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# THE KINGDOM OF SAUDI ARABIA

Strategic Powerhouse, Global Strength | Part II

Continuing with its strong economic successes, Saudi Arabia is using its oil revenues to thrust the country into a new, yet necessary, direction. With its Vision 2020 strategy and grand economic city projects, the Kingdom is building the foundations of a knowledge-based economy. Part II of Strategic Powerhouse-Global Strength looks at the road ahead for one of today's most influential nations.

## Heading Strongly Into the Future

The Saudi economy is becoming more energetic as investment in massive new infrastructure projects, economic cities, oil and gas, petrochemicals, and other industries, become reality. Even though high oil prices have been the initial stimulant, the baton of growth is shifting to the private sector, driven by reinvigorated confidence, growing domestic demand and rationalization, institutionalization and deregulation of its economic structure. "We are keen on making our economy a prosperous and diversified one," King Abdullah has said, "as well as an economy which is capable of playing a pioneering role in regional and international arenas and meeting the aspirations of its citizens."

But what is to happen with Saudi Arabia when its oil era finally ends? The House of Saud has contemplated this inevitable reality and created the above-mentioned projects as a motor for diversification, part of a National Industrial Strategy known as "Vision 2020". Already over the past three decades the non-oil sector has grown from 35 percent to more than 60 percent of the

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*King Abdullah bin Abdulaziz Al-Saud*

total GDP. Saudi financial institutions forecast that by year's end the non-oil private sector will grow 8.9 percent in real terms, the highest growth in 25 years.

Any economic success still hinges on the creation of stability in the Middle East. A major objective of Saudi Arabia's foreign policy is settlement of the Arab-Israeli conflict. Among the Saudi efforts to bring peace to the conflict, there were two peace initiatives in 1982 and 2002 offering solutions based on the United Nations resolutions 242 and 338. The consensus is that should the Palestinian-Israeli conflict be settled, by implementation of either the Abdullah Peace Plan



*King Abdullah bin Abdulaziz*

or President Bush's Road Map, it will positively affect the outcome of other regional issues.

Former Saudi Ambassador to the US Prince Turki Al Faisal says that working together on these issues is the key to creating stability in the Middle East, as well as dealing with violent insurgents and terrorist cells. "Only Muslims can counter the terrorists who would use Islam to promote their actions," Prince Turki elucidates. "They intentionally misinterpret the teachings of Islam, and we Muslims expose their falseness and hypocrisy." King Abdullah has been a tireless proponent of dialogue for the cause of calm across the region, and

has indicated that Saudi Arabia, with its decades of experience in fostering stability, is best suited to conduct whatever measures are necessary to secure peaceful solutions. "Peace and security are the most important pillars of a stable society and prerequisites for development," the King said.

In the King's 2007 policy address to Saudi Arabia's Shura (consultative) council, he explained that "The Kingdom's eighth Five-Year Plan (2005-2009) aims to build on the achievements of the previous plans, designed according to a strategic perspective with the aim of achieving sustainable development. The plan has focused on a package of priorities, led by preserving Islamic values; enhancing national unity, social stability and national security; upgrading standards of living; providing job opportunities for Saudi jobseekers; developing the workforce and enhancing its skills; diversifying the economic base; increasing private sector contribution to development; achieving balanced development in all parts of the Kingdom; developing sciences, technology and informatics; supporting and encouraging scientific research and technological development, preserving and developing water resources; and protecting the environment."

Saudi Arabia is in a strong position to fulfill its plans as it has the resources to finance them. If it can clear the misconceptions held by western nations about the country, its people, and its culture, that would be a major step in itself. But that's exactly where the challenge lies, as the country resolves to break free from close-knit secrecy and transform itself into a transparent, open society, economy and government. ■

# Foreign Investors Courted by \$700 Billion Bonanza

**B**elow the desert's surface Saudi Arabia's natural resources may account for 25 percent of the world's total reserves, but above ground the Kingdom has a wealth of assets waiting to be developed. "We have over \$700-billion worth of investment opportunities in Saudi Arabia over the next 15 years," says HRH Prince Turki Al Faisal, Former Saudi Ambassador to the US. "American businesses should take advantage of that." In December 2005 the Kingdom officially joined the World Trade Organization, providing it with greater opportunity to enhance its business and investment climate and drive competition. Four centerpieces of business activity in the years to come will be the mega economic cities, tax-free centers of finance, healthcare, and technological development. "The Kingdom has been liberalizing its trade policies, enacting new regulatory laws, increasing transparency, and opening up our economy to investment. We have also enacted a new law allowing foreign businessmen and women to obtain visas without an invitation."

Saudi Arabia is not only actively reducing its dependency on oil, but is also trying to decrease its reliance on foreign workers. Human Resources of Saudi origin are being trained to take on the new job opportunities offered by the economic and industrial cities, and education reforms target a curriculum that prepares students for globalization. "We have undertaken a multi-year modernization program of our education system" explains Prince Turki. "More than 300 technical and vocational colleges are being built in the next five years. The Saudization process on the other hand limits the number of foreign employees in order to slowly decrease dependency on them." The process is not only significant to alleviating unemployment but also instills a greater sense of responsibility in the Kingdom's youth, according to Prince Turki.

Investors have the good fortune of being able to access the Saudi market in its era of "economic openness". Up until recently certain sectors were still closed to foreign involvement, but a new law lifted many of the barriers, as Mr Hamad Al-Sayari, Governor of the Saudi Arabian Monetary Agency, explains. "The Foreign Investment Law was enacted in 2000 to allow the international community to make direct investment in most of the country's economic sectors without having to act through a Saudi partner. The sectors that are restricted to foreign investment are minimal and comprise only those which are of strategic importance." The Saudi Arabian Monetary Agency functions as the Kingdom's Central Bank, issuing the national currency (the Saudi Riyal), pursuing an appropriate monetary policy, promoting price and exchange rate stability, and supervising the banking and insurance

sectors. Under its supervision the country counts as one of the most financially stable in the region.

The banking sector in particular has enjoyed unparalleled growth, particularly in the Islamic Banking division, a service offering financial management compliant to Islamic Sharia laws. "By December 2006," says Mr Al-Sayari, "on a year to year basis, the banking sector's total assets increased by 13.3 percent, loans and advances by 10.3 percent, and total deposits by 20.8 percent. In addition, Saudi banks are adequately liquid at 34.8 percent, and most showed record profits, with the sector's net profits registering a 41-percent increase over 2005." The Kingdom's fiscal achievements are pivotal within an initiative to implement a Greater Arab Free Trade Zone towards the establishment of a Common Arab Market (CAM). "The establishment of a GCC Monetary Union and the introduction of a common currency by 2010 will be an important development for the region," confirms Mr. Al-Sayari.

One sector in particular is showing some of the most promising developments modern Saudi Arabia has witnessed. "I believe that we are on the threshold of an ICT revolution," remarks Dr Mohammed Al Suwaiyel, Governor of the Communications and Information Technology Commission (CITC). "The high growth rates achieved in mobile services, PC literacy and internet usage combined with the establishment of the necessary frameworks to encourage foreign investment and joint participation in telecommunications projects suggests that, while there is still much work to be done, we are catching up with global leaders in the ICT sector at a fast pace. Since being set up in 2002, the CITC has granted three mobile provider licenses, two for 3G services, two for data services as well as four VSAT provider licenses."

Despite the expected challenges faced by having undertaken an ambitious liberalization program in a very short time, including initial inertia, maintaining order in introducing competitiveness to a previously monopolistic sector, attracting and training qualified human resources, CITC is committed to continue granting new licenses to further the Kingdom's development. "Computer sales in the country increased from \$881 million in 2005 to \$1.5 billion in 2006," says Mr Al Suwaiyel of the CITC's Home Computing Initiative which spurred PC manufacturers to establish plants in the Kingdom. As a result, Internet usage has nearly doubled in the last two years to 20 percent of the population. It has all become part of a grander scheme to turn Saudi Arabia into a "smart" nation, with technological convergence covering everything, from e-government to Wi-Max cities, and it has been witnessed in other countries that once the ICT ball gets rolling, the opportunities are endless. ■

# Economic Cities: Clusters of Change

**W**hen economic advisers to King Abdullah pondered the possibilities of making a powerful nation even more economically attractive in its diversification strategy, they only needed to look back at an established vision initiated by former King Fahd. The idea of creating economic and industrial clusters in Saudi Arabia goes back to the 1970s, when by Royal Commission the industrial cities of Jubail and Yanbu were developed. During the following three decades, Jubail Industrial City, located in the Eastern Province on the Arabian Gulf, attracted 50 percent of the entire investment coming into Saudi Arabia alone, some \$1.5 billion. Those centers have now expanded rapidly to become complexes of petrochemical plants, iron works, plastics facilities, and a number of smaller companies, as well as Royal Saudi Naval Bases.

“We are capitalizing on those successful stories and introducing a new product for the new millennium called Economic Cities,” says Mr Amr Al-Dabbagh, Governor and Chairman of SAGIA, the Saudi Arabian General Investment Authority. Mr. Al-Dabbagh envisions the modern melee of activities to be offered by the Saudi Arabian economic cities will be benchmarked with cities like Singapore and Hong Kong. “Our cities will be accommodating the balance of the energy value, as we have profiled \$300-billion worth of industrial investment driving the energy change, since Saudi Arabia is the most cost effective location in the world for hosting these industries. When we talk about petrochemicals today, our global market share is seven percent. Our target is to achieve 15 percent by 2010.”

SAGIA has set the target to be among the top ten most competitive economies in 2010, a program effectively called the 10x10 Plan, and it is already seeing positive results from the initial buzz about the new economic cities. “In 2006 our rankings in the World Bank’s “Doing Business Report” jumped considerably from 67th to 38th place, ahead of all other Arab countries,” muses SAGIA’s Governor. Mr Fahd Al-Rasheed, SAGIA’s Deputy Governor in charge of the Economic Cities Agency, predicts the cities will produce more than \$150 billion per year, “which will be an extra GDP representing around 50 percent of today’s economy. We have received so many proposals but we’ll select from the top offers which can add value to the Kingdom, covering the land, financing capabilities, and the experience in developing such projects.”

## Prince Abdulaziz Bin Mousaed Economic City

With Saudi Arabia’s coastal areas well served with industrial clusters, the government focused its infrastructure efforts on bridging the country between the Red Sea and the Arabian Gulf. It also opened an opportunity to create an economic cluster at the very heart of the Kingdom’s most prosperous provinces. At the crossroads of all the navigational, trade and transportation routes in Saudi Arabia lies Ha’il, where the \$8-billion Prince Abdulaziz Bin Mousaed Economic City (PABMEC) will rise to prominence. “The project aims to utilize the Kingdom’s second competitive advantage after energy - its strategic location as a link between East and West- and leverage it through the establishment of a fully integrated economic city providing transportation and logistics services. Produce and minerals arriving from the north of Saudi Arabia and surrounding areas within Ha’il region will be traded, marketed and processed to add value to the raw materials,” says SAGIA’s Governor Mr Al-Dabbagh.

Built on 156 million square meters, PABMEC’S core Master Development Plan will include as a main pillar a Supply, Transportation and Logistical Services Center. At the same time, the dry port, airport, land freight sector, in addition to the agro-industrial zone, as well as the mining and processing industries sectors will constitute the energetic nerve of the economic city. Moreover it will be supported by a robust and solid infrastructure in addition to the business, residential, and recreational sectors.

As the economic cities are intended to be self-funded by the private sector, it is the developer’s task to secure the investment. Hot off the heels from an 18-city global roadshow promoting PABMEC, Mr. Abdullah Taibah, CEO of the city’s developer RAKISA Holding, said the company had in fact succeeded in soliciting more than 8 billion Saudi riyals. The consortium includes key investors from Saudi Arabia, UAE, Bahrain and Kuwait. “Phase one will be completed by 2016, and will hopefully generate more than 30,000 jobs,” says Mr. Taibah. “Agro-business, mining, and the building materials industry are at the heart of its sustainable business model. The addition of the dry port will give the city a backbone of logistics infrastructure that will support these clusters.” An IPO has also been planned by RAKISA for the city. PABMEC will not only bridge the gap between the country’s major cities, but also between technology and education. As RAKISA’s CEO puts it, “We are putting our fingerprint on the future.” ■

# Jazan Economic City: Generating Strategic Advantages

The main aim of Saudi Arabia's mega projects is to give a profound energy boost to the Kingdom's economy. The first phase in developing these pioneering economic cities is providing them with the power to rise, especially since most will be located on virgin grounds.

The \$30-billion Jazan Economic City (JEC) is the fourth mega project to be established in the Kingdom. Its grand ambitions will be ignited by a new 3,000 MW power plant. From day one of the project's launch by King Abdullah in November last year, JEC has brought in three anchor tenants who will drive the industrial development of the city. "We have signed memorandums of agreement for an aluminum smelter, a dry dock at the seaport, and a steel processing plant. In addition, a refinery is being planned by ARAMCO. In that aspect this project is unique compared to all the other economic cities," said Mr. Feizal Ali, Group Chief Executive of MMC Corporation Berhad. MMC is the premier Malaysian utilities and infrastructure group that together with the equally influential Saudi BinLadin Group (SBG) has been awarded the contract for JEC's construction.

Located 37 Miles northwest of the provincial capital Jazan, the brand new Jazan Economic City will occupy an area of 40 square miles with a coastline of 7.1 miles. Two thirds of the city will be covered by primary and secondary industries and one third will be commercial and residential. The future city will not only be located at the confluence of available raw materials and abundant labor source, but also tap into the main Red Sea shipping route between Europe, Africa, and Asia. JEC's connectivity will be enhanced by the new International Airport at Jazan, a proposed artery road running east, and a future railway link with Jeddah, 375 miles northwest.

Besides its strategic location, Mr Feizal points out that JEC will aim to offer enterprises the competitive advantage of cheap energy, a must for most industries. On many fronts it is in active discussion with the Saudi Arabian General Investment Authority (SAGIA) to get full cooperation from all parties involved. "This can sometimes be understandably difficult because it is a new project, but SAGIA has been able to iron out all issues fairly rapidly," attests Feizal. The power plant, which has an integrated desalination facility for the city's vital water supply, will run on Saudi crude oil. "We are leveraging on the energy advantage of Saudi Arabia so that it will be extremely competitive for enterprises to establish themselves here."

The JEC project seeks to extract the provinces' full potential. Jazan's hinterland is rich with mineral depos-

its such as aluminum, silica for silicon processing, and limestone, basalt, and marble for the construction industry. Fisheries and agriculture processing also have an exciting future at the city, as Jizan's fertile plains are noted for the production of coffee beans and grain crops, as well as a large variety of tropical fruits.

"With His Majesty's vision of evolving the underdeveloped areas, we thought it would be much better to do this project as we were granted all the support available. We looked at an opportunity and we were not intimidated by the risks." Challenges include attracting the private sector and foreign direct investment as well as the available labor force, but MMC's Group Chief Executive is confident on both levels that JEC will exceed. "Jazan as an investment location is attractive to a lot of companies in East Asia, mainly Chinese companies. There are some companies that bring the oil and raw materials from Saudi Arabia to China, process their goods and re-export them back to Africa or Western Europe. Our business proposition is for them to come to Saudi Arabia, take advantage of the Kingdom's position as the energy capital of the world, produce their goods in Jazan, and re-export them to the nearby African and Western European markets, saving substantial transportation costs." SAGIA's Governor Mr Amr Al-Dabbagh has said that JEC will focus in particular on labor-intensive industries, as opposed to projects in Saudi Arabia's Eastern province which are primarily capital-intensive.

The immense project calls for a whole gamut of expertise in creating one of the most innovative, technologically advanced, and environmentally sound economic cities in Saudi Arabia, but the 50-50 joint venture and converged know-how of MMC and SBG covers all aspects. Saudi BinLadin Group's Vice President and Projects Manager, Engineer Mohammed Sawan, says that its lofty portfolio of infrastructure and construction works within and beyond Saudi Arabia, including airports, highways, telecommunications and the proud extensions of the Holy Mosques in Mecca and Madinah, puts it in a decidedly solid position to see JEC through the next 25-30 years of growth. "Through all the experience we have acquired, no project is impossible. Our country needs highly qualified human resources, and Saudis can rise to that level through our training and experience of working on our projects."

In conclusion MMC's Feizal points out that Jazan is the focus of a fast development drive by the Kingdom, and at the heart of its future. "The Saudi market is the biggest economy in the area. Sixty percent of all the region's GDP is denoted by Saudi Arabia. It is not a market you can ignore." ■

# Jazan Economic City

Kingdom of Saudi Arabia



Jazan Economic City offers a timely opportunity to nurture, build, and expand on non-oil based industries essential to the Kingdom's future aspirations and needs.



مجموعة بن لادن  
SAUDI BINLADIN GROUP



PROJECT MANAGEMENT & DEVELOPMENT - REAL ESTATE

# Soroof: The Inspiration to Innovate

*Bringing technological dreams into the mainstream*

**H**is Highness Prince Bander bin Abdullah bin Mohammed Al-Saud is satisfied about the future. The Chairman and CEO of Soroof International has a valid reason to be, as his Group is creating systems that will contribute to a brighter tomorrow. In an age where Saudi Arabia is trying to diversify away from oil, Prince Bander realizes that transfer of knowledge is the key to sustainability, and in 2000 he put the works in motion to set up Soroof. Its activities are unique in that it feeds 75 percent of its profits and investments into research and development in technological solutions. The intellectual property gained from its R&D forms the basis of a long term plan to make Saudi Arabia more adept to innovation.

"It is not my vision or goal to be a trade company," admits Prince Bander, "my core motivation is to be an intellectual property owner." Soroof International does this by focusing on innovations in three distinct fields: energy, water, and ICT. Its strategy is to have each of the three divisions produce at least two patents per year. These inventions range from biological water recycling systems to gas separators and e-government software solutions. Over \$53 million has been devoted to these projects, with no guarantee of success as may be the case with the currently safe investments in real estate, but Soroof's Chairman is confident that, with the right approach and timing, returns could run into the billions. "The so called 'fuellers' for the R&D are in the form of General trade which is a testing platform for

**"My core motivation is to be an intellectual property owner."**

*Prince Bander bin Abdullah bin Mohammed Al-Saud  
Chairman and CEO of Soroof International*

us. We bring a product and test it in the market. If it's a very feasible product then we spin it off in its own business." Such was the case with a gas separator for which Saudi Aramco had great demand. Soroof International then entered into a joint venture with the manufacturer to build a factory in Saudi Arabia for the product. Currently the company is conducting tests with a biological oil cleanout agent in Germany.

"Our investments go into various areas that are unusual for other Saudi companies," continues Prince

Bander. "Now we are moving into health care and are investigating to invest with certain high caliber researchers in the area of cancer treatment." Soroof is very proud of its corporate responsibility profile in all its ventures, from human resources to ecology issues, and even though it has invested in many innovations it is seeing strong times ahead. "Our Balance Sheet and Income Statements are strong and by 2010 we are expecting to gain more, it will be Soroof's era."

With major clients including Saudi Aramco, the

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*Prince Bander bin Abdullah bin Mohammed Al-Saud  
Chairman and CEO of Soroof International*

Government of Saudi Arabia and Bahrain's Shura Council, as well as partners including Dammam's King Faisal University and the University of North Carolina, Soroof is confident of making a difference in environmental issues too. Utilizing the 'fuellers', the Group intends to bring pioneering solutions such as biological oil cleanout agents and renewable energy systems into the mainstream of Saudi business. "Saudi Arabia prioritized and started to get serious about the weakness of the environment during the Gulf War, after all the oil burnt in Kuwait. Now the Royal Commission and Aramco are very stringent about environmental control. Saudi Arabia is issuing rules and regulations to be followed, which I think is fantastic." Soroof's quest for research and development shows Saudi Arabia is definitely not about oil alone, but that it can offer the world some very innovative and essential solutions.

"We are also an IT focused company with an aim of developing the Saudi economy. Personally, I think we have the talent and the ability here, but we need to support our youth in terms of effective knowledge transfer so that we can compete effectively with businesses in Europe, the US, and Asia. I am very optimistic about the future, and I believe that the course the government is following is the right one." ■

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# Cultivating Sustainable Agriculture



Among one of the great misconceptions about Saudi Arabia is that its desert land image renders it hostile to agriculture. Not only is this far from the truth, but the Kingdom's combined fertile regions make agriculture and agribusiness the third largest sector in GDP revenues. In fact Saudi Arabia produces, and to a great extent exports, a huge variety of quality products. Fresh cut flowers find their way to the Netherlands and olive oil is sold to Spain. The nation has also embarked on aquaculture and other break-through activities, fully exploiting its mainland and aqua assets.

The Kingdom's agricultural growth was not merely achieved by cultivating arable land, but the result of a highly focused program on solving some tricky challenges. Understandably, water is not readily available throughout Saudi Arabia, calling for closely monitored irrigation management, as well as crops that are not water intensive. Nevertheless, an ambitious agricultural plan embarked upon three decades by the country's leadership to enlarge the Kingdom's cultivated area, with the cooperation of local and international investors, bore a high yield of fruits, vegetables, livestock and dairy products. "We have managed to produce a high self sufficiency in products such as wheat, fresh milk, eggs and potatoes," says Dr Fahad bin Abdulrahman bin Suleiman Balghunaim, Saudi Arabia's Minister of Agriculture. The aforementioned products now cover 100 percent of the Kingdom's needs. Minister Balghunaim says poultry production satisfies 50 percent of national needs, and general vegetable and fruits cover 85 and 65 percent respectively.

In fact, the country's wheat program was so successful in attaining set targets that reforms were needed to quell production. "We have reached very high levels of wheat production, so now we produce wheat for local consumption only, which is roughly 2.5-2.6 million tons per year. Export of wheat has been disallowed and the government no longer buys barley from the farmers." The reason for this, says Minister Balghunaim, is the fact that wheat needs a lot of water, so anything above the basic needs is not necessary. "We would like to produce more crops with less drops of water. We encourage farmers to go to greenhouses; we are developing means for farmers to switch to drip irrigation instead of ground irrigation. Large agricultural companies and big farmers realize this very easily, because they are using deep wells and the more they use the water the higher their electricity bills."

But also smaller farmers are being guided by the

Agriculture Ministry's support. Take dates, of which Saudi Arabia now produces some 900 million tons annually. "The government buys dates from small farmers and distributes them among underprivileged people here and around the world, especially in world food programs and countries affected by disasters." The Saudi government used to buy dates at three riyals (0.80 cents) per kilo, but after careful consideration it agreed to buy them at five riyals (\$1.33) per kilo as an incentive for small farmers to switch to drip irrigation. "In two year's time they can pay back the cost of drip irrigation," says Minister Balghunaim, adding that the Saudi Arabian Agricultural Bank (SAAB) provides loans for the equipment and subsidizes 25 percent of mechanisms that help reduce water consumption.

Since joining the World Trade Organization, Saudi Arabia has opened up its agricultural market, importing products without tariffs, save for some key crops. "In our negotiation with the WTO," explains the Agriculture Minister, "we have requested and obtained some tariffs to protect some of our major agricultural products because they affect a lot of people, specifically wheat, dates, chickens, and fresh milk. But everything else is open." Shrimp farming in particular has become a focal point of aquaculture, as the Kingdom is able to utilize its 1,500-mile long Red Sea coast and its advantageous location between both European and Asian markets. Currently exporting to 18 countries worldwide, the country is engaging in an ambitious plan with the private sector to become the biggest exporter of shrimp. Foreign investment is highly welcomed in the agriculture sector, and major companies from Europe and New Zealand such as Danone and Arla have already moved in to the promising dairy industry.

Despite the success and progress made in the sector, Minister Balghunaim confers that Saudi Arabia still has to actively deal with adverse conditions. Scarce rain, meager subterranean water, limited local manpower and widely dispersed cultivatable lands are among the Kingdom's difficulties. "We are conscious about our limitations, and we do not want to push the limits of sustainable agriculture." Initiatives have been implemented to control the spread of desertification, including the establishment of 27 forest nurseries in addition to coastal mangrove nurseries, as well as five national parks. All in all, the Kingdom's agricultural developments have enabled it to achieve important objectives while at the same time conserving its resources. ■

## *Grain Silos and Flour Mills Organization*

# From Millstones to Milestones



**H**aving established a sound system for the cultivation and supply of wheat, the Saudi Government recently made the decision to privatize one of its earliest agricultural assets, the Grain Silos and Flour Mills Organization (GSFMO). It is the final step in a multi-annual reform program, whereby self-sufficiency in wheat was achieved and food security through grain storage reached its target capacity. The country's wheat division has become so efficient that as early as 1995 the export of Saudi wheat was stopped and the gradual reduction of produced wheat and barley from around 4.1 million tons in 1992 to 2.6 million tons in 2005 was maintained.

Since its inception by Royal Decree in February 1972, GSFMO's integral industry of grain storing, flour production, and animal feed factories contributed considerably to the economic development of the Kingdom of Saudi Arabia. By marketing its products at home and abroad, and purchasing grains to store a suitable reserve when faced with emergency circumstances, GSFMO met the goals of the country's agricultural policy. Having initially been set up as a means to support food security, the organization became a basic foundation for the Kingdom's food industry.

Its first complex became operational at the Saudi capital Riyadh in 1977. In succession, other branches were started in Dammam, Gassim, Jeddah, Khamis Mushayt, Tabuk, Ha'il, Aljouf, Wadi-Al-Dawasir, Alkharj, and Medina. The total grain silo storage capacity of all the branches combined became 2,520,000 metric tons for hard wheat, soft wheat, and durum. In continuation, the wheat is processed at the organization's flour mills, which have a production capacity of 11,000 metric tons of wheat per day. In order to feed end consumers – both human and livestock – to the best possible nutrition values, the flour is fortified with a vitamin and iron mixture from which 40 types of animal feed are produced.

"There are now 11 branches all over the Kingdom and the Grain Silos and Flour Mills Organization's activities are still expanding," says Mr Saleh Al-Sulaiman,

GSFMO's General Manager. "This establishment belongs to the government, but studies are now going on in cooperation with an international bank, as well as legal and financial institutions, as to the best course in privatizing it. Within four to five years this establishment will witness a lot of changes." Mr Saleh Al-Sulaiman believes the milestone of privatization will give the private sector and foreign investors a chance to be a partner in the planning of Saudi Arabia's economic development. "GSFMO produces important and strategic commodities and should confirm that there is no negative influence on the customers. It means observance of the society's scope beyond GSFMO's privatization."

The organization's contribution goes far beyond the distribution and storage of grain, wheat, barley and flour. It has also played a part in the increasing number of dairy farms and factories, thanks to the production of animal feed by the organization, which is vital for the maintenance and development of livestock resources and enhancing of meat production in the Kingdom. This includes a number of poultry and egg farms, with self-sufficiency for the Kingdom and export of the surplus products as a direct result. In addition, it allowed the development of storage, handling, and transport techniques. This includes the vertical storage methodology for bulk material at silos and warehouse, and discharging of bulk material by vacuum devices, transport systems or air suction. By using modern equipment, either between the same parts of the factory or from and to ships, trucks, and railway, GSFMO facilitated the accommodation and transport of substantial quantity of bulk material at the narrowest space, within the shortest time, and at the lowest possible cost.

Even with the cap on wheat production, the organization's widespread network across the Kingdom poses interesting possibilities for further development in alternative fields. Thereby GSFMO not only nourishes an entire nation, but also the prospects of a brighter future in food processing. ■



# GSFMO

## GRAIN SILOS & FLOUR MILLS ORGANIZATION

GSFMO is considered one of the leading institutions which has a prominent role in the achievement of the economic development in the KSA and in the provision of citizens' needs of most important food materials within the framework which was prepared by the government to provide all means of development and progress.

### The objectives of GSFMO are:

- To form an integral industry of grain storing, flour production and animal feed factories.
- To market its products inside and outside the Kingdom.
- Purchasing grains and having the capacity of storing a suitable reserve to face emergency circumstances.
- To meet the goals of the approved agricultural policy.

GSFMO is at the stage where it has skilled, highly qualified and motivated staff members, which have been professionally trained inside and out of the Kingdom. The specialist staff members in GSFMO attend international conferences and seminars around the world.

Because the government wants to give a chance to private sector to be a partner in planning of economic development, it has included GSFMO along with other organizations targeted for privatization. GSFMO started studying different alternatives of privatization to choose the best option suitable for its conditions. GSFMO produces important and strategic commodities and should confirm that there is no negative influence on the customers. It means observance of scope of society after privatization of GSFMO.

Grain Silos & Flour Mills Organization  
[www.gsfmo.gov.sa](http://www.gsfmo.gov.sa)



## Watania: The Science of Organic Harvesting

Growing healthy, green crops in Saudi Arabia takes a lot of care and attention. Water distribution needs to be monitored closely and so do the atmospheric conditions in contained environments to guard against adverse meteorological conditions. By chance, technology can step-in to boost the cultivation of agricultural produce in Saudi Arabia. In its continuous quest to bring best quality organic products to Saudi and international markets, Al Watania Agricultural Company, one of the country's largest agricultural companies, applies a specialized irrigation system known as SCADA (Supervisory Control and Data Acquisition). In cooperation with Al Watania Agricultural Company, a state-of-the-art wireless measurement and control system

has been developed and tweaked to perfection by six scientific entities and electronics companies, including the King Fahad University and Motorola. Among other parameters, it constantly checks soil conditions and irrigates crops accordingly, efficiently conserving water to the maximum effect.

This hi-tech solution is only one of the groundbreaking approaches Al Watania Agricultural Company has adopted over the past 20 years to push the envelope of agriculture in Saudi Arabia. The General Manager of Al Watania, Engineer Ibrahim Aboabat, says it was the founder, Sheikh Sulaiman Abdul Aziz Al Rajhi's vision and mission to provide his country with safe and ample food. "We are environmentally friendly in all our

processes," says Aboabat. "Fruits, vegetables, olive oil, all these products are organic. We also have integrated farms in Al Jouf Province, where we use the roughage of the farms to feed the animals, we recycle everything." Over \$250 million of investments have gone into making Al Watania's horticulture, livestock and food processing activities comply with international norms, and it has so far garnered an ISO 9001 registration and certificates for organic agricultural production under both European and US standards.

Aboabat sees the organic food industry in Saudi Arabia evolve exponentially during the next five years, as the movement for physical health through natural nourishment has already registered a large spring. "We open the door for small farmers and we try to train them. Sometimes we submit all our secrets to let them know about organic produce, and sometimes we sell them natural fertilizers at low prices to get them started." It does not take high science to see that Al Watania's impressive stock of 400,000 sheep, the largest in Asia, 500,000 planted olive trees - which will double in the next five years - and \$266 million in capital is an exemplary success in organic achievement worth pursuing. ■

*Eat Natural*  
*Eat Watania*

Organic Dates

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# Al Hindi: Entertaining Business

Thinking about tomorrow is not enough for most Saudi businesses. That's why their economic dynamics involve actually building the future, both short term and long term. But it is not just about securing shareholder value, or making a quick riyal. Where most real estate holdings pour their investments into towering landmarks, the Al Hindi Group, headed by CEO Engineer Faisal Abdullah Al-Hindi, has targeted the young generation with an entertaining new project in Dubai called Stargate. Described as a Family Edutainment Center, the eye-catching structure is made up of five heavenly domes (the earth, the moon, Mars, Saturn, and a starship) around a central pyramid.

To create this \$80-million project, Al Hindi got together with established Saudi developers Tanmiyat and Al Oula, creating Osus LLC, the first Saudi consortium to develop a project in Dubai. Mr Faisal Al-Hindi describes the motivation behind Stargate's idea as enhancing family bonds by experiencing a new, hi-tech form of educational entertainment. "We came up with the idea to blend entertainment with education in an academy which is not like a school, but somewhere where kids can learn about different sectors, to upgrade their education, as it were." Stargate offers unique activities such as "9D virtual journey" and rollercoaster rides and a food court at the 128-acre Zabeel Park. Osus has been mandated by Dubai Municipality to develop and manage the project under a 30-year build-operate-transfer (BOT) concession.

Osus assigned UK's Dreamgate as management advisor and Westech, a Swiss leisure services provider, to supply the project with all leisure equipment and the installation of rides and games. Al Hindi's CEO says that it is a strategic choice to bring in foreign expertise to such prestigious projects. "Saudi Arabia needs the know-how in terms of engineering for infrastructure or management. Hence, we bring suitable companies under our umbrella." Once Stargate has settled into its inaugural phase, the Group's second destination for the project is Riyadh, and following that comes Cairo. "Every project starts with ideas and, when we come to the execution, changes will always happen, therefore we can improve on the concept with the second one." Next to the new Stargates, within the next five years Al Hindi plans to start a specialized health club aimed at children. "We will give the new generation an opportunity to love sport in a different way. So in five years you'll see healthy, educated kids." ■

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*Mubarak Al Guthmi Contracting & AGC International*

## Delivering the Deals

Getting the job done on time is not always easy, especially when it comes to large-scale real estate projects. But Saudi Arabia has so far kept a commendable track record. Among the capable contractors delivering civil construction projects is Mubarak Al Guthmi Contracting (MGC). The company prides itself on having completed all of its projects on or before schedule, upholding its spotless 17-year reputation in the field. Having started as a one-man-firm in 1990 by Mr Mubarak Al Guthmi, MGC has grown to incorporate over 1,100 employees in its operations, including 53 qualified site engineers and 18 project managers with experience ranging from 10 to 30 years in the field of construction.

“MGC is one of the leading civil construction companies in the Kingdom, combining financial power with building and real estate expertise,” explains the company’s President and CEO Mr Nabil Al Jamal. “It provides a full range of services, including civil works, construction, and cost control, and has executed more than 39 major projects in the Kingdom.” Mr Al Jamal adds that these include the \$34-million Al Jamea Mall in Jeddah for the Savola Group, the \$6.6-million Jeddah Towers Ikea Showroom, and the \$37-million, 100,000-square meter Sairafi Commercial and Recreational Complex. MGC has also made quite a name for itself in satisfying private clients with special orders for residences, hotels, and even complete palaces.

### A compelling case

The company built up and maintains its empire from its base in Jeddah, an outstanding city on Saudi Arabia’s Red Sea coast that has been highly hospitable to the business world. For this reason perhaps it is also the ideal location for the annual Jeddah Economic Forum (JEF). It has become the Middle East’s strategic think tank focusing on regional and international eco-

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*AGC & MGC President and CEO Nabil Al Jamal*

nomics and social issues. The Forum, founded in 1999 by the current Governor of SAGIA Mr Amr Al-Dabbagh, has hosted such renowned speakers as former

US Presidents George H.W. Bush and Bill Clinton, the late Lebanese Prime Minister Rafik Hariri and Queen Rania of Jordan.

Mr Nabil Al Jamal, who was a speaker at this year’s JEF Gala Dinner, says the forum adds to Jeddah’s status as a cosmopolitan, cultural, and business hub. “There is the elegance of the old city, the energy of the souks, the style of our modern buildings and wonderful sculptures on the cornice, the extraordinary beauty of our coast and our remarkable coral reefs. It only takes a few days in Jeddah to realize that there is much more to Saudi Arabia than the image of desert and skyscrapers that is so prevalent internationally.”

Working from Jeddah has put MGC in a prime position to contribute to the Kingdom’s economic boom. According to Brad Bourland, Chief Economist of Saudi Arabia’s SAMBA Bank, the economy has almost doubled in size since 2003 – equivalent to adding an economy the size of Malaysia to Saudi Arabia in just four years. “Some countries would be complacent,” observes Mr Al Jamal. “But our government has not sat back and used this prosperity as an excuse to avoid making really tough decisions. Instead, we have seized the opportunity to press forward with reforms to open up and liberalize the environment in which we conduct our business. This country has strong foundations and I believe the case for all the reform and modernization is compelling, and that the benefits for the corporate sector are enormous.”

### AGC International

Engineer Nabil Al Jamal is also the sole owner and founder of the Al Jamal Group of Companies (AGC International), a multinational and multi-disciplined group that manages and runs several lines of businesses. MGC is one of them, and shares the portfolio with ATICO, Media House, ALKAWN International, Fuji Atlas World Exchange Center, CCC Building Efficiency Limited, and the International Furniture Group (IFG).

“Our commercial interests include publishing, trading, and investment,” says Mr Al Jamal of AGC. “We are wholesalers of organic beef and ho-

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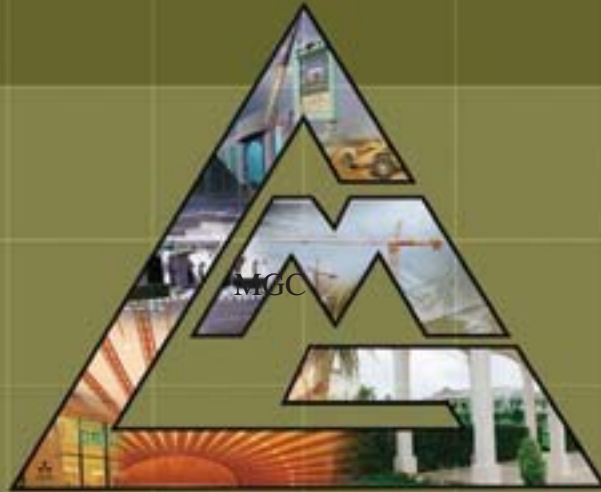
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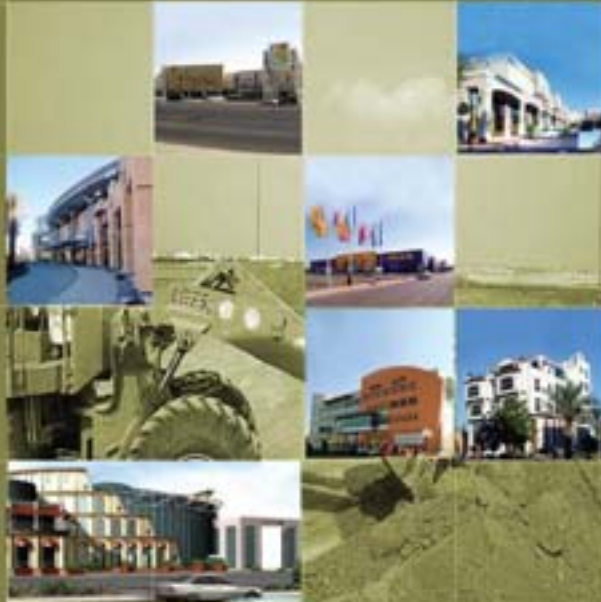
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**“Rightly, we are now treating international investors as our partners, not contractors to be discarded when a project is over. The reality is that they are making a positive impact and that the Saudi market really needs and requires them.”**

*AGC & MGC President and CEO Nabil Al Jamal*

tel furnishing. Through Fuji Atlas we have a strong commitment to Japan, investing in its traditional handicrafts industries, and we are encouraging joint tourism and real estate developments in both countries.” ALKAWN International represents an industrial complex of aluminum, glass, woodwork, and stainless steel products. At Al Jamal’s hand, one can really observe globalization in practice.

“Rightly, we are now treating international investors as our partners, not contractors to be discarded when a project is over. The reality is that they are making a positive impact and that the Saudi market really needs and requires them.” Despite the undeniable difficulties with the volatility of prices, Mr Al Jamal says that the creation

of a proper capital market and access to equity markets has benefited both investors and companies, as seen with the privatization of companies such as Saudi Telecom. He especially hails the decision that much of the country’s infrastructure development will be carried out by the private sector rather than the state. “Having looked at the experience of every country that has tried it across the world, I have no doubt that industrial and commercial development works better in the hands of the private sector.”

As such, Saudi Arabia – and both AGC and MGC with it – continue to build a thriving future for the Kingdom. Its opening up to the world has marked a real revelation for the infinite possibilities inherent in King Abdullah’s nation. As long as the global diplomatic community remains committed to the Middle East’s peace process, laying the foundations for security and stability across the region, there is no reason why Saudi Arabia should not become a solid, strategic powerhouse and a global strength for generations to come. ■

