Doing Business in the Middle East

REGIONAL GUIDE
2007

BOYADJIAN & ASSOCIATES
PROJECT FINANCE & MANAGEMENT CONSULTANTS

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Content

Foreword

Driven by staggering economic growth and liquidity, there are a variety of converging factors that make opportunities for investment in the Middle East more enticing than ever before. As energy demand and commodity prices continue to experience near-record levels, it stands to reason that the Middle East – a region with more than half of the world's crude oil reserves and one-third of its natural gas reserves – is considered one of the most attractive areas in the world for doing business. The fact that most of its countries, if not all, are developing states and need to catch up with the rest of the world, is creating attractive investment opportunities in almost every sector. It's the best kind of place to be in, and, as we say, the biggest risk you can take is not being there. Quite simply, now is the time to be in the Middle East.

It's common for Foreign Companies to paint the Middle East with a broad brush, as a single homogeneous region, but it's only after their differences have been understood that they can fully appreciate the characteristics the Middle Eastern nations share, particularly from business, economic and religious points of view. While the nations in the region share many cultural characteristics, and continue to promote a drive to harmonize rules and regulations, it's important to realize that each country is a unique entity with its own set of opportunities and challenges. Some countries in the region are wealthy; others are poor. Some have modern legal and business environments; others do not. Some have a long history of working with Western companies, while others have only recently begun encouraging foreign investment.

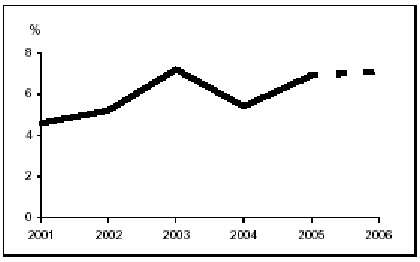
This guide, which is designed for businesses that operate in a cross border context, provides essential information on the latest economic, regulatory and operating conditions in 12 Middle Eastern countries. We wish you success in all your businesses and projects in the Middle East.

Vatche Boyadjian
Managing Director
Boyadjian & Associates

Bahrain

Surface Area	700 sq km
Capital	Manama
Population	0.7 million
Main Languages	Arabic
Currency	B. Dinar

Real GDP growth



Economic Overview

The Kingdom of Bahrain, previously an absolute monarchy, became a constitutional monarchy in February 2002. Petroleum production and refining account for about 60% of export receipts, 60% of government revenues, and 30% of GDP. With its highly developed communication and transportation facilities, Bahrain is home to numerous multinational firms with business in the Gulf. Facing declining oil reserves, Bahrain has turned to petroleum processing and refining and has transformed itself into an international banking center. Over 150 US companies are currently represented in Bahrain with virtually all major US-product band names represented in local retail stores. Bahrain is also in the midst of privatizing state-owned enterprises to encourage private investment.

The kingdom's major exports are petroleum-related, consisting of petroleum products from the refinery at Sitra, and revenue from the sales of crude oil pumped at the Saudi Arabian-run Abu Saafa oilfield (although this was recently suspended and it is unclear whether Saudi Arabia will resume this arrangement in future). Energy exports are sold predominantly in India. Japan and Korea are also major destinations for exports, mostly oil and aluminium related.

Recent economic indicators:	2001	2002	2003	2004	2005(a)	*2006(b)*
GDP (US$bn) (current prices):	7.9	8.4	9.7	11.0	13.5	*16.0*
GDP PPP (US$bn) (c):	11.4	12.2	13.3	14.4	15.8	*17.0*
GDP per capita (US$):	11,657	12,066	13,658	15,291	18,403	*21,395*
GDP per capita PPP (US$) (c):	16,749	17,423	18,780	20,037	21,565	*22,706*
Real GDP growth (% change YOY):	4.6	5.2	7.2	5.4	6.9	*7.1*
Current account balance (US$m):	239	-35	219	442	1,581	*3,299*
Current account balance (% GDP):	3.0	-0.4	2.3	4.0	11.7	*20.6*
Goods & services exports (% GDP):	83.4	82.4	82.3	83.4	88.7	*97.5*
Inflation (% change YOY):	-1.2	-0.5	1.7	2.3	2.6	*2.6*

(a) all recent data subject to revision; (b) IMF forecast; (c) purchasing power parity.

Business Forms

To carry out any commercial activity in the Kingdom of Bahrain, a legal vehicle should be established in accordance with the Bahrain Commercial Companies Law No. (21) of 2001. The following legal structures are available for undertaking commercial activity in the Kingdom of Bahrain: (1) Sole Proprietorship; (2) General Partnership; (3) Simple Commandite Partnership; (4) Commandite Partnership by shares; (5) Co-partnery (Joint Ventures); (6) Joint Stock Company (Public); (7) Joint Stock Company (Closed); (8) Limited Liability Company; (9) Single Person Company; (10) Holding Company; (11) Foreign capital company; (12) Branch and Representative Office of a foreign company.

All legal structures require a Memorandum and Articles of Association, except for the Sole Proprietorship and the Co-partnery (Joint Ventures). In the case of Branches and Representative Offices of foreign companies, it would be sufficient if an attested copy of the Memorandum and Articles of Association of the Parent Company is produced. The minimum capital requirements of each type of legal structure is specified in the Implementing Regulations issued by the Ministry of Commerce or the requirements set out by the regulatory body which issues a licence for the proposed business. The capital may be contributed in cash or in kind.

Taxation

Except for certain taxes imposed on oil companies, Bahrain levies no taxes on income, capital gains, sales, estates, interest, dividends, royalties or fees. It is, therefore, an attractive country in which to establish a Gulf head office. The only corporate income tax in Bahrain is levied on oil, gas and petroleum companies at a rate of 46 percent. This tax is applicable to any oil company conducting business activity in Bahrain of any kind, including oil exploration, production, and refining, regardless of the company's place of incorporation.

There is no individual income tax in Bahrain. No withholding taxes exist. A sales tax on gasoline, is levied at 12 percent. Persons using hotel facilities are normally charged a government levy of 5% and a 15% service charge is generally added to the total bill amount. Bahrain has no value added tax, property tax or production tax.

Customs Duties

Bahrain applies the GCC Common Customs Tariff at 5% of CIF invoice value for imports of goods from outside the GCC region. Tobacco and manufactured tobacco substitutes are however subject to 100% customs duty or on a minimum collectable rates basis whichever is higher. Goods moving between GCC States are not subject to customs duties. Certain goods are exempted from customs in accordance with the schedule of 417 exempted items applicable under the GCC Customs Union.

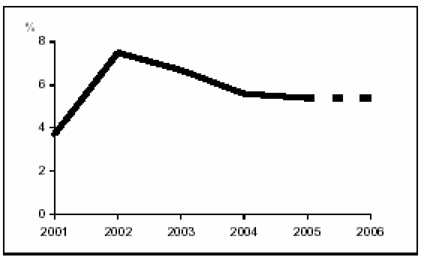
Bahrain's global merchandise trade relationships:

Bahrain's principal export destinations, 2005:			Bahrain's principal import sources, 2005:		
1	Saudi Arabia	4.5%	1	Japan	4.8%
2	United States	2.3%	2	Saudi Arabia	4.6%
3	Republic of Korea	1.1%	3	*Australia*	*3.4%*

Iran

Surface Area	1648000sq km
Capital	Tehran
Population	69.5 million
Main Languages	Farsi
Currency	I. Rials

Real GDP growth



Economic Overview

With a large and fast-growing population and among the world's largest oil and gas reserves, Iran is a significant regional economy. The economy is heavily dependent on hydrocarbon exports, and economic growth is strongly influenced by oil market developments. Around 80 per cent of total export earnings are generated from oil revenues. A key goal of Iranian economic policy over the last 20 years or so has been diversification of the economy away from dependence on oil .

Large state-owned enterprises dominate key industry sectors, and organisations controlled by charitable religious foundations also account for a large share of GDP. The private sector is generally confined to small and medium enterprises. The reformist dominated 6th Majles pushed to increase privatisation and foreign investment, but this policy has been challenged by conservatives elected to the current Majles. Although the economic policies of President Ahmadinejad's new government have not been set, they may be more nationalistic and populist than those followed by Khatami. Ahmadinejad was elected on the promise of a return to "revolutionary values". Ultimately, decisions of the Supreme Leader and the Expediency Council will decide the success of economic reform .

Recent economic indicators:	2001	2002	2003	2004	2005(a)	*2006(b)*
GDP (US$bn) (current prices):	115.4	116.4	133.8	161.5	192.3	*245.0*
GDP PPP (US$bn) (c):	396.7	433.8	472.3	511.9	554.8	*596.8*
GDP per capita (US$):	1,776	1,761	1,990	2,362	2,767	*3,465*
GDP per capita PPP (US$) (c):	6,105	6,563	7,027	7,488	7,980	*8,441*
Real GDP growth (% change YOY):	3.7	7.5	6.7	5.6	5.4	*5.4*
Current account balance (US$m):	5,985	3,585	816	1,442	14,037	*24,541*
Current account balance (% GDP):	5.2	3.1	0.6	0.9	7.3	*10.0*
Goods & services exports (% GDP):	11.3	12.2	11.9	11.7	13.7	*12.3*
Inflation (% change YOY):	11.4	15.8	15.6	15.2	12.1	*14.0*

(a) all recent data subject to revision; (b) IMF forecast; (c) purchasing power parity.

In recent years economic growth has not kept pace with labour force growth, leading to an unemployment rate, which, on unofficial estimates, exceeds 30 per cent (the official estimate is 16 per cent). Increasing the economy's growth rate in order to reduce unemployment is a high priority but, to date, economic reform has proceeded only at a modest rate.

Business Forms

The new Law provides for several entity forms under which business may be conducted in Iran. Before taking any administrative steps, founders of the future company have to contact the OIETAI which is the Investment, Economic and Technical Assistance Organisation in Iran. The company is then registered with the Chamber of Commerce and Industry in Iran.

According to the law of 1955, foreign direct investment is possible by means of interest participation in Iranian companies, up to 49 %.

Taxation

An initial 10 percent of the total taxable income of companies and other legal entities, earned from various sources in Iran or abroad, is deducted as a corporation tax, and the remainder is calculated on the basis of rates set by Article 131 of the Law of Direct Taxation. Non-commercial Iranian legal entities as well as companies whose shares are offered on the stock exchange market, shall be exempt from the 10 percent corporation tax. The rates set by Article 131 which begin at 12 percent of the annual taxable income and rise to 54 percent. Foreign legal entities must pay taxes on all taxable income earned through investments in Iran or from direct or indirect (through agents, branch offices, etc) activities in Iran, at the flat rate of 25% as mentioned in Article 47 of the amendment law.

Individual incomes are taxed at progressive rates to 35%.

Customs Duties

According to customs laws & regulations the value of goods and commodities entering Iranian customs is calculated on the basis of the CIF value plus registration fees plus all other expenses and charges applicable to goods and commodities in question until their arrival to the first port of entry. All imported goods are subject to import duty, except those specifically exempted. Rates of duty range between 10% and 50% except for certain items.

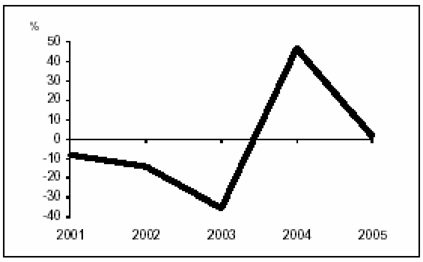
Iran's global merchandise trade relationships:

Iran's principal export destinations, 2005:			Iran's principal import sources, 2005:		
1	Japan	16.9%	1	Germany	13.5%
2	China	11.1%	2	United Arab Emirates	8.1%
3	Italy	5.9%	3	China	8.1%

Iraq

Surface Area	438000 sq km
Capital	Baghdad
Population	28.8 million
Main Languages	Arabic
Currency	Dinar

Real GDP growth



Economic Overview

Iraq's economy was badly damaged during the Iran-Iraq War (1980–88), and the international sanctions imposed following the Persian Gulf War of 1991 were another major blow. Aside from those events, reconstruction of a viable economy in the early 2000s encountered a severely distorted system. Because Iraq's economy depends heavily on the oil industry, progress from the post-Husayn low point of 2003 depends on the rates at which that industry is reconstructed and re-integrated into the world oil market. Economic development in Iraq depends first on improvement of the security situation. Most major enterprises are expected to remain in state hands until a permanent government is in place. Near-term government planning goals include budget deficit reduction, diversification of the economy through privatisation, and reduction of unemployment. International grants and investments are an important source of funding for such goals.

Reconstruction spending by the new government, and in particular by its coalition partners through their own agencies, should lead to the gradual rehabilitation of Iraq's infrastructure and the creation of jobs, as well as sustainable, broad-based economic growth. However, over the longer term sustainable development will depend on a fully sovereign government pursuing policies that assist the growth of a genuinely free market.

Recent economic indicators:	2001	2002	2003	2004	2005(a)	*2006(b)*
GDP (US$bn) (current prices):	18.9	19.0	12.7	25.5	30.6	*n.a*
GDP PPP (US$bn) (c):	n.a	n.a	n.a	n.a	n.a	*n.a*
GDP per capita (US$):	733	714	465	907	1,063	*n.a*
GDP per capita PPP (US$) (c):	n.a	n.a	n.a	n.a	n.a	*n.a*
Real GDP growth (% change YOY):	-8.2	-14.2	-35.3	46.5	1.5	*n.a*
Current account balance (US$m):	1,786	-2,173	-2,636	-20,285	-7,451	*n.a*
Current account balance (% GDP):	9.5	-11.4	-20.8	-79.5	-24.3	*n.a*
Goods exports (% GDP):	87.1	64.3	76.5	66.1	75.3	*n.a*
Inflation (% change YOY):	16.4	26.3	36.3	31.7	31.6	*n.a*

(a) all recent data subject to revision; (b) IMF forecast; (c) purchasing power parity.

This will need to be free of the cronyism that characterises the operation of business in Iraq. Part of this process, according to the recommendations of the World Bank and the IMF among others, will require moving from the planned leasing to the privatisation of significant swathes of the non-oil sector, at least. Politically and, arguably, economically, it is likely to be necessary to offer Iraqi investors the initial opportunity to take up any public offering.

Business Forms

Companies are governed by Law No. 21/1997 (Companies Law amended in 2004) and by Law No. 22/1997 (Public Companies Law) which repealed Law No. 36/1983 (Art. 220 of Law 21/1997). Iraqi law recognises two categories of companies: (1) private companies, in which the public sector does not participate or its participation does not exceed 25% of the capital; and (2) joint companies, in which private persons together with the public sector establish the company and the participation of the public sector in the capital exceeds 25%. Joint companies may only take the form of a limited liability company or a joint stock company. Private companies may take the form of limited liability companies ("LLC"), joint stock companies, general partnerships, individual enterprises or simple companies.

Taxation

The Coalition Provisional Authority ("CPA") Order No. 49 (amended by CPA Order No. 84) established a corporate tax rate of 15%. Resident and non-resident individuals are taxed only on income sourced in Iraq. A flat sales tax of 10% is applied to "excellent and first class" hotel and restaurant accommodations, real property is subject to a 10% tax and there is a limited fee chargeable on car sales.

Customs Duties

The government of Iraq collects a 5% reconstruction levy on the total taxable invoiced value of all goods imported into Iraq from all countries, effective April 15, 2004. Exceptions to the levy are food, medicines, clothing, books, humanitarian goods, Coalition forces, reconstruction contractors, NGOs, international organizations, diplomats and Coalition governments, and goods imported under the Oil-for-Food contracts.

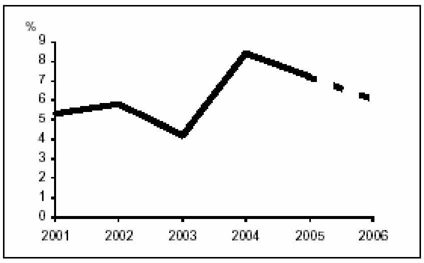
Iraq's global merchandise trade relationships:

Iraq's principal export destinations, 2005:			Iraq's principal import sources, 2005:		
1	United States	49.1%	1	Syrian Arab Republic	23.2%
2	Italy	10.3%	2	Turkey	21.2%
3	Spain	6.2%	3	United States	11.7%

Jordan

Surface Area	89000 sq km
Capital	Amman
Population	5.6 million
Main Languages	Arabic
Currency	J. Dinar

Real GDP Growth



Economic Overview

The Jordanian economy is small and narrowly based. Jordan's main exports include clothing, pharmaceutical products, phosphate, potash and fertilisers. Historically, Jordan has benefited greatly from remittances from a large expatriate professional community. It is a major recipient of aid, which has been vital over the years to Jordan's social welfare and development programs. Despite the unsettled regional environment, Jordan has made progress towards achieving macroeconomic stability. Fiscal consolidation, prudent monetary, privatisation and exchange rate policies, and a rescheduling and restructuring of external debt have led to an improved macroeconomic environment. These stabilisation policies have been complemented by structural reforms aimed at promoting growth led by the private sector and attracting foreign investment, while reducing the direct government role in the economy .

Jordan is a regional leader in developing transparent government processes and innovative policies to attract investment. It has joined the World Trade Organization (WTO) and World Intellectual Property Organization (WIPO) and has concluded free trade agreements with the United States, the European Union, Singapore and a number of Arab countries, including Bahrain, Egypt, Morocco, Syria, Tunisia and the United Arab Emirates. Jordan is committed to becoming a regional centre of excellence in education, IT and health services.

Recent economic indicators:	2001	2002	2003	2004	2005(a)	2006(b)
GDP (US$bn) (current prices):	9.0	9.6	10.2	11.4	12.7	*14.3*
GDP PPP (US$bn) (c):	20.6	22.1	23.5	26.0	28.0	*29.2*
GDP per capita (US$):	1,817	1,890	1,961	2,131	2,317	*2,546*
GDP per capita PPP (US$) (c):	4,164	4,364	4,518	4,854	5,096	*5,197*
Real GDP growth (% change YOY):	5.3	5.8	4.2	8.4	7.2	*6.0*
Current account balance (US$m):	-5	538	1,179	-18	-2,311	*-2,961*
Current account balance (% GDP):	-0.1	5.6	11.6	-0.2	-18.2	*-20.7*
Goods & services exports (% GDP):	42.1	47.4	47.3	52.5	n.a.	*n.a.*
Inflation (% change YOY):	1.8	1.8	1.6	3.4	3.5	*6.3*

(a) all recent data subject to revision; (b) IMF forecast; (c) purchasing power parity.

Business Forms

A new companies law, aimed at encouraging investment, became effective on June, 1997. The Companies Law No. 22 of 1997 limits routine procedures and facilitates the process of company registration. The Law introduced the not-for-profit company form as well as the civil company form, which provides for the establishment of companies by professional persons, such as lawyers, doctors or engineers.

Under the new Law, companies are no longer required to pay a 15 percent capitalizing charge, which had previously proved a barrier to capital reserves. In addition, amendments to the Law allow company founders to adopt the prices they deem appropriate to estimate the value of their fixed assets. The Law provides for several entity forms under which business may be conducted in Jordan. These are: (1) general partnership; (2) limited partnership; (3) limited liability company; (4) limited partnership in shares; (5) public shareholding company; (6) mutual fund company; (7) offshore company (exempt company); and (8) foreign company (operating and non-operating).

Taxation

Resident companies are taxable on income sourced in Jordan. The tax rate is 25%, but for banks and financial institutions the rate is 35%. A lower 15% rate applies to income from certain activities, including hospitality, construction, transport and metallurgy. Jordanian or foreign shareholding companies, other than banks and financial institutions, are not taxable on dividends received.

Resident and non-resident individuals are taxed only on income sourced in Jordan. Individual income tax is charged at progressive rates up to 25%. The income of general partnerships is apportioned between the partners and added to their income for purposes of tax assessment.

The sales tax applies at 16% to supplies made by manufacturers, importers and suppliers of services. Exemptions include some basic foodstuffs, fertilisers, crops, fruit, seeds, books and newspapers, asphalt, cement and certain locally manufactured products. A higher rate applies to certain luxury items.

Customs Duties

All imported goods are subject to import duty, except those specifically exempted. Rates of duty range between 10% and 30% except for certain items such as cigarettes, liquor, etc. Motorcars and equipment attract set rates of up to 141%.

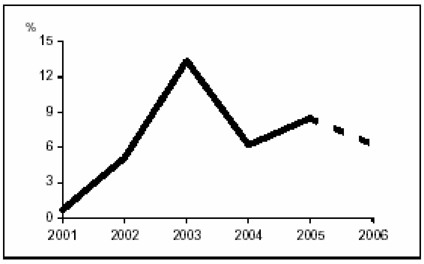
Jordan's global merchandise trade relationships:

Jordan's principal export destinations, 2005:			Jordan's principal import sources, 2005:		
1	United States	26.3%	1	Saudi Arabia	23.7%
2	Iraq	17.1%	2	China	9.2%
3	India	8.1%	3	Germany	8.0%

Kuwait

Surface Area	18000 sq km
Capital	Kuwait
Population	2.9 million
Main Languages	Arabic
Currency	K. Dinar

Real GDP growth



Economic Overview

Kuwait has an open economy with proven oil reserves of 96 billion barrels (10% of world reserves). Petroleum accounts for almost half of GDP, 95% of export revenue and 80% of government income. Kuwait's climate limits agricultural development, so it depends on food imports. About 75% of portable water must be distilled or imported. Kuwait has started an expansionary fiscal policy in hopes that the non-oil economy will be stimulated along with an increase in demand for private sector goods and services.

Business Forms

The Commercial Companies Law No. 15 of 1960, as amended, and the Commercial Law No. 68 of 1980, which contains provisions of particular significance to foreigners, regulate the various types of business organizations that can be established in Kuwait. Articles 23 and 24 of the Kuwaiti Commercial Code state the basic premises for practicing business in Kuwait. Article 23 provides that non Kuwaitis cannot engage in commerce in Kuwait without having a Kuwaiti partner whose equity holding is at least 51 percent. Article 24 provides that a foreign company cannot establish a branch in Kuwait and may not engage in commercial activities in Kuwait except through a Kuwaiti agent. Furthermore, specific sectors of the economy remain closed to foreign investment, including upstream oil development, insurance,

Recent economic indicators:	2001	2002	2003	2004	2005(a)	*2006(b)*
GDP (US$bn) (current prices):	34.9	38.1	46.2	55.7	74.6	*92.8*
GDP PPP (US$bn) (c):	35.4	35.8	40.1	44.2	46.7	*49.2*
GDP per capita (US$):	15,113	15,753	18,142	20,234	26,020	*31,277*
GDP per capita PPP (US$) (c):	15,336	14,812	15,756	16,038	16,301	*16,593*
Real GDP growth (% change YOY):	0.7	5.1	13.4	6.2	8.5	*6.2*
Current account balance (US$m):	8,328	4,250	9,414	17,323	32,307	*48,759*
Current account balance (% GDP):	23.9	11.2	20.4	31.1	43.3	*52.5*
Goods & services exports (% GDP):	51.3	44.6	54.0	60.2	n.a.	*n.a.*
Inflation (% change YOY):	1.4	0.8	1.0	1.3	3.9	*3.5*

(a) all recent data subject to revision; (b) IMF forecast; (c) purchasing power parity.

and real estate, with some limited exceptions for citizens from GCC states. The following types of organizations are available under Kuwait law: (1) Limited Liability Company; (2) Joint Stock Company; (3) General Partnership; (4) Limited Partnership; and (5) Joint Venture. With the exception of the joint venture, all these forms of incorporation are endowed with independent legal personality.

As a general rule, the Kuwaiti Commercial Companies Law requires all business forms to have at least 51 percent Kuwaiti participation. In addition, the Commercial Companies Law provides that foreigners may engage in a business or trade in Kuwait only through a business structure in which at least 51 percent of the capital is Kuwaiti. Foreigners wishing to conduct business in Kuwait may find it easier to do so following recent changes to the Commercial Companies Law. This legislation, enacted in 1992 and amended, allows holding companies to be created to hold stock or shares in and to participate in establishing Kuwaiti or foreign limited liability companies. Holding companies are also entitled to grant loans or guarantees to such limited liability companies as well as to manage such companies, hold industrial and intellectual property rights, grant licenses thereto and own moveable and immovable property.

Taxation

Corporate tax is charged on income sourced in Kuwait only. There is, however, no clear definition of Kuwaiti-sourced income, and income from offshore work linked to activity in Kuwait may be considered taxable in Kuwait. The tax applies to the share of profits relating to a foreign company, at rates ranging from nil on profits up to KWD 5,250 to 55% on profits of KWD 375,000 and above. Generally, dividends received from income that has already suffered tax are not taxable in the hands of the recipient company. A 2.5% tax applies to profits realised by listed companies. Capital gains are included in taxable income. A proposal to reduce the corporate tax rate to 15% was recently rejected by a committee of the National Assembly, but proposals to reform the tax law and reduce the tax rate are still under consideration.

Customs Duties

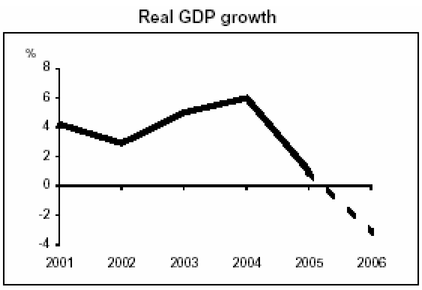
Kuwait applies the GCC Common Customs Tariff at 5% of CIF invoice value for imports of goods from outside the GCC region. Tobacco and manufactured tobacco substitutes are however subject to 100% customs duty or on a minimum collectable rates basis whichever is higher. Goods moving between GCC States are not subject to customs duties. Certain goods are exempted from customs in accordance with the schedule of 417 exempted items applicable under the GCC Customs Union.

Kuwait's global merchandise trade relationships:

Kuwait's principal export destinations, 2005:			Kuwait's principal import sources, 2005:		
1	Japan	20.4%	1	United States	13.9%
2	Korea, South	14.0%	2	Germany	10.6%
3	Taiwan	12.7%	3	Japan	8.3%

Lebanon

Surface Area	10000 sq km
Capital	Beirut
Population	3.7 million
Main Languages	Arabic
Currency	L. Pounds



Economic Overview

Lebanon has an open, service-oriented economy. Services, mainly banking and tourism, accounted for 68 per cent of GDP in 2003. In 2004 the economy grew by approximately 6 per cent and GDP per capita was US$4,671. Economic growth slowed sharply in 2005 and 2006 as a result of the unstable political and security environment. It is expected that there will be some pick-up in 2007, however, provided a more stable political situation. The post-war reconstruction drive led to spectacular growth, driven by construction, consumer confidence and real estate speculation, but growth has been moderate, even negative, in recent years. Lebanon's main economic challenge is addressing the enormous public debt which was primarily accumulated in this immediate post-war period and continues to grow. Gross Public Debt was equivalent to around 186 per cent of GDP in 2006 .

The Lebanese Governments undertook significant reforms since 1998 with the support of the World Bank, including reduced tariffs and introducing a consumption tax (VAT). Key reforms agreed to at an international pledging conference in Paris in November 2002 have not, however, been implemented due to ongoing political disputes. Stalled reforms that were intended to ameliorate the debt situation include privatisation and administrative restructuring .

Recent economic indicators:	2001	2002	2003	2004	2005(a)	*2006(b)*
GDP (US$bn) (current prices):	17.1	18.5	19.9	21.8	22.1	*22.3*
GDP PPP (US$bn) (c):	19.5	20.4	21.9	23.8	24.4	*25.7*
GDP per capita (US$):	4,917	5,251	5,585	6,033	6,034	*6,028*
GDP per capita PPP (US$) (c):	5,623	5,812	6,146	6,601	6,681	*6,933*
Real GDP growth (% change YOY):	4.2	2.9	5.0	6.0	1.0	*-3.2*
Current account balance (US$m):	-3,278	-2,855	-3,020	-3,953	-2,622	*-2,854*
Current account balance (% GDP):	-19.2	-15.5	-15.2	-18.2	-11.9	*-12.8*
Goods & services exports (% GDP):	n.a.	29.5	56.3	54.0	59.1	*n.a.*
Inflation (% change YOY):	-0.4	1.8	1.3	-1.3	0.3	*4.5*

(a) all recent data subject to revision; (b) IMF forecast; (c) purchasing power parity.

Business Forms

The Lebanese Code of Commerce provides for the following types of business associations: unlimited partnerships, limited partnerships, co-partnerships, joint stock companies, limited partnerships by shares, limited liability companies and companies with variable capital. The most common forms are the Joint Stock Company and Limited Liability Company. Foreign investors may establish Lebanese companies, participate in joint ventures, or establish local branches or subsidiaries of their company, including holding and offshore companies, which are subject to special regulations. Specific requirements apply for real estate companies or for those owning property in excess of 3,000 sq metres. Acquiring shares in banks and financial institutions in excess of 5% of the share capital requires the approval of the Banque du Liban (the central bank).

Taxation

Resident, non-resident and Foreign companies are taxed only on their income sourced in Lebanon. Joint stock companies and limited liability companies are taxed at a flat rate of 15% on their business income. A distribution tax is payable, amounting to 10% of the distributed profits of joint stock and limited liability companies, except for joint stock companies listed on the Beirut stock exchange, in which case the tax on dividends is reduced to 5%.

Resident and non-resident individuals are taxed only on their Lebanese-source income. Wages and salaries are taxed at progressive rates to 20%. Business income of individuals and general partnerships is taxed at progressive rates to 21%.

Value-added tax (VAT) applies at 10% to most transactions. Exemptions include exports, basic foodstuffs, agricultural inputs, banking and financial services, insurance, medical and educational services, and letting of residential property. Registration is compulsory for businesses with an annual taxable turnover of LBP 150m, and voluntary registration is possible for businesses with turnover below this level.

Customs Duties

Lebanon levies most customs duties on an ad valorem basis, the average being 25 percent calculated on the CIF value of the goods converted to local currency by reference to the official dollar rate. Special low rates apply to certain imports from member countries of the Arab League, and many agricultural products are exempt from customs duties. Importation of a few specified commodities requires an import license that must be obtained prior to shipment. Free zones offering facilities for re-packaging and processing merchandise, assembling and manufacturing are located in the Beirut Port and the Tripoli Port.

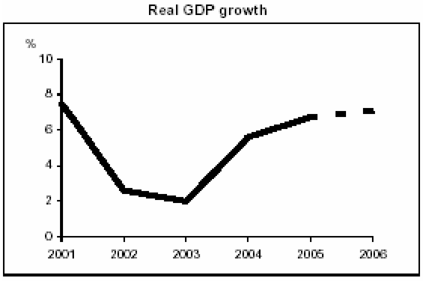
Lebanon's global merchandise trade relationships:

Lebanon's principal export destinations, 2005:			Lebanon's principal import sources, 2005:		
1	Syrian Arab Republic	25.3%	1	Italy	11.2%
2	United Arab Emirates	11.4%	2	Syrian Arab Republic	10.8%
3	Turkey	7.1%	3	France	9.3%

Oman

Surface Area	310 000 sq km
Capital	Muscat
Population	2.4 million
Main Languages	Arabic
Currency	O. Rials

Real GDP growth



Economic Overview

The Sultanate of Oman occupies the south-east corner of the Arabian Peninsula bordering Saudi Arabia and the United Arab Emirates in the West and the Republic of Yemen in the South. The economy is largely dependent on the production and export of oil and gas, which began in 1967, but the policy of gradually lessening dependence on oil is meeting with continuing success. In 2005 oil & gas accounted for 79.5% of Government revenue, as compared to 72.7% in 2003, and 73.1 in 2002. Oil reserves are predicted to be substantially depleted by 2020. Oman's policy of economic diversification, is focusing on natural gas, port developments in Sohar and Salalah, information and communication technology, fisheries, manufacturing and, in particular, modern tourist facilities, which are being expanded throughout the country. Another important economic policy is 'Omanisation', the replacement of migrant workers with Omani nationals. The aim is to address the pressing need to provide work for the growing number of young Omanis, and prepare the country for the post-oil era. Oman actively seeks private foreign investors, particularly in the industrial, tourism and higher education fields. Fast food and casual dining are very popular, particularly with the younger generation.

Recent economic indicators:	2001	2002	2003	2004	2005(a)	*2006(b)*
GDP (US$bn) (current prices):	19.9	20.3	21.8	24.8	30.7	*38.5*
GDP PPP (US$bn) (c):	33.1	34.5	35.9	38.4	40.9	*44.3*
GDP per capita (US$):	8,795	8,839	9,344	10,415	12,664	*15,526*
GDP per capita PPP (US$) (c):	14,610	15,002	15,379	16,162	16,862	*17,906*
Real GDP growth (% change YOY):	7.5	2.6	2.0	5.6	6.7	*7.1*
Current account balance (US$m):	1,854	1,333	863	433	4,375	*7,453*
Current account balance (% GDP):	9.3	6.6	4.0	1.7	14.2	*19.4*
Goods & services exports (% GDP):	57.9	57.5	56.5	57.2	n.a.	*n.a.*
Inflation (% change YOY):	-0.8	-0.2	0.2	0.8	3.2	*3.0*

(a) all recent data subject to revision; (b) IMF forecast; (c) purchasing power parity.

Business Forms

Foreign participation in Omani enterprises is governed by the Foreign Business and Investment Law of 1974 as well as the Commercial Companies Code of 1974, the Commercial Register Law and the Commercial Agencies Law as amended by Royal Decree 73/96.

The Foreign Business and Investment Law allows foreign companies to: (1) incorporate a local company; (2) establish a branch office; (3) establish a consultancy; or (4) appoint a commercial agent, provided the foreign company is engaged only in providing goods or services to be imported into Oman. Such enterprises must be approved by the Foreign Capital Investment Committee in the Ministry of Commerce and Industry. Ordinarily at least one member of the enterprise must be an Omani national and at least 35 percent of the profits and capital of the enterprise have to be owned by Omani nationals. In the public transportation, utilities and real estate sectors, at least 51 percent of the shareholdings must be held by Omani nationals.

Foreign persons or companies may participate in four types of business associations defined under the Commercial Companies Law, as follows: (1) General Partnerships; (2) Limited Partnerships; (3) Joint Stock Companies; and (4) Limited Liability Companies. The Commercial Companies Law also defines a Joint Venture.

Taxation

The most important tax in Oman is the tax on business income, which is based upon the Corporate Income Tax Law of 1981 and subsequent Royal and Ministerial Decrees. Taxable entities are entities that have a permanent establishment in the country, so that any entity that has personnel present in Oman is taxed. Taxable income includes business profit, interest, royalties and capital gains, and is computed on the net income arising in Oman or deemed to have risen in Oman after deducting all ordinary expenses. The tax rates vary in accordance with the amount of taxable income and the percentage of Omani ownership. Tax holidays granted under the investment incentives laws also provide a reprieve. In entities other than public joint stock companies in which there is foreign participation of not more than 90 percent, the tax rates vary between 0 and 30%.

Customs Duties

These duties apply to all importers. Mostly, they are of 5 percent of CIF value charged for most goods. Certain essential goods are exempt (e.g. gold, silver bullion, seeds, live plants, refined petroleum products, books, various foodstuffs). Special 100 percent duties apply to alcoholic beverages, tobacco and pork products. With a few exceptions, goods produced in GCC states enter Oman duty-free.

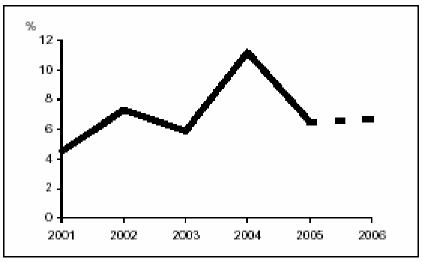
Oman's global merchandise trade relationships:

Oman's principal export destinations, 2005:			Oman's principal import sources, 2005:		
1	China	22.4%	1	United Arab Emirates	22.6%
2	Republic of Korea	18.2%	2	Japan	15.9%
3	Japan	14.7%	3	United Kingdom	7.8%

Qatar

Surface Area	11000 sq km
Capital	Doha
Population	0.8 million
Main Languages	Arabic
Currency	Riyals

Real GDP growth



Economic Overview

Qatar's strength is derived from their oil and gas revenue which has made it one of the wealthiest countries in the world in terms of per capita income. Government policy in recent years had recognized the need to promote greater private investment in core industrial projects. The Government has actively promoted ownership by Qatari and Gulf Co-operation Council (GCC) nationals and has limited its investment activity to areas in which private capital is unavailable or government participation is believed to be in the national interest.

While income from oil, produced at around 740,000 barrels per day, currently accounts for most government revenue, Qatar's future economy will depend increasingly on gas. Qatar has invested heavily in world class LNG facilities. A deep-water port has been constructed at Ras Laffan to exploit the North Dome gas field; the world's largest non-associated gas field holding 15.3% of world reserves. At current planned rates of extraction the field will last for over two hundred years. There are two gas companies Qatargas and RasGas. Increasing LNG sales are expected to reach 20million tonnes per annum by 2005, climbing to 60 million tonnes by 2010. Government efforts to diversify the economy have led to the establishment of petrochemical, oil-refining and fertiliser industries.

Recent economic indicators:	2001	2002	2003	2004	2005(a)	*2006(b)*
GDP (US$bn) (current prices):	17.7	19.7	23.7	28.5	34.3	*44.9*
GDP PPP (US$bn) (c):	17.0	18.6	20.6	23.1	25.0	*27.3*
GDP per capita (US$):	27,344	28,858	32,976	37,610	43,110	*53,512*
GDP per capita PPP (US$) (c):	26,243	27,232	28,678	30,566	31,397	*32,596*
Real GDP growth (% change YOY):	4.5	7.3	5.9	11.2	6.5	*6.7*
Current account balance (US$m):	4,152	3,824	5,754	7,552	7,063	*22,017*
Current account balance (% GDP):	23.4	19.4	24.3	26.5	20.6	*49.1*
Goods & services exports (% GDP):	65.1	59.5	61.3	64.5	68.8	*71.8*
Inflation (% change YOY):	1.4	0.2	2.3	6.8	8.8	*9.0*

(a) all recent data subject to revision; (b) IMF forecast; (c) purchasing power parity.

Business Forms

The Companies Law No. 11 of 1986 recognizes five types of business associations that may be formed and registered in Qatar. These are: (1) General Partnerships; (2) Limited Partnerships; (3) Limited Partnerships with Shares; (4) Limited Liability Companies; and (5) Joint Stock Companies.

Recently, the Qatari government began reviewing a legislative proposal concerning commercial law that would allow foreigners, both individuals and entities, to hold more than 50 percent of the equity of a Qatari joint venture in partnership with local partners. Currently, as discussed in the section on Foreign Investment, foreign investors are barred from holding more than 49 percent of a local entity. This legislative initiative is intended to further the goals of privatization, encouraging foreign investment and developing small sized industries.

Taxation

The Income Tax Law of Qatar, Law No. 11/1993 became effective as of January 1, 1993. It imposes income tax on the taxpayer (natural persons and corporate bodies) arising from activities in Qatar, including profits from any contract executed in Qatar, profits realized from the sale of any asset of an establishment, agency commissions, regardless of whether the contract with respect to which a commission is due is executed inside or outside of Qatar, consultation fees, amounts from the sale, rent or concession of intellectual property rights, bad debts which are collected by the taxpayer and net profits upon dissolution of a company. Tax is calculated on a progressive scale rising to a maximum rate of 35 percent on taxable income above QR 5 million.

Salaries, wages, personal bank interest and other forms of personal income are not subject to tax.

Customs Duties

Qatar applies the GCC Common Customs Tariff at 5% of CIF invoice value for imports of goods from outside the GCC region. Tobacco and manufactured tobacco substitutes are however subject to 100% customs duty or on a minimum collectable rates basis whichever is higher. Goods moving between GCC States are not subject to customs duties. Certain goods are exempted from customs in accordance with the schedule of 417 exempted items applicable under the GCC Customs Union.

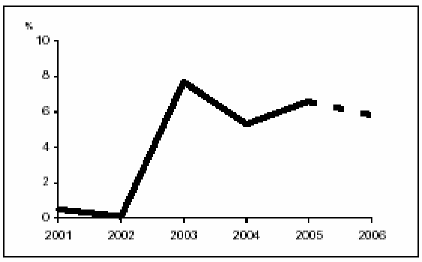
Qatar's global merchandise trade relationships:

Qatar's principal export destinations, 2005:			Qatar's principal import sources, 2005:		
1	Japan	40.0%	1	Japan	11.6%
2	Republic of Korea	15.8%	2	United States	11.6%
3	Singapore	8.2%	3	Germany	9.2%

Saudi Arabia

Surface Area	2150000sq km
Capital	Riyadh
Population	23.1 million
Main Languages	Arabic
Currency	Riyal

Real GDP growth



Economic Overview

With a population of over 24 million, and over 25 per cent of the world's conventional oil reserves, Saudi Arabia is the Gulf region's largest economy. Although efforts have been made to diversify Saudi Arabia's economy, it remains heavily dependent on the oil sector and will continue to be so for the foreseeable future. Private non-oil sector contribution to GDP has increased over the past decade, but oil and oil derivatives still account for 90-95 per cent of Saudi export earnings, 75 per cent of budget revenues and about 30-35 per cent of GDP.

Under the leadership of then Crown Prince Abdullah, the Saudi government initiated structural reform measures designed to encourage privatisation, liberalise foreign trade and reform investment regimes. Commercial laws were revised and initial steps taken to free up foreign investment and privatise parts of the state sector.

The Government welcomes foreign investors, assuring them that Saudi Arabia imposes no restrictions on the entry or repatriation of capital, profits or salaries. The government especially encourages foreign investment that transfers technological expertise and provides training and employment opportunities for Saudi Nationals.

Recent economic indicators:	**2001**	**2002**	**2003**	**2004**	**2005(a)**	***2006(b)***
GDP (US$bn) (current prices):	183.3	188.8	214.9	250.7	309.9	363.7
GDP PPP (US$bn) (c):	267.9	272.9	299.8	323.8	352.0	*376.0*
GDP per capita (US$):	8,736	8,785	9,758	11,056	13,410	*15,352*
GDP per capita PPP (US$) (c):	12,772	12,700	13,616	14,281	15,229	*15,873*
Real GDP growth (% change YOY):	0.5	0.1	7.7	5.3	6.6	*5.8*
Current account balance (US$m):	9,366	11,889	28,085	51,993	90,785	*119,820*
Current account balance (% GDP):	5.1	6.3	13.1	20.7	29.3	*32.9*
Goods & services exports (% GDP):	39.8	41.1	46.1	52.6	58.3	*59.7*
Inflation (% change YOY):	-1.1	0.2	0.6	0.4	0.7	*1.0*

(a) all recent data subject to revision; (b) IMF forecast; (c) purchasing power parity.

Business Forms

The Regulations for Companies govern company formation and operation. The eight possible forms of business organisation are the general partnership, limited partnership, partnership limited by shares, limited-liability partnership, company with variable capital, joint-stock company, co-operative company and joint-venture Company.

The most frequently used forms of organisation are the limited-liability partnership (or company) and the joint-stock company. In practice, the limited-liability company is the most appropriate form of incorporation available to foreign investors. In rare cases, the government has made the joint-stock form available when it foresees possible public-equity participation.

Taxation

Like most other states in the Gulf Co-operation Council (GCC), Saudi Arabia levies corporate income tax on foreign companies but not local firms, which are subject only to a nominal religious tax called zakat (almsgiving). If a company is a joint venture between a Saudi and a foreign party, the portion of taxable income attributable to the foreign party is subject to income tax and that to the Saudi party to zakat.

Companies are subject to tax on Saudi-source income. Saudi-source income is defined broadly to include the income of an entity doing business in the Kingdom, whether or not the entity has a permanent establishment. Tax is charged at a flat rate of 20%. Businesses in the natural-gas sector are subject to a 30% rate, and businesses in the oil sector are taxed at 85%. Foreign companies may obtain tax exemptions and reliefs for approved projects. Further incentives for foreign investment are under consideration.

Individuals pay tax at a flat rate of 20% on income sourced in Saudi Arabia. Saudi citizens and citizens of member states of the Gulf Co-operation Council (GCC) do not pay income tax but are subject to Zakat, a religious tax based on 2.5% of equity less fixed assets. Foreign citizens are subject to income tax on their Saudi-source income. There is no tax on wages and salaries apart from the deduction for social security for Saudi workers (see Labour environment above).

Customs Duties

Saudi Arabia applies the GCC Common Customs Tariff at 5% of CIF invoice value for imports of goods from outside the GCC region. Tobacco and manufactured tobacco substitutes are however subject to 100% customs duty or on a minimum collectable rates basis whichever is higher. Goods moving between GCC States are not subject to customs duties. Certain goods are exempted from customs in accordance with the schedule of 417 exempted items applicable under the GCC Customs Union.

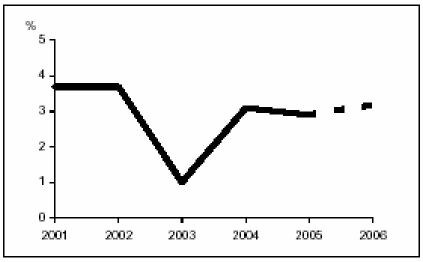
Saudi Arabia's global merchandise trade relationships:

Saudi Arabia's principal export destinations, 2005:			Saudi Arabia's principal import sources, 2005:		
1	United States	16.5%	1	United States	13.0%
2	Japan	16.2%	2	Germany	9.5%
3	Republic of Korea	9.1%	3	Japan	7.9%

Syria

Surface Area	185000 sq km
Capital	Damascus
Population	18.6 million
Main Languages	Arabic
Currency	S. Pound

Real GDP growth



Economic Overview

Since the mid-1980's, Syria has been moving away from an economic system that was dominated by the state towards a market economy. This move away from a state controlled economy has been characterised by a policy of encouraging private and joint public/private ventures and by a relaxation of trading and currency regulations. The trend has been helped by an increase in oil production and by a growth in agricultural output. The US has imposed economic sanctions on Syria for certain exports, with the exception of food and medicine.

The government's declared policy is now one of encouraging private enterprise, and it has declared itself open to private investment in all areas of the economy. The investment law introduced in 1991 gave substantial incentives to the private sector; that law also represented the government's main inducement towards encouraging foreign investment in Syria, giving foreign investors the same incentives as those given to local concerns. The current laws and regulations are being revamped in order to meet changing international business climate. Private banking laws were passed in 2002, allowing investors to set up private banks in Syria. Annual oil production has fallen, with reserves to be depleted in 10 years, prompting Syria to open up new blocks for oil and gas exploration as a top priority. Diversification of Syria's economic base is necessary.

Recent economic indicators:	**2001**	**2002**	**2003**	**2004**	**2005(a)**	***2006(b)***
GDP (US$bn) (current prices):	21.0	22.8	22.7	24.7	27.3	*29.4*
GDP PPP (US$bn) (c):	57.4	60.8	63.7	67.6	71.7	*76.1*
GDP per capita (US$):	1,254	1,323	1,285	1,360	1,464	*1,534*
GDP per capita PPP (US$) (c):	3,422	3,534	3,604	3,723	3,847	*3,976*
Real GDP growth (% change YOY):	3.7	3.7	1.0	3.1	2.9	*3.2*
Current account balance (US$m):	1,199	1,639	1,071	-3	-592	*-529*
Current account balance (% GDP):	5.7	7.2	4.7	0.0	-2.2	*-1.8*
Goods & services exports (% GDP):	35.6	36.1	31.2	33.1	n.a.	*n.a.*
Inflation (% change YOY):	3.4	-0.5	5.8	4.4	7.2	*5.6*

(a) all recent data subject to revision; (b) IMF forecast; (c) purchasing power parity.

Business Forms

According to Syrian commercial law contained in Legislative Decree No. 149 of 1949, there are several forms in which entities may be registered in Syria and through which business may be conducted. These are: (1) capital company (either a shareholding or a limited liability company); (2) general partnership; (3) limited partnership; (4) joint venture; and (5) branch of a foreign company. All of these forms enjoy an independent legal personality except for the joint venture. Foreign enterprises wishing to establish a branch or to carry out work in Syria must register with the Foreign Companies Department of the Ministry of Foreign Trade. The participation of foreign entities may not exceed 49 percent of invested capital. As a limiting measure, foreign companies and individuals of non-Arab origin may not own real property, but may only rent facilities in order to meet their commercial and residential needs, unless the government issues a decree permitting a particular foreign company to own real property.

Taxation

A business profits tax is charged on net profits derived from professional and industrial, commercial and non-commercial activities, as well as on net profits from all other activities not specifically subject to the wage tax, to the tax on income from personal property or to the real property tax. The business profits tax is levied on the profits of individuals as well as on the profits of corporate entities. Non residents are subject to the business profits tax on all profits arising from sources or activities in Syria. The business profit tax is applied in progressive rates between 10 percent to 45 percent, depending on the amount of taxable income. Shareholding companies and industrial limited liability companies are taxed at a flat rate of 32 percent and 42 percent respectively. Dividends are not subject to a withholding tax provided such dividends are paid from company profits. The company profits from which dividends are paid are taxed under the business profits tax unless specifically exempted. An individual is liable to the same taxes as a company on his business income, income from movable capital and real property. In addition to these taxes, individuals are also subject to a wage and salary tax. Income, taxable under the wage and salary tax, includes the basic salary, bonuses, overtime, allowances and foreign benefits. This income is taxed at progressive rates of 5 percent to 12.5 percent. Foreign employees working in Syria are subject to the same rules and rates as those applied to Syrian employees.

Customs Duties

Customs duties can range from 1 percent to over 100 percent on certain items. Law No. 1 of 1980 created a Unified Tax on Imports which ranges from 6 percent for goods exempt from customs, and from 35 percent for goods subject to customs tariff, to more than 100 percent. Machinery and materials imported for new industrial investment, under certain circumstances, may, upon application to and approval from the government, be exempt from import duties.

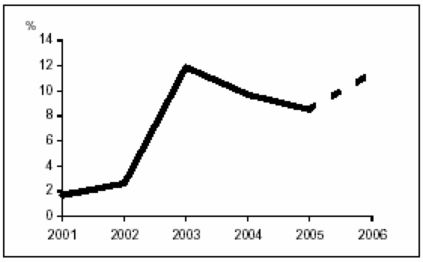
Syria's global merchandise trade relationships:

Syria's principal export destinations, 2005:			Syria's principal import sources, 2005:		
1	Iraq	18.7%	1	Turkey	9.5%
2	Turkey	14.7%	2	Saudi Arabia	8.5%
3	Saudi Arabia	12.9%	3	Republic of Korea	6.4%

United Arab Emirates

Surface Area	84000 sq km
Capital	Abu Dhabi
Population	4.7 million
Main Languages	Arabic
Currency	Dirham

Real GDP growth



Economic Overview

The UAE has the world's fifth largest conventional oil reserves and fifth largest natural gas reserves and is a major player in world energy markets. It is the Middle East's second largest economy, after Saudi Arabia, and has experienced unprecedented economic transformation. Although oil and gas production remains the primary source of public revenue, the country's current economic success results from a government strategy of economic diversification. Free zones attract manufacturing industries and today, hundreds of factories are distributed throughout the country. The UAE is also recognized as the commercial and business hub of the Arabian Gulf. The re-export market is booming as a result of excellent ports, infrastructure and a pro-business climate.

In the medium term, the UAE economy will continue to rely on its huge oil and gas reserves - which accounts for around a third of GDP, 40 per cent of exports, and the bulk of government revenue - to underpin its economic development. Investment income is also substantial and provides a further element to economic activity. Dubai Emirate has used its oil reserves to fund a range of diversification efforts to establish itself as a tourism, ICT, re-export and financial hub. Taking full advantage of its position near the head of the Gulf, it has become the key regional entrepot.

Recent economic indicators:	**2001**	**2002**	**2003**	**2004**	**2005(a)**	***2006(b)***
GDP (US$bn) (current prices):	68.7	74.6	88.2	104.6	129.6	*176.8*
GDP PPP (US$bn) (c):	90.3	95.6	108.6	120.9	130.8	*139.1*
GDP per capita (US$):	19,689	19,864	21,815	24,059	27,700	*35,099*
GDP per capita PPP (US$) (c):	25,878	25,465	26,871	27,799	27,957	*27,610*
Real GDP growth (% change YOY):	1.7	2.6	11.9	9.7	8.5	*11.5*
Current account balance (US$m):	6,590	3,045	7,148	10,645	19,078	*37,216*
Current account balance (% GDP):	9.6	4.1	8.1	10.2	14.7	*21.0*
Goods exports (% GDP):	69.2	68.7	76.1	86.6	91.4	*n.a.*
Inflation (% change YOY):	2.8	2.9	3.1	5.0	8.0	*7.7*

(a) all recent data subject to revision; (b) IMF forecast; (c) purchasing power parity.

Business Forms

Under Federal Law No. 8, business organizations may take one of seven forms: 1) Public Shareholding Companies; 2) Private Shareholding Companies; 3) Limited Liability Companies; 4) General Partnerships; 5) Limited Partnerships; 6) Partnerships Limited by Shares; and 7) Shareholding Companies. Companies not taking one of these forms are not legally recognized, and persons contracting in their name will be jointly and severally liable for the obligations arising from such contracts. Exceptions apply only for companies located in a Free Trade Zone. There are also requirements determining minimal capital contributions, the number of directors and shareholders, and incorporation procedures. Provisions concerning mergers and dissolution or conversion of companies are also included in the same law. Each entity must be registered and licensed with the UAE Federal Ministry of Economy and Commerce and with the appropriate authority in the Emirate in which its office will be located. Furthermore, the law sets forth the general rule that participation of UAE nationals should never be less than 51 percent in any commercial enterprise. Some business forms and structures are generally not available to foreign investors.

Taxation

The UAE does not have any enforced federal income tax legislation for general business. An income tax decree has been enacted by each Emirate, but in practice, the enforcement of these decrees is restricted to foreign banks and to oil companies. This practice is not likely to change in the near future as the relevant mechanisms with which to implement the tax decrees have not yet been established. The decrees indicate, however, that if taxation were enforced, taxes could be imposed retroactively. Foreign banks are taxed at 20 percent of their taxable income in the Emirates of Abu-Dhabi, Dubai and Sharjah. The tax is restricted to the taxable income which is earned or deemed to be earned in that particular Emirate. Oil Companies (which include any chargeable person that deals in oil or right to oil both off-shore and on-shore) pay a flat rate of 55 percent on their taxable income in Dubai and 50 percent in the other Emirates. In addition, they pay royalties on production.

Personal incomes, including all forms of salary and capital gains wherever arising, are not subject to taxation in any of the Emirates.

Customs Duties

The UAE maintains a relatively open trade system. On 1 January 2003 the GCC member states implemented a customs union. A five per cent duty is imposed on most imports. Some 417 tariff lines (mainly food, animals and medicines) attract a zero duty rate. Member states may each also nominate a list of protected commodities on which they can charge duty rates of 12 or 20 per cent. The UAE imposes few, if any, such tariffs.

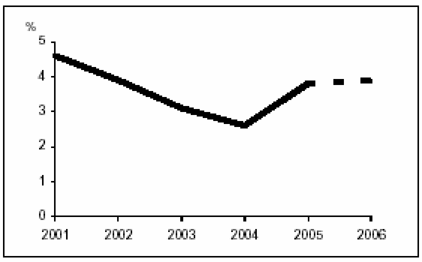
UAE's global merchandise trade relationships:

UAE's principal export destinations, 2005:			UAE's principal import sources, 2005:		
1	Japan	24.4%	1	United Kingdom	9.9%
2	Republic of Korea	9.6%	2	China	9.6%
3	Thailand	5.5%	3	United States	9.3%

Yemen

Surface Area	528000 sq km
Capital	Sana'a
Population	25.9 million
Main Languages	Arabic
Currency	Y. Rials

Real GDP growth



Economic Overview

Beginning in 1995, Yemen embarked on a comprehensive reform program under the support of the International Monetary Fund and World Bank. The country remains committed to this process. Trade liberalization is an integral part of this program. The government welcomes foreign investments and has created many investment opportunities and provided incentives to local and foreign investment in all aspects of the economy. Trade and investment legislation has been simplified and streamlined. Yemen is taking conscientious steps to diversify its economy and implement a privatisation program. Moreover, rising world oil prices since mid-2000 have restored Yemen's foreign exchange reserves.

The Yemen government favours a free-market economy. Yemen is important to world energy markets because of its oil and natural gas resources as well as its strategic location at the Bab el-Mandab strait linking the Red Sea and the Gulf of Aden, one of the world's most active shipping lanes. Yemen's strength is derived from its strategic position, its industrious population and the vast reserves of oil. Yemen's oil output provides the country's main source of hard currency revenue.

Recent economic indicators:	2001	2002	2003	2004	2005(a)	*2006(b)*
GDP (US$bn) (current prices):	9.5	9.8	11.9	13.6	15.2	*17.5*
GDP PPP (US$bn) (c):	15.6	16.5	17.4	18.3	19.5	*20.3*
GDP per capita (US$):	432	429	496	544	586	*649*
GDP per capita PPP (US$) (c):	710	721	728	736	751	*752*
Real GDP growth (% change YOY):	4.6	3.9	3.1	2.6	3.8	*3.9*
Current account balance (US$m):	507	535	-8	255	709	*-240*
Current account balance (% GDP):	5.3	5.4	-0.1	1.9	4.7	*-1.4*
Goods & services exports (% GDP):	37.1	38.5	35.8	37.2	44.4	*n.a.*
Inflation (% change YOY):	11.9	12.2	10.8	12.5	11.8	*15.5*

(a) all recent data subject to revision; (b) IMF forecast; (c) purchasing power parity.

Business Forms

While foreigners may own property, foreign companies and establishments generally operate in Yemen through Yemeni agents. Law 23 of 1997 (as amended) regulates agencies and branches of foreign companies and firms and outlines the requirements for establishing a Yemeni agent. Chapter 3 of Law 23 permits foreign companies and firms to conduct business in Yemen by establishing foreign-owned and managed branches. Foreign establishments wishing to open branches in their own names must obtain a permit by decree from the Minister of Industry and Trade. Regarding investment projects, under the 2002 investment law, foreigners can own 100 percent of the land and can execute projects without a Yemeni agent and without obtaining import/export license from The Ministry of Industry and trade or implementing Law 23 of 1997 (the investment law implemented in October 2002 has precedence over other laws). As a practical matter, however, foreign establishments should plan to engage a Yemeni partner.

Taxation

In general, resident companies pay tax on their worldwide income derived from all of their activities. Non- resident companies are taxed on their income earned in Yemen. A resident company is a legal entity that is established in accordance with the Yemeni laws or other laws and that has a place of business, management or supervision in Yemen. A non resident company is a company that does not fulfill the requirements for a resident company. Resident and nonresident companies are subject to tax at a rate of 35%. A 10% withholding tax is imposed on dividends paid to nonresidents. Dividends received by resident companies from other resident companies and from nonresident companies are subject to tax.

Residents are taxed on worldwide income. Non-residents are taxed on Yemen-source income only. Resident and nonresident employees with annual income exceeding the personal allowance of YR 36,000 are subject to tax.

Customs Duties

All imported goods are subject to customs duty, at rates depending on the nature of the item. Average duty range between 5% and 50% of the CIF value, with much higher rates (up to 120%) on non-essential and luxury consumer goods.

Yemen's global merchandise trade relationships:

Yemen's principal export destinations, 2005:			Yemen's principal import sources, 2005:		
1	China	35.3%	1	United Arab Emirates	18.6%
2	India	16.2%	2	Saudi Arabia	8.8%
3	Thailand	11.9%	3	Switzerland	8.4%

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PROJECT FINANCE & MANAGEMENT CONSULTANTS

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