

# lex arabiae

## Legal News of the Gulf

Vol.XV – 2<sup>nd</sup> Issue

April 2011

### Meyer-Reumann & Partners

P.O. Box 9353

Dubai, U.A.E.

Tel: 00971-4-331 7110

Fax: 00971-4-331 3832

dubai@meyer-reumann.com

www.meyer-reumann.com

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Abu Dhabi + Alexandria +  
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**United Arab Emirates****Virtuzone - UAE's latest Free Zone****Guiding Principle**

*Virtuzone is the very latest Free Zone in the UAE and at the same time Fujairah's newest free zone concept. The new free zone focuses on companies in knowledge-based industries such as media, marketing, advertising and consulting. It is designed to assist small companies and individuals to open their new business in the UAE within 10 days with minimal fees and absolute transparency.*

**A. Vision**

Virtuzone was founded under the Emiri Decree No. 4 of 2007 of His Highness Sheikh Hamad bin Mohammed Al Sharqi, ruler of Fujairah. The Virtuzone main office however is located in Jumeirah Beach Residence in Dubai Marina and is offering very attractive packages and opportunities especially for small businesses or those companies entering the UAE for the first time. As part of Fujairah Creative City, Virtuzone is designed especially for foreign owned companies, individuals, small businesses and corporations to establish their business simply, within a short time, cost efficient and in a transparent form. The application for registering a company is online-based, while the authority will issue the trade license within 10 days after receiving the application. Companies and/or individuals will enjoy

- 100% Foreign company ownership;
- 100% Corporate tax exemption for 50 years;
- 100% Personal income tax exemption;
- Virtuzone value-added services;
- No paid up capital;
- No business plan.

Virtuzone is offering currently business activities and categories such as Publishing; Film/Production/Post-Production; New Media and Media Support Services; Music and Entertainment; Broadcasting Management; Design; Information Agency; Music and Entertainment; Consultancy; Media and Marketing Services; Information Technology.

**B. The 4 Pillars of Virtuzone**

The concept of Virtuzone consists of 4 pillars, why individuals, small companies etc. shall choose the Virtuzone for establishing their business.

**1. No Office, No Rent**

The Virtuzone model is allowing international entrepreneurs to operate their business from home or office anywhere in the UAE. This makes Virtuzone unique by eliminating the need to have a physical office. Of course should anyone wishes to have an office, Virtuzone will sell or rent an office accordingly.

**2. Quick and Easy**

The application for registration of a company in Virtuzone is online-based. All documents have to be submitted online. There is no need for the preparation of a business plan and

submission of bank statements. Within a timeframe of ca. 10 days after having submitted the application, Virtuzone will complete the registration procedure and will issue the trade license. After having received the trade license up to 5 residence/employment visa can be obtained. The process of obtaining a residence/employment visa is through an electronic application system and will take only approximately 15 days. That means the entire procedure of setting up a business in Virtuzone is much faster than in other free zones.

### 3. Business Efficiency

Another advantage especially for small businesses and individuals is that no share capital is required for the establishment of a company. Meaning, that the share capital does not need to be proven to be deposited into a UAE-bank account. A further aspect which makes the set-up of a company in Virtuzone favourable and cost efficient is that there are no charges for office lease since the necessity of renting an office is not given and business can be operated through business centres or from home.

Virtuzone is offering different packages for the set-up of a company, e.g. classic, corporate, branch and offshore packages, including the registration, company bank account, PRO services.

### 4. Automated Processes, Human Services

As the name already suggests it is a truly virtual free zone, which can be reached and accessed at all time through the Virtual Office Dashboard from anywhere in the world.

*Hanka Jahn,*

*Meyer-Reumann & Partners - Dubai*

## *Egypt*

### **Egypt after Mubarak - an Economic Outlook**

#### **Guiding Principle**

*This Article is discussing the status of the Egyptian economy after the 25th of January 2011 revolution, and its effects on business.*

As president Obama said, “The people of Egypt have spoken, their voices have been heard, and Egypt will never be the same.” The past few dramatic weeks have witnessed major changes all over Egypt. We all agree with president Obama that Egypt will never be the same again, but the mystery here is the future of Egypt as a major market and a center of many businesses in the region. This is the foggy area for everyone now and the question here is “what will Egypt become?”

Bertil G. Peterson in his article “Looking Ahead” in Business Monthly Magazine March 2011 issue said that protesters were catalyzed not only by political demands, but by high unemployment, low wages and rising prices. To absorb the current unemployment and those entering the job market each year, 9.4 million new jobs will be needed by 2020, which the International Monetary Fund estimates would require GDP growth of 10 percent annually. What was a challenging economic

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environment on January 24, 2011 is all the more so today.

It is clear that Egypt's economy paid a heavy price during the 18 days of protests. CAPMAS, the government's statistics authority, said in a February 17, 2011 statement carrying on the official state news agency MENA, that the revolution had cost the tourism, construction and manufacturing industries a total of at least LE 10 billion. Between January 28, 2011 and February 5, 2011, production in key industrial zones dropped down by 60 percent and the construction sector alone lost LE 762 million.

The vast majority of private sector businesses from neighborhood shops to multinational corporations either closed or drastically curtailed operations. Banks were shuttered and ATMs empty, making it impossible to get cash for groceries or payrolls. Business as usual was simply not possible without funds or customers.

In addition, curfews curtailed foot and vehicle traffic, disrupting the supply chain for the fast-moving consumer goods sector. Dairy producers also took a hit. Hatem Saleh of the Federation of Industries says that companies may have lost 20 percent of their estimated profits for the entire year. Even though production of dairy products returned to full capacity relatively quickly, he expects sales to be down until stores and markets damaged by looters reopen. Nonetheless, "most dairy producers are honoring contracts with farmers despite the drop in sales," Saleh says.

In the real estate sector, the biggest concern has been the change in the government. Many domestic and foreign companies are in a holding pattern until they see what changes come with the new government. Others are not waiting. Yasser Makram, Chairman of Global Development and Investment, says his firm has taken over stalled negotiations with respect to a LE 600 million deal to develop shopping malls because a Kuwaiti partner pulled out.

Supply logistics was also an issue for soft drink companies, which indirectly or directly account for 1 percent of Egyptian jobs, according to the International Tax and Investment Center. Coca-Cola Egypt President Curt Ferguson says that deliveries were limited at times, primarily to ensure employees' safety. "Our manufacturing facilities resumed production very rapidly during the first week of February, and we are not making any changes to our 2011 business plans," Ferguson says.

Indeed, many business leaders see revolution-related economic problems as little more than a temporary setback. According to Coca-Cola's Chairman Ferguson, long-term plans mean that "you continue to invest despite the short-term challenges and disruptions."

On January 17, 2011 only a week before the protests began, Nestlé unveiled plans to invest more than LE 1 billion in its existing factories and distribution centers in Egypt over the next three years, adding 500 jobs to its current workforce of 3,000. So far, the revolution has not altered those plans.

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On February 21, 2011 German Makro Cash & Carry announced that its plans to expand in Egypt are on track, despite substantial damage and looting at its two existing outlets in Cairo.

Francois Oliver, Managing Director of Makro Egypt, stated that the company will establish 20 additional stores at a cost of LE 3.2 billion, according to Al Alam Al Youm.

All pharmaceutical production facilities are reported to be operating at full capacity. Mohamed El-Bahy, Vice President of the Chamber for Pharmaceutical Industries, told Al Ahram that plants were closed for a few days at the beginning of the protests and operating hours were reduced by the curfew, but there were no shortages, and prices have remained stable.

Finally, Procter & Gamble Co. announced on February 21, 2011 that it resumed normal operations at its Cairo offices and two plants outside the city. P&G Egypt employs about 1,500 people.

For its part, the transition government led by the Supreme Council of the Armed Forces has tried to mitigate the economic impact of the revolution and move forward. Finance Minister Samir Radwan pledged early, that subsidies would not be cut even if global prices for food and commodities rise, saying that public spending would be used as a tool to achieve “social justice.” After Mubarak stepped down, Radwan created an LE 5 billion fund to compensate people for property losses and damage due to the unrest and pay benefits to those who lost their jobs.

When banks reopened on February 6, 2011 the Central Bank pumped \$ 854 million from its \$36 billion in reserves. A feared run on the banks was absorbed and the Egyptian pound losses against the dollar, as some economists had predicted were averted.

Surprisingly, investors do not seem bothered either by recent events or the future course of the country. David J. Lynch of Bloomberg Business Week, notes that the Market Vectors Egypt Index, an exchange-traded fund of Egyptian assets - stocks, commodities, and bonds - has risen 7 percent since January 27, 2011 when the EGX was shut down.

According to arabicknowledge-@Wharton; an online resource for business insights at the University of Pennsylvania, regional investors and businesses believe that more democratic governments will pave the way for long-term stability and growth.

Mustafa Abdel Wadud, an Egyptian who is a Managing Director of the investment firm Abraaj Capital in Dubai, told the website that he is taking a long-term approach toward Egypt as the country’s fundamental economics are strong.

Analysts’ opinions on politics are divided, he says, but most believe the region is moving in a positive direction. “In the long-term there will be more stability in these investment destinations, which all have high growth but were considered high risk because of their political structures”. “The reality is that this was expected. No one knew protests in Egypt would be this extensive. But

[Mubarak's] succession was coming. It's just been accelerated."

*Mansour Elaraby,  
Meyer-Reumann & Partners -  
Alexandria*

**Iran**

## **Severance Payment based on the Iranian Labour Law**

### **Guiding Principle**

*Labour law in Iran governs the employment of people working and living in Iran. The comprehensive Labour Law covers all labour relations in Iran, including hiring of local and foreign staff. The Iranian Labour Law is employee-friendly. Labour disputes are settled by a special labour council in the Ministry of Labour and Social Affairs. Any person who works in Iran is subject to the provisions of the Labour Law and in case of termination of employment, employees are entitled to receive severance payment.*

### **A. Termination of Employment**

The Iranian Labour Law (abbrev. IR-LL)<sup>1</sup> got into force on November 20, 1990. The Ministry of Labour and Social Affairs provides general supervision for observing the above law. The IR-LL provides regulations on termination of employment and the procedure for the

<sup>1</sup> Iranian Labour Law was published in Official Gazette No. 124356 dated 03.01.1990.

payment of severance.

According to Art. 21 IR-LL, an employment agreement may be terminated in any of the following cases:

- a) Death of employee;
- b) Retirement of employee;
- c) Total disability of employee;
- d) Expiry of duration of limited employment agreements and their non-renewal explicitly or implicitly;
- e) Completion of work in the contracts for specific task;
- f) Resignation of employee;
- g) Termination of employment in accordance with the terms and conditions of the employment agreement;
- h) Reduced output and changes in the structure and organization of the jobsite dictated by the force of economic, social and political conditions as well as the requirements caused by vast changes made in technology, in accordance with the provisions of Article 9 of the Law Regulating Certain Provisions on Facilitating the Renovation of Iranian Industries (abbrev. IR-RCPFR II).

Based on Art. 25 IR-LL where an employment contract is concluded for a fixed term or for piecework, neither party may unilaterally terminate the contract.

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## **B. Retirement of Employee**

In case the termination of an employment contract is resulting from the retirement of the employee, Art. 31 IR-LL, the employer shall pay the employee an amount equivalent to 30 days' wages at his most recent rate of pay for each year of completed service. This amount shall be in addition to the employee's retirement pension paid by the Social Security Organization.

According to Art. 31 IR-LL and also as per the Iranian Social Security Law<sup>2</sup> of June 24, 1975 (abbrev. IR-SSL), there is also another payment if an employee retires, which is the retirement pension, although the retirement pension should be paid by the Social Security Organization.

Under IR-LL employers shall insure their employees under the IR-SSL. The insured and the members of their families may, from the time that they are covered by the IR-SSL, make use of medical services in case they are injured by accidents or suffer from a disease. Moreover, the source of retirement pension is also the insurance premium.

The rate of insurance premium is 30% of basic salary; 7% of which would be received from the employee, 23% of which would be paid by employer. During the period of the employment of an employee, each month, the employer is obliged to deduct the amount of 7% from the employee's basic salary and pay it to the Social Security Organisation

<sup>2</sup> Social Security Law was published in Official Gazette No. 8894 dated 16.07.1975

alongside his proportion.

Under IR-SSL, pension is the sum paid to the insured to compensate the loss of full or part of the income of the insured and in case of his death to his dependents to provide for their livelihood. There are three types of pension in IR-SSL as follow:

- 1) Those insured who are incurable as diagnosed by the treating physician, shall receive disability pension.
- 2) Those insured who have paid their insurance premium for at least ten years before applying for retirement and in case they are a 60 year-old man or a 55 year-old woman, are entitled to receive retirement pension.
- 3) The qualified survivors of the deceased insured also shall receive a survivors pension in case of death of a retired insured or in case of death of an insured receiving total disability pension, or in case of death of an insured who during the last 10 years of his life, has paid at least one working year's premium in the last year of his life or in cases where the insured dies due to an accident arising from work or due to occupational diseases.

Based on Art. 77 IR-SSL, the amount of retirement pension consists of 1/30 of the average wage or salary of the insured multiplied by the years in which the premium has been paid, provided that it does not exceed 35/30 of the wage or

salary. The average of wage or salary for computing the retirement pension consists of the total wage or salary on the basis of which premium has been paid during the last two years divided by 24.

### C. Resignation of Employee

According to IR-LL an employee who resigns (dismisses himself) is also entitled to receive severance payment. Any employee who resigns shall be required to provide his employer with written notice of his resignation, and to continue to work for one (1) month. In case the employee steps back from his decision of resigning from his employment in writing and within 15 days from the date of his resignation, the resignation shall be deemed to be null and void.

Furthermore, Art. 22 IR-LL provides:

*“On termination of employment, all amounts due to a worker under his employment contract for the given employment period, shall be paid to the worker or, in the event of his death, to his legal heirs.”*

### D. The Calculation of Severance Payment

After informing the employee about termination of the contract and before signing the Employment Settlement Agreement, the severance payment has to be paid. Pursuant to Art. 24 IR-LL, in the event of termination of the employment, the employer shall be required to pay to the employee who has worked at least for one (1) year or in excess of it under an employment

agreement, an amount equivalent to one (1) month salary for each year of continuous or alternate service at the rate of the last salary as severance payment.

Nevertheless, as per clause (h) of Art. 21 IR-LL and according to the new changes made in the Labour Law, the employees who will be discharged as a result of a shake off and restructuring of the jobsite due to economic and social developments, are required to be compensated according to Article 9 IR-RCPFR II. Art. 9 of the above law requires that a compensation of two (2) month's last wages for each year of service shall be paid to the dismissed employees.

Fractions of a year of service are paid pro rata. Therefore, an employee with 5 years and 3 months services is entitled to receive (5.25 x last monthly salary) as the severance payment.

The severance payment is calculated on the basic salary (fixed wage). According to Art. 36 IR-LL, the fixed wage consists of the sum of the wage for a job and of the fixed benefits paid for that job. Social benefits and incentives, such as housing allowances, benefits in kind, family allowances, production-increase bonuses and shares of annual profits are not considered as part of the fixed wage and basic salary. Therefore, with regard to the employees with the fixed/variable remuneration, the severance payment is calculated based on the fixed monthly portion only.

### E. Employment Settlement Agreement

Upon giving notice to the employee

about his termination, an Employment Settlement Agreement should be signed between the parties. In case the employee receives all his due payments including the severance payment in full and also the Employment Settlement Agreement has been signed between employee and employer according to which the employee declares he has received all his due payments including his salary, severance payments, benefits etc. in full, then no claim shall be heard from employee at the labour council. Furthermore, there is no need to check the procedure regarding the employee's termination as well as the severance payment by any authority.

However, some employees may wish to claim for their pension or any other due payment from the employer, they may refuse to sign the Employment Settlement Agreement and will refer the issue to the labour council. Usually the issue will be settled amicably between employee and employer at the labour council. The employee receives his pension or if his claim regarding any further due payments is convincing, he will additionally receive such due amounts.

*Zahra Tahsili, LL.M.*

*Meyer-Reumann & Partners - Dubai*

**Oman**

## **Free Trade Zones in the Sultanate of Oman**

### **Guiding Principle**

*Oman, in an aim to diversify its non-oil revenues and investments into the economy, began establishing Free Trade Zones (FTZ) at the beginning of 2000. The FTZ which gives investors free access to industrial infrastructure along with the option of 100 per cent repatriation of their revenues, began boosting international trade relations and Foreign Direct Investments (FDI).*

### **A. Oman - Opportunities and Advantages**

The Sultanate of Oman is the second largest country in the Gulf Cooperation Council (GCC). The North of the country is adjacent to the Strait of Hormuz, a critical transit route for global crude oil and to the South of the country lies the vital equatorial trade sea route. Oman is a economically, politically and socially stable nation with a substantial trade surplus and a low inflation. It is one of the most liberalized markets in the region and has invested heavily on economic diversification. Projects have been initiated in sectors like natural gas, chemicals & petrochemicals, metals and international transshipment.

### **B. Diversification**

The development of FTZ across Oman has been a centerpiece of the Sultanate's plan to diversify the national economy beyond the oil sector by developing the growth of value-added, export-focused industries such as manufacturing, shipping and logistics. FTZ serve as catalysts for this growth by providing infrastructure (e.g. roads, ports), regulatory framework and financial incentives (e.g. income tax and customs

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duty waivers) that encourage high-end foreign and domestic companies to set up operations.

In addition FTZ aim to build an industrial and trade base in the Sultanate in order to promote sustainable economic growth, using the countries strategically important position with its commercial harbors of Sohar and Salalah to boost trade, bringing new technologies and creating jobs in higher value-added fields. The goal is to create an economically favorable environment to attract and concentrate companies in a business focused environment. Another goal of establishing free zones is to stimulate the private sector to contribute in the economical and social development.

With each free zone project that was announced, the authorities overseeing and controlling the FTZ have ensured that companies brought in investments into various industries, apart from just oil and gas.

### **C. Free Trade Zones in Oman**

At the moment three FTZ are existing in Oman: Salalah, Sohar and Al Mazunah. The large free zones in Salalah and Sohar are important features of the Omani economic landscape, while Al Mazunah is a smaller, lesser known free zone that has recently been capturing headlines: the free zone located in the Dhofar region near the Oman-Yemen border.

#### **1. FTZ Salalah**

Oman's first FTZ in Salalah became operational in 2005. It consists of three

major projects – Octal Petrochemicals, Salalah Methanol and Dunes Oman – along with a smaller project from Sapphire Marine who manufactures yachts and commercial fishing boats. Today companies like ABI Showatech (casting, machining and assembly of light engine products) and SAGA (operating and leasing of stores and warehouses) are established at the FTZ Salalah. The free zone has completed its first phase of development and has progressed to the second stage. It is planned to develop the free zone over an area of 19 square kilometers.

#### **2. FTZ Sohar**

The Sohar free zone was built on an area of 4500 ha and has begun its first phase development in the year 2010, developing it in a cluster approach. There are three major clusters in the Sohar Port area, namely the hydrocarbon or petrochemical sector, metals and minerals sector and logistics with international terminal operators.

#### **3. FTZ Al Mazunah**

The Al Mazunah free zone started operations in 2010. In order to develop the free zone, the Omani government signed an agreement with the Kuwaiti-based company Golden Hala Trading to establish the infrastructure. An investment of an estimated 680 Mio. Omani Rial (OMR) in the project is pledged over the next five years. Focus areas for the free zone's growth plans are the processing, storage and shipment of products from Dhofari agricultural heartland, along with the automobile and industrial vehicle trade.

## D. Advantages and Incentives

Advantages of the three free zones are the strategically good position of its locations. Apart from that, there are various economical incentives common to all three FTZ. For example the fact that they are ring-fenced enclaves exempt from national import and export duties and/or formally operating outside customs area of the country.

Other included business friendly incentives are as follows:

- 100% foreign ownership
- No customs on imports and exports
- No taxes on profits and dividends for 30 years
- No restrictions on repatriation of capital, profits and investments
- Minimal omanisation requirements (e.g. 10% in FTZ Sohar)
- No minimum capital investment or requirement
- No tax on personal income.

## E. Outlook

The FTZ Salalah is dedicated to attract major investments in the areas of logistics, light and medium industries, re-export, trade and information technology. There are investments of over 2 billions OMR provided to be realized within the next five years.

Regarding the FTZ Sohar, development activities and construction in the first 500 ha of land has started in September 2010. It is planned that the first phase will be fully operational within the next five years.

The FTZ Al Mazunah inaugurated the first of three stages and it is gearing up to take its place alongside FTZ Salalah and FTZ Sohar as major industrial hub.

Oman's free zones appear to play an increasingly important role in the Sultanate's economic future and are considered to be a sector to watch closely for companies that already do business in Oman and those that seek to do business in the future.

*Alessandro Gugolz,  
Meyer-Reumann & Partners - Oman*

## Qatar

### World Cup 2022 will boost the Economy in Qatar

#### Guiding Principle

*The winning bid for the 2022 FIFA World Cup™ has catapulted Qatar to one of the economically and financially most expectantly countries in the world. Naturally Qatar in particular, but also its Gulf neighbours will highly benefit from the event. The high hopes and expectations are well-founded; the hosting of one of the largest competitions and sports event in the world is a catalyst for development and expansion in the economy and will entail huge investment projects to build stadiums and associated infrastructure including but not limited to rail, air and road, hotel and tourism. This will attract foreign investors who are eager to be part of the economical growth of Qatar.*

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## **A. Winning the Bid**

The successful winning of the World Cup 2022 bid is set to launch a huge infrastructure investment program in Qatar. FIFA's decision to choose the State of Qatar to host the World Cup is not only a historic precedent, choosing an Arab country for the first time for one of the largest competitions and sports events in the world, but also carries with it enormous economic aspects. The expectations are high and in 2022 the whole world will look at Qatar. Qatar, holder of the world's third-largest natural-gas reserves, has already announced plans to spend at least 100 billion dollars even before being selected to host the sport event.

## **B. Effects on the Economy**

### **1. Independence from Oil and Gas**

Since several years, Qatar aims to get more and more independent from oil and gas and hosting the World Cup is another big step forward to it. The state will try to figure out, how it can benefit from the World Cup also after 2022.

### **2. Costs of the World Cup Host and its effects on the Economy**

The preparation of the World Cup will cost Qatar around \$65 billion. The investment volume for creating the necessary infrastructure, construction of nine new football stadiums and refurbishments at three other stadiums, public facilities, tourism, communications and transportations will be a big challenge for the smallest nation to host the international tournament. The investment volume is set to be several

billion dollars (75 billion dollars).

A huge percentage, around 40% of the budgets is planned for infrastructure projects, including rail, air and road links. Construction and real estate will be boosted.

To cope with the expected amount of approximately 400.000 fans, Qatar will need far more hotel rooms than currently available. To make use of the increasing tourist facilities Qatar is planning to develop the country to a tourism hub. It is, however, expected that many tourists will also stay in the neighboring countries and travel to the games from there. A new bridge will be linked to the neighboring Bahrain. The United Arab Emirates will be the second-biggest beneficiary of the World Cup as it is expected that some visitors take the chance to visit Dubai and some of its attractions as for instance the world's largest tower.

### **3. Effect on Foreign Investors**

Not only Qatar and Middle East countries will benefit from the World Cup. Many foreign companies are also involved in some projects in Qatar and many are keen to be part of the economical growths of Qatar as the country starts looking around for the best expertise in various fields.

Deutsche Bahn AG, the German national railway for instance, has been awarded the contract to build Doha's new 320-kilometer metro system and another German company will apparently build the air-conditioning systems for the World Cup stadiums. The German construction company Hochtief sold 10

% of its shares to Qatar's sovereign wealth fund. Hochtief will be building most of the World Cup stadiums and the bridge between Qatar and Bahrain. With Austria, an agreement on double taxation has been signed, ensuring, that income and capital are not taxed twice. Many foreign investors hope and expect that the relatively strict investment rules for foreign investors, which recently have been loosened with Law No. 1 of 2010, granting foreign investors up to 100% ownership in more sectors in Qatar, will be more loosened soon.

The increase in projects will further lead to a higher demand in local and international manpower and thus to employment increases and a wealth effect. The winning of the World Cup bid will enhance investor confidence in the economy of Qatar and as a matter of fact, Qatar will become more attractive for business and foreign investment.

### **C. Non-financial benefits**

Beyond the financial benefits, the value of social, cultural and intercultural value of the event is significant for Qatar but also the whole Middle East region as many tourists, journalists, business and sports people will visit the region. This is expected and wished to lead to benefits to Qatar and the region, including financial and non-financial benefits such as cultural understanding, political and social aspects.

### **D. Summary and Outlook**

Qatar was already a country with one of the highest capital income before winning the bid. The economy is expected to grow 16% in 2011 to a value

of 135 billion dollar. The hosting of the World Cup 2022 will be additionally, overall a catalyst for the development and expansion of the economy and population. We are pleased to advice all foreign investors, stock companies, medium sized companies, business men and women, as well as employees, trying to be a part of the developments, by bidding, investing, setting-up companies or simply by seeking for good job opportunities to be well prepared in order to fully benefit from this step.

*Rouaida Hamdan,  
Meyer-Reumann & Partners - Dubai*

### **Saudi Arabia**

## **King Abdullah Spending US\$ 128 Billion on Benefits for the Saudi Citizens**

### **Guiding Principle**

*After the return from a medical treatment trip to the United States and Morocco on February 23<sup>rd</sup>, 2011, King Abdullah has issued several orders on convergent times aiming to improve life standards of the Saudi citizens. The orders includes handover cash grants directly to the Saudi citizens, raising the capital of the Real Estate Development Fund, raising the capital of the Saudi Credit & Saving Bank, raising the capital of the Public Authority for Housing – that was before announcing the establishment of the Ministry for Housing after about a month later, the set up of an Anti-Corruption Agency.*

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### A. Direct Grants to Saudi Citizens

Upon King Abdullah's return from convalescence in Morocco after a treatment trip to the United States, the Saudi King issued several resolutions including granting 2 months' salary and 15% cost-of-living allowance to military & civilian employees of the state, 2 months bonus for all the students of the governmental higher education as well as granting job seekers a monthly amount of S.R. 2,000 (about US\$ 533) starting from November 26th, 2011 corresponding to the start of the new Hijri calendar year.

The resolutions includes to set a minimum limit for wages of the Saudi nationals working in the state<sup>3</sup> by S.R. 3,000 (about US\$ 800) and giving permanent employment for all Saudi nationals in temporary public sector jobs starting from the next financial year.

In addition to the resolution to extent the *Outer Scholarship Program of the Custodian of the Two Holy Mosques*<sup>4</sup> for the next five years, King Abdullah has decided to add all the students of the

<sup>3</sup> Several Saudi companies from the private sector have announced that they will raise the minimum limit of wages for their Saudi nationals employees to the same limit applied in the public sector.

<sup>4</sup> The program is concerned with sending the elite students abroad to obtain Bachelor, Master or Ph.d. at the following fields: Medicine, Applied Health Sciences (Nursing, Radiology, Health Sciences, Medical Laboratories, Medical Technology), Pharmacy and Basic Sciences (Mathematics, Physics, Chemistry, Engineering, Computing, Law, Accounting, E-Commerce)

same fields of the Outer Scholarship Program who are studying abroad at their own expense to the program.

### B. In-Direct Grants to Saudi Citizens

Furthermore, the new resolutions included raising the capital of the *Real Estate Development Fund*<sup>5</sup> by S.R. 40 billion (about US\$ 10 billion) and exempting all borrowers from the fund for private housing purposes from 2 premiums for two (2) years.

The capital of the *Saudi Credit & Saving Bank*<sup>6</sup> was raised also by the new resolution by S.R. 30 billion (US\$ 8 billion) exempting all borrowers from the bank for social purposes from 2 premiums for two (2) years.

### C. Housing

In addition a new resolution issued by the King with regard to housing includes in-direct grants to the citizens through the allocation of the amount of S.R. 250 billion (US\$ 66 billion) for building 500,000 housing units in all regions of the Kingdom, raising the capital of the Public Authority for Housing by S.R. 15 billion (about US\$ 4 billion).

Moreover, the King has announced in a later resolution the establishment of a

<sup>5</sup> The Fund was established for providing loans to individuals and institutions for the establishment of real estate projects of private or commercial use.

<sup>6</sup> The Bank was established for providing interest-free loans for small businesses and craftsmen and professionals as well as providing interest-free social loans for citizens with limited income to help them overcome their financial difficulties.

Ministry for Housing to be responsible for housing lands in all regions of the Kingdom. The resolution stipulates that all staff working in the housing field, financial allocations and duties related to housing shall be transferred to the newly established Ministry.

#### **D. Healthcare**

King Abdullah has approved S.R. 16 billion (about US\$ 4 billion) to implement and expand number of Medical cities, hospital and polyclinics all over the Kingdom, as well as raised the upper limit to fund private hospitals program of the Ministry of Finance from S.R. 50 million (about US\$ 13 million) to S.R. 200 million (about US\$ 53 million).

#### **E. Security**

Within the Ministry of Interior 60,000 new security jobs shall be created to reduce the unemployment rate among the young Saudis – up to date the unemployment rate in the Kingdom was estimated by 14% according to the IFC – as well as to face all the security risks arises from the turmoil in the region.

#### **F. Anti-Corruption Agency**

Pursuant to the Transparency Policy followed by the Kingdom from several years for attracting Foreign and Domestic Investment to the Kingdom for the diversifying of sources of income, the King has announced the establishment of an Anti-Corruption Agency, where the manager of this new Agency will be on ministerial rank reporting directly to the King.

The tasks of the newly established

Agency will include all sectors of the government with no exception at all. The Agency shall follow-up the implementation of the orders and instructions for the public affairs. Following-up the administrative and financial corruption aspects falls within the competence of the Agency.

*Hany Kenawi,*

*Meyer-Reumann & Partners - Riyadh*

*Syria*

### **New Draft Patent Law in Syria**

#### **Guiding Principle**

*Syria has recently started to develop its regulations on Intellectual Property Rights in order to join the International Protection and Trade Agreements. Therefore, a new draft patent law in Syria has recently introduced amendments on legislative Decree No. 47 of 1946 concerning patent protection.*

#### **A. The main purpose of the Draft Patent Law**

Syria introduced back in 2008 a draft patent law which will replace the patent-related provisions of the existing legislative Decree No. 47 of 1946 once becoming effective. To enter into force in the country, the draft patent law should be first ratified by the Council after becoming effective by the Ministers and hereafter approved by the Syrian People's Assembly and passed by

*Meyer-Reumann & Partners*

*Dubai Abu Dhabi Alexandria Baghdad Cairo Erbil Muscat Riyadh Tehran*

the President.

The Ministry of Trade in Syria pointed out that the new draft patent law will be drafted in response to the changing economic variables on the local, regional and international level, the continued attention to improve intellectual property protection, as well as providing an environment that encourages investments, trade, technology transfer and innovation.

### **B. The Main Features of the Draft Patent Law**

The draft patent law outlines several changes and features which will be as follows:

- As per the new draft law, the legislative Decree No. 47 of 1946 and its amendments adopt auto-filing patent applications without conducting any examination and the applicant shall be responsible for any consequences. Previously, the Syrian Patent Office had usually verified completion of patent formalities, while the new draft patent law depends on the substantive examination system.
- Pursuant to the draft patent law, it is permissible for applicants to request a patent search on the registered inventions prior to filing patent applications, after paying the specified fees.
- Also and in accordance with the draft patent law, the main task of the Syrian Patent by the applicant within the first three months from the date of filing the application office is to examine all applications, together with their

supporting documents, in order to be sure of fulfilling the formalities, with an option to fulfill such formalities. Subsequently, a substantive examination will be carried out on applications prior to the publication stage. All applications that fail to meet the provision of this law and its executive regulations shall lapse.

- If the patent is not being fully exploited by the patentee within 4 years from filing date or 3 years from the date of grant, then the patent will be subject to compulsory licensing under the provisions of the law. (The patent has to be worked).
- A maintenance fee is due annually on the anniversary of the date of grant. There is a 6 month grace period for late payment with a surcharge. Reinstatement of a patent is possible within 6 months from the date the patent is cancelled.
- The Syrian Patent Office will inform the applicant of any amendments the application needs to undergo in order to be registered. The applicant shall have a period of 3 months from the date of notification in order to amend the application. If the applicant fails to achieve the aforementioned, the application shall be cancelled. The applicant shall be able to appeal against the decision of the Syrian Patent Office before the Ad Hoc Committee, which is mentioned later in Article 37 of this law, within 30 days starting from the last day of the aforementioned three (3) months period. The Ad Hoc Committee is formed by the Minister of Economy and Trade, presided by a judge

appointed by the Minister of Justice and will review the objections to the decisions of the Syrian Patent Office. The decision of such Committee can be appealed against before the competent court within 30 days as from the date of the decision.

- According to the draft patent law, the duration of the patent protection is nonrenewable 20 years starting from the date of filing the application at the Syrian Patent Office.
- The draft patent law provides for a special section for the assignment of patents and licenses as well as the compulsory licenses and determines the conditions and procedures for the above-mentioned actions.
- The draft patent law defines the “integrated circuits” and provides for special section for trade secrets, it defines the conditions that should be available in such secrets in order to gain legal protection.
- In line with the draft patent law, a particular section at the first instance civil court of Damascus shall be assigned to settle all the disputes of the protection related to industrial property, separately from any administrative court. In addition a civil court of appeal shall be assigned to review the appeals against the aforesaid civil court of first instance decisions.
- Furthermore, the parties involved in such conflicts have the right to resort to the national or the international arbitration with regard to disputes mentioned in this law.

***Tareq Jeroudeah,***  
***Meyer-Reumann & Partners - Dubai***

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***Meyer-Reumann & Partners***

***Dubai Abu Dhabi Alexandria Baghdad Cairo Erbil Muscat Riyadh Tehran***