqi initiatives to revitalize agricultural production, stimulate income and employment generation.

Energy: Oil, Electricity and Water

- ◆ Exxon Mobil Corporation and Qatar Petroleum announced on October 16 the establishment of a Heads of Agreement (HOA) to supply Liquefied Natural Gas (LNG) from Qatar to the United States for an expected period of 25 years. The HOA covers the development of two large LNG trains with combined capacity of 15.6 million tons per annum (mta) of LNG, or about 2 billion cubic feet per day, by Ras Laffan Liquefied Natural Gas Company Limited II (RasGas II). Total estimated investment including ships is about \$12 billion.
- ◆ The Algerian Energy Company (AEC) has selected US-based Ionics for a 25-year seawater desalination build-own-operate (BOO) project. Ionics and AEC will form a joint project company to finance, build and operate the plant, with Ionics owning a majority interest. The projected \$225 million capital investment will be financed by a combination of equity and non-recourse debt.
- ◆ On October 14, Canada's TransGlobe Energy announced that its Block S-1 Joint Venture Group submitted a Notice of Commercial Discovery, along with a Request for Conversion to a Development Area and a Development Plan to the Yemen Ministry of Oil and Minerals. The Development Plan provides a framework for integrated multi-field development and continued exploration within the substantial 285,000 acre development area.
- ◆ Saudi Arabia's National Oil Company, Saudi Aramco, has signed a deal with a subsidiary of Jacobs' Engineering

of the United States for the expansion of the Hawiyah Natural Gas Liquids Plant. The contract is worth \$100 million.

- ◆ On October 7, Virginia Transformer Corporation (VTC) successfully delivered the first of two electrical transformers to Iraq. The transformers will be used in the construction of a new power generation station. The delivery was said to be completed unusually quickly, due to the urgency of the project and the diligence of project managers stationed in Kuwait.
- ◆ The US Army Corps of Engineers has tasked Washington Group International with reconstructing electric transmission lines, installing new electric generators and rehabilitating existing generators in northern Iraq. The \$110 million task order was part of a larger indefinite delivery/indefinite quantity (IDIQ) contract awarded to Washington Group on April 1 to support Army Corps of Engineer activities in 25 countries from the Horn of Africa to Central Asia.

Trade and Investment

- ◆ Jordan's foreign trade figures showed 10.1 percent growth during the first eight months of 2003 compared to the same period last year. Growth is attributed to a 4.2 percent rise in domestic exports, a 10.5 percent increase in re-exports and a 12.5 percent leap in imports. The US topped the list of trade partners as some \$403 million worth of goods were exported to the US during the first eight months of the year accounting for some 28 percent of total domestic exports.
- ◆ According to the October 29 Arab News, Saudi Arabia will privatize its local and international airports. However, airport security will remain in state hands. Prince Sultan, second deputy premier and minister of defense and aviation, recently signed contracts worth \$170 million with five Saudi groups of companies to operate regional and local airports for three years. Contract terms specify that companies employ local Saudi manpower on the projects.
- ◆ Bahrain-based First Islamic Investment Bank has reported the partial sale of Medifax-EDISM to US-based WebMD Corporation for \$280 million. WebMD signed an agreement on October 21 to acquire the Medical Services Division (MSD) of Medifax. Medifax will distribute its remaining business unit - the Pharmacy Services Division (PSD) - to an affiliate of First Islamic. The two transactions are estimated to value Medifax at over \$325 million.
- ◆ Emirates Airlines has achieved record half-yearly profits of \$167 million, up 51 percent for the same period last year. Higher passenger and cargo earnings offset a small short-term fall in seat factors. Seat factors fell by just 8.2 percent points to 69.8 percent with the impact of SARS and military action in Iraq, but recovered in the second quarter to 77.5 percent.

Finance

- ◆ Capital Intelligence upgraded Jordan Kuwait Bank's (JKB) long and short-term foreign currency ratings in

mid-October to BB and B respectively, following a recent improvement in Jordan's foreign currency ratings. JKB's financial strength rating was also upgraded to BBB and reflects further improvement in the bank's financial ratios in recent years. The bank's sound asset quality is buttressed by one of the lowest non-performing loans ratios and the strongest cover among Jordanian banks.

- ◆ The International Islamic Financial Market (IIFM) has endorsed the State of Qatar Islamic Sukuk. Closed at \$700 million, the issue is the largest sovereign global Islamic bond ever structured under leasing after the Bahrain and Malaysia Ijarah sukuk. The Qatar Global Sukuk will be listed at Luxembourg Stock Exchange and at Malaysia's Labuan International Financial Exchange.
- ◆ On October 21 Dubai Islamic Bank (DIB) announced a 25 percent increase in net profits for the third quarter of 2003, including depositors' profits, to \$148 million compared to \$118 million at the end of September 2002. The bank's investment portfolio rose by 34 percent in third quarter 2003 and customer deposits were up 22 percent for the same period.

Technology

- ◆ The 23rd Gitex exhibition, the Arab world's largest IT event, ended on October 23 and recorded 82,183 trade visitors this year up from 65,000 last year, a 26-percent rise. Microsoft presented its new Office System at the event as part of its global launch for the first time in the Middle East. Sakhr used its participation at Gitex Dubai to showcase its latest Arabic software products while Cisco Systems launched a new Internet Protocol phone with a high resolution, color touch screen.
- ◆ Orascom Telecom Iraq Corp. (OTI), a branch of Orascom Telecom Holding of Egypt, has chosen Motorola as its supplier of GSM base stations and transmission equipment for its network to provide communications services to the central region of Iraq. Motorola's Global Telecom Solutions Sector (GTSS) will supply GSM infrastructure to OTI for its mobile network in a contract worth up to \$40 million.
- ◆ The government of Bahrain has signed a deal with Microsoft to utilize Microsoft desktop applications in its e-Government project. The signing on October 5 coincided with the opening of Microsoft's Bahrain office. The monetary value of the agreement is being kept confidential. Bahrain's e-Government initiative is due to launch in December of 2004. On the heels of this deal, Microsoft inked a \$9 million agreement with the government of Qatar on October 9 to employ its technology in Qatari ministries and state-owned organizations.
- ◆ On October 27, Craig Barrett, CEO of US-based Intel Corporation, inaugurated the new Finance Competency Center at the American University of Beirut (AUB). The center, the first of its kind in the Arab world, was established in collaboration with Intel, Hewlett Packard and Microsoft and is designed to be a state-of-the-art technology venue providing students, software developers and engineers with the means to conduct research and training.

The News Briefs section is compiled from a variety of on-line and print newspapers, journals, and magazines. For links to sources and daily news briefs via the Internet, please visit www.ArabDataNet.com



Algeria

Modern computer system

The Bank of Algeria for Rural Development has issued a tender for the installation of a modern computer system that is being financed by the African Development Bank. The final date for bids is November 30. For further information contact: Banque d'Algerie and du Development Rural. Secretariat de la Commission des Marches, 16 Rue Arab Si Ahmed Birkhadem, Algiers, Algeria.

Tel: 213 021 63 49 22 • Fax: 213 021 63 51 46.



Bahrain

Pile extensions

A tender has been issued for the extension of mains and service pipes at Salmabad block No 706. The closing date for the tender is November 18. For more information contact: Ministry of Electricity and Water. PO Box 2, Manama, Bahrain.

Tel: 973 546666 • Fax: 973 537096.

Network development

The Ministry of Electricity and Water has offered a tender for network development for the A M Al A'Ali villas in Mugaba. The final date for bids is December 18. For more information contact: Ministry of Electricity and Water. PO Box 2, Manama, Bahrain.

Tel: 973 546666 • Fax: 973 537096.



Egypt

Fire fighting equipment

A tender has been issued for the supply and erection of potable water feeding and fire fighting networks including pipes and fittings to serve both El Adwa and Maghagha cities to be made of ductile cast iron, GRP, prestressed concrete, HDPE - high density polyethylene, UPVC, steel or asbestos under 3 contracts. The last date for bids is December 8. For more details contact: Arab Contractors, Osman A Osman & Co: 39 Nile Street, Assuit, Egypt.

Tel: 20 88 324871/321962/324879.

Sanitary drainage project

The El Nasr General Company has offered a tender for the supply and erection of electromechanical equipment pertaining to sanitary drainage projects in Deirout, in the Assuit governorate. The final date to place bids is November 15. For more information contact: El Nasr General Company for Contracting: Hassan M Alaam the Technical Affairs Division, Hassan Al Alaam Street, Opposite Police Academy, Abbassia, Cairo, Egypt.

Tel: 20 2 6858063/6858069/6844453 • Fax: 20 2 6842643.

Locomotive parts

A tender has been issued by the Egyptian National Railways for the supply of spare parts for various locomotives. The bid deadline for this opportunity is November 28. For further details contact: Egyptian National Railways. Purchases and Stores Department, Railway Building, 5th Floor, Cairo, Egypt.

Tel: 20 2 5761337.



Kuwait

Border point project

A tender has been issued to develop and upgrade the Abdalli border point, the general customs warehouses area, storage and goods services for realizing high standards of competency and efficiency, and promoting the services provided in these fields: 1) construction, completion and maintenance of the Abdalli border point with all relevant utilities and buildings, including management and operation and 2) construction, completion and maintenance of the general customs warehouses area, including management and operation. The final date for bids is December 1. For more information contact: General Administration of Customs. Purchases Committee Secretariat, Third Area, Shuwaikh, Kuwait.

Tel: 965 4848217.



Morocco

Power station network

A tender has been issued for the construction of very high-tension and high-tension electricity stations in Tit Mellil, Toulal, Zaer, Tensift and Oujda as part of the interconnection of electric networks reinforcement project. The final date to place bids is December 3. For more information contact: Office National de l'Electricite. 65 Rue Othman Ben Affan, Casablanca 20000, BP 13 498 Casablanca, Morocco.

Tel: 212 2 778021/668253/668364 • Fax: 212 2 668089.



Oman

Bulk fuel tanks

Oman's Ministry of Defense has offered a tender for the refurbishment of bulk fuel tanks at Salalah and Thumrait. The final date for offers is December 1. For further details contact: Ministry of Defense. PO Box 113, Muscat, Oman.

Tel: 968 312605 • Fax: 968 618205.

Hospital upgrade

A tender has been offered for the refurbishment of Bidiya Hospital in the North Sharqiya region. The last date for offers is November 23. For more information contact: Ministry of Health. PO Box 393, Muscat 113, Oman.

Tel: 968 602177 • Fax: 968 602647.



Qatar

Air conditioning equipment

Qatar Petroleum has issued a tender for the supply and installation of air conditioning and refrigeration equipment at Dukhan. The closing date for bids is November 23. For further information contact: Qatar Petroleum. PO Box 3212, Room No 1, Building No 21, Maintenance Division, Community Services Department, Dukhan, Doha, Qatar.

Tel: 974 4774324.

Bird prevention system

Bids are requested for the supply of a bird prevention system at Doha International Airport. The final date for bids is December 10. For more details contact: Ministry of Municipal Affairs and Agriculture. PO Box 22188, Doha, Qatar.

Tel: 974 4357896 • Fax: 974 4321967.



Saudi Arabia

Water supply system

A system for the supply of water for the Batha border at the Emirates is needed. The closing date for bids on this project is December 1. For further details contact: Ministry of Finance and National Economy. Airport Road, Riyadh 11177, Saudi Arabia.

Tel: 966 1 4050080/4050000 • Fax: 966 1 4059202.

Government complex upkeep

A tender has been issued for the operation, maintenance and cleaning of the government complex at Abha in Asir. The last day to receive bids is December 6. For more information contact: Ministry of Finance and National Economy. Airport Road, Riyadh 11177, Saudi Arabia.

Tel: 966 1 4050080/4050000 • Fax: 966 1 4059202.



Syria

Workshop machinery

A tender has been issued by the Homs Refinery Company for machines for a mechanical workshop. Closing date for bids is November 22. For further information, contact: Homs Refinery Company. PO Box 352, Homs, Syria.

Tel: 963 31 470101/516401 • Fax: 963 31 516410/516411

Email: homs-refine@mail.sy.

Nuclear medicine project

Tishreen University has issued a tender for the supply and installation of a nuclear medicine center for the Tishreen Training Hospital in Lattakia. Financed by the OPEC Fund for International Development, the final date to place bids for the project is December 2. For more details contact: Tishreen University. Director of Supplies, Tishreen, Syria.

Tel: 963 41 437840 • Fax: 963 41 418504.

Power plant construction

A tender has been issued for the turnkey design, construction, supply, installation, testing, and operation of a new combined-cycle, 750-800-MW electric power plant in Deir Ali, south of Damascus. The project includes the supply of spare parts and training of staff. The closing date for bids is December 18. For more information contact: Public Establishment of Electricity for Generation and Transmission. PO Box 3386, Damascus, Syria.

Tel: 963 11 2129795/6 • Fax: 963 11 2229062/2129981.



Tunisia

Tobacco production equipment

A tender has been issued for the acquisition and installation of industrial equipment for a tobacco manufacturing company. The last date to place bids is December 10. For more details contact: RNTA. Boulevard du 15 Octobre BP 42, 1080 Tunis, Cedex, Tunisia.

Tel: 216 71 780594.

SCADA system

A tender for the design, fabrication, delivery, installation and testing of equipment for a SCADA Project, financed by European Investment bank, has been offered. The final day to place bids is December 14. For further information contact: STEG. 38 Rue Kemal Ataturk, BP190, 1021, Tunis, Tunisia.

Tel: 216 71 341311.



UAE

Cable drum trailer

A tender has been issued for the supply of a cable drum trailer with drum drive unit. The final date for bids is November 22. For further details contact: Dubai Electricity and Water Authority. PO Box 564, Dubai, UAE.

Tel: 971 4 3244444 • Fax: 971 4 3248111

Email: contracts@dewa.gov.ae.

Solas 2002 implementation

The UAE Seaport Authority has issued a tender for the implementation of the Solas 2002 amendments. The offer is open to companies and institutions in ship and port facility security. The last date for bids is December 20. For more information contact: Seaport Authority - Mina Zayed. PO Box 422, Abu Dhabi, UAE.

Tel: 971 2 6730600 • Fax: 971 2 6731023.



Jordan investment effort is launched

Under the patronage of Her Majesty Queen Rania of Jordan, “The Jordanian Gateway to Business Opportunity in a Rapidly Changing Middle East” forum was held at the Four Seasons Hotel in Washington, DC on October 16.

Organized by the Embassy of Jordan, the forum is part of a larger effort, “Exploring Jordan,” that was inaugurated by Queen Rania. The effort includes numerous cultural and economic events highlighting Jordan’s history and trade potential as a business gateway to the entire Middle East.

“This is the first time that the Embassy of Jordan hosts an investment forum in Washington, DC outside the embassy,” said Maher Matalaka, economic counselor, at the Embassy of Jordan. “We invited all of our counsels throughout the US as well as Arab-American or Americans [through our counsels] who are interested in investment in Jordan.”

Among the 240 attendees, NUSACC was represented by Mazhar Samman, executive vice-president, Reema Jweied, executive director, and Scott Bortot, manager publications and research.

Assistant Secretary for Near East Affairs William Burns delivered the forum’s keynote speech. Participants discussed trade and investment opportunities with Jordan and numerous panels represented by US and Jordanian businesses talked about doing business with Jordan.

Panel topics focused on sector-by-sector opportunities, Jordan success stories, and new economic and



regulatory freedoms that are setting the standard for the Arab world.

In light of the overwhelming upbeat response of the event’s attendees, Matalaka said Jordan is looking to carry out similar venues in other states in collaboration with their consulates around the country.

Although it is still too early to determine what deals have come out of this first forum, Matalaka is positive such events will bear fruit.

“You can’t expect to conclude a deal after one investment seminar but at least it opens people’s eyes and gets the message across that Jordan is open for business, especially that Jordan was the first Arab country to conclude a Free Trade Area with U.S. and is a member of the WTO,” he said. ♦

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impediments that were there before for foreign direct investment,” pointing out that nearly all sectors of the Kuwaiti economy are now open to 100 percent foreign ownership.

In Saudi Arabia, whose capital market accounts for half the Arab world’s total market capitalization, the inter-bank bourse will become a full-fledged public stock exchange in February with an independent regulatory commission and sophisticated electronic trading system. The exchange will be the mechanism for the government

to divest shares in public companies as it continues with its privatization program.

The GCC countries will also soon be cross-linking their exchanges electronically, drastically increasing company listings on each exchange and with it diversification opportunities.

These two developments, the Saudi stock market and the linking of exchanges, will provide unprecedented opportunities to investors and will be a significant step forward in the “democratization” of capital in the Gulf. ♦

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