

DBJ REPORT

Investment Environment of the Gulf States – UAE, Bahrain and Qatar

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Preface

The Middle East region is not only rich in history and natural resources, it is also a juxtaposition of conflict and economic growth. While the unrest in Iraq still shows no sign of alleviation, the region surrounding the Persian Gulf has been experiencing an economic boom since the start of the new millennium. Recognizing the ample opportunities available in the region, this report aims to give investors a general overview of the investment and economic environment of three members of the Gulf Cooperation Council, namely United Arab Emirates, Bahrain and Qatar, all of which are actively pursuing foreign investments and economic diversification. It also highlights the various industry sectors with strong growth potential as well as general risks and problems in the region that investors should be aware of. Through this report, we hope to equip investors with adequate knowledge to enter the Middle East market with confidence and success.

Phoon Yen Peng Margaret
Researcher

TABLE OF CONTENTS

	<u>Page</u>
1. Introduction to Gulf States	1
♦ Data and Statistics of Japan and GCC Countries in 2005	
2. United Arab Emirates	2
3. United Arab Emirates – Dubai	4
♦ Introduction	
♦ Dubai Economy	
♦ Free Zones	
♦ Prospects	
4. Kingdom of Bahrain	7
♦ Introduction	
♦ Economic Environment	
♦ Main Growth Sector – Financial Services	
♦ Main Growth Sector – Oil	
♦ Main Growth Sector – Infrastructure	
♦ Prospects	
5. Qatar	11
♦ Introduction	
♦ Economic Environment	
♦ Free Zones – Qatar Science & Technology Park	
♦ Free Zones – Qatar Financial Centre	
♦ Prospects	
6. General Investment Trend in Middle East and GCC	13
♦ Oil and Gas	
♦ Construction	
♦ Power and Water	
♦ Financial Services	
♦ Tourism and Retail	
♦ Education and Healthcare	
7. Competitive Advantages of Singapore and Japanese Companies	17
8. Regional Problems	17
♦ Regional Competition	
♦ Rising or Falling Prices	

- ◆ Unemployment
- ◆ Political Tension
- ◆ Environmental and Sustainability

9. Conclusion	20
Appendix 1: Overview of Free Zones	21
Appendix 2: Overview of Financial Centres	23
References	25

Investment Environment of the Gulf States: UAE, Bahrain and Qatar

Introduction to Gulf States

Outside of Asia, the Middle East region is another area that is the focus of world investors in recent years. The region is characterized by conflicts and political tension yet it is also experiencing high growth and an influx of foreign investments.

Of particular interest to investors is the area which comprises Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, and the United Arab Emirates, together which form the Gulf Cooperation Council (GCC). The formation of GCC is to pursue the goal of greater economic integration, enabling the Gulf countries to cooperate and compete with one another in a defined institutional framework.

GCC countries sit on 40% of the world's known oil reserves and 20% of known gas reserves. Combined with Iran and Iraq, the GCC has a 30% share of the world's crude oil exports. Due to the heavy reliance on the hydrocarbon industry, the tripling of oil prices to almost US\$60 per barrel since 2001 has led to an upsurge in oil revenues and brought about a period of growth for the six members of GCC.

According to International Monetary Fund (IMF), the Middle East's regional GDP growth in 2006 is close to 6% and growth outlook for 2007 is optimistic as a steady inflow of high oil revenue helps to develop non-oil sectors and support government expenditure in the Gulf economies.



The Persian Gulf region

Middle East Real GDP Growth			
2004	2005	2006	2007
5.5%	5.7%	5.8%	5.4%

(Source: World Economic Outlook Database, September 2006)

Riding on this wave of expansion, each Gulf country is experiencing their own economic boom and business opportunities are plentiful for foreign investors who are interested to be part of this growth. This report gives a general overview of the current economic conditions and business opportunities available in three Gulf nations, namely United Arab Emirates, Bahrain and Qatar, as well as highlights the regional risks that investors may face while exploring the Middle East market.

Data and Statistics of Japan and GCC Countries in 2005

Name of Countries	Area (km ²)	Population (Million)	Density (Persons/km ²)	GDP (Billion USD)	GDP Growth Rate (%)	GDP Per Capita (USD)
UAE	83,600	4.68	56	129.6	8.5	27,700
Bahrain	665	0.73	1,098	13.5	6.9	18,403
Qatar	11,437	0.80	70	34.3	6.5	43,110
Saudi Arabia	2,149,690	23.11	11	309.9	6.6	13,410
Kuwait	17,820	2.87	161	74.6	8.5	26,020
Oman	212,460	2.43	11	30.7	6.7	12,664
Japan	377,835	127.74	338	4,567.4	2.6	35,757

Note: Population and GDP-related figures (at current prices) are taken from World Economic Outlook Database, September 2006. Area data are taken from CIA The World Factbook 2007.

United Arab Emirates

With a population of about 4.6 million and sharing border with Saudi Arabia and Oman, United Arab Emirates (UAE) is a constitutional federation established in 1971 and consists of seven emirates, namely Abu Dhabi, Dubai, Sharjah, Ajman, Umm al-Qaiwain, Ras al-Khaimah and Fujairah.

Although the UAE is slightly smaller than Portugal with land size of 83,600km², it has nearly 10% of the world's proven oil reserves and 5% of proven gas reserves, most of which lie in Abu Dhabi, the largest emirate and also the capital of UAE.



Abu Dhabi, capital of UAE

Its vast oil and gas resources have generated much wealth for its citizens. Its GDP per capita was US\$27,700 in 2005 and is expected to continue to rise on the back of booming oil prices and strong GDP growth. According to IMF, GDP grew 9.7% and 8.5% in 2004 and 2005 respectively

and it estimated that UAE will enjoy a robust growth of 11.5% in 2006 before slowing to 5.8% in 2007.

UAE Real GDP Growth							
2000	2001	2002	2003	2004	2005	2006	2007
12.4%	1.7%	2.6%	11.9%	9.7%	8.5%	11.5%	5.8%

(Source: World Economic Outlook Database, September 2006)

Despite having ample oil reserves which can last another hundred years, the government of UAE has been actively diversifying its economy and reducing the country's reliance on oil revenues so as to minimize the impact of any drop in oil prices or decline in hydrocarbon resources in later years. Developing the non-oil sectors and increasing the contribution of such sectors to the GDP has always been top priority for the UAE government. Due to the high oil prices in recent years, the government is able to utilize the abundant flow of oil money to meet its diversification goal successfully by investing into the non-oil sectors such as financial, manufacturing and services sectors as well as building world-class infrastructure.

Although the oil sector is still a main growth engine for the UAE economy, the country is relatively less dependent on it compared to the other GCC countries. Saudi Arabia's oil sector accounts for 40% of its GDP, 75% of state revenues and about 90% of its export earnings. In contrast, the 27% contribution of UAE's oil sector to real GDP in 2005 indicates the country's efforts in economic diversification.

Recognized as the commercial and business hub of the Persian Gulf, the UAE continues to promote itself as an attractive place for foreigners to invest in or to do business through business friendly policies as it faces intense competition from the rest of the GCC countries who are also aiming to diversify their economies by attracting foreign investment.

Apart from being a tax haven with no corporate and personal tax (except for foreign banks and oil companies), low import duties and no trade quotas, the UAE is striving to reduce red tape, streamline administrative procedures and provide one-stop business centre and support services for new start-ups. Other measures include revision of commercial laws and regulations to make them more conducive to foreign investment.

The government is also keen on introducing information technology to the country with the aim of building a modern nation with advanced e-commerce and IT capabilities. It has taken the lead by setting an e-government strategy and harnessing IT for many of its government services.

Free zones also play an important role in attracting foreign investment to UAE. According to the 2004 U.S. Commercial Service report, there are 16 free trade zones operating in the UAE with about 5,000 companies (according to estimates, the number of companies should be 10,000 by now) with total worth of US\$4 billion investment. Free zones are extremely attractive to investors as they allow full ownership of investments, full import and export tax exemptions and full repatriation of capital and profits, among a host of other advantages. The free zones also provide building leases, energy connections at subsidized rates, comprehensive support services such as provision of employee accommodation, dining facilities, recruitment service and security.

Jebel Ali Free Zone, the first and largest free zone and houses over 5,000 companies from 120 countries, is located in Dubai. Other free zones of significant size include Dubai Airport Free Zone Authority, Saadiyat Free Zone Authority near Abu Dhabi and Ajman Information Technology Park. UAE has also demonstrated its emphasis on the information technology by setting up free zones such as Dubai Internet City and Dubai Media City which are dedicated to attracting global

technological and media companies. Upcoming free zones are being planned in Abu Dhabi and Dubai.

Looking ahead, UAE's economy and non-oil sectors will continue to expand rapidly due to ongoing economic reforms and massive inflow of foreign investments. According to the 2006 World Investment Report published by the United Nations Conference on Trade and Development, the UAE is top recipient of foreign investment in West Asia in 2005 with an inflow of US\$12 billion of investments. Major growth areas include manufacturing, construction, services and tourism as well as transport and telecommunications sector.

The next section of this report will give an introduction to the economy and growth prospect in Dubai, an important emirate which has contributed significantly to the overall economic growth of UAE.

United Arab Emirates – Dubai

Introduction

Dubai is located in the north-eastern part of UAE and foreign expatriates constitute 80% of its 1.4 million population. The second most important emirate after Abu Dhabi and also the second largest in the UAE, Dubai has been a major trading and business centre in UAE since the beginning of the last century. Dubai's contribution of about 29% to the country's GDP in 2005 underlies its importance as a growth engine of UAE.

The discovery of oil in 1966 helped Dubai lay the foundation to become a global commercial and investment hub. The flush of oil money sent Dubai onto the path of rapid growth and development. In the mid 1990s, oil revenues were used by Dubai's ruling al-Maktoum family to build modern infrastructure and embark on an economic diversification plan. To ensure future prosperity, diversification is necessary and urgent for Dubai as its oil reserves are small compared to Abu Dhabi and it was reported that the reserves will be depleted in a decade.

Dubai's efforts have paid off. Within 15 years, Dubai has successfully diversified, with the oil sector contributing a mere 3% to Dubai's GDP in 2006 compared to 10% in 2000. In addition to liberal government policies, tax exemptions and improved regulatory framework, the Dubai government also launched strategic projects to create specialized free zones such as the Dubai International Financial Centre to grow the various non-oil sectors. Investments were poured into the building of modern infrastructure, transportation facilities, office buildings and shopping malls to attract foreign companies and tourists. The heavy investment in infrastructure became a key advantage for Dubai as investors are attracted to the well-developed transport, telecommunications, energy and industrial facilities.

Today, Dubai is enjoying a period of astonishing prosperity and it now serves as a model of diversification to other countries in the region as well as other emirates within UAE. The city skyline is filled with gleaming skyscrapers, luxury hotels and duty-free shopping malls. Dubai is also home to the world's largest man-made harbour and the busiest airport in the Middle East. Ambitious projects were launched such as the construction of Dubailand, a massive theme park that aims to propel Dubai to a world-class tourist destination, as well as the building of man-made Palm Islands which will offer luxurious properties when completed.



Burj Al Arab Hotel, Dubai

Dubai Economy

Dubai's economy is well diversified, with various sectors having a healthy contribution to its GDP.



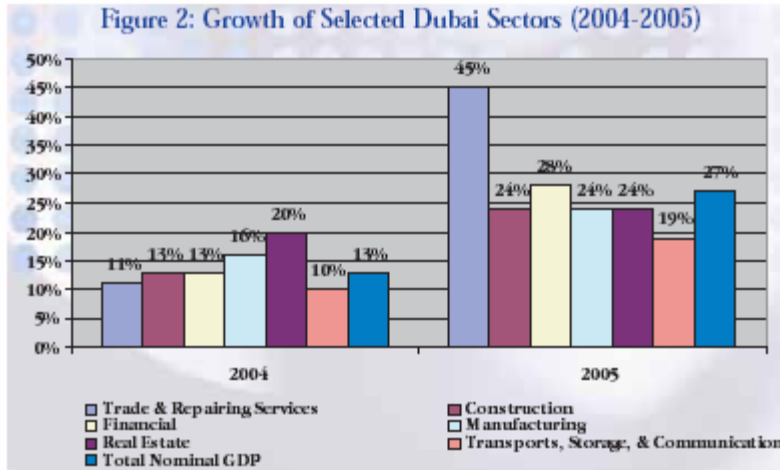
(Source: Economic Bulletin Volume 3 Issue 27, September 2006, Dubai Chamber of Commerce & Industry)

The figure above shows the sectoral distribution to Dubai's GDP in 2005. At 22.8% of GDP, trade and repairing services sector had the largest share of Dubai's economy. In second place was manufacturing with 14.2% contribution. Some of the most important industries in Dubai's manufacturing sector are food and beverages, wood products, chemicals, fabricated metal and equipment, pharmaceuticals and rubber.

According to Dubai's Ministry of Economy and Planning, the construction sector had an average growth of 37.4% during the period 2001 to 2004, which reflected the construction boom in Dubai. Currently, the construction boom is still ongoing due to the continuous inflow of investments and rapid development of the city.

As for the financial sector, it grew by 12% per annum during the 1990s and the latest government data show that the sector contributed about US\$3.4 billion, or 9% of Dubai's GDP. Aiming to be a major financial centre or 'Arab Hong Kong', Dubai created a free zone in 2004, known as the Dubai International Financial Centre, which has an independent regulatory authority and is dedicated to attracting global foreign banks and financial services providers. It also launched a new stock exchange, the Dubai International Financial Exchange, in 2005 as part of an offshore financial centre (refer to Appendix 2).

Overall, the Dubai economy has been growing strongly with all major sectors registering high growth in recent years. The figure below shows the nominal growth of the various sectors in 2004 and 2005.



(Source: Economic Bulletin Volume 3 Issue 27, September 2006, Dubai Chamber of Commerce & Industry)

Free Zones (refer to Appendix 1 for a comparison of free zones)

Much of Dubai's non-oil economic growth has to be attributed to the specialized free zones. Currently, Dubai has eight such zones and twelve others are being set up. These zones have a specific purpose of facilitating foreign direct investment by providing attractive incentives (such as those mentioned earlier in this report) and giving foreign companies an offshore legal status. Setting up in the free zones is very suitable for companies which intend to use Dubai as a regional manufacturing or distribution base and where most or their entire turnover is going to be outside the UAE.

The free zones in Dubai are very successful, prompting other emirates such as Abu Dhabi and Fujairah to set up their own free zones to attract investments. According to DP World, non-oil foreign trade through Dubai's free zones recorded 8.9% increase in 2006 and the total value of non-oil trade that passed through the free zones amounted to US\$52 billion. The number of companies operating in the Dubai's eight free zones has been increasing steadily over the last few years but Jebel Ali Free Zone is still the undisputed leader. It handles the majority of non-oil foreign trade and it alone accounts for US\$37 billion of imports and exports.

Prospects

A place of big dreams and vision, Dubai has already planned for the future. In February 2007, Dubai unveiled its latest economic plan, known as the 2015 plan, which will further develop Dubai into a global and prosperous city. The goal is to expand Dubai's economy by 11% a year, achieve GDP of US\$108 billion and increase per capita GDP to US\$44,000 by 2015. Expanding the thriving trade, transport, tourism and financial services sectors will be the main focus in the next decade.

Kingdom of Bahrain

Introduction

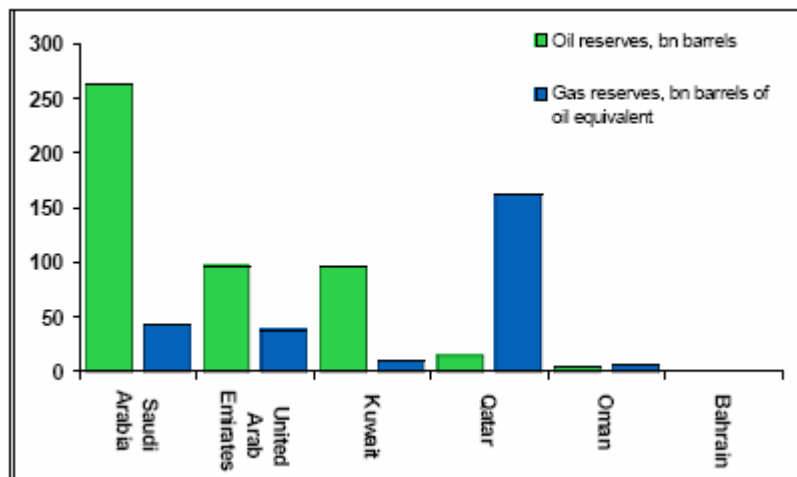
The smallest country among the GCC members and about the same size as Singapore, Bahrain is an island kingdom located in the Persian Gulf with a population of about 700,000. Its average GDP growth of about 6% from 2000 to 2005 has made it one of the fastest growing economies in the Middle East region and the IMF projected that the US\$12 billion economy will grow 7.1% and 6.3% in 2006 and 2007 respectively. The per capita income of Bahrain was US\$18,403 in 2005.

Bahrain Real GDP Growth							
2000	2001	2002	2003	2004	2005	2006	2007
5.2%	4.6%	5.2%	7.2%	5.4%	6.9%	7.1%	6.3%

(Source: World Economic Outlook Database, September 2006)

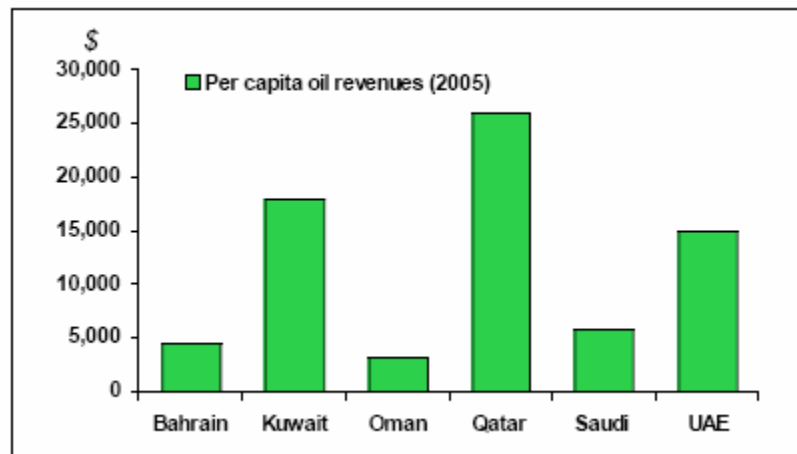
Unlike most of the GCC members, Bahrain is less endowed with natural resources and its estimated 124 million barrels of oil resources will most likely be exhausted in the near future. It has the smallest oil and gas reserves in the GCC and its per capita oil revenue is also among the lowest.

Oil and gas reserves in GCC countries



(Source: A new fiscal framework for GCC countries ahead of monetary union, May 2006, Daniel Hanna, Chatham House)

Hydrocarbon revenue per capita



(Source: A new fiscal framework for GCC countries ahead of monetary union, May 2006, Daniel Hanna, Chatham House)

The inevitable depletion of Bahrain's small oil and gas resources means that the need to reduce the impact of reducing oil revenues on its economy becomes more acute and urgent. This explains why the government of Bahrain has placed such great emphasis on building a free and diversified economy that is open to foreign investments. According to the 2007 Index of Economic Freedom published by the Heritage Foundation and Wall Street Journal, Bahrain is the freest economy among the Gulf countries, with high scores in business, fiscal, monetary and financial freedom.

Economic Environment

To liberalize the economy, the Bahrain government has allowed full foreign ownership for most business categories as well as full ownership of land by foreign companies and created a tax-free environment with no corporate and personal tax. There is also no restriction on repatriation of business capital, profits and dividends. Government policies help foreign investors and companies to have the same access to financial resources as the Bahrainis.

The Bahrain government has come up with four main steps to further improve its business and economic environment. The first step is to create a pro-business environment by cutting red tape. Although the government is open to investment, Bahraini and foreign investors who wish to participate in significant investment projects have to go through a lengthy and complicated government approval process. In January 2006, the government simplified the procedures necessary to start a business in Bahrain, making the process easier and faster.

The next step is to reduce the role of government and increase the reliance on private sector to drive the economy. In 2002, the King of Bahrain issued a decree and laid out the guidelines for privatizing sectors such as tourism, telecommunications, transport, oil and gas, electricity and water. The first sector to undergo the liberalization process is telecommunications sector, where foreign players were allowed to enter the market, thus ending the monopoly of Bahrain's telecom services provider, Batelco. Public transportation and ports services sectors were next to be privatized.

Third, targeted initiatives will be launched to promote private sector growth. One initiative is to allow businesses have easier access to capital such as provision of loans to more small and medium sized businesses and simplifying the loan application process.

Lastly, the Bahrain government also intends to strengthen the legal and regulatory framework and improve enforcement so as to give greater transparency to decision making and business approval process.

Besides having a stable and supportive government that promotes investment environment through various incentives, Bahrain also has other features which are attractive to investors. It has an educated and bilingual population with 89% literacy rate, advanced technological infrastructure and well-developed transportation links as well as a causeway that connects to Saudi Arabia, the largest single market in the region. A new causeway connection to Qatar is being built to increase economic activities between the two countries. Companies which intend to invest into Bahrain also have access to various financing methods. One way is to obtain financing from the Bahrain Development Bank, a financial development institution that helps to promote investment in industrial, commercial and business service sectors.

Main Growth Sector – Financial Services

For the past two decades, Bahrain is viewed as the financial capital of the Gulf region. The country has attracted over 370 local and foreign financial institutions and the sector is contributing about 25% to Bahrain's GDP.

Bahrain is already one of the main global Islamic financial centres with the largest concentration of Islamic financial institutions, such as Islamic investment banks and insurance companies, as well as Islamic mutual funds in the Middle East.

The Central Bank of Bahrain, formerly known as Bahrain Monetary Agency, is seeking to exploit the rapidly growing market for Islamic finance by setting rules, regulations and accounting practices that suit the sector. A number of specialized agencies such as Accounting and Auditing Organization for Islamic Financial Institutions, the General Council for Islamic Banks and Financial Institutions and the International Islamic Rating Agency have been established to further develop the industry.

With Dubai and Qatar also aiming to be the financial centre of the region, Bahrain is constructing the US\$1.3 billion Bahrain Financial Harbour (BFH) on reclaimed land to meet the competition and reinforce its status as the region's financial capital. The BFH is a major development that aims to create a self-contained financial city that offers commercial, residential, retail and entertainment facilities. As Bahrain does not have a focused financial district, the construction of BFH will help to concentrate all the related financial activities in one area, including the relocation of the Bahrain Stock Exchange and a new Bahrain International Insurance Centre. The BFH is being constructed in stages and is due to complete in 2009 (refer to Appendix 2).



Bahrain Financial Harbour

Main Growth Sector – Oil

Although Bahrain has been trying hard to diversify its economy, the oil sector still plays a dominant role in its economy. It accounts for about 70% of total exports and most of the government revenues are derived from oil receipts. Oil exports have grown from US\$4.7 billion in 2000 to more than US\$7 billion in 2005. The first Gulf state to produce oil, Bahrain has experienced a major decline in reserves. It is expected the oil sector's contribution will become smaller in the future as economic diversification intensifies.

Main Growth Sector – Infrastructure

In line with the region's infrastructure and construction boom, Bahrain's infrastructure sector is also experiencing high growth. One reason is due to the efforts put in by the government to develop the sector as part of the economic diversification plan, as well as to meet the needs of population and tourism growth.

Money was pumped in over the last few years to upgrade and expand Bahrain's international airport, increase the number of hotels and improve the existing road network. There are plans to overhaul and enlarge the power network through privatization of its power sector. To avoid any power outage due to a surge in power needs, the government started a plant rehabilitation program which was outsourced to a Swiss company to carry out maintenance of the current power stations over a 15-year period. Since 1996, the number of power stations in the country has increased 40% to 91 and five new stations are in the pipeline.

Growing water consumption has prompted the Bahrain government to embark on various water desalination projects such as increasing existing water desalination capacity, replacing old water supply pipeline and extending the distribution network to cover new urban areas.

E-commerce is another element that will drive the growth of Bahrain's infrastructure sector. The Bahrain government has recognized the need to introduce and engage in e-commerce to promote trade in the country and a directorate was set up to cater to all the requirements and transactions of e-commerce.

Bahrain's GDP through e-commerce transactions reached US\$100 million in 2003 and it is expected to reach US\$488 million by 2008.

Prospects

Realizing the importance of free zones, Bahrain has started to establish business and investment parks in the country. An example is the newly completed Bahrain International Investment Park in the Hidd industrial zone (refer to Appendix 1 for a comparison of free zones). It aims to attract foreign investments in sectors like technology, manufacturing and service, as well as investors engaging in value-added activities.

Construction of another business park on Amwaj Islands is also underway. Set for completion in late 2007, the upcoming business park will feature offices and amenities in a landscaped setting. The already rapid pace of development in Bahrain, especially in establishment of free zones, offices and homes, is set to increase so as to generate greater inward investments and stimulate job creation in the country.

In August 2006, the Free Trade Agreement between Bahrain and the United States was successfully negotiated. As the first FTA between United States and a Persian Gulf country, it demonstrates the importance that US attach to Bahrain as a trading partner and further reinforces

Bahrain as a major investment centre in the region. The two countries' trade is worth an estimated US\$1 billion per year. With the signing of FTA, Bahrain can look forward to greater trade volume and business cooperation from the United States.

Last year, the international rating agency Fitch Ratings upgraded Bahrain's credit outlook to 'positive' from 'stable' and gave its foreign currency debt rating an 'A-', whereas Standard & Poor's gave an 'A' and 'stable' outlook. The improved ratings not only reflect Bahrain's strong economic performance but also international confidence in its reform policies, investment environment and future growth.

Qatar

Introduction

Sharing border with Saudi Arabia, Qatar gained independence in 1971 and has a population of about 800,000. The economy is heavily reliant on the oil and gas sector. According to Qatar's Investment Promotion Department, the oil and gas sector accounted for more than 60% of its 2004 GDP. Due to the strong oil and gas sector, Qatar has the highest per capita income in the Middle East and is one of the highest in the world. IMF estimated that the growth rates for Qatar in 2006 and 2007 are 6.7% and 4.7% respectively.



Doha, capital of Qatar

Qatar Real GDP Growth							
2000	2001	2002	2003	2004	2005	2006	2007
9.1%	4.5%	7.3%	5.9%	11.2%	6.5%	6.7%	4.7%

(Source: World Economic Outlook Database, September 2006)

Compared with other Gulf countries such as Saudi Arabia and UAE, Qatar is not richly endowed with oil reserves. It is estimated that its 15 billion barrels of oil reserves would run out within the next two decades. Fortunately, Qatar is able to replace oil with gas as it has the third largest proven gas reserves in the world with more than 25 trillion cubic metres. At current extraction rates, Qatar is able to rely on gas revenues for a further 300 years. It aims to displace Indonesia as the world's top exporter of liquefied natural gas (LNG) by allowing substantial foreign investments to develop its gas fields.

The Qatar government is also focusing on economic liberalization and diversification to create a broad-based economy. Following the success of Dubai in economic diversification, Qatar hopes to partner with the private sector and develop a modern and diverse economy so as to reduce the reliance on the oil and gas sector. The expansion of non-oil sectors includes financial services, transport, tourism, health and education.

Economic Environment

To liberalize the economy, the Qatar government has taken steps to improve the investment climate such as reducing tariffs, removing barriers to trade, creating better access to world markets, providing more investment incentives, establishing free trade areas and negotiating bilateral agreements with countries like US and Singapore.

The various investment incentives for foreign investors are similar to those offered by UAE and Bahrain, which include a tax-free environment with no personal income taxes and export fees, low customs duties, no restriction on repatriation of capital and profits, easy access to financial resources and investment information. To further attract investors, Qatar also promotes its other key advantages such as its stable political environment and well-developed transportation links and communications network.

The Qatar government has embarked on a privatization programme to encourage and strengthen the country's private sector. Privatization efforts are largely focused on state-owned industries and corporations, such as petrochemical companies. In the first phase of the programme, Qatar's state-owned telecommunications company was privatized to form Qatar Telecom, of which 45% of the shares were offered to all interested investors without restrictions.

Free Zones

Free zones in UAE are so successful that other Gulf nations, including Qatar, seek to emulate the same kind of success by building similar special economic zones. There are two newly created, high profile specialized economic zones in Qatar, namely, Qatar Science & Technology Park and Qatar Financial Centre.

Qatar Science & Technology Park (QSTP) (refer to Appendix 1)

Located in capital Doha, QSTP was established in September 2005 to be a base for foreign technological companies and an incubator of start-up enterprises. Aiming to become an internationally recognized hub for research and commercialization, QSTP provides office and laboratory space as well as support services for technological research and development.

Within QSTP, companies can be 100% foreign owned and exempt from taxes. They are also able to do trading without a local agent. However, companies in QSTP can only engage in technology development activities, which include applied research, development and testing of products and services and technology-related training.

With the presence of QSTP, Qatar aims to attract international companies which have the technical expertise that could help to further develop the country's major economic sectors like gas and petrochemicals, healthcare, telecommunications, power and water, thus achieving greater economic growth. Qatar also hopes the specialized free zone could help to develop local technological start-ups and transform them into global players.

Qatar Financial Centre (QFC) (refer to Appendix 2)

An answer to Dubai's DIFC and a challenge to Bahrain's status as the conventional banking centre, Qatar established the financial free zone Qatar Financial Centre in 2005, a move that illustrates the intense competition among Gulf countries to become the region's financial centre.

Similar to DIFC, the QFC aims to attract international financial institutions and other financial services providers by providing tax free status and other advantages that a free zone can offer. The centre is run by two independent bodies, namely the QFC Authority and the QFC Regulatory

Authority. The QFC Authority is responsible for developing commercial strategy while the Regulatory Authority supervises financial firms which operate in the centre. A commercial court is also present in the QFC.

The establishment of the QFC is at the core of the development plan to widen the Qatari financial services sector over the next few years.

Prospects

In line with the region's economic growth, the economic boom in Qatar is expected to continue over the next few years if current external conditions remain unchanged. Development of the energy sector as well as other non-oil sectors will be the main focus. It is estimated that Qatar will invest about US\$130 billion in projects across all major sectors in the next five to seven years. According to the 2004 US Commercial Service report, Qatar is expected to invest US\$120 billion in the energy sector alone in the next decade and another US\$50 billion will be invested in infrastructural development, real estate, medical and sanitation projects.

Looking forward, Qatar is set to become the world's single largest producer of liquefied natural gas, with a projected production capacity of 77 million tons per year, which is about three times the current production.

General Investment Trend in Middle East and GCC

Oil and Gas

According to the World Investment Report 2006, the flow of foreign direct investment is increasing in the energy-related industries like oil refining and petrochemicals. As the global demand for oil increases, countries in the Gulf region are trying to attract foreign investments to this sector so as to help improve production capacity and productivity through advanced technologies. According to the same report, the state-owned Qatar Petroleum is expanding its business in liquefied natural gas and petrochemicals through joint projects with American firms. Saudi Arabia's oil-refining and petrochemicals industry is also booming, with foreign investments hitting US\$2.5 billion in 2005, more than five times the amount in 2004.

Construction

As the region undergoes rapid development, opportunities for foreign investors abound, especially in the construction sector. High oil prices enable the Gulf countries to embark on ambitious building projects. In order to grow the non-oil sectors such as tourism and retail, the Gulf economies have to undertake extensive urban development such as building more hotels and shopping malls to attract tourists. The existing transportation network has to be improved as population and trade volume increase in the region. Dubai is already suffering from traffic gridlock and the situation is set to worsen. To ease traffic congestion, the Dubai government has launched various infrastructure projects to build roads, expressways, bridges, a metro and monorail system.

Qatar is another GCC state that provides ample opportunities in the construction sector. With massive inflow of revenues from gas production, Qatar has the financial means to improve its infrastructure on a major scale. Compared to UAE or Dubai, Qatar started its economic diversification much later, which means its construction and infrastructure industry has greater potential for further development and thus, more opportunities are available for investors.

The construction scene in the region presents opportunities for companies involved in construction services, engineering, architecture and design. Many British and American design

firms are already grabbing a slice of the Dubai market. Singapore companies which have entered the Middle East market are mainly concentrated in Dubai and many of them are engineering and architectural firms.

Power and Water

Gulf countries are also facing greater demand for power and water as the rate of urbanization and population growth increase. According to a Middle East Economic Survey report, the demand for power is projected to rise by as high as 10% annually for the next few years in many GCC countries and especially in UAE. By 2010, an estimated US\$45 billion is needed for expansion projects and building of new power plants to generate more electricity. Currently, a massive project is being built to connect Bahrain, Kuwait, Qatar, Saudi Arabia, UAE and Oman to a regional power network by 2008.



Wild Wadi Water Park, Dubai

In addition, the current construction boom means that the new office and residential buildings will be a heavy burden to the region's power network. The problem is especially acute in Dubai as many of its projects require high power and water consumption, such as the many glass towers that need to be cooled in Dubai's desert climate, water and snow theme parks that require copious amount of water and

electricity to maintain operations. The Dubai ruler had mentioned during the unveiling of the 2015 plan that the government will be developing an integrated policy framework to secure long-term power and water supplies.

In Bahrain, a consortium that consists of Sumitomo Corporation, International Power Plc and Suez SA was awarded a major power and water desalination project in 2006. The group will invest US\$1.3 billion to acquire the state-owned 1,000 megawatt Al Hidd power and water desalination plant. When the expansion is completed in November 2007, the power station's desalination capacity will be tripled to produce 405,000 tons of drinking water a day.

Recently, Saudi Arabia also awarded a power-water deal, which is worth an estimated US\$1.9 billion, to a consortium comprising ACWA Power Projects, Gulf Investment Corporation and Mitsubishi Corporation to set up the Shuqai'a Independent Water and Power Project. The project consists of a thermal power plant and a reverse-osmosis technology desalination plant with support facilities such as a fuel unloading platform and water intake and discharge structures. According to Saudi Arabia's Minister of Water and Electricity, foreign investors are welcomed to participate in similar future projects as an investment of about US\$14 billion will be needed in the long term to meet developmental needs. Saudi Arabia's demand for water and power has been growing at 7% per annum. With the population projected to reach 37 million by 2025, the demand for energy is huge.

Financial Services

The opening of Qatar Financial Centre and the Dubai International Financial Centre (DIFC) in 2005 has caused a tremendous jump in investments into the region's financial industry. The phase one of Bahrain Financial Harbour, which consists of the Financial Centre, is expected to open in April 2007. The region has now become a magnet for the world's major banks, insurance companies and other financial institutions. Previously, the Gulf region holds little attraction for major investment banks due to the protected equity markets, lack of transparency and inadequate laws and regulations. With the presence of special financial zones such as DIFC, which has its

own courts and regulatory team to draw up a new set of rules and regulations that creates conducive financial environment, many major banks are planning to or have already set up their branch office in the region.

Another reason why the Gulf region is such an attractive place for financial investors is due to the presence of the Islamic finance market which has been monopolized by local Islamic banks. International banks are hoping to tap into the potential by setting up branches in the region. An example is Morgan Stanley, which is aiming to develop sophisticated Islamic financial instruments that involve securitization and its Dubai office has increased its staff strength in anticipation of the business opportunities from Islamic finance market. DBS Bank, the first bank from South-east Asia to enter the Middle East market, set up an office in DIFC to provide financial link between Asia and Middle East as well as to participate in the Islamic banking market. The DBS Dubai branch is offering a wide range of financial products such as private banking, investment banking and capital market advisory services. Another example, the Standard Chartered Bank, expressed its commitment to the region's financial market by buying an entire building in the DIFC.

Besides banking services, foreign insurance companies are also entering the region to offer Islamic insurance products. Germany's Allianz Group, the world's second largest insurance firm, will soon set up its global Islamic insurance operations in Bahrain. American insurers, AIG and ACE Group, have also been granted insurance licenses from Bahrain.

Tourism and Retail

The countries mentioned in this report are all focusing on tourism as one of the growth engines that will drive their economies. In UAE, the tourism sector is one of the most promising industries with an annual growth rate of almost 8% from 2001 to 2004.



Abu Dhabi National Exhibition Centre

One of the emirates, Abu Dhabi, is targeting to attract three million tourists by 2015. The meetings, incentives, conventions and exhibitions (MICE) industry is an integral element of Abu Dhabi's tourism plan. The emirate announced this year that it is launching major plans to attract business tourists by building the necessary infrastructure, such as the new Abu Dhabi National Exhibition Centre. In Dubai, tourism is one of the focal sectors outlined in its latest 2015 growth plan and the Dubai government hopes to attract 10 million tourists a year by 2010. Hotels and tourist attractions are now being built to meet the future increase in tourist numbers.

The retail sector is also benefiting from the strong economic and tourism growth in the region. It is predicted that the Middle East's retail industry may reach \$500 billion by 2010. Dubai's Mall of the Emirates, said to be the largest shopping mall outside North America, is 2.4 million square feet in size and boasts more than 450 retailers. Singapore's newest mega mall Vivocity pales in comparison with its 350 retailers and 1.5 million square feet size. According to the management, Mall of the Emirates received more than four million visitors in 2006 and the visitors were mainly from the GCC, UK, Germany, Russia and emerging Asian markets such as China. Singapore retail and restaurant brands such as Charles & Keith, Raoul and Pastamania are among the list of retailers in Mall of the Emirates. Other than UAE, shoe retailer Charles & Keith has even extended its presence to Bahrain, Saudi Arabia and Oman.

Following the footsteps of Dubai, Bahrain is attempting to bring the winter experience to the desert region by constructing an indoor ski resort that costs US\$175 million. Known as the Iceberg Tower and consists of a 1.5km indoor ski track built on an island, it will help to complement Bahrain's Formula One project and bring the country closer to fulfilling its goal to become the regional sport entertainment centre. Due to complete in 2009, the Iceberg Tower project also includes a convention hall, science park, ice-sculpture park, arctic zoo, shopping mall, medical centre and seaside resort.

The tourism sector is a major contributor to Bahrain's economy and it accounts about 10% to 12% of its GDP. The Bahraini government hopes to increase tourism's contribution to about a third of total GDP in ten years' time. To achieve this, several massive projects such as building man-made resort islands were launched to make Bahrain an attractive tourist destination.

The potential of the tourism industry in Middle East has attracted major hotel chains to establish their presence in the region. Singapore-based hotelier Banyan Tree Holdings' Al Areen spa resort in Bahrain is scheduled to open in 2007 and its three other resorts are due to open in UAE. Raffles Hotels & Resorts' luxury hotel in Dubai is also scheduled to open later this year.

Education and Healthcare

Foreign investors could also look forward to opportunities in the education and healthcare sector. The population in Gulf region is growing rapidly each year, prompting governments to develop the education and healthcare sector to meet rising demand. In Dubai, the population grew 7.3% in 2006. In view of this, the Dubai ruler has included the improvement of education and healthcare services in the 2015 plan. Among its many goals, Dubai aims to improve the governance in the education and healthcare sector, raise the quality of teachers and administration, upgrade teaching methods and curriculum, improve healthcare planning and encourage private hospitals to gain international accreditation.

The Business Times reported recently that Singapore education providers should grab the many opportunities in the UAE education market. Due to the large number of expatriates residing in UAE, demand for quality education is high as expatriate parents would like to send their children to international schools. The UAE government is also encouraging companies to upgrade their employees' skills so as to stay competitive, thus demand for corporate training programmes is increasing. Other GCC states like Qatar and Kuwait are also aiming to develop their education infrastructure. Long regarded as Southeast Asia's education hub, Singapore is well-positioned to reap benefits from the growth in education services in the Gulf region. Learning Vision, one of Singapore's education providers, has already started operations in Abu Dhabi. The company is currently providing nursery and elementary education programmes for children and it has plans to move on to specialized professional courses in health sciences, beauty and wellness and other education programmes for adults in the near future.

Working towards improving the healthcare sector, Dubai has set up a healthcare free zone known as the Dubai Healthcare City. It aims to become the regional centre for medical services, medical education, and life science research and development by inviting world-renowned medical institutions such as Harvard Medical International and the Mayo Clinic to set up research and medical operations within the free zone. It also houses a medical college and hospital.

Eyeing the Middle East healthcare market, Pacific Healthcare Holdings, which runs several specialist clinics in Singapore, announced recently that they will be entering the market through joint venture operations with Kuwait Finance House Bhd., a major player in Islamic lending.

Competitive Advantages of Singapore and Japanese Companies

More Singapore and Japanese companies are starting to realize the huge potential of the Gulf region and include it in their business expansion strategy. The GCC market grows close to 6% per year, has a combined GDP of US\$500 billion and serves an overall population of about 60 million people. The GCC countries are also planning to form a monetary union and create a single currency by 2010, thus forming an attractive common market.

The GCC members and Singapore are currently in talks about the proposed free trade agreement (FTA) and it is expected to be completed by the end of the year. More business opportunities will be available once the FTA is in place to pave the way for Singapore companies to expand into the region. Even without the FTA, the GCC is already Singapore's seventh largest trading partner, with US\$23.7 billion worth of goods and services flowing between Singapore and GCC countries in 2005.

Japanese and Singapore companies have a few competitive advantages when it comes to investing into the Middle East market. First, Japanese and Singapore companies have the technical expertise and good track record especially in the engineering and infrastructural services field. Such expertise is extremely valuable and highly sought after in the Gulf region as the infrastructure sector is booming. According to IE Singapore, the Singapore brand is well-recognized in Dubai as a number of Singapore companies are already involved in significant flagship projects such as the Burj Dubai, the world's tallest skyscraper upon completion in the near future, and Dubai Mall, touted as the world's largest shopping mall.

Singapore-based companies are also equipped in certain core competencies such as rig building. With specialized supporting services and designs, Singapore is one of the world's top makers of jack-up rigs. Singapore is also well-regarded in marine services such as ship repair service.

Japanese and Singapore companies are seen as reliable partners who can deliver quality products as well as provide skilled manpower and share technical knowledge and expertise. Such an advantage will help to open doors to find the right local partner and win tenders to available projects.

Regional Problems

Regional Competition

Gulf states such as UAE, Bahrain and Qatar are on a similar growth path and all have goals to diversify their oil-reliant economy by focusing on similar non-oil sectors like the financial services and tourism sectors.

The internal rivalry among the GCC members could weaken the region's competitive edge, especially when they are up against other strong and large emerging markets like China and India for foreign direct investment.

For example, in the financial services sector, the Gulf region is currently facing three aspiring financial centres in Dubai, Bahrain and Qatar. Competition among the centres to attract major banks and financial institutions is extremely intense as they have to emerge as the winner due to the large amounts of money already invested in each centre. This poses a problem as all three centres are chasing after the same pool of international banks in the world.

However, it is worthy to note that each financial centre has their unique advantage. Dubai's success in becoming a vibrant and diversified economy has turned into a brand name that draws investors into participating in its remarkable development. Bahrain draws on its strength as the region's longstanding banking centre with well-developed financial regulatory framework. Qatar,

being a major oil exporter and endowed with one of the world's largest gas reserves, relies on the high demand for energy-related project financing.

Undoubtedly, major financial institutions will choose to settle in the financial centre which has a head start in building up its portfolio of banks, has sound financial regulations and able to provide comprehensive services. It is still early to gauge which centre is the eventual winner. With the current favourable economic conditions, and if the high oil prices are sustainable, there may be some possibility, that all three may survive in spite of the intense competition.

Lately, the Gulf countries are also competing on the cultural and sports front. UAE's capital, Abu Dhabi, managed to convince New York's Guggenheim Foundation to set up a world-class modern art museum on Saadiyat Island's culture district. The island will also be the location for the branch of the Louvre museum, which will display works from the Louvre and other French museums after its opening in 2012.

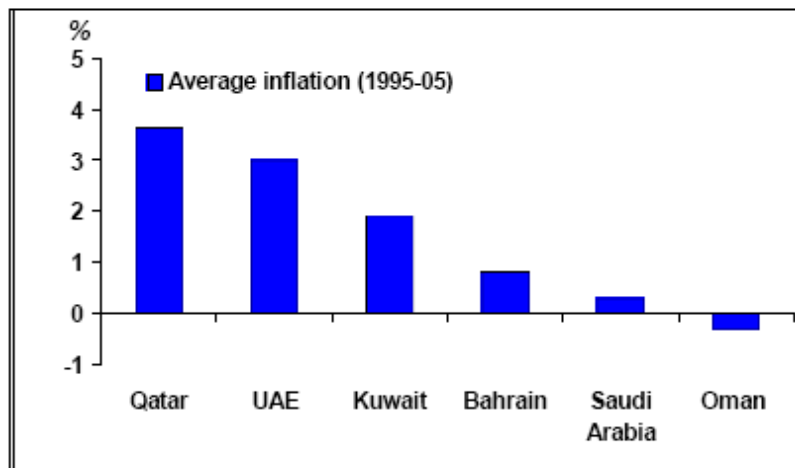
On the other hand, Qatar is building three cultural institutions that are designed by recognized architects such as Arata Isozaki, I.M. Pei and Santiago Calatrava. The country is also competing against Bahrain to become the sports hub and the hosting of the 15th Asian Games in December 2006 had thrust Qatar's capital, Doha, into the international limelight. There are plans to build a sports academy as well as a sports city equipped with state-of-the-art facilities to build up Qatar as a sports nation.

The intense competition has its merits as it helps to draw the world's attention to the region. Besides, most Gulf countries are still in the early stages of economic diversification and development. As they develop further, they may be able to discover their unique strength in the process, whether it be manufacturing, financial services or transportation hub, which can help them to rise above the competition and achieve long term economic success.

Rising or Falling Prices

Inflation in the Gulf countries has been quite constant and relatively mild throughout the years. Among the Gulf countries, Qatar had the highest average inflation rate in the decade from 1995 to 2005.

Average inflation of GCC countries from 1995-2005



(Source: A new fiscal framework for GCC countries ahead of monetary union, May 2006, Daniel Hanna, Chatham House)

However, property prices in the Gulf region, especially in Dubai, have surged in recent years due to the construction boom and strong demand from property investors. Industry experts have voiced concerns about potential overheating in the property sector and that the current alarming property development rate will cause supply to outstrip demand, resulting in a severe correction that will burst Dubai's property bubble.

Unemployment

Unemployment is an acute problem in the Gulf region which could lead to resentment and social instability. The GCC countries have a young population base and labour force is expected to grow at 3% per annum. At a recent conference held by the Emirates Centre for Strategic Studies and Research, experts estimated that GCC countries need to create 100 million jobs up to the year 2020 to meet the growing needs of the working age population.

Bahrain, which has an unemployment rate of 15% of its workforce, has come up with a novelty measure that is still very much unknown in the Arab world to avoid the negative consequences of long-term unemployment. Once the bill is passed, the government will be giving out unemployment benefits to jobless Bahrainis, most of whom are women. The Bahraini government is taking this unprecedented step as the country had suffered from a series of riots and arson attacks which stemmed from unemployment in the mid-1990s.

Besides unemployment, the presence of a large number of expatriate workers could be a destabilizing force in society, especially in Dubai, where a significant proportion of its expatriates are lowly-paid labourers who are subjected to harsh treatment and dismal housing conditions. The small riot that some workers started at the Burj Dubai development site in early 2006 gave insight to the potential conflicts that might arise in the future if governments do not pay attention to labour laws and human rights reforms.

Political Tension

The Middle East has a few conflict hotspots that could spill over and affect the prospering Gulf nations. One hotspot is Iraq, which is still reeling from the aftermath of the recent war and the continuing political turmoil and instability have led to fears that it could be embroiled in a longstanding civil war. The adversarial relations between Israel, Lebanon, Iran and Syria form another sensitive hotspot that could easily develop into a regional conflict. Recently, Iran's nuclear ambition has also created much tension in the region.

A stable political environment is also an attractive investment environment and foreign investors look for stability before any investment consideration begins. The ongoing situation in Iraq and other potential hotspots add to the political volatility, thus reducing the region's attractiveness to investors.

Environmental and Sustainability

Rapid urban development in many Gulf states have raised concerns that many of the mega projects being carried out in the Gulf region might have an adverse impact on the environment. Many construction projects involve sea reclamation to form man-made islands, such as Palm Islands in Dubai, Bahrain Financial Harbour and other island resorts in Bahrain. Such projects could have an impact on the marine ecosystem



Aerial view of Najmah island, one of the islands being developed under the Amwaj Islands project, Bahrain



Beachfront villas on Najmah island

and water quality off the coast of Gulf nations. Other projects such as the construction of glass towers and large scale water and snow theme parks in Dubai could lead to difficulties in generating enough power and water to run the city in the future.

Conclusion




Although the Gulf countries have been trying hard to liberalize their economy and create an attractive investment environment, investors may realize that the ease of doing business is still largely confined within special economic zones. If investors want to venture out of these zones, they may face certain difficulties such as lack of transparency, lengthy bureaucratic procedures and protective measures taken by governments to help the local private sectors. For example in Qatar, foreign investors must find a Qatari partner in any investment in trade, industry and services sectors and they are restricted to maximum 49% investment share.

However, the Gulf region is still an attractive consideration as the market is still relatively new and largely untapped, unlike China and India where many investors have already established their presence. Besides, the GCC's plan to form a large common market will enable it to compete better against the populous China and India for investors' money.

In addition, the impending finalization of the free trade agreement between Singapore and GCC by the end of 2007 means that Singaporean investors can look forward to more business opportunities and collaboration with the Gulf partners.




Unless there is any unforeseen adverse change in world economic conditions, growth prospects for the Middle East region remain favourable and investors may want to consider the region as their next target of investment.

Appendix 1: Overview of Free Zones

<p>Jebel Ali Free Zone (Jafza)</p> 	<p>Bahrain International Investment Park (BIIP)</p> 	<p>Qatar Science & Technology Park (QSTP)</p> 
<p>Established in 1985</p>	<p>Established in 2005/06</p>	<p>Established in 2005</p>
<p>First free zone in UAE and located in Dubai. An industrial, warehousing and distribution base with ready built facilities such as warehouses, offices and staff accommodation.</p>	<p>Industrial free zone that offers office and industrial space. Located in Al-Hidd.</p> <p>Focuses on the following sectors:</p> <ul style="list-style-type: none"> - Knowledge-based industry and services - High technology manufacturing and fulfillment process industries - Medium and light manufacturing - Logistics and distribution - Shared services, back office services - SMEs and start-ups - Foreign companies 	<p>A free zone that provides office and laboratory space, support services and programs to technology-based companies.</p> <p>Three major roles:</p> <ul style="list-style-type: none"> - To be a base for global technological companies - To spearhead science and research in Qatar - Provide support to young technological companies.
<p>Examples of companies in Jafza:</p> <p>Acer, Black & Decker, Compaq, Honda, Johnson & Johnson, Nestle, Nissan, Philips, Samsung, Sony, Bridgestone, Xerox, Nokia Toshiba</p> <p>More than 100 major Japanese companies engaged in different industrial, logistic and electronic fields are located within Jafza.</p>	<p>Examples of companies in BIIP:</p> <p>Kraft Foods, Abahsain, Yokogawa, Oriental Press, Maskati Brothers & Co.</p> <p>As of July 2006, 31 projects worth US\$400 million were approved by BIIP.</p>	<p>Examples of companies in QSTP:</p> <p>Microsoft, Rolls-Royce, Shell, Total, Gartner Lee, ExxonMobil, EADS, GE, Institut de Soudure</p>
<p>Incentives and features:</p> <ul style="list-style-type: none"> - 100% foreign ownership - Corporate taxes are not applicable for a period of 50 years, a concession that is 	<p>Incentives and features:</p> <ul style="list-style-type: none"> - Guaranteed tax exemption for 10 years - 100% foreign ownership for companies in industry, 	<p>Incentives and features:</p> <ul style="list-style-type: none"> - 100% foreign ownership - Tax exemption - No import duties - No restriction on repatriation

<p>renewable</p> <ul style="list-style-type: none"> - No import or re-export duties - No personal income taxes - Companies may transfer any capital as required - No currency restrictions - No restriction on hiring foreign employees - Owned premises on leased land can be mortgaged - Access to abundant energy - Availability of office space and light industrial units - Proximity to Jebel Ali port 	<p>technology, healthcare, education, training and international services</p> <ul style="list-style-type: none"> - No withholding or value-added taxes - No restriction on repatriation of capital and profits - No restriction on hiring - Access to abundant energy - Renewable 50-year lease - Proximity to Bahrain International Airport - Proximity to existing and new port - 20 minutes away from Saudi Arabia 	<p>of capital and profits</p> <ul style="list-style-type: none"> - Incorporate a local company or operate as foreign company branch - Local agent not required in trading - Sponsorship for expatriate employees - Proximity to leading academic institutes
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Appendix 2: Overview of Financial Centres

<p>Dubai International Financial Centre (DIFC)</p> 	<p>Bahrain Financial Harbour (BFH)</p> 	<p>Qatar Financial Centre (QFC)</p> 
<p>Launched in 2004 Full completion expected in 2007/08</p>	<p>Construction started in 2004 Full completion expected in 2009</p>	<p>Launched in 2005</p>
<p>Financial free zone that is home to the Dubai International Financial Exchange. Aims to attract foreign global financial institutions. Also contains office, residential, retail, leisure and dining space.</p> <p>Focuses on the following sectors of financial activity:</p> <ul style="list-style-type: none"> - Banking services - Capital markets - Asset management and fund registration - Insurance and reinsurance - Islamic finance - Business processing operations and ancillary services 	<p>A complete financial city with office, residential, retail, leisure and dining space. Aims to maintain and reinforce Bahrain's position as the region's financial centre as well as to attract foreign global financial institutions.</p> <p>Focuses on the following sectors:</p> <ul style="list-style-type: none"> - Banking services - Capital markets - Asset management and fund registration - Insurance and reinsurance - Islamic finance - IT - Legal and advisory services 	<p>Financial free zone that aims to attract foreign global financial institutions and be the main driver of Qatar's financial sector.</p> <p>Focuses on the following sectors:</p> <ul style="list-style-type: none"> - Banking services - Capital markets - Asset management and fund registration - Insurance and reinsurance - Islamic finance - Accounting and audit - Legal and advisory services - Investment grading services
<p>Examples of financial institutions in DIFC:</p> <p>Standard Chartered Bank, Credit Suisse, Deutsche Bank, Merrill Lynch, Morgan Stanley, Julius Baer, Barclays Capital, DBS Bank</p>	<p>Examples of financial institutions in BFH:</p> <p>Gulf Finance House, Solidarity, Khaleeji Commercial Bank, Mena Telecom</p>	<p>Examples of financial institutions in QFC:</p> <p>Ansbacher & Co., BDO Jawahhab Consulting, AXA Investment, Barclays Bank, Morgan Stanley, Credit Suisse, Deutsche Bank, PwC</p>

Incentives and features:	Incentives and features:	Incentives and features:
<ul style="list-style-type: none"> - 100% foreign ownership - No tax on income and profits - Wide network of double taxation treaties available to UAE incorporated entities - No restriction on repatriation of capital and profits - No currency restrictions - Dollar denominated environment - Transparent environment with high standards of rules and regulations - Strict supervision and enforcement of money laundering laws - Availability of office space and state-of-the-art technology, infrastructure, data protection and security - Operational support - Led by three independent authorities that regulate financial activities within DIFC. - Consists of the following districts: <ul style="list-style-type: none"> a) The Gate and 6 precinct buildings b) The Gate Village c) Park Avenue District d) Central Park District e) The Centre f) Gate Boulevard - Contains cultural, leisure and community centres as well as an internal personal rapid transit system. 	<ul style="list-style-type: none"> - 100% foreign ownership - No tax on income and profits - Availability of office space and state-of-the-art technology, infrastructure, data protection and security - Consists of the Dual Towers, the Financial Mall and the Harbour House. -Dual Towers offers office and commercial space - Financial Mall offers finance related activities and services such as stock broking, futures and options in a retail environment. Also houses the Bahrain Stock Exchange. - Harbour House is mainly for leisure and entertainment activities. - Contains a telecommunications sub-zone within the financial zone. - Proximity to Bahrain International Airport 	<ul style="list-style-type: none"> - 100% foreign ownership - No tax on income and profits for till April 2008 - No restriction on repatriation of capital and profits - No currency restrictions - Onshore or offshore operation in local or foreign currency - Well-developed rules and regulations based on international standard - Led by an independent commercial authority and an independent regulator. - QFC is not a property development – the QFC law allows buildings in Doha to be designated as QFC sites, which means licensed firms do not have to be in QFC premises.

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