

World Report

SAUDI ARABIA

WINDOW OF OPPORTUNITY

Resourceful thinking
for a non-oil future

NEW HORIZONS

Architecture for the
21st century

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INTRODUCTION

Drive to attract investment

A programme of wide-ranging reform aims to diversify the economy and encourage private sector involvement

The Saudi economy is showing a healthy rate of growth, thanks to increased oil revenues. Government policy is focusing on attracting foreign investment, which is already on the increase. New laws have made the kingdom a more attractive place to put money, and efforts are being made to speed up the process.

A number of areas are being promoted, including oil, petrochemicals, natural gas, ports, railways, power and water utilities, and desalination plants. Foreign firms are also being invited to take part in the privatisation of government controlled corporations.

Oil is vital to the Saudi economy. The official figures for 1999, published by the Saudi Arabian Monetary Agency (SAMA), show a growth rate of 23.7 per cent in the sector and a substantial improvement in the balance of payments. The value of oil exports rose by 38 per cent over the year, leading to a surplus of 1.5 billion riyals (\$400 million) in the current account, compared with a deficit of 49.2 billion riyals in 1998.

The result was an 8.8 per cent growth in the kingdom's gross domestic product (GDP). At the same time there was an increase in government revenues, 80 per cent of which come from oil exports, together with a reduction in government expenditure. The deficit in the state budget dropped from 10 per cent of GDP to seven per cent.

Growth is continuing this year and is forecast to be three per cent for 2000 as a whole, and the same rate in 2001. A budget surplus is also expected this year,

the first that Saudi Arabia has had for nearly two decades, and another in 2001.

It has long been government policy, however, to reduce the kingdom's dependence on oil by developing other sectors. This policy has been strengthened by the experience of recent years and lower oil prices have hit Saudi finances hard.

In the short term, the government will be cautious in spending the extra funds that are now available. Prince Sultan bin Abdel-Aziz al-Saud, the second deputy premier and minister of defence and aviation, says the main priorities will be funding for vital projects, the payment of recently accumulated debts and the creation of more jobs.

For the long term, a government programme of wide-ranging economic reform has been designed not just to liberalise the economy by means of privatisation and easing regulations but also to encourage investment from the private sector. In this way, the government believes it can develop Saudi Arabia's potential in a variety of areas.

Saudi Arabia is the only one of six Gulf Cooperation Council states that is not a member of the World Trade Organisation. Negotiations to join have been protracted, but at the eighth round of talks in Geneva in November, the minister of commerce, Osama bin Jaafar bin Ibrahim al-Faqih, predicted that the kingdom would join in 2001.

"Saudi Arabia believes that it has fulfilled all the requirements for membership and had accelerated the accession process, which could have been concluded much earlier but was hampered by a clear lack of rules," he says.



The government's economic reforms, introduced not only to encourage greater foreign investment but to meet the rising demands of the country's growing young population, are already showing results. Joining the WTO will help clear barriers for Saudi exports, mainly to Europe and the US, and diversify the economy.

The establishment last year of the Supreme Economic Council, a body of key ministers who oversee economic policy, has been instrumental in driving forward

Priorities are to fund vital projects and create jobs

the reforms and accelerating the privatisation programme. Prince Abdallah bin-Faysal bin-Turki, the governor of the General Investment Commission, points out that foreign investment over the year had already reached 5.2 billion riyals by November, compared with 200 million riyals in 1999.

He also points out that Saudi Arabia has many advantages for investors, such as its security, stability, strong economic structure, and its important political and geographical position.



From print to the small screen for Saudi press

□ Important new publishing ventures have been launched in Saudi Arabia this year, including a conventional newspaper and one that plans to exploit the potential of cyberspace.

In October, *Al-Watan*, a newspaper financed by the Asir Press and Publications Establishment, was given a colourful launch in the southern city of Abha by Prince Khaled al-Faisal, governor of Asir province. In November, the first Arabic electronic newspaper started its experimental website, in preparation for a full launch during Ramadan.

The electronic newspaper, a branch of the Dar Rawnaa publishing house in Riyadh, will contain news reports on politics, entertainment, culture, health and religious events. The newspaper's website address is www.bab.com.sa.

Ammar Bakkar, the editor-in-chief, comments: "I think the first challenge we have is to break the habit of reading a newspaper the way readers have for years. But I believe the advantage of the electronic newspaper is that it will attract readers. For instance, this site is more than a newspaper on screen. It provides many other services that ordinary papers do not offer: chatting, e-mail, faster interaction, archives.

"The most important thing is that news items can be updated very quickly, which means that we can provide the readers with the latest version of the story as soon as it has happened – unlike the newspapers, which are controlled by a daily deadline."

Electronic publishing is also seen as the way of the future by the Saudi Research and Marketing Group (SRMG), which is one of the most important publishing groups in the Arab world, putting out 18 daily, weekly and monthly publications. "In the long run we see the future in cyberspace – Arab net," says Abdul Muhsin al-Akkas, assistant to Prince Ahmad ibn Salman, chairman of the board at SRMG.

"We will make all our newspapers available on the internet, but we will do it in ways we can afford and which will be profitable. Some of our papers are on the internet, but not in a desired form – not as complete as we would wish. We want to make

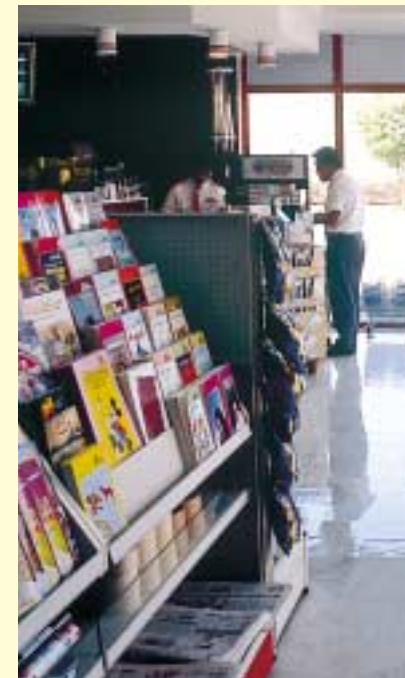


Photo: Chris Moyses/Impact

Breaking habits: traditional journalism will have to compete with e-publishing

advertising space," he explains.

The company was set up in 1974, Mr Al-Akkas says, when it began publishing the *Arab News*. At that time, a number of Arab publications were set up in Paris and London and distributed from there. But SRMG took the decision to print simultaneously in Europe and the Middle East. "Now we have our own printing channel and satellite, and we can publish in 11 different

locations between New York and Dammam," says Mr Al-Akkas.

"Our major market is Saudi Arabia and the Gulf, and then the Arab

region and Europe. We have a small market in the United States."

He adds: "We are a different type of company from all other Arabic newspaper companies, inside or outside Saudi Arabia, and Arabic papers printed in London. We are truly international and pan-Arabic.

"For example, a Saudi newspaper, an Egyptian newspaper or a Lebanese newspaper is printed in that kingdom for that market, with minor distribution outside. Our newspaper is firstly pan-Arabic. It doesn't have a local character, and it has the claim of being printed internationally in London. The editorial staff are located in London. Only the holding company is here in Saudi Arabia."

Promoting assets: new laws are making Riyadh an attractive place for foreign partners

The minister of industry and electricity, Hashim bin Abdullah bin Hashim Yamani, says the industrial sector in particular is being developed with the aid of foreign investment. Last year, it grew by 5.5 per cent. Capital investment in manufacturing industries amounted to 238.3 billion riyals, of which 57 per cent was in joint ventures between Saudi and foreign companies. Industrial exports have doubled over the past 10 years, to reach more than 20 billion riyals in 1999.

Within the oil and gas sector, there are six main areas in which Saudi Arabia is seeking foreign investment, according to Abdallah Jum'ah, president of the Saudi Arabian Oil Company. These are: gas and associated products, petrochemicals, refining, special utility products, and the engineering and construction of petro-leum facilities and oil and gas services.

Abdullah Dabbagh, president of the Saudi Arabia Mining Company (Ma'aden), says the kingdom is now ready to form business partnerships with international mineral developers. Saudi Arabia's many resources include gold, silver, magnesite and phosphates.

Nasser bin Mohammad al-Salloum, minister of communications, lists several routes in need of investment, including:

the east-west expressway connecting Dammam and Jeddah, the north-west highway between the Jordan and Yemen borders, and the Riyadh-Qassim and Mecca-Medina expressways.

The ports also need investment, says Abdulaziz Almana, minister of state and chairman of the Saudi Seaports Authority. Now that the ports are being privatised, foreign investors can make the most of opportunities in container, cargo and bulk cargo terminals, industrial ports, re-export zones and marine services.

Turning to tourism, Majed Abdullah al-Kassabi, secretary general of the Jeddah Chamber of Commerce and Industry, says Jeddah is not just the business and financial centre of Saudi Arabia but has great potential for tourism. "Jeddah has a gold-mine – the Red Sea. It also has American centres. It has a lot of beautiful restaurants and a wide variety of shopping centres. We received two cruise liners last year.

"Jeddah is only 45 miles away from Mecca, so people can combine religious activities with relaxing. We have created a marketing board to look into this and to promote the city of Jeddah, not only as a tourist area but also as a major investment-friendly city," he says. ■

The first news website starts in Ramadan

Building up a solid business

Transport and energy projects are under way as local developers compete with their international counterparts

New construction projects are under way all the time in Saudi Arabia, from roads, houses and commercial centres to complex medical facilities. The sector not only accounts for about eight per cent of the kingdom's gross domestic product (GDP), but also provides jobs for some 15 per cent of the workforce.

Among the major projects planned is the expansion and modernisation of King Abdul Aziz International Airport in Jeddah, including the building of two new terminals for international and domestic flights. Another big scheme is Saudi Aramco's construction of the huge Haradh gas development plant in the east of the kingdom, which will process 1,400 million cubic feet a day, at an estimated cost of \$2 billion.

Infrastructure projects are an important part of the construction industry. Dr Abdullah bin Abdel-Aziz bin Muammar, the minister of agriculture and water, recently announced a government decision to build more than 600 dams across the kingdom, including three large ones at Wadi Alalith, Wadi Rabeya in the Mecca

region, and Wadi Khali in the Asir region.

One area in which there is significant construction activity is the health sector. In recent months, the German-Saudi Medical Centre Construction Group announced that it was creating medical complexes in five cities across the kingdom: Jeddah, the Asir region, Riyadh, Medina and Kheil. The Al Maghrabi



AL-BINALI

'Construction is still our primary business'

Hospitals and Centres has signed a contract for the opening of the first specialised eye and ear hospital in the Southern Region in Khamis Mushait.

The construction companies are almost entirely privately-owned and vary greatly in size. Some are extremely large groups operating joint ventures with foreign companies, while others are small, loosely-organised builders' cooperatives.



The government is the most important client, because of its role in commissioning infrastructure projects, and it has also acted to promote Saudi firms by requiring that 30 per cent of any construction project awarded to a foreign company is sub-contracted locally.

One of the most important Saudi organisations is the El Seif Group of companies, whose activities range from construction to healthcare, both in Saudi Arabia and elsewhere in the Middle East. One of its component parts is El Seif Engineering Contracting, whose projects

include commercial centres, hospitals, residential developments, technical facilities and military installations.

Two huge projects, which the company is currently undertaking are in Riyadh. One is the Al Tameer Centre, a shopping complex that will be one of the largest in the Middle East. The other is the Kingdom Centre, which will be more than 300 metres (984 ft) high, and one of the tallest and most modern business and commercial complexes in the region.

"Construction has always been an open sector in Saudi Arabia, with no subsidies

Good prospects in store for equipment man

As the Saudi economy has grown and the requirements of its industries with it, Saudi companies have built successful businesses by providing the necessary materials. One such is the Saudi Amiantit Group, which was founded in 1968 and is now expanding its activities in the Middle East and further afield.

The group manufactures pipes, joints, fittings, rubber insulation products and accessories. Saudi Amiantit Group sells its products both nationally and around the Gulf region, the Far East and Europe.

When the parent company, Saudi Arabian Amiantit, was founded it did not concentrate on one specific type of pipe, which was unusual, explains Fareed Khalawi the company's president and managing director. But it was successful and in 1997 the board approved his idea of going international. "We set up our first plant in Egypt," he says. There are now two ventures in Egypt and one in Kuwait.

Mr Khalawi says: "Going international gives you stability as it makes you more independent of the ups and downs of one single economy. Since then we have grown a lot. We are doubling our profits each year. So money is not a problem.

"At this stage, what we need is technology, know-how, marketing and expertise. I convinced the board to start the process of acquisitions, which we began with a company in Austria. They were a small company, but are excellent now, combined with our resources."

Another new venture is under way, Mr Khalawi says. "We are going into the water management business, where we see great potential. Our strategy is to find an adequate partner. We thought of approaching big companies, but didn't believe it would work. We have great resources, so we bought a small company with technology and know-how. It proved to be the right thing to do."



Smooth running: AKTE supplies components to many industries such as oil refining

As for cooperation with British firms, Mr Khalawi says: "There is an affinity between Europe and Saudi Arabia, especially with the UK. We can work together to develop opportunities, business and cultural ties, and understand each other."

Another company that has established a strong position is the Al-Abdulkarim Trading Establishment (AKTE). This is Saudi Arabia's leading supplier of speciality and commodity components, with a network of branches, showrooms and warehouses in Al-Khobar, Jubail, Riyadh, Jeddah, Yanbu and Dammam.

AKTE has over 200,000 square feet of covered warehouse space, says the firm's executive director, Khalid al-Abdulkarim, and 50,000 square feet of paved storage area. This allows them to keep a large stock of electrical goods, instrumentation, telecommunication products, piping, valves and fittings.

Another of the large Saudi groups is Ahmad Albinali & Sons, which was first set up in 1937 as a civil contractor to Saudi Aramco and has now diversified its activities into a number of other areas, particularly telecommunications.

"In 1985-1986 we looked for further opportunities, and we discovered that communications was a good thing to get into," explains the company's president, Samir al-Binali. "Construction is still our primary business, but the profit margin is not as good as it is in the communications industry."

The company has joint venture agreements with Entrepouse Montalev of

Foreign firms are required to employ local contractors

France and Kvaerner John Brown Ltd of the UK, and it is keen to promote further international cooperation.

"What we really need today are the technology companies. If we look at the superhighway technology, this is the future of the whole world," Mr Al-Binali says. "There is great opportunity in the communications industry. We still need

a lot of communication in this country, from superhighway communications to regular voice communications. The industry is growing so fast."

Mr Al-Binali says that the large British companies know Saudi Arabia well. "What we need is for the big companies to give the message to the small companies in the UK, and tell them of their experiences in Saudi Arabia.

"This is an opportunity that will not come again, and the time is now. We will not keep the door open for everybody forever. One day we will say that we have enough foreign companies in Saudi Arabia." ■



Photo: Chris Moysel/Impact

New projects: accounting for eight per cent of GDP, construction creates jobs for 15 per cent of the workforce

for Saudi Arabian contractors or beneficial treatment. So we learnt from the start that it is a matter of competition," says Khaled Musaed El Seif, president of the El Seif Group. "In the past, it was only international construction companies that were awarded the specialised jobs. But now we compete in every area and export our services to other countries in the Middle East and Africa."

Manufacturers

Mr Al-Abdulkarim says that a range of sectors are targeted: telecommunications, oil and gas, petrochemicals, electrical, utilities, instrumentation, plant automation, and industrial and commercial construction. AKTE has contracts with many of the biggest companies in Saudi Arabia, including Saudi Aramco, Sceco and Sabic Services.

He adds: "These companies will always have someone to provide them with a service rather than do it themselves. None of the partners we work with, especially the major companies, have a desire to set up these services themselves."



KHALAWI

'Our strategy is to find a partner in the water management business'



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International connection

Two-year-old company is revolutionising the kingdom's communications infrastructure

Telecommunications are one of the main growth areas in Saudi Arabia, and both national and international companies are keen to play an active part in developing the sector. Much has changed in recent years, but more is expected in the future as the whole sector is modernised and expanded.

The most important development so far has been the establishment in 1998 of the Saudi Telecommunications Company (STC). The company's task was to act as a competitive, commercial operation as well as to start liberalising the sector, which used to be controlled by the Ministry of Post, Telephones and Telegraph (PTT).

The STC is still 100 per cent owned by the Saudi government, but the intention is that it should be privatised and the company has been looking for a strategic partner.

The company is improving its own procedures with more modern management techniques and extending the country's telecommunications infrastructure. STC has ambitious plans, including the

installation of 700,000 additional fixed telephone lines, 635,000 mobile phone lines, 500,000 pager lines and 1,500 satellite telephones using Iridium and Saudi Globalstar satellites by the end of the year.

In STC's first year, it constructed more than 18,000km of fibre optic cable. Bids were invited this year for the installation of 600,000 new lines for fixed telephones

Customer service has improved and costs are down

across the kingdom, and bidders include names such as Ericsson of Sweden, Lucent Technologies of the US and Siemens of Germany.

Service to customers has also been improved, with cuts in some rates and a reduction in connection times, which in the past could take months. The STC now connects more subscribers in a year than the PTT connected in 10 years.

Saudi Arabia has not developed as much as some of its neighbours in the telecommunications area. The kingdom occupies only seventh place in the Arab world for the number of mobile telephones per head of population. But use of mobile phones is expected to rise by 15 per cent over the next year, moving it up to sixth place.

Internet use is also growing fast. Services began in January 1999 and in the first 12 months the number of subscribers jumped to 350,000. The STC has licensed 30 internet service providers and plans to offer access from mobile phones.

This rapid pace of development offers opportunities for both international and local companies. One of the most successful local firms is the Al-Falak Electronic Equipment and Supplies Company. Founded by a group of Saudi businessmen in 1981, it has become a leading supplier of network solutions, computer hardware, application hardware and consultancy services in the region.

Many of the international companies are already well established in Saudi



Aiming high: Saudi Globalstar's plans include installing

Arabia. Saudi Globalstar introduced its commercial telephone service via satellite in September, and Ahmed Sindi, the company's general manager, says that its

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Orbiting (LEO) satellites as well as a network of terrestrial gateways, one of which is at D'riyah, outside Riyadh. Saudi Globalstar's advantage is that it can provide telephone services from every corner of the kingdom, and Mr Sindi says this saves the STC the expense of investing in remote areas.

Contracts have recently been awarded to Canadian company Nortel Networks and Lucent Technologies for the expansion and modernisation of parts of Saudi Arabia's internet network. Georges Sebaaly, Nortel's country manager, says the company provides "systems with the right solutions". They would like to offer Saudi Arabia their know-how in establishing new businesses and network systems to help penetrate the market and become more competitive.

Nortel has decided to promote Saudi Arabia to 'tier one' in the organisation, Mr Sebaaly says. He is very optimistic about the kingdom and the changes that are taking place there. "Nortel believes that Saudi Arabia is the right place to be. We are opening the office and we are establishing a new branch."

Alcatel of France has been established in the kingdom for 11 years and its main client is Saudi Aramco, the oil giant. Giovanni Selmi, senior officer, says the company is now offering STC its solutions in the data market. "That is where I see the main opportunity for us and

where we are concentrating. We have already presented some tenders that are now under evaluation.

"What we provide that not everybody does is a complete solution. Some other companies are saying they are number one in one area, but if you ask them for the whole range, they don't have it. We do have it. We provide from A to Z in the telecoms sector."

Motorola, a US company, is another hi-tech firm that has spotted Saudi Arabia's potential. It already does

Mobile phone use is expected to rise by 15 per cent over the next year

business in the kingdom and this year it opened a corporate office in Riyadh called Motorola Arabia Inc. Its objective is to enhance customer service by providing more direct support to its distributors and partners in Saudi Arabia.

"Saudi Arabia is definitely a very sophisticated market and a very large market in terms of its potential," says Arthur Condill, president of Motorola Arabia. "We have four distributor part-

ners in the kingdom who will continue to be our partners and sell specific systems on behalf of Motorola."

The company works with Saudi universities and promotes training. "This is all to help to build the telecommunications industry from a local perspective, using local talent," Mr Condill says.

Siemens has been in the kingdom since the late 1940s, which makes it one of the longest-established foreign companies. The company is mainly active in power generation, transmission and distribution, but it also does business in the medical field and in communications.

In 1976, Siemens founded a joint venture with Saudi company E A Juffali & Bros, known as Arabia Electric Limited (AEL), in which Juffali held 70 per cent and Siemens 30 per cent. In 1999, the two companies set up Siemens Ltd, a regional company, in which Siemens holds 51 per cent and Juffali 49 per cent. Siemens' activities in Saudi Arabia will now concentrate on telecoms.

"Communications make up at least one-third of our business," points out the managing director of Siemens Ltd, Erich Kaeser. "It is mainly still with the STC, but the demands and needs of our private customers are changing so rapidly, and many of them are spread all over the kingdom. So they need their own communications facility through the Siemens network." ■

1,500 satellite telephones by the end of this year

agreement with the STC is unprecedented, because it allows Globalstar to market itself directly to Saudi customers.

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Women take on industry

□ For years, women have been pressing for a greater role in Saudi society. Only seven per cent of Saudi women are employed, and some have called for the establishment of women-only industries where they can own and operate businesses.

They argue that Saudi women might be more suitable than Saudi men to replace foreign labour in factories, as they would be willing to accept lower wages.

A rare industry that employs some women is the Little Princess factory in the capital, Riyadh. The

factory is part of the L'Azurde Group, one of the largest manufacturers of gold jewellery in the Middle East.

L'Azurde's founder and president, Abdulaziz al-Othaim, says he intends to reduce male recruitment and increase the number of women working at the factory.

The group is establishing a new factory in Riyadh and plans to increase its female workforce from 200 to 600 by the end of next year.

Mr Al-Othaim says: "I am confident that women can play a positive role in our manufacturing enterprises, where the use of sophisticated technology is not required as much as it is in the manufacture of ready-made garments and food processing and packaging."

The Little Princess project started four years ago under the patronage of the Al-Nahda Philanthropic Society

for Women. In addition to 200 full-time female employees, a further 100 work as sub-contractors from home.

Most of the employees are "victims of social circumstances" such as divorcees or widows. There is a high divorce rate in the state as 24 per cent of marriages end in divorce.

Nasir Albadah, managing director of L'Azurde, says: "It was a bold step to find women and train them, and the experience has been very good. It was difficult to do the training and the communicating as there was no precedent. It was all established by trial and error."



ALBADAH

'It was a bold step to find women and train them'

Tower scales new heights

The property development sector is thriving and more big construction projects are on the drawing board

Work is well advanced on a tower that will transform the skyline of Riyadh and create what is being described as a new icon for the city. The Kingdom Centre, due to open in September 2001, will rise 300 metres (984 ft), the same height as the Eiffel Tower. It will be the tallest building in Saudi Arabia and the second-tallest in the Middle East, according to El Seif Engineering, the project's general contractor.

The centre is designed like a giant tuning fork, with a bridge thrown across its two extremities at the highest point. It will have 30 floors above ground level, with two more underground, and it will be a mixed-use building, designed to achieve the highest levels of comfort and technology. There will be parking space for 3,000 cars.

The first 13 floors will be for office space and the 14th will be taken up by an internationally-managed business centre. The Four Seasons Hotel will occupy the next 10 levels. Above that will be four floors of residential flats and one of luxury apartments. The very top floor will be the headquarters of the Kingdom Holding Company, the owner and developer of the new tower.

In addition, there will be two wings, called the West Podium and the East Podium. The first will have a huge column-free hall, suitable for conventions, exhibitions and wedding receptions, and a fully-equipped sports club. The second will be a three-level shopping mall, housing the Ladies' Kingdom: a floor for women only, with luxury shops and a business centre for travelling female executives.

The centre is the brainchild of Prince Alwaleed bin Talal bin Abdulaziz al-Saud, a nephew of King Fahd, who has made a name for himself internationally as an entrepreneur and investor. He is the chairman of Kingdom Holding, whose subsidiary, the Trade Centre Company Ltd (TCCL), owns the Kingdom Centre.

"I am an architect. I love this," says Sabah Sammakieh, general manager of TCCL. "This is a dream for me - I am living my dream. The Kingdom Centre is a special building in terms of architecture.

What we have added on the top is very unusual, and this is probably the most complicated job in the world. The span there is about 60 metres (197 ft) at an altitude of 300 metres (984 ft). The bridge will be built on the ground and cranes will lift it."

The main problem, Mr Sammakieh says, was planning the base of the tower because of its different functions, and the need to avoid confusion when people arrive for one or the other. "It was solved in an excellent way. There are two entrances: north and south. At each end we have two levels: a higher and a lower level. Each entrance was at the centre of the tower. I have to give credit to the access engineers. We commissioned a company just for car circulation. Access in and out, that was their sole duty."

Walter Kleinschmit, TCCL operations manager, says of the Ladies' Kingdom: "This is one of our most important points of differentiation from anything else that is available in Riyadh or elsewhere in Saudi Arabia. We set out to provide female customers with the quality of service they want and expect, particularly when they are spending a lot of money.

"In this society, the only way women can receive this kind of service is by providing a 'ladies only' environment. We have created a floor, the top floor, which will be accessible separately by car as well as through the shopping mall by elevators and escalators. A family can

shop together, and then the wife and children can gravitate to the ladies' section of the mall. We have provided accommodation for the drivers, so

that they can pass the time away while they are waiting for their family to be taken home, without having to hang around the mall or the hotel lobby," says Mr Kleinschmit.

The increased revenues, flowing in as a result of higher oil prices and greater foreign direct investment, have resulted in a building boom on an unprecedented scale. Saudi architects have been given a free rein to design anything from marble-clad hotels and futuristic monuments to commerce and palatial residences.

The Saudi Real Estate Company (SREC) is one of many construction firms

Designed like a giant tuning fork, it has a bridge and 32 floors

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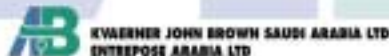
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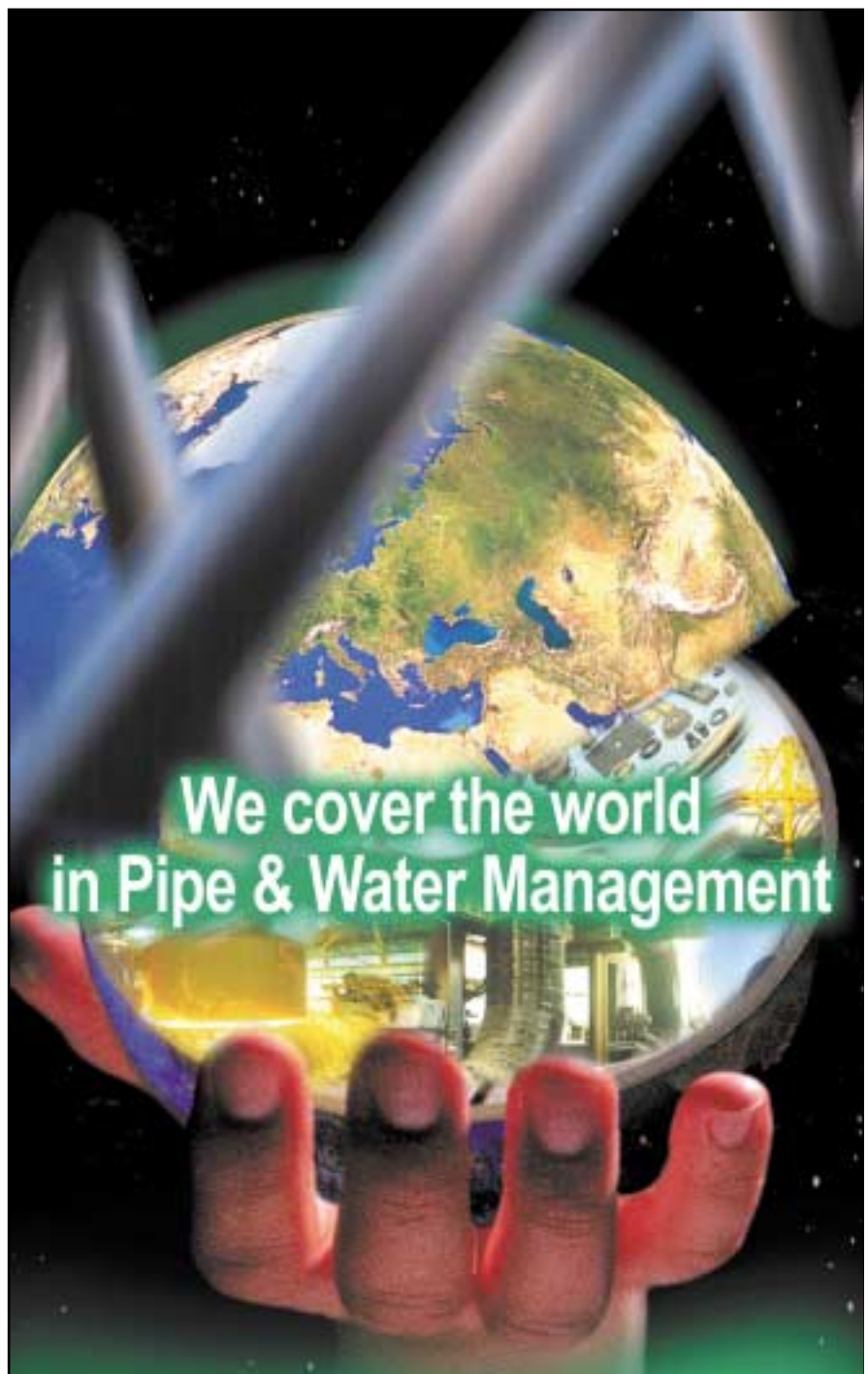
Photo: Kingdom Centre

Skyscraper: at 300 metres, the Kingdom Centre will be the tallest building in the country

benefiting from the boom. One of its projects which is currently under way is a major commercial complex at Al Khobar in the Eastern Province.

Since it was established 24 years ago, SREC has built five huge commercial centres, as well as residential developments, villas and other buildings all over the kingdom. The high cost of housing in Saudi Arabia has also led the company to propose the construction of low-cost homes, which will be offered to customers on easy payment terms.

Saudi women are also making their presence felt in the real estate market. According to a local newspaper report, nearly 6,000 real exchange businesses are registered to women. The sector attracts many Saudi women, especially university graduates. Much of the work is conducted over the telephone, but as women begin to assert a role in the kingdom's traditionally male-dominated society, more are demanding special office space to conduct a variety of businesses, from brokerage to investment. ■



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Big brands shop around

Leading Saudi retailers are making franchise agreements with major overseas companies to develop the sector

Retailing is a big money-spinner in Saudi Arabia for companies that go about it in the right way. Major international names are targeting the kingdom, including Saks Fifth Avenue of New York, which is playing an important part in the new Kingdom Centre in Riyadh. Another well-known name is Suzy Shier Ltd of Montreal, which has 18 La Senza shops selling lingerie across Saudi Arabia.

Stores are now interested in developing duty-free sales at Saudi airports and on Saudi Arabian Airlines flights. It was recently proposed that a joint stock company should be established to operate duty-free shops at the three international airports – Jeddah, Riyadh and Dhahran – and on SAA flights.

It is calculated that about half of the 20 million passengers who enter Saudi Arabia by air, sea or land each year will buy duty-free goods, and annual sales could be more than 9.4 billion Saudi riyals.

One company that has been successful in retailing is FA Al Hokair & Co, inherited from their father by Fawaz al-Hokair and his two younger brothers. The shop opened for business in 1989 with a single menswear shop, and expects to have 170 branches by the end of the current financial year.

The company's shops still concentrate on clothing and footwear, but they now stock fashion goods. It has built itself

into the kingdom's leading retailer by making franchise agreements with internationally-known brands such as La Senza. It now holds franchises for a total of 18 brands and expects to increase this to 30 by the end of next year.

"We started with the Adams franchise, and then with our international brand we were able to get other international small franchises," says Mr Al-Hokair. "We paid a lot of money, far more than we should have, but it got us started, and our good reputation grew. We followed on with Body Reform, which was basically a copy of The Body Shop.

"We improved and grew with each new franchise little by little, until we were able to do business with Sears UK. When we got the Sears contract, we knew we had to change. It was like graduating from high school to university, and more professional people had to join us. We have to show that we can do it, and so we have picked the best locations and the best professional people, and maintain the highest standards possible."

Winning franchises is not easy and it requires perseverance, says Mr Al-Hokair. "Every company we franchise now, we have targeted. We do not wait for them to come to us. We approach them. If we believe in the company, we try our best to get them. Half the people we represent had never dreamt of being franchised before, let alone trading in the Middle



In store: more of the kingdom's outlets are now focusing on fashion items

Photo: Wendy Levine/Impact

East. It was only by knocking at their door and keeping the channels of communication open, that we eventually encouraged them into the marketplace."

The company's target is "the mass mid-market", he adds. "People who buy the expensive brands, such as Armani, travel outside Saudi Arabia and are well catered for. Part of their joy is to shop in London, Paris and New York. But for basic everyday wear, you are not going to go to Milan. You will buy it where it is handy and the mass mid-market is where the demography is going to explode in the next 10-15 years."

One key feature of the firm is its focus. "We are a Saudi company and concentrate on Saudi Arabia," says Mr Al-Hokair. "We are not interested in being a big player in Dubai or a small player in Kuwait. We prefer to be a big player in Saudi Arabia and this has been central to our mission statement."

Very few upmarket American retailers have ventured abroad, so Saks Fifth Avenue's choice of Saudi Arabia for its first foreign outlet is ground-breaking in more ways than one. Saks is to occupy a prominent place in Riyadh's spectacular Kingdom Centre.

The decision to open in Saudi Arabia has not a little to do with the fact that Prince Al Waleed bin Talal bin Abdul Aziz Al Saud has a six per cent stake in Saks, holds the sole franchise for the

retailer in the country, and has a 46 per cent stake in Kingdom Centre. "There is growing demand in the Saudi market for upmarket fashion and superb customer service," says the prince.

The 57,000 sq ft store will open in the Kingdom Centre late next year. Saks plans to dispatch buyers, store managers and other employees to set up and run the store beforehand. The fashion and luxury goods retailer operates more than 60 stores in the US and its flagship New York store alone contributes for around \$400 million of the entire group's sales.

Philip Miller, Sak's chairman, points out: "There are still many opportunities in the Gulf's retail market for luxury brands, and our research in Riyadh found that this segment continues to be under-served or fragmented. There is clearly a gap for the upmarket speciality store. If so, the economics could be very rewarding for us. We expect these to be reflected in the United Arab Republic and Kuwait as well from our findings."

Most of Saks' huge outlet within the Kingdom Centre will be devoted to women's merchandise. Men will be forbidden on floors where women's clothing is sold to conform with Islamic standards.

Flying the flag for Britain, which has maintained close links with Saudi Arabia, is Debenhams, which will also be opening a store in the centre. ■



Photo: Tameer Centre

Purchasing power: malls are being built to accommodate mid-market shoppers

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