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The Way Leading to Business

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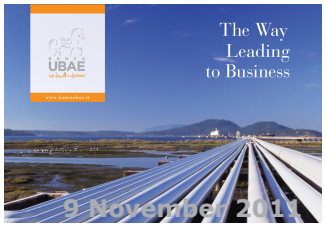
GCC & YEMEN

Current and perspective Business Opportunities in MENA and Far East Countries."

10 November 2011
ROME



AGENDA

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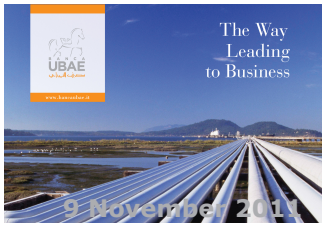
- ECONOMIC OUTLOOK
- FOREIGN TRADE

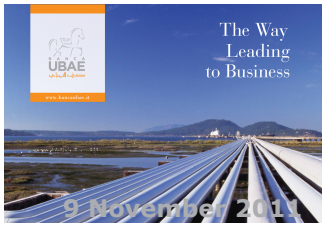
2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

- CURRENT AND PERSPECTIVE LOCAL BUSINESS OPPORTUNITIES
- CONSULTANT ROLE AND SUPPORT



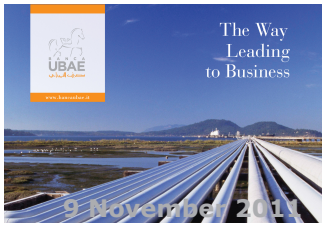
1. COUNTRY OVERVIEW: POLITICAL OUTLOOK

- According to the Mena Global Banking Leadership Forum most business leaders agree that the **impact of the "Arab Spring" would be positive, when viewed over a three year horizon.**
- With the exception of Bahrain, **the Arab Spring did not spread in the GCC Countries**. Worth stating is the fact that the Bahrain government has also received the support of the Saudi and the UAE Governments.
- Another country where we have seen, **some less important unrest, has been Oman** , however the situation has quickly returned to normal.
- With the view to avoid a contagion of the Arab Spring some steps have been taken in most GCC Countries to avoid any social unrest:
  - Some of these steps have been economic i.e. **payment of gratuities, increase in salaries**. Some Political i.e. **right of women to vote.**
- However political stability is prevailing in most of the GCC countries;
- Whilst Yemen which is not (as yet) part of the GCC, however the situation in that country is rather critical and so far all interventions by the Gulf Countries have failed to produce any result;
- Accordingly, in my opinion, one can safely conclude that **the political situation in the GCC countries is stable resulting in a positive outlook for the region under study.**



1. COUNTRY OVERVIEW: ECONOMIC OUTLOOK

- **All the economies of the GCC countries are based on the price of oil on the World market,** therefore their economies will move according to the movement of oil price
- In most GCC countries **budgets are usually based on the price of oil** on the World market. However GCC countries have always been conservative in their estimation of oil price, which they usually put it at a much lower price than the market. At the same time oil price has always been higher than that calculated in the Budget of the GCC Countries. The result is that **large budget surpluses recorded in most countries**.
- Therefore all projects are usually planned on the basis of revenue to be derived from the export of oil.
- One serious drawback in the economic set-up in the GCC countries is the fact that their **currencies are pegged to the US Dollar. Exception to that is Kuwait** which allows some fluctuation in the rate of Kuwait Dinar when compared to the US Dollar
- Again **Yemen**, which is not (as yet) part of the GCC is not in the same situation: whilst oil has been found and extracted in Yemen, however it does not represent a large part in the country's economy. **The Yemenite economy which depends to a great deal on aid from both the USA and the European Union has performed at a steady rate.**
- Developing countries are dependent to some extent on the **foreign remittance** from **overseas employment** and also for Yemen said remittances are extremely important.
- In the final analysis the economic situation in the GCC countries is positive and the outlook is equally in the same prospect.

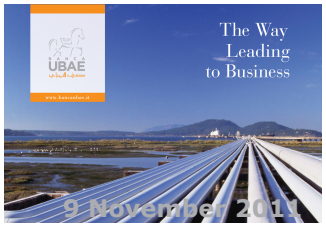


1. COUNTRY OVERVIEW: ECONOMIC OUTLOOK

- Given the improved economic conditions in the area we believe that Trade figures for the year ending 2011 should be more or less the same as those of 2010, with a 5 to 10 % variations on both the imports and exports.
- Hereunder some statical information concerning the economic situation in the GCC and the Yemen for 2011:

Country	Pop. mn	GDP growth	GDP USmn	GDP p.c. US$ k	Oil Prod. 1,000 b/d	F.C. Reserv USbn
Bahrain	1.2	1.8%	20,000	20	180	5.5
K S A	28	6.7%	450,000	16	9,200	556
Kuwait	3.7	4.5%	162,000	40	2,600	28
Oman	3.3	4.5%	63,000	17.5	885	12.6
Qatar	1.7	15.8%	130,000	75.8		
UAE:	7.0	3.3%	374,000	44.2	2,500	56.4
Yemen	25.0	- 5.5%	38,000	1.50	201	3.5

Source: EIU



1. COUNTRY OVERVIEW: FOREIGN TRADE

- All the GCC countries enjoy relatively important trade balances which are due to the **revenues derived from the export of oil.** Of course not all these countries have large trade balances, since some export more than others, in addition we have to take into consideration the population of each country.
- In this respect the country which has the largest population, by far, in the is the **Kingdom of Saudi Arabia "**KSA" where population now exceeds 30 million. Out of the above KSA population we have to remember that practically half of the said population, are expatriates mainly from the Indian Sub-Continent and South Asia. One major advantage of **the KSA is that it has, over the years , built an industrial infrastructure, and is now able to export products other than crude oil.**
- **Major trade partners for most of the GCC Countries are China, the USA, Japan, Europe, and to some extent now South America mainly Brasil.** As all over the World we see more and more Chinese products replacing products from Europe as well as other Asian countries.
- Goods could be summarized in the following: **machineries, vehicles, industrial products (other than machineries), consumer goods, foodstuff, luxury products which includes fashion and perfumes.**
- In addition there are also **major projects** which represent an important part of the import of the GCC Countries since they include "Turn Key Projects", where Italian Companies are involved.

1. COUNTRY OVERVIEW: FOREIGN TRADE FACT SHEET

FOREIGN TRADE ITALY/ GCC COUNTRIES

Bahrein	IMP2008	IMP2009	IMP2010	EXP2008	EXP2009	EXP2010
Total	€ 80.284.067	€ 35.688.121	€ 112.240.231	€ 221.940.656	€ 165.089.380	€ 141.881.564

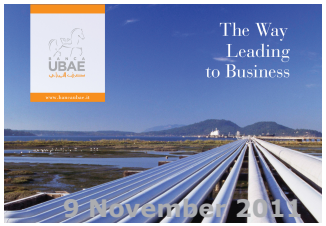
Saudi Arabia	IMP2008	IMP2009	IMP2010	EXP2008	EXP2009	EXP2010
Total	€ 8.335.133.727	€ 5.604.111.150	€ 6.696.542.252	€ 1.106.954.172	€ 883.723.275	€ 1.111.351.914

Kuwait	IMP2008	IMP2009	IMP2010	EXP2008	EXP2009	EXP2010
Total	€ 150.793.622	€ 75.853.773	€ 108.424.442	€ 735.119.956	€ 626.296.600	€ 733.919.268

OMAN	IMP2008	IMP2009	IMP2010	EXP2008	EXP2009	EXP2010
Total	€ 16.398.581	€ 41.795.275	€ 77.267.673	€ 413.230.393	€ 319.945.403	€ 306.268.423

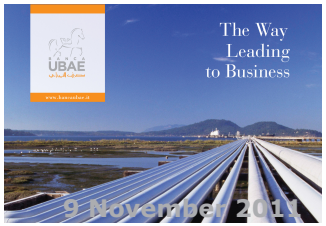
QATAR	IMP2008	IMP2009	IMP2010	EXP2008	EXP2009	EXP2010
Total	€ 43.805.161	€ 331.682.746	€ 1.555.591.180	€ 1.527.090.448	€ 1.211.423.523	€ 939.283.963

Emirati Arabi Uniti	IMP2008	IMP2009	IMP2010	EXP2008	EXP2009	EXP2010
Total	€ 454.394.537	€ 352.572.619	€ 450.557.202	€ 5.286.129.340	€ 3.756.036.990	€ 3.685.262.068



1. COUNTRY OVERVIEW: FOREIGN TRADE WITH ITALY

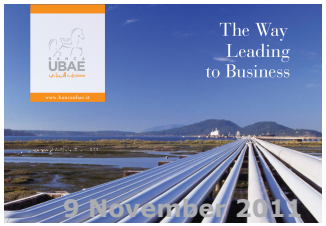
- In all the GCC Countries **Italy is within the first five or six top exporters**. Items imported from Italy will include **machinery, home appliances, luxury products** (men fashion), **leather products as well as foodstuff, and of course turn key projects.**
- The **Italian Group** are mainly those companies involved in turn key project in the area such: Snam Progetti and others
- **Foreign investments are mainly concentrated in the areas of oil and gas** production and extraction, there has been some investments in industrial products such as steel mills (Qatar) aluminium smelters (Oman) and others.
- At present the **L/C** remains the **predominant instrument** used particularly in trade with Italy. Documentary remittances is more widely used in Asia. We have seen lately some "Stand By L/G" replacing L/C but these are for specific purpose e.g. the importation of vehicles.
- Principal items imported from Italy in Yemen in 2010 include **machinery and mechanical appliances, electrical machinery and equipment, preparations of cereal and flour** as well as **articles of iron or steel**.
- Given the present situation in Europe, we do not think that we will see more investments from Europe, however China and India will probably fill the gap.



2. CURRENT AND PERSPECTIVE LOCAL BUSINESS OPPORTUNITIES

BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

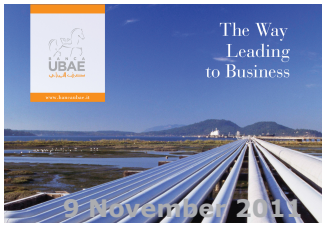
- The major area of business opportunities in the GCC is mainly in the **oil industry**
- Further opportunities can also be found in the **supply of the related equipment**: there are major projects, on the drawing board or being started, in Qatar, Kuwait and of course Saudi Arabia.
- There is also a great demand for **home equipment** in the GCC and even Yemen. Although the Italian manufacturers of such equipment are very well known in the area, however there is still room to increase market penetration
- Needless to add that the main competitors are the Chinese products, however people still would prefer Italian products even if these are sometime more expensive
- Of course the **Italian food industry** has made important inroads in the GCC and the Yemen, yet again there is room for improvement
- Fortunately for us Italy, Italian products enjoy a good reputation in the countries under study, however Italian entrepreneurs do not take sufficient interest in these market as they used to do earlier. In this connection we see more Spanish entrepreneurs, or even those coming from far away countries such as Brazil in the area, than Italian.
- In Yemen particularly, once the present problems in that country are solved, there will be immense opportunities in all field for Italian entrepreneurs: we recommend therefore a massive mobilization of Italian Entrepreneurs to call on, not only on Government entities but also on companies in Yemen, that is of course once peace has returned to the country.



2. CURRENT AND PERSPECTIVE LOCAL BUSINESS OPPORTUNITIES

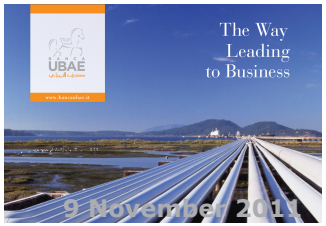
MAIN ISSUES

- In the GCC one of the main issues is to **find the right partner** who is usually better known as the "**sponsor**".
- This is a delicate process and needs a thorough knowledge not only of the market but also "who is who" in these countries
- It is also, sometimes, an expensive exercise, since the sponsor will not participate in the capital or in the expenses, but will be paid a fees and will not share any loss
- Of course this is different if there is an exclusive and international representation agreement the conditions of which are usual of international standards for example **agents of car manufacturers or equipment**
- A further difficulty is to enter into an agreement with the eventual partner in the GCC countries, this has to be imperatively drawn by an **international legal firm** in order to avoid any future misunderstanding
- Furthermore the **jurisdiction of the agreement** should be determined within the framework of the contract, preferably in a neutral country, again to avoid future problems
- Fortunately there is no language problem, as is the case in some Far Eastern countries, and the large majority of people are practically fluent in English
- From the security, at all levels, point of view the GCC countries are very safe
- However and unfortunately this is not the case in Yemen where foreigners of all walks of life should not venture outside the major cities.



2. CONSULTANT ROLE AND SUPPORT

- Given the important development going on in the GCC, follow the available projects with the view to inform interested Italian Corporates, particularly in the area of oil and gas projects
- Alert these Corporate of the various procurement contracts, for government of private entities
- Follow development of various infrastructure projects particularly in transportation: Metro, Monorail, Buses (purchase of)
- Introduce Italian companies to Italian manufacturers, to the extent if needed to accompany them in their calls
- Introduce Italian companies to banks in the area of his geographical competence
- The consultant could also call on Italian Corporate, in Italy, in conjunction with Banca UBAE Executives in charge of Italian Corporates:
- Inform Italian Corporates of Banca UBAE readiness to confirm and discount documents related to their documentary credit operations received from banks in the GCC, Yemen as well as the SAARC Countries.



2. CONSULTANT ROLE AND SUPPORT

CONSULTANT CV

JACQUES PSALTIS – Senior Consultant: GCC, Yemen, SAARC, Korea

- Close to forty years of operational banking experience in:
  - Kuwait, France, Japan, Korea, Singapore, (including South East Asia), GCC
- Managed successfully the Credit Department to the Board of National Bank of Kuwait, Kuwait
- Thereafter moved to UBAF in France managing part of the Letter of Credit Department, which was the largest department of the Bank
- Thereafter successfully established and managed the first branch of UBAF (part of the UBAF Group in which Banca UBAE was an affiliate) outside France, mainly in Japan, becoming the Bank for all Arab Correspondents in Japan
- Successfully established and managed the second branch of UBAF in Korea where again UBAF became the correspondent of choice to all Arab Correspondent Banks
- Succesfully managed UBAF branch in Singapore which covered UBAF activities in part of South East Asia (Indonesia, Malaysia, Singapore and Thailand)
- Established and successfully managed UBAF Representative Office in Dubai, where the geographical area of competence was the GCC, Yemen and the SAARC countries
- Was instrumental in the establishment of an important UBAF Representative Office in Bangladesh