

THE KINGDOM OF SAUDI ARABIA

Strategic Powerhouse, Global Strength | Part I

Saudi Arabia, earth's single largest supplier of oil at 11 million barrels per day, is vigorously preparing for a future independent of natural resources. It is no wonder that the Kingdom is fast becoming a Middle Eastern hotbed for fresh economic ideas, grand real estate projects spanning entire cities, and expansive infrastructure upgrades. Can the Kingdom's non-oil initiatives capture the hearts of foreign investors to become one of the 10 most competitive players in the world?

© SAGIA King Abdullah Economic City

Custodian, King, and Carrier of the Future

To his citizens he is known as the Custodian of the Two Holy Mosques, a reference to Mecca and Medina, the most important sites in Islam. The honorable designation comes even before his royal title, which makes King Abdullah bin Abdulaziz Al-Saud not only the current ruler of the Arabian Peninsula's largest and most powerful nation, but also a revered figurehead to Muslims worldwide. Since succeeding the throne on August 1, 2005, following the passing of his half brother King Fahd, King Abdullah has reached across Saudi Arabia's borders to enhance diplomatic and trade ties.

A major step in building a future beyond oil has been the Kingdom's entry into the World Trade Organization (WTO). It hailed in a new era for Saudi Arabia, which is now training its human resources to compete on a much broader level. In order to take full advantage of its capabilities, Saudi Arabia also needs to increase female participation across all sectors, as women make up 50 percent of the workforce. King Abdullah's progressive agenda has already opened new paths for women's involvement in economic and socio-political processes. Key professional and public sector positions are increasingly being taken up by and assigned to women, especially in the more cosmopolitan city of Jeddah, but much still needs to be done to harness their full potential.



Growth feeds growth

Since December 2005, the King has also inaugurated some of Saudi Arabia's most ambitious real estate projects to date. Four Economic Cities have been announced that will lead the Kingdom's diversification strategy into the next few decades. These mega projects have been accompanied by an equally impressive wave of new universities, colleges, and training institutes. They form the foundation of King Abdullah's vision to feed greater industrialization by creating a knowledge-based economy. The buzz around the projects has already created an ever-expanding momentum. Business is up 17 percent, expansion plans have resulted in more orders and contracts for Saudi industries and services, and non-oil exports rose to \$2.16 billion in April this year.

In his State of the Kingdom address given in April this year, King Abdullah said that "due to the importance of investment in the national development, we are planning to continue our support for the private sector to become a strategic partner in the economic development. We are also removing all obstacles facing Saudi and foreign investors so that they can benefit, whenever possible, from the proportional privileges in the Saudi economy." This opens new doors for the United States which, together with Japan, is the Kingdom's top trade partner. Saudi-US trade grew 16 per cent to a record \$39.49 billion last year, compared to \$34 billion in 2005.

King Abdullah has maintained good ties with the United States, frequently meeting with the US President and high-ranking officials to discuss the Arab peace process and counter-terrorism efforts. He has not wavered in his condemnation of the taking of innocent lives and in his denunciation of deviant groups that falsely claim to be Islamic. At the Counter-Terrorism International Conference in Riyadh in February 2005, he urged international cooperation to fight this global scourge. "I hope that a new world will emerge, a world that is blessed by virtues of freedom, peace, prosperity, and harmony."

As Saudi Arabia looks ahead, King Abdullah's pursuit of modernity and democracy indicates that this strategic powerhouse is a concerned, active global citizen, ready to tackle difficult issues through constructive and peaceful means. The King is adamant that unity and balance within the Middle East is the only solution to maintaining not only political but also energy security. After all, oil continues to be the Kingdom's main source of income. King Abdullah explains, "Saudi Arabia is aware of its international responsibilities and is working to create fair prices to this resource by taking into consideration the interests of the producer and the consumer." Most importantly, the economic restructuring, entrepreneurial and large-scale projects being overseen by the Saudi Arabian General Investment Authority (SAGIA) aim to elevate the Kingdom among the 10 most competitive economies of the world. Known as the 10 x 10 plan, the strategy might just be Saudi Arabia's ticket to a dazzling future.

Mastering the Challenges of Globalization

Advances in liberalization and diversification lead the way

A mighty nation created by strong leadership and the calculated management of its natural resources, Saudi Arabia now has to deal with its future. Its evolution into a modern economy is necessary in an increasingly competitive and globalized world. The Kingdom's December 2005 accession to the WTO goes a long way in converging the country's successful, yet protective, past and its more open, accepting present.

"We have three challenges in Saudi Arabia," analyzes Dr Fawaz Al Alamy, Deputy Minister of Commerce and Industry. "Number one is our young generation. Sustainable development needs to concentrate on the brainpower of both boys and girls. We grade people who can add value to the country, so we need to revamp the education system and create jobs. We need to direct them toward their future aspirations."

The second issue, likely the most crucial for the Kingdom, is the need to drastically reduce dependence on oil as a main source of income. "80 percent of our revenue is from oil and that is not good," admits Dr Al Alamy, "so we have to diversify and raise investor confidence, the confidence that Saudi Arabia is creating a level playing field and applying its rule of law. To do that we need to be within an international system that will cater for us, and that is the WTO. That is why a swift accession was important, so that we could sit down and debate with our friendly countries and open up to international investment."

"Third is our GDP growth which must be much higher, twice as much as our population growth, so that we can sustain this development." Over the last two decades Saudi Arabia's population growth has been 3.2 percent, while GDP growth is less than 3.2 percent. "To increase that we have to increase our professionalism, inter-trade efficiency, commercialize, and then privatize these trade enterprises."

"Saudi Arabia is a partner, not an isolated entity"

Secretary General of the Committee for International Trade, Mr Omar Bahlaiwa

In all three challenges Saudi Arabia faces the issue of human resources, as it currently needs to bring in foreign work force to fill most sub-management positions. Saudi Arabia's Minister of Finance Ibrahim Al Assaf says that the government has expanded the higher education infrastructure in the last three years to increase the number of colleges in medicine, nursing, science, information and communication technology, and engineering. "We faced fiscal challenges in the past which prevented us from building up the education system. We realize more has to be done to improve the quality of Saudi human resources and bring new skills to the Saudi market." The most valuable and largely untapped pool of labor in Saudi Arabia is women, which could make up 50 percent of the work force. Many moves have been made in recent years by the Saudi

government to bring more women into decision-making positions.

Reforms have also led to wide-scale privatizations and liberalization, creating a more open economy. Closer ties with the surrounding Gulf Cooperation Council (GCC) countries is a logical step as the trade, skills, and experiences of countries like the United Arab Emirates (UAE), Qatar, and Oman are similar to that of Saudi Arabia. The UAE's advanced economy has guaranteed a high Human Development Index, Qatar's social infrastructure has been facilitated by the country's natural resources windfall, with guaranteed free education for all nationals, and Omanization has been a successful example of integrating national citizens in the economy. The last example has also been adopted in the Kingdom as Saudization, but Mr Omar Bahlaiwa, Secretary General of the Committee for International Trade, says foreign investors should not misconstrue it.

"Saudization does not mean to impose Saudis on the job, it means qualifying Saudis to do the job," explains Mr Bahlaiwa. "At the same time we should input part of our investment to bring the know-how and human resources development in finance, training, skills, preparing the environment, and preparing the youth for the market place. All this should be the trend of Saudization in the next decade or so." Where Saudi Arabia intends to excel, besides remaining a global leader in oil and gas, is in fostering a powerful private sector, which already contributes 44 percent to its GDP, and is growing by 6 percent annually.

WTO membership greatly supports economic expansion and allows the Kingdom greater access to

"A swift accession to the WTO was important so that we could sit down and debate with our friendly countries and open up to international investment."

Deputy Minister of Commerce and Industry, Dr Fawaz Al Alamy

more markets. As a result, Saudi Arabia is attaining the best of global business standards, international regulations and protection. "Saudi Arabia is a partner, not an isolated entity," assures the Secretary General of the Committee for International Trade. The economic cities currently under construction are the most poignant example that Saudi Arabia is building a rapport with partners all over the world, as the cities rely on large-scale foreign direct investment. "We have a lot of projects from now until 2020 that are worth over \$623 billion in opportunities and will encourage Saudi Arabia to be a strong contributor to the WTO. We need the world to come and share the future with us."

The Kingdom Beyond Oil

Mega projects as economic catalysts

Saudi Arabia's great boom of the seventies, when revenues from oil exports really started to flow, laid the groundwork for one of the most economically dynamic regions of modern times. Consistently high oil prices of recent years have sparked a second renaissance for Saudi Arabia. This time, the Kingdom is covering all its competitive bases by creating projects of such an immense magnitude, that they have officially been branded as Economic Cities, rising from the Kingdom's ample desert and coastal lands.

With four Cities officially initiated by King Abdullah and two more on the horizon, the mega projects facilitated by the Saudi Arabian General Investment Authority (SAGIA) are aimed at increasing foreign capital involvement in the Saudi economy as well as creating jobs for Saudi nationals. The Cities are primarily intended to provide financial security for the country's next generation. Building on its strengths, Saudi Arabia is diversifying and re-inventing itself with innovative plans to grow the economy beyond oil and gas.

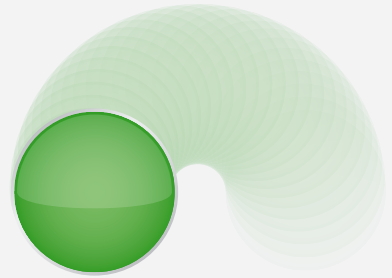
That Saudi Arabia is serious about its future is exemplified by the impressive large-scale developments taking place. Under the auspices of SAGIA, successful joint ventures have been awarded to construct the King Abdullah Economic City (KAEC) on the Red Sea coast 90 miles north of Jeddah, the Knowledge Economic City (KEC) in Medina, the Jazan Economic City (JEC) on the southern Red Sea coast, and the Prince Abdulaziz Bin Mousaed Economic City (PABMEC) at the central city of Ha'il. Combined the Cities form the vision of a new Saudi Arabia, in which SAGIA is the central component around which these new developments take shape.

"Establishing an integrated system of Economic Cities," explains SAGIA's Governor Mr Amr Al-Dabbagh, "creates a competitive environment that is able to provide everything from A to Z, including commercial and residential land, visas, labor force, entertainment, everything to provide the best quality of life for the inhabitants and investors." One of SAGIA's roles in this ambitious vision is to serve as a 'One Step Shop', a comprehensive services center where everything needed to license and register a company can be handled in one place, with one representative. Having a complete overview of all the opportunities on offer at the cities now rising on the Kingdom's horizons, SAGIA is able to direct interested parties to the destination that best fits their needs.

The grandeur of King Abdullah Economic City

The first and most magnanimous of the current projects is the King Abdullah Economic City near Rabigh. Construction started in 2005, on the very day (December 20) that King Abdullah announced the city-to-be. The master plan has already been up-scaled to five times the original design. Covering a total development

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area of 64 square miles, roughly three times the size of Manhattan, the city will comprise the region's largest sea port on the vital Red Sea route with capacity of over 10 million containers per year, a light industrial district of 24 square miles, an educational zone complete with university, a financial island at the heart of a central business district, seaside resorts and residential areas. Due to the city's proximity to Medina and Mecca, the port will even have a terminal dedicated to pilgrimage travelers. The total development cost is estimated at approximately \$27 billion, and when KAEC is completed it will provide jobs for nearly 1 million people.

“This project is something we do for our children’s future.”

Mr Nidal Jamjoom, CEO of Emaar

“Our goal is to have the first phase completed by the end of 2008,” says Mr Al-Dabbagh. “As for how it will catalyze and expand the Saudi economy, we expect a combined effect of the six Economic Cities to contribute \$150 billion to the country's economy, become home to over 4.5 million people, and increase the per capita GDP from \$13,000 to \$33,500.” SAGIA's Governor points out that even though the function of these cities is to diversify the economy, the diversification will happen within the boundaries of the country's core competitive advantages of energy and location. Adding value to the petrochemicals thereby takes front stage. Mr Al-Dabbagh adds that “Saudi Arabia is the most cost effective location in the world for hosting these industries,” a fact that could make the Kingdom a true energy capital of the world.

Interestingly, Deputy Governor of SAGIA Mr Fahd Al-Rasheed, in charge of the Economic Cities Agency, says that the development costs are to be covered by the private sector, starting with the developers. “We selected from the top offers that provide the financing capabilities and the experience in developing such large projects.” The KAEC project was awarded to Dubai-based Emaar Properties, the world's largest real estate company with over \$40 billion worth of business. EMAAR's CEO, Mr Nidal Jamjoom, stresses that one of the key objectives of the city is to create jobs for young Saudis. “This project

is something we do for our children's future, and that is what keeps me going every day. There are not many smart cities in the world today, and the whole idea of creating Economic Cities is in fact an innovation for Saudi Arabia,” states Mr Jamjoom.

A new landmark for Medina

An innovation of equal importance to the Islamic world is Knowledge Economic City (KEC) at Medina, the second most holy city of Islam. The \$7-billion high-tech project is designed to turn the Medina region into a centre for knowledge-based industry where young Saudi entrepreneurs will be trained and nurtured. It will also attract the best Muslim Information Communications Technology (ICT) talent from around the world. About half of the country's 20 million local population is under the age of 20, and by building the Economic Cities in regional areas, the government is taking a positive step towards creating employment for its young people.

The Al Madinah Al Munawwarah region in the northwest of Saudi Arabia has particular significance for the country and the Muslim world in general. Twice a year during the Hajj and Umrah pilgrimage 10 million people pass through the area en route to Mecca. Medina was the home of the Prophet Mohammed, the place where he is buried and where the Quran was compiled. The modern Medina is also home to some of the Kingdom's leading educational institutions, has a growing ICT industry, and piloted the country's new e-Government program. The positioning of the KEC on the outskirts of Medina, just 7 kilometres from the airport, fits well with existing infrastructure.

KEC is expected to create 20,000 new jobs and provide a solid return for investors who participate as partners, sub-developers, venture capitalists, or direct investors. KEC has already attracted a powerful consortium of Saudi companies, including the Savola Group, Taiba Investments and Real Estate Company, Project Management Development Company (PMDC) and Quad Intl' Real Estate Development Co. In addition, since November has signed deals with several interested parties from the US, Canada, and Malaysia. This includes MoUs signed with some of the biggest names in the IT world, such as Intel Corporation, Cisco and CompTIA with further announcements expected in August.

The Malaysians in particular see the potential for high-tech industry in the region, having gained plenty of experience from the development of their own Multimedia Super Corridor (MSC). In February this year, a trade delegation led by Malaysia's Deputy Prime Minister Najeeb Tun Razaq visited Medina and signed several deals that will give KEC the benefit of MSC's expertise. The project is the only one of the six Economic Cities that has the direct involvement of the King Abdullah Foundation, which is providing the land for the development.

Saudi Arabia at a Glance

Head of State	King Abdullah bin Abdulaziz Al-Saud
Area	864,869 sq miles
Population	25.6 million (UN, 2005)
Capital	Riyadh
Language	Arabic
Major Religion	Islam
Life expectancy	70 years (men), 74 years (women)
GDP per capita	\$11,770 (World Bank, 2006)
Climate	hot desert, mild to humid in other regions.
Currency	Saudi Arabia Riyal (SAR)
Exchange rates	1 US dollar = 3.75 riyal

Knowledge Economic City's High Aspirations


It is expected to attract a population of 150,000, host up to 10,000 visitors in world class accommodations, and develop 30,000 residential units on a total build area of 2,421 acres. The KEC rising in Medina, under the management of the Seera City Real Estate Development Company, is already attracting investor interest for its unique amenities.

Seera City Chairman Sheikh Ibrahim Al Eissa says KEC will combine the concepts of Intel Corporation's 'digital city' and Cisco Systems' 'smart city'. The project will include a high-tech park for knowledge-based industries, a centre for medical sciences and bio-technology, research centers and scientific development, an educational/entertainment (edutainment) park themed around the Prophet's heritage, a centre for Islamic civilization studies and research, a multi-modal transport center, a world-class business district and a major retail hub inspired by the old Souks of Medina. "We want to establish strategic partnerships to develop and operate key components in the project," says Chairman Sheikh Ibrahim. "We want to get together with leading international technology firms, ICT-focused venture capital funds and Infrastructure funds."


Seera City Marketing Manager Mohammad Khoja is understandably enthusiastic about KEC. "It's attracting some of the world's leading experts in smart cities of knowledge-based industry, because not only do they recognize the value of the project in terms of education, training and the development of ICT skills and industries, but they also understand the significance of Medina as

a heartland of Islam," says Mr Khoja.

"This is an ambitious, challenging, creative, exciting and essential project that reaches out to people of all cultures and backgrounds around the world. It will act as a cultural landmark serving residents and visitors to Al Madinah and become a national icon for knowledge-based industrial development. We have made a good start and still have a long way to go, but our location at Medina is a blessing that I am confident will assure us of success," he says.



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Its location in the most beloved city of all Muslims, Al Madinah Al Munawarah, makes Knowledge Economic City (KEC) one of the more appealing investment opportunities in a new era of 'Economic City' projects currently developed in the Kingdom of Saudi Arabia.

Medgulf Secures a Strong Future

One of the great misconceptions held by western investors about Saudi Arabia is its purported lack of security. Apart from successfully creating a safe business environment, over the past two years the Saudi government has added over \$750 million to its existing \$8 billion (as of 2004) security budget, to protect the country's borders and assets. In addition, Saudi Arabia's Insurance Industry has built strong foundations to shield all business and economic activities, ranging from individuals to businesses, small enterprises to international conglomerates.

Fixing the image of the Middle Eastern market is a core vision of Medgulf, one of the major insurance companies in the Gulf region and the leading non-governmental insurer in Saudi Arabia. Having commenced as an offshore insurance and reinsurance company registered in Bahrain in 1995, it transacted its Saudi operation through an exclusive contract with Al Samiya Trading Company and in 1997 acquired the shares of Strikers Insurance and Reinsurance Company in Lebanon. A year later Medgulf increased its capital through an investment by the Al Azizia Group headed by Prince

Alwaleed bin Talal and Group Mediterranean, at the time owned by the Hariri family. A sharp ascent followed for the newly formed Medgulf Holding with acquisitions of Addison Bradley & Co Insurance Brokerage, ARK insurance, Medivisa and Omnilife.

"In 2004, Medgulf submitted its application to the Saudi Arabian Monetary Authorities (SAMA) for its license to operate as an officially recognized insurer as required by the new Saudi Cooperative Insurance Companies Law," says Medgulf's Chairman Mr Lufti El Zein. The official license was obtained in 2006 along with an Arating from the Digest Arab Insurance Rating within the Muhanna framework. "We at Medgulf are fully committed to continue building a solid and serious leading Pan Arab insurance group based on professionalism and transparency at the forefront of the insurance industry." Combined with its international network of reinsurers, Medgulf guarantees investors secure operations within the Kingdom of Saudi Arabia.



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Saudi Industrial Development Fund: Fulfilling Industrial Objectives

Following Saudi Arabia's WTO accession, the government has geared its efforts towards welcoming and aiding new arrivals to its industrial sector. Its support for private sector projects is not a recent trend. Since 1974, the Saudi Industrial Development Fund (SIDF) has provided loans as well as technical and consultative assistance to promising start-ups. Administratively part of the Ministry of Finance, SIDF is a corporate entity that uses a sound economic feasibility policy to determine the projected success and necessity of applicants. The substantial growth in demand for SIDF loans over the years resulted in several government approved increases of SIDF capital, which now amounts to \$5.33 billion. SIDF is funded primarily through medium to long-term loans extended to national and foreign interests in the private industrial sector.

Although its activities remain identical to when it first started, SIDF's focus has evolved over the years, as the Fund's Acting Director General Mr Mohammed Dobaib explains. "Between 1960 and 2000, investors were most interested in the energy industry, but it was noticed that during the period 2001-2005 they have been attracted by new areas, such as transportation, insurance and financial services, and construction. In light of the Kingdom's strategy to diversify its industrial base, more emphasis should be given to investments that serve that goal." Mr Dobaib adds that foreign direct investment will play a key role in promoting non-oil exports, accompanied by the introduction of modern management techniques, technology transfer, and maximizing added value.

"In the early 1960's, the Kingdom was fully importing its needs from abroad," recalls Mr Dobaib, "hence SIDF facilitated

credit to industrial activities following the import-substitution strategy. Currently most companies that benefited from the Fund's credits are mainly producing for the local market." However, the Fund now encourages companies to give more consideration for exports to WTO members utilizing locally available raw materials. This includes cement and petrochemicals, and SIDF is involved in three \$4 billion mega projects that will produce 3.5 million tons of ethylene and one million tons of propylene. Through these projects and a high rate of fully repaid loans, SIDF reflects the continued success of industrial development in Saudi Arabia.

Fulfilling The Kingdom's Industrialization Goals

Excellent Business Opportunities for Foreign Investment in the Kingdom



SIDF Mission:

SIDF was established in 1974 as a specialized institution to finance and support the industrial development in the Kingdom with a Paid-up Capital of around US\$ 5.33 billion.

Scope of Work:

- SIDF provides soft loans to industrial projects of up to 50% of the total project cost.
- Intensive support to investors by providing technical, administrative, financial and marketing consultation.
- SIDF strongly encourages foreign investment in the Kingdom as joint-ventures or sole foreign projects.
- SIDF guarantees credits extended to SMEs in the Kingdom.

SIDF Main Achievements: (By the end of 2006)

- US\$ 15.5 billion total loan commitments.
- 1,999 Industrial projects.
- 558 Industrial Joint-Venture projects.
- Foreign capital share in SIDF Financed Projects represents 32% of their capital.

Saudi Industrial Development Fund (SIDF)

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Constructing the New Saudi Arabia

The real boom in real estate

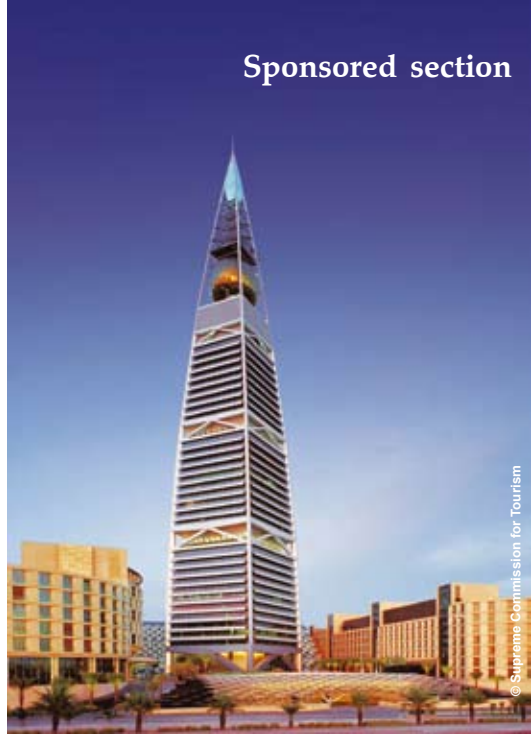
What is the Arabian Peninsula's fascination with real estate? Almost every single country within the GCC has at least one, but more often, several mega projects underway in groundbreaking, skyscraping and awe-inspiring construction work. It could be a by-product of the abundant unused desert land, but that does little to explain the island clusters magically rising from the sea. The simple answer would be that after decades of filling up national coffers with oil revenues, the Gulf nations have the resources to bring almost any real estate desire into reality — from residential units to retail resorts and hyper-luxury hotels to Economic Cities. But there's more to the construction boom than meets the gazing eye.

Real estate development in Saudi Arabia is undergoing a veritable quantum leap. With over 420 major projects in progress, including four Economic Cities and two more on the list, one in the northwestern Tabuk region and another expected near the new Ras Al Zour minerals port in the Eastern province, one may wonder if this boom is sustainable. There are clearly risks attached to this grand vision, but the potential benefits for the Saudi economy in terms of modernization, diversification, employment, education and general advancement of the Kingdom far outweigh any calls for caution.

Persistently high oil prices have created such a solid economic environment in the region that the main challenge now is how to manage the success. Construction needs energy, and Saudi Arabia together with similar Gulf States is at a 30 percent cost advantage in power generation with the availability of cheap oil and gas. Infrastructure expansion is therefore the first step in creating a stable base for continued economic stability. Real estate is a long-term investment with potentially high and lasting returns. The International Monetary Fund assesses that there are \$700 billion worth of projects currently ongoing or pending in the Gulf, and estimates are that the regional power sector needs \$61 billion in new investments by 2011 in order to support this construction surge.

By involving contractors who build and fund the projects rather than the Government footing all the costs, development projects are more profitable, timely, and conscientious of environmental issues and design aesthetics. Incorporating the financial input of the developers entails the revamping of the banking sector to accommodate the requirements of long-term financing. Unfortunately, the rise in demand for contractors also means a rise in construction costs, as well as lapses in the supply of raw

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materials, such as the shortages already registered for cement and steel. It is Saudi Arabia's challenge to keep a cap on the already astronomical figures attached to the current projects.

In a column of the Arab Times Top-100 Saudi Companies supplement (November 27, 2006), Editor in Chief Khaled Almaena comments that "Saudi Arabia has such a massive spending power worldwide that an order made or canceled here could make or break an industry on the other side of the world. That demands responsibility." Local economists have also suggested that the development of the mega cities should be scheduled properly in consultation between the government and the contractors in order to avoid bottlenecks in the economy. A labor force of 1.3 million will be needed when the projects are scheduled for completion, so the pace of development should match the skilled manpower supply. Currently many Southeast Asians are taking up the tasks offered by the projects, but the cost of living has already increased by 2.9 percent in April 2007, according to a report by the General Statistical Information Department of the Ministry of Economy and Planning. Even though this figure is still well below the inflationary spiral registered in certain neighboring countries, the existing salary structure may need to be reviewed, much as it has in India and the Philippines.

Over 50 companies are licensed to sell and develop real estate in Saudi Arabia, and they are eager to feed the housing demand of the Kingdom's over 20 million inhabitants, 70 percent of which are under 30 years of age. Kingdom Holding Company, the country's top earning group headed by billionaire businessman Prince Alwaleed bin Talal, has also planned two mega projects in Riyadh and Jeddah. With total consolidated assets up to \$25 billion in 2006, the company is well placed to add such prestigious real estate projects to its already diversified portfolio. Traditional and emerging players such as the Alshoula Group and Inmaia also headline the construction and real estate sector, and despite aforementioned concerns they prove that it's the right time and place for thinking and building big.

Inmaia: Converging Form and Function

In a country where the per capita average income is \$11,700, there is a lot of spending power among its population. Whereas most Arab consumers used to acquire their daily necessities at traditional Souks and covered markets, big-city Saudi families today prefer to go shopping at the mall. Retail real estate has become big business in the Kingdom and one of the prime entities in its development is Inmaia. If you happen to pass by the company's 50,000 square meter project Le Mall in Riyadh, you'll find a whole spectrum of outlets - from Starbucks to Baskin Robbins, and Esprit to Mothercare - familiar to American malls brought together in an open plan design. Le Mall's centerpiece is an 11,000 square meter Carrefour hypermarket, the world's second largest retail group after Wal-mart.

Inmaia's Managing Director Mr Abdulaziz Al Al-Sheikh says that the tenant study and selection formed a big part of the concept in its first milestone project. The company aims to create a family experience where shopping and public entertainment are converged, a format not previously encountered in Saudi Arabia. The idea is being developed even further at Inmaia's next multi-retail project, Central Park, in the heart of Jeddah's new city center. "Once opened on 31 March 2008, it will be the largest mall in Saudi Arabia," boasts Mr Al Al-Sheikh. Central Park's triangular layout is designed around what will be the Kingdom's largest indoor amusement theme park, complete with rollercoaster rides surrounded by leading brand retail stores.

"This is really going to be the prototype for future projects in Saudi Arabia," says Mr Al Al-Sheikh, adding that the 330,000-square-meter project will

include a residential tower, a prestigious office complex, a 5-star hotel and a medical building in collaboration with the Jeddah Municipality. Jeddah is the Kingdom's foremost commercial and tourist center, and the \$2.1 billion Central Park will be located close to the high-speed train station connecting Jeddah to Mecca and Medina. Conducting its own market research and employee training, Inmaia is keen to see the advancement of Saudi Arabia. "Any real estate company plays a very important role in the development of cities and the community. Development is not only constructions, it is a concept."



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Alshoula Holding Group Passes the Flame

The oil boom of the 1970s brought forward the first major players in real estate and construction. Prior to that period, the landscape resembled the Wild West before the pioneers ventured beyond Nevada. Where once there were endless wide desert plains, civic and commercial infrastructure started sprouting like palm tree oases. Part of that first major development drive was the Alshoula Group, founded in 1970. Alshoula was initially active in sale and purchase of real estate, construction of commercial centers, residential areas, and the landscape architecture of Saudi Arabia's mighty cities. After 20-30 years of growth in the sector, Alshoula diversified to include transportation, petrol and gas, and other strategic investments. Its dedication to real estate development never subsided, and by passing the flame on to the next generation the Group is now contributing to the sector's growth more than ever.

Five years ago, the group's founder His Royal Highness Prince Mishaal bin Abdulaziz Al Saud, brother of King Abdullah, asked his son Prince Abdulaziz, an acclaimed businessman, to head the Alshoula Group. A complete restructuring of the Group followed, and the company was on track for an ambitious corporate expansion. "We would like to see Alshoula Corporate as an investment company," says Executive President Prince Abdulaziz. "This gives us a power to diversify our business. Actually it's not purely investment; we join people together and form a company for that sector. We cook it up until it has a ground foundation and then we install a board to manage it and let it go its own way, with the occasional supervision of course."

"The company has contracts with Aramco and is rapidly gaining business with international strategic alliances."

Prince Abdulaziz bin Mishaal

This process has recently been put to practice in the creation of a railway consortium. As of July 2007, the Alshoula Consortium was among the final bidders selected to apply for the tender to build a railway link between the holy cities of Medina and Mecca. Two years ago the Saudi Government introduced the Build-Operate-Transfer (BOT) system, an international tendering process new to the country. This enabled Alshoula to apply its new approach, as Prince Abdulaziz explains. "We identify what the most important roles are in this consortium, high speed technology, civil works, signaling, and so on. Then we check which company is the most powerful in that sector and bring it under our wing. Alshoula works as a coordinator,

leader, and major investor for the consortium."

The 275-mile railway line between Medina and Mecca is part of a massive national railway expansion project the government is undertaking, worth an estimated \$5 billion, to improve public transport in the Kingdom. The project includes construction of a 600-mile railway from Jeddah to link with the existing Dammam-Riyadh railway, a new 71-mile line from Dammam to Jubail, as well as numerous projects to upgrade Saudi's existing rail network.

Alshoula has also entered the telecommunications sector together with India's MTNL in a bid to win the country's third mobile license, as well as the second landline license. The Alshoula Group is also interested in entering the energy, water, alternative power, and private aviation sectors, a healthy cross section of rapidly emerging markets in Saudi Arabia.

Dhahran Global raises the resources

In addition to its diversified portfolio of activities, the Alshoula Group is involved with the country's prime source of revenues through Dhahran Global. "We have Dhahran Global for oil and gas services," Prince Abdulaziz explains. "The company has contracts with Aramco and is rapidly gaining business with international strategic alliances." Joint ventures with corporations, including China's Sinopec, Italy's Oyster Progetti, and Korea's Darim Constructions allow Dhahran Global to offer complete turnkey solutions for oil drilling, rig movements, and transportation services. Established in the heart of the Kingdom's Eastern Region, the company is closely involved with the Gulf's petrochemical industry. From exploration activities to pipeline installations, Dhahran Global is becoming the partner of choice in Saudi Arabia's natural resource sector.

Its supreme services also incorporate the quality training of staff in the industry, with a steady focus on skills enhancement and safety awareness. Through Systran, employees are offered e-learning and technical training to provide confidence building to encourage greater levels of individual achievement. Dhahran Global equally supports the Kingdom's "Building Saudi Arabia Through Youth Development" vision, cooperating with the Meralco Foundation Inc. (MFI) to reach higher levels of productivity and competitiveness through knowledge sharing.

All the while, the company maintains environmental standards, advocating the responsible use of renewable and solar energy. Hence Dhahran Global offers accredited investors a reduced risk in oil and gas opportunities, offering short term and high returns on oil investments.

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Al Jouf grows green gold

Alshoula is very much aware of the finite nature of fossil fuels, so instead it has turned to mother nature to enter a pioneering new realm for Saudi Arabia: Olive oil. It may seem an unlikely product for the Kingdom, but the Group's agricultural company Al Jouf is conquering foreign markets with this organic commodity. It is the first Saudi company to export olive oil en masse to an even more unlikely market, Spain.

Prince Abdulaziz explains how substantial domestic consumption in Spain has left a large appetite for olive oil imports, one that Al Jouf is qualified to quell. "They take it as bulk from different parts of the world, including Jordan and Tunisia. We have succeeded in creating the biggest farm for olive oil in Saudi Arabia." The joint stock company established in 1998 produces some 1,200 tons of olive oil per year, already a commendable success considering that the commercial production of olive trees usually comes after 10-15 years. "It is also 100 percent organic, no chemicals at all, so Spain has given us an organic certification for the olive oil. Even Italy is ordering from us now, but we want to enter manufacturing value added products, including the packaging and marketing for our customers."

In addition to olive oil, Al Jouf has always contributed to Saudi Arabia's self-sufficiency in wheat, which constitutes 60 percent of the company's revenues. It produces 130,000 tons of wheat per year, using the latest technology in farming and harvesting. Al Jouf also produces fruits, potatoes, and alfalfa. It has excelled in productivity, producing 8.2 tons per acre, the highest level in the Kingdom, and its olive oil registered a sharp rise from 2,000 tons per acre last year to 7,000 tons at this year's harvest. In 2006 its profits were \$3.2 million with a total capital of \$53 million. Al Jouf is on the verge of merging with another major agricultural company in Saudi Arabia, Astra in the Tabuk region. The combined assets and know-how of such a coalition would create the strongest entity in Saudi Arabia's agribusiness sector.

Prince's pride

Although wheat and olive oil are fulfilling Alshoula's new business strategies, its core strength is real estate. Alshoula is cooperating with Dubai's Emaar on an \$11.2 billion community project, Jeddah Hills. Emaar's second foray into Saudi Arabia consists of 20,000 residential units (townhouses and single homes) alongside commercial and retail facilities.

Jeddah Hills extends over 5,314 acres with a built-up area of 3,768 acres. Set between 70 and 90 meters on a hilltop, Jeddah Hills offers spectacular views over the surrounding landscape towards the Red Sea, North Jeddah and the Mountains in the East. The project features 24 residential villages, offering a board spectrum of community amenities arranged in a hub-and-spoke model. Large parks, recreation areas, schools, mosques, healthcare services and village squares will add to the allure of a self-contained community living environment.

In May 2007, Prince Abdulaziz bin Mishaal announced his holding group's latest venture with UAE-based Tameer



“If you do not take the advantage now you will not be able to get in the second boom.”

Prince Abdulaziz bin Mishaal

Holding Investments, the \$1.6 billion Ajmakan property project in Riyadh. It will include a complete service commercial area comprised of commercial buildings, villas, palaces, and a five-star hotel on 1.7 million square meters of land.

Supported by his company's trust, Prince Abdulaziz is convinced it is the right time to invest in what's turning out to be Saudi Arabia's rebirth. "If you do not take the advantage now you will not be able to get in the second boom," he says. "We have drawn up our strategy for the next 50 years and in that period our country will not be depending on oil. I have been chosen by the family to run this business. I consider Alshoula as my baby, but changing the way it works was a challenge. The Saudi culture has a lot of protocols. I would like to speed up the privatization process. The private sector should support the government, and we are very proud that Alshoula is one of the companies that the government relies on."

This inside knowledge of the Saudi system is exactly what attracts interested foreign parties to partner with Alshoula. The holding company's open mind for new sectors has given it options to operate in Asia, Africa, and South America, depending on the outcome of current projects. "Diversification will give more security for the company to move on," states Prince Abdulaziz, "2007 is the qualification year for us."

Dallah Albaraka: An Enduring Model of Excellence

If oil and gas are no longer to be a given part of the equation, what then is the formula for successful business in Saudi Arabia? The answer is not one element but a variety of factors. The vision of holding group Dallah Albaraka, number 5 of the Top-100 Saudi Companies in 2006, is a shining example of this strategy. Dallah Albaraka names 3 simple, yet for the Kingdom very indicative, points it has followed in its rise to success: Put people first, with principles adhering to Islamic values, and profits shall follow naturally. In following these ideals Dallah Albaraka has evolved from a sole proprietorship into a diversified international conglomerate.

From its humble beginnings in the late 1960s, the company was involved in the following decade's economic growth through national projects, building roads, hospitals, and utilities networks such as Riyadh's sewage system (1976) — a major contribution to the citizens' living standards. The Dallah AVCO Trans Arabia Company was formed to specialize in the construction, operation, and maintenance of airport projects, and in 1987 it was awarded the contract to operate the Saudi Arabian government's Air Navigation Support System. The Group's consistent respect for human welfare led Dallah Albaraka to be entrusted with the cleaning and maintenance of Mecca and Medina's Holy Mosques and pilgrimage sites. By this time the group had also entered the Media sector with the Arab Radio and Television (ART), transmitting high quality Arabic television across the globe.

And so, a perception, a thought, a vision of one man's entrepreneurial spirit, that of founder Sheikh Saleh Abdullah Kamel, rapidly transformed into a powerful international corporation. Incorporating investments in 40 nations worldwide, the Dallah Albaraka reputation for integrity, excellence, expertise, and innovation is a model for Saudi success. Even in its latest project, the recently announced \$3 billion Durrat Al Riyadh real estate development, it has been careful not to merely create yet another concrete jungle. CEO Abdullah Saleh Kamel explains, "The project has many advantages as it is different from the traditional style of most mega real estate projects in the Kingdom. It is designed to provide 70 percent of open landscape areas for playgrounds, recreation and top services, while 30 percent is reserved for housing." Sheikh Kamel adds that "schools, mosques, and markets will be within walking distance, and the home units built for Saudi Citizens will contribute positively to solving a housing problem currently being experienced in the Kingdom."

Sheikh Saleh Kamel, who is also the current President of the Islamic Chamber of Commerce and Industry (ICCI), says that Dallah Albaraka's future is closely linked to Saudi Arabia's commitment to improving the quality of every day life. "Our vision includes bridging Islamic expertise and culture with the remote outposts of the globe, selecting projects that have significant economic and social impact for all."



invented to last.

Some businesses have a lucrative but short life. But in all we do, we aim to be pioneers in the interest of the community, pursuing projects that are rewarding, yet lasting for **generations**.

The formula is simple...

- **People...** come first,
- **Principles...** based on Islamic values,
- **Profits...** follows naturally.

The benefit for the **Community**, is the essence of all our philosophy. If it doesn't bring benefit to our people, our nation and to mankind, you won't find our name on it.

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ASTRA: Entrepreneurship on a Dynamic Track

The northwestern province of Saudi Arabia, Tabuk, is a region rich with history. It is well documented in ancient and Holy Scriptures as a prosperous part of the Arabian Peninsula for a variety of reasons.

In 20th century Saudi Arabia the region bloomed once again, becoming famous for its agricultural products, flowers in particular. Tabuk's gladioli, lilies, carnations, and roses found their way to markets in Europe, including The Netherlands. It is likely that a future Economic City will rise in the province, an event that would crown the many efforts of its citizens, civil servants, and entrepreneurs.

The province's qualification to take on many different fields of economic activity is exemplified by Tabuk's own Arab Supply and Trading Company (ASTRA). Astra is the Kingdom's second largest privately owned holding company and is ranked 23rd on the Top-100 Saudi Companies list of 2006. Its operations commenced in the late 60s and in only 45 years it has diversified extensively to include agriculture, trading, manufacturing, contracting, health care, telecommunications, and subsidiaries in other Middle East and Gulf countries.

Guns and roses

"The whole thing started with being the major catering supplier for the Saudi Armed Forces," reveals Astra's founder and Chairman Mr Sabih Taher Masri. "This triggered the agricultural division. We were the first to introduce controlled agricultural environments to the Kingdom, green houses, glass houses, and tunnel houses." Mr Masri adds that besides enabling Astra to produce the required vegetables and fruits, the greenhouses also enabled the company to enter the flower business, a first in Saudi Arabia. "We produce around 18 million flowers and 2 million

"We were the first to introduce controlled agricultural environments to the Kingdom, green houses, glass houses, and tunnel houses. Now we produce around 18 million flowers and 2 million ornamental plants per year."

ASTRA Chairman Sabih Taher Masri

ornamental plants per year, exporting approximately 6 million of those to the Gulf." Unlike other agricultural companies, which concentrated on government subsidies for wheat and barley, Astra became the first to produce and export grapes, figs, and other fresh consumables on a commercial basis.

Astra also operates the world's largest quail farm, 12-15 million quails, in one geographical location. In every aspect Astra adheres to the highest quality standards, and controls most processes itself in complete turnkey operations, from production and packaging to trade and distribution.

"Trading then moved to raw materials for basic industries," says Mr Masri. The move accompanied the establishment of the first private hospital in the northwestern region, the Prince Fahd Bin Sultan Hospital. It operates in Tabuk with the latest medical equipment and technologies. Its highly qualified staff and services soon made the hospital a leader in the Kingdom's medical community.

From desert cultivation to telecommunication

Due to its successful contracting services Astra Group took the opportunity to enter the highly competitive telecommunications sector. As relatively early as 1988, the group had established Nour Communications, a contracting company specialized in providing turnkey solutions for both the commercial and government sectors. From the early days of design, supply, and installation of high-end telecommunications equipment, Nour has become an ICT solution provider and system integrator with wide-ranging telecom infrastructure capabilities.

Astra's 2006 revenues of \$853 million constituted a 21- percent growth on the previous year, and it is expected to exceed that growth in 2007.

Astra Chairman Mr Sabih Masri points out that Astra, through its subsidiary Bayanat Al Oula, was awarded a dedicated data license through which it can proudly service the current and future data communication requirements of the Kingdom's needs through a dedicated fiber optic network and the largest wireless Wi-Max network in the area.

With such a vast portfolio of diverse activities the time came for Astra to restructure itself into a streamlined entity. "We transformed Astra into an investment company and regrouped the common sector entities to different holding companies." These sectors entail food and agriculture, industrial, telecommunications, and real estate.

Astra's real estate portfolio contains two luxury residential compounds on the outskirts of Riyadh, the Cordoba and Al Hamra Oasis Villages built in 1994

and 1997, three residential compounds in Tabuk, ZARA Investment Holding Company and Ayla Oasis Development Company in Jordan.

"If you look at Astra's growth it has been steady for the past ten years at around 10-15 percent on revenue and profit," says Mr Masri. "This is because of our diversification. If one sector is not doing well the other will compensate. What we want to focus on now are the industrial and telecommunication sectors." He adds that the Group is interested in looking for opportunities in niche products. With its growing network of international partners Astra will be able to seize such opportunities in the Middle East and North Africa (MENA), or any other Gulf country.

Its 2006 revenues of \$853 million constituted a 21-percent growth on the previous year, and it is expected to exceed that growth in 2007. The export market plays an important role in this strategy. Astra's main growth zones are South Asia for steel structures, North Africa for pharmaceuticals and fertilizers and the Gulf countries for fruits and vegetables.

"The main challenge is qualified Saudis, but we are lucky because we have excellent managers all over the Group, people who have been working with us for 15, 20 years." Astra's case is unique in that it has managed to establish its leading projects without government subsidies, nevertheless the Group has benefited in every endeavor from the wise leadership, generous incentives, and continued support of the Government of Saudi Arabia. "Astra is honored to have contributed to the Kingdom's self-sufficiency and expansion of its industrial and manufacturing base, thus providing employment opportunities."

Indeed the myriad of activities under Astra's universe employs over 5,000 people, while providing quality services to local and national citizens. Astra is a testament to the serviceable and hospitable nature of the Tabuk region, and Saudi Arabia as a whole. What will the future bring for Astra? Mr Masri says it can strengthen the ties in cross-platform operations, as it is active almost everywhere in the Kingdom. "When people ask me what Astra does, I reply what Astra does not do. We are in every sector of the economy. Astra welcomes technology and know how companies that want to invest in the area. We are ready to be in partnership with them."

Astra Industrial Group

As part of a successfully completed regrouping, Astra established the Astra Industrial Group (AIG) to act as a holding company for its industrial investments which include Tabuk Pharmaceutical Manufacturing, International Building Systems Factory, ASTRA Polymer Compounding, ASTRA Industrial Complex for Fertilizer & Agrochemicals, and Arabian Company for Comforters and Pillows.

Astra Group envisions AIG to become the premier industrial investments company in the MENA region, delivering long-term stakeholder value through profitable growth. AIG's focus will be to invest in new ventures as well as to grow its current portfolio of investments as highlighted in its mission statement "to develop the strongest portfolio of industrial companies in the MENA region through

timely strategic investments, and growing the companies by providing them optimal financial and managerial resources."

AIG's existing portfolio includes companies that are considered distinctive players in their industries. "One of our biggest achievements is the Tabuk Pharmaceutical Factory which we established in 1994. Today it is the 5th largest producer and vendor of medicinal drugs in Saudi Arabia," says Mr Masri. The plant is controlled by the Saudi Ministry of Health and adheres to the United States Food and Drug Administration (USFDA) regulations.

"When people ask me what Astra does, I reply what Astra does not do. We are in every sector of the economy."

ASTRA Chairman Sabih Taher Masri

Astra Polymers is another example of a distinctive market player that is included in AIG's portfolio of investment. Established in 1993, Astra Polymers is the largest master batch producing company in the Middle East with on-going expansion, producing high quality black, white, color, and additive master batches, as well as custom-made thermoplastic compounds for the polymer manufacturing and plastic processing industries.

Alongside its investment in Astra Polymers in the chemical sector, AIG has also invested in the ASTRA Industrial Complex Co. for Fertilizers & Agrochemicals (ASTRACHEM). ASTRACHEM produces fertilizers and formulated agrochemicals for the agricultural and horticultural sectors. Major fertilizer products include water-soluble fertilizers, fluids, suspensions, and crop specific formulas. Agrochemical products include insecticides, herbicides, fungicides, and acaricides.

To diversify the portfolio of its industrial holdings, AIG has also invested in the International Building Systems Factory Co. Ltd. (IBSF). Established in 1993, IBSF is a leading modern pre-engineering and structural steel building manufacturer in the Middle East with annual production capacity of 24,000 M/Tons. The basic activities of the company are designing, manufacturing, and supplying of customized, high performance pre-engineered steel buildings for industrial use such as factories, warehouses, workshops, shopping centers, supermarkets, and office buildings.

Through Astra's many and varied activities, the region of Tabuk has not only gained self sufficiency for itself and the Kingdom, but it has also played an important part in supporting the vision of Custodian of the Two Holy Mosques King Abdullah bin Abdulaziz Al-Saud. This has guided the Group's own vision to amplify the self-sufficiency concept as first encapsulated by its founder. Through Astra's commitment to improving the quality of products and services that it provides, by expanding and enhancing the existing business to meet the needs of its customers, and by amplifying these sustainable and progressive business methods, Astra has set the standard for other groups in Saudi Arabia, working to bring the Kingdom into a shining, prosperous future.

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Astra industrial group has five diversified leading industrial companies producing: medicines, steel structure, polymers, comforters/pillows, fertilizers and insecticides.



Astra Industrial Group



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Connecting All The Dots

Infrastructure revamp spurs greater growth

With infrastructure spending over the next five years forecast at \$5-7 billion, Saudi Arabia is truly a transportation developer's paradise. The Kingdom's transport network is undergoing a major overhaul in order to bridge all the vital passenger and cargo clusters. If Saudi Arabia is to become the next global trade hub, connecting the lines between the Red Sea ports and Gulf-side industries via central logistics and business centers is of the utmost importance.

"We are working on all fronts of the transport sector as it is a key element to our economic development plan," says Saudi Arabia's Minister of Transport Mr Jobarah Al Suraisry. "With regards to highways, we are not only connecting every city but also connecting Saudi Arabia with the neighboring countries. There is heavy traffic coming from the north, from Lebanon, Turkey, and Syria, with a lot of imports for the Kingdom and other Gulf countries." Less than 40 years ago the total length of roads was limited to a few thousand miles. But the significance of interconnectivity in the oil age rapidly raised the infrastructure profile and by 2006 Saudi Arabia had constructed close to 95,000 miles of roads. One of the most important current road projects is the 480-mile expressway that serves as a land bridge between Jubail Industrial City on the Arabian Gulf and Yanbu Port on the Red Sea.

This coast-to-coast connection is also the basis of a new tender by the Saudi Railway Organization to connect Dammam to Jeddah via Riyadh. It will double the existing railroad network between Riyadh and Jubail, transforming it into a world-class freight and passenger rail link across the country. In addition, a high-speed train link between Mecca, Medina, and Jeddah will provide comfortable and fast transportation for pilgrims visiting the holy cities each year. The rail link will have a station at the King Abdullah Economic City and a spur will be constructed to Yanbu port. "The third project is a north-south railway for our large mineral deposits in the Kingdom's northern part," says Minister Al Suraisry. "The train will take all these raw materials to the Eastern Province."

Roads, railways, and the country's 204 airports form a lifeline for Saudi Arabia's ports, the largest of which is Jeddah Islamic Port which receives over 65 percent of the country's imports. A new terminal will be constructed at Jeddah that will increase the port's capacity by 45 percent. The Transport Minister indicates that the terminal in Jeddah will have a capital investment of around \$370 million, while an expansion at Dammam Port is estimated at \$106 million. A brand new port at Ras al Zour to process and transport raw minerals will also be a heavy investment according to the Minister, but will add a great deal of value to the country's profile.



Saudi Arabia's ports are healthy, dynamic entities since the Saudi Ports Authority undertook the pioneering step of privatizing all port operations in the Kingdom. The privatization program was the first of its kind in any part of the Saudi public sector when it was implemented in 1997 and completed in 2000. The program contains a commitment to modernize and increase all equipment levels with the private sector being fully responsible for operational costs. The Saudi Ports Authority ensures crediting a certain percentage of the operational income to the national exchequer through a contract period of between 10-15 years.

Yielding profits from Yanbu port

The ports of Saudi Arabia are divided according to specialization into two subdivisions. Firstly there are the six commercial ports in Jeddah, Dammam, Jubail, Yanbu, Jizan, and Dhaha, and secondly the industrial ports located at Yanbu and Jubail. Known as King Fahad Industrial Port, Yanbu is considered to be the biggest port for loading crude oil and its refined products on the Red Sea Coast, as well as being the longest (linear) port in the Middle East. Its advantageous location close to the Suez Canal gives Yanbu access to world markets. In 2006, Yanbu Industrial Port handled nearly 84 million tons of cargo and received 1,766 ships at its 25 berths.

Yanbu Industrial Port's Director General, Mr Hamoud Bin Abdu Al Saadi, says that the success in efficiency and productivity increased substantially since privatization of services started 9 years ago. "New projects in port facilities renovations reached \$29 million," says the Director General. "The access channel was dredged which increased water depth to 32 meters, allowing the berthing of bigger and Very Large Crude Carrier (VLCC) ships. The port also has a plan to build new berths and terminals to handle the added production of factory extensions in Yanbu." Through these developments along with extended training of its employees, the port yielded a total income of \$31 million in 2006 and continued to apply its policy of reducing administration and operational expenses.

Saudi Ports: Multi-Modal and Global Hubs

12,000 ships visit Saudi Arabia's 8 ports every year. That is one ship every 30 minutes. With 95 percent of Saudi imports and exports passing through the Kingdom's seaports, they are major contributors to the national economy and the main link to the global economy. Since 1997 the management system had matured enough to be handed over to the private sector. During the last few years, the privatization resulted in a sharp 85 percent increase of the total cargo throughput, while TEU (twenty-foot equivalent units) throughput rose 700 percent and transshipment 1000 percent. The Ports Authority nevertheless maintains a supervisory function.

Today the two main ports of Saudi Arabia, Jeddah Islamic Port on the Red Sea and King Abdulaziz Dammmam Port in the Gulf, have become high-tech goliaths of cargo handling and maintain a distinguished edge over other ports in the region. Both now operate with the electronic cargo logging system Saudi EDI, and are undergoing major upgrades to substantially expand capacity.

The operator of the container terminal in King Abdulaziz Port in Dammmam, International Ports Services (IPS), has started a huge development project to improve and expand the terminals operations. The project is expected to increase the terminal's capacity from 800,000 TEU to 2 Million. It includes the dredging of the basin and approach channel, the provision of new gantry cranes, rubber-tyred gantries (RTG), ground equipment, and the reallocation of key activities.

The privatization of Jeddah's port had already brought a massive investment of more than \$535 million during the past 6 years, and in 2006 an agreement was signed with the Saudi Commercial and Export Development Company (Tusdeer), to develop and operate the port's third container terminal with a capacity of 1.5 million TEU. Director General Mr Sahir Tahlawi explains that the conversion of 5 of Jeddah's 58 berths will increase capacity for the existing two terminals by 2 million TEU to 7 million by 2010, allowing Jeddah to retain its leading position in the region. "The port, apart from its obligation of providing a safe haven for the embarkation, disembarkation, and associated services of the Haj and Umrah pilgrims, had to provide dedicated services for cargo handling with specialized terminals. Jeddah's advantage is also attributed to its ship repair yard and floating dry docks.


With 49 berths equipped with modern facilities, the two industrial ports in Jubail & Yanbu provide a safe handling system for Saudi Arabia's industrial exports. A significant expansion program at these ports will add 8 more berths within 2 years.

The driving force behind the success of Saudi Arabia's ports has been the global increase in cross-global trade and transshipment and their ability to react to new demands of the next generation container freighters. Combined with the new rail links between the Jeddah and Dammmam ports, Riyadh, Mecca, and Medina, the Kingdom is truly becoming a significant multi-modal transport hub.


Saudi Ports Authority

Pulse of the Kingdom's Economy


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Dammmam



Jeddah



Jeddah Islamic Port

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Taking a Closer Look at Saudi's Charms

Maximizing the National Tourism Development Strategy

Every year, over 2.5 million people, different in language, race, color, gender, culture — but united in faith and purpose, form the largest gathering of humanity in any one time or place. Every able-bodied Muslim, who can afford to do so, is required to make a pilgrimage to Mecca at least once in his or her lifetime. For the past 14 centuries, the ritual known as the Hajj has been performed as a spiritual experience of goodwill, discipline, generosity, and brotherhood. With up to 1.4 billion followers of Islam in the world today, the 2nd largest religion after Christianity, and travel becoming ever more accessible, the number of pilgrims to both Mecca and Medina has grown substantially. In 1983 the number of pilgrims coming from abroad exceeded one million for the first time.

The Saudi Government has spent nearly \$25 billion in renovating and expanding facilities and infrastructures for pilgrims. It can be considered an investment in religious tourism. Besides this year-round source of income, Saudi Arabia is now also putting on a charm offensive to attract visitors to many of its other wonders. The Supreme Commission for Tourism (SCT) has set up a National Tourism Development Strategy to increase exposure in family and cultural tourism, national and regional tourism, environmental tourism, and business tourism.

“Re-organizing the tourism industry as a productive economic sector is extremely important because it is a service which has to be organized from the ground up,” comments the SCT’s Secretary General, HRH Prince Sultan bin Salman bin Abdulaziz Al-Saud. The reorganization, which started mid 2005, is focused on the Kingdom’s regions with the creation of local commissions and boards. The internal market has enormous growth potential, according to Prince Sultan. “There are also programs running in schools, with the help of the education ministry, training children to become better tourists and enjoy their country.”

“Our focus is on keeping the Saudis at home,” admits SCT’s Secretary General. “The challenge is to keep these very well spending tourists, 4.5 million a year, from traveling abroad, to give them new products, competitive prices, and family programs.” Ideas for attracting youth include car races, rallies, boat shows and diving, “a sector experiencing a tremendous surge,” says Prince Sultan. Saudi Arabia also has a rich historic and archaeological heritage, largely unknown outside its borders, and cultural tourism programs can seamlessly be combined with trips from Red Sea resorts. The Supreme Tourism Commission was given control of the government’s heritage sector, including museums and



archaeological antiquities, in order to curb bureaucracy. “We are doing a lot to bring the culture, crafts, colors, and foods of the country into the spotlight,” Prince Sultan comments.

SCT’s masterplan involves creating a synergy between tourism and society, where regions can develop economically and create employment opportunities within their communities. The aim is to realign the national vacation structure, starting with the introduction of a weekend culture for short trips to various regions. Later, in about 5 years when major infrastructure and transport projects are complete, Prince Sultan believes the Kingdom will be ready to move into mass tourism models. Quizzed on why the development of tourism in Saudi Arabia has taken such a long time to take shape, he answers, “it is a big sector. It takes a lot of work and a lot of people. Furthermore, we got caught in a period where everything was happening at the same time so passing laws and regulations took a long time.” But even though the sector is in its infancy, the energy and interest raised in its potential has got people rearing to go places, and taking a closer look at the sacred secrets of the Saudi Kingdom.

Part II of “Strategic Powerhouse, Global Strength” will appear in the November/December issue.

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