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Gulf Cooperation Council (GCC) Investment Outlook

April 2010

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In association with:

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Contents

Foreword

Welcome to the Gulf Cooperation Council (GCC) Investment Outlook, published by mergermarket, in conjunction with Blake, Cassels & Graydon LLP in association with Dr. Saud Al-Ammari Law Firm. This report presents the opinions of corporate executives based in the GCC region, offering keen insight into emerging trends in both domestic and foreign investment activity.

This study highlights a variety of catalysts for economic growth across the GCC region. Approximately one-third of respondents believe the region's economic development will depend primarily on international economic conditions, and close to one-quarter of respondents believe the stabilization of oil prices will be most important to stimulating growth. But while the oil industry is undeniably a pillar of the GCC economy, many respondents believe the strength of the GCC economy will depend heavily on developments outside of the sector. Significant portions of respondents believe the development of non-oil industries and government stimulus packages will play an important role in fueling economic growth, as these factors would lessen the region's dependence on its oil market.

In fact, diversification beyond the oil sector is a recurring theme throughout this study. Specifically, respondents expect the telecom and infrastructure sectors to see the most rapid development over the next 12 months. These sectors are also expected to offer the greatest opportunities for both domestic and foreign investors, and to witness significant consolidation among GCC-based entities in the upcoming year.

When looking at specific countries within the GCC region, Saudi Arabia and Qatar are identified repeatedly as the region's most active players. These countries are expected to have the most favorable financing markets, and are also expected to account for the highest levels of inbound and intra-regional investment in the GCC this year.

When looking at cross-border investment activity, this report uncovers an interesting and mutually reinforcing relationship between the GCC and specific Asian countries. China and India are identified not only as key markets for GCC-based investors, but also as the two countries that will lead foreign investment activity into the GCC region over the next 12 months.

Like financial markets the world over, financial markets in the GCC are coming off an extremely volatile two years, which respondents say has resulted in decreased bank lending and an increased cost of financing. But there are signs of optimism, as respondents expect bank loans to be the primary source of financing for new deals and liquidity in the sukuk market to increase.

This report provides in-depth analysis on the above findings and other specific facets of GCC investment activity, including deal structures, drivers of M&A activity, financing trends and opinions on a common currency. We hope you find this survey both useful and informative, and as always, we welcome your feedback.

Dr. Saud Al-Ammari
Managing Partner, Saudi Arabia and Gulf Region
Dir: +973 36 72 44 44
Cell: +9665 05 81 56 99
saud.ammari@blakes.com

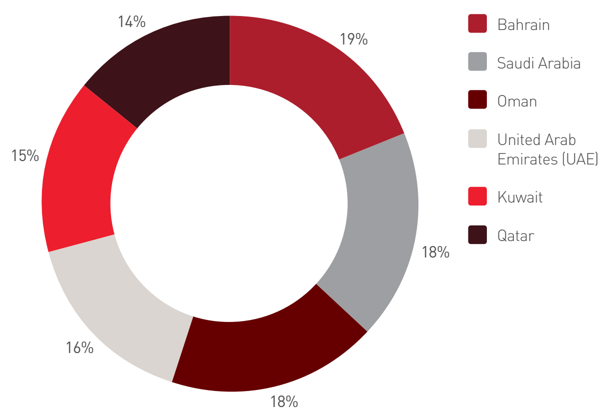
Dan Fournier Q.C.
Chair, Gulf Region
Dir: +973 17 15 15 01
Cell: +973 36 48 33 44
dan.fournier@blakes.com

Methodology

In the first quarter of 2010, mergermarket interviewed more than 75 corporate executives from the GCC region to gain perspective on the business community's outlook for investment activity in the region in the upcoming year. Respondents provide insight into the specific investment trends emerging in the region and offer detailed forecasts of future activity. All respondents are anonymous and results

are presented in aggregate.

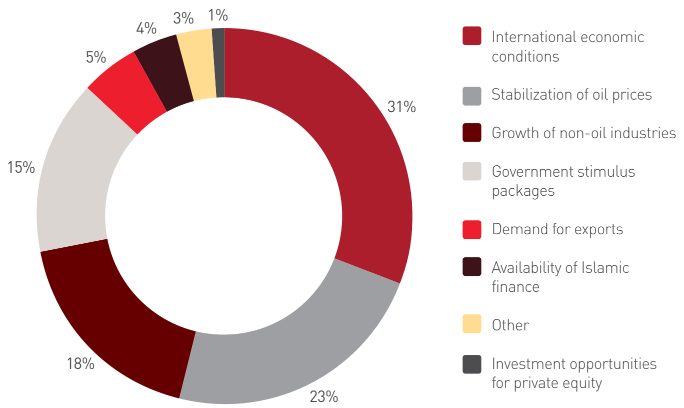
Respondent Breakdown by Geography



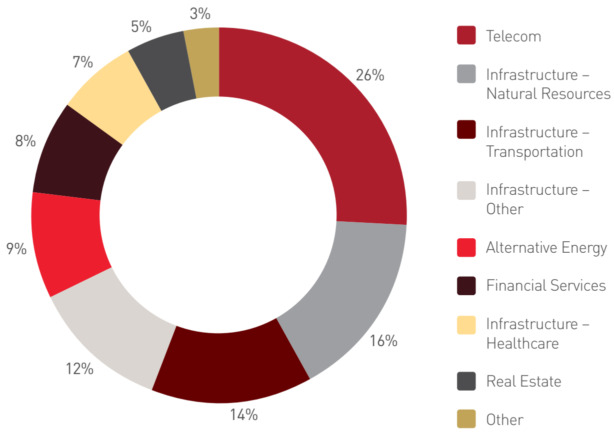
Study findings

GCC – Economic Growth Sectors

Which of the following factors will be most important to fueling economic growth in the Gulf Cooperation Council (GCC) in 2010?



In the GCC region overall, which of the following sectors do you think will see the most rapid development in the next 12 to 24 months?



Economic growth across the GCC region will depend on a range of factors over the next 12 months, and while there is no clear consensus as to which will be most important, certain areas are clearly considered more vital than others. For nearly one-third of respondents, economic growth will depend primarily on international economic conditions, while close to one-quarter of respondents say the stabilization of oil prices will be key. One respondent believes these two factors are interrelated, as "international conditions will affect the price of oil," while another states that "due to cash flows, the GCC has always been dependent on the international economy."

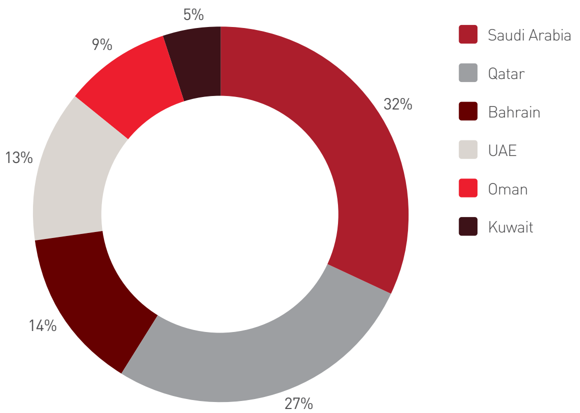
The growth of non-oil industries in the region and government stimulus packages were selected by 18% and 15% of respondents, respectively, and the perspectives within these two groups vary widely. One respondent believes the government needs to come up with a revival plan for all sectors of the economy, while another is not as convinced: "Government stimulus packages would be an encouragement, but not at this time as the situation is not that bad. Government encourages growth in the non-oil industries, to counter the region's dependence on the import market for its generic consumer and industrial needs."

Approximately one-quarter of respondents expect the Telecom sector to be the most rapidly developing sector in the GCC region over the next two years, which one respondent credits to the sector's insulation from the economic downturn: "Compared to most other industries, Telecom is not greatly affected by the global meltdown or events happening in the current market."

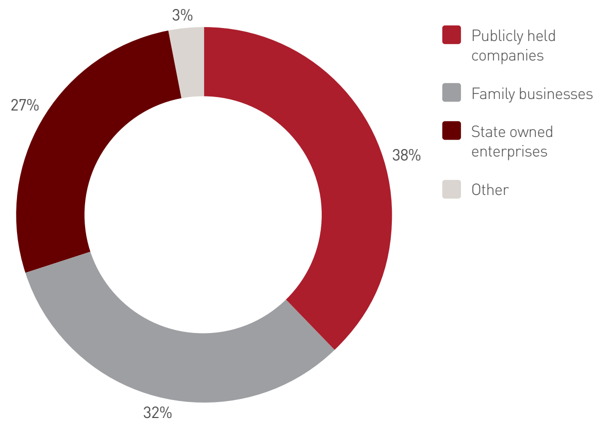
Though the largest group of respondents expects the development of the Telecom sector to outpace that of other industries, significant portions of respondents identify Natural Resources, Transportation and the general Infrastructure sectors as those best-positioned for expansion, with many commenting that these particular industries contain a variety of early-stage projects that are likely to stimulate growth further down the road.

GCC – Investment Focus

In which of the following Gulf countries do you expect to see the most bank lending activity over the next 12 to 24 months?



Which of the following will be the most abundant source of investment opportunities in the GCC region over the next 12 months?



Shedding light on the financing markets of specific GCC countries, the most active bank lenders are expected to be Saudi Arabia and Qatar, according to 32% and 27% of respondents, respectively. One respondent believes banks will seek "safe bets" throughout the GCC region, and that Qatar is likely to be best suited to more risk-averse investors: "Qatar is experiencing the most expansion in all of its sectors." As for Saudi Arabia, one respondent cites its rapidly expanding Infrastructure sector as a major force behind banks' willingness to finance "major railway and port development projects."

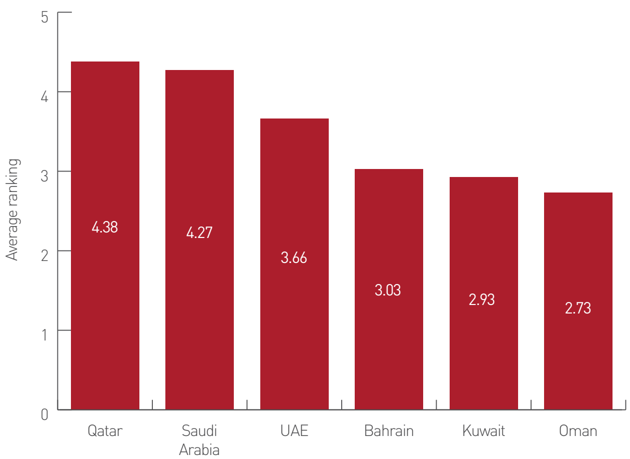
It is important to note the timing of this survey, as it may have colored respondents' perspectives on this particular issue. Respondents were surveyed in the first quarter of 2010, shortly after Dubai World announced it would be unable to meet its debt payment dates in late November of 2009, which may help to explain respondents' relatively modest expectations for bank lending activity in the UAE.

Respondents are nearly evenly divided when it comes to specific investment opportunities in the GCC region this year. While the largest percentage of respondents (38%) predicts that publicly held companies will offer the highest volume of new investment opportunities, family businesses and state owned enterprises are not far behind, according to roughly one-third and one-quarter of respondents, respectively.

In the view of one respondent based in Bahrain, "In the next 12 months there will simply be more opportunities to invest in public businesses." But for many respondents, it is more than a matter of volume. According to one respondent, public companies will attract more buyers because "the management level in public companies is better, and decision-making ability is high with the involvement of partners and directors." In a similar vein, several respondents believe the appeal of public companies is rooted in transparency, as public companies may have more rigorous standards of financial reporting. One respondent observes that private companies often appear financially healthy "on the books" even though their "assets and funds are in poor condition." Again, respondents' comments should be taken in context as the emphasis on transparency coincides with widespread doubts about the financial health of Dubai World at the time these interviews were conducted.

GCC – Investment Activity

Which of the following countries will see the most foreign investment activity over the next 12 months? (Rank where 1 = least activity and 6 = most activity)

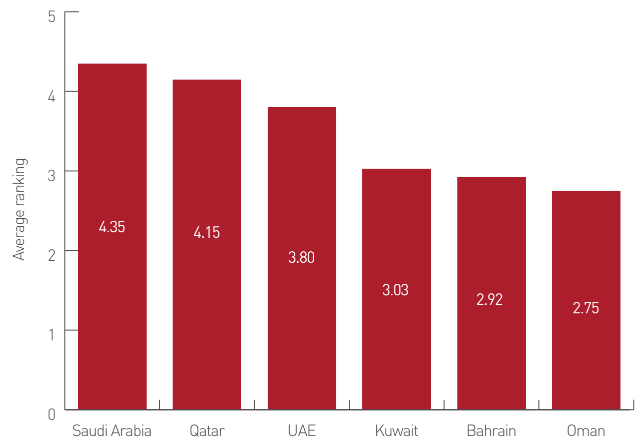


Qatar is identified as the GCC country that will see the most inbound investment activity from outside the GCC region this year, followed closely by Saudi Arabia. Respondents nevertheless point out the various factors fueling investment activity outside of the top choices, with one respondent making clear that sector-specific activity in certain countries will have a strong influence on M&A activity levels: "As for Transportation Infrastructure, it will mostly be seen in Bahrain, Oman, and Qatar as they become more populated."

"In 2010, the World Bank ranked Saudi Arabia the best place to do business in the entire Middle East and Arab World. This is not necessarily surprising. With recent legal reform in Saudi Arabia, business transactions have become more timely and cost efficient, making the country an attractive hub for both internal and foreign investment."

Dr. Saud Al-Ammari, Managing Partner, Dr. Saud Al-Ammari Law Firm in association with Blake, Cassels & Graydon LLP

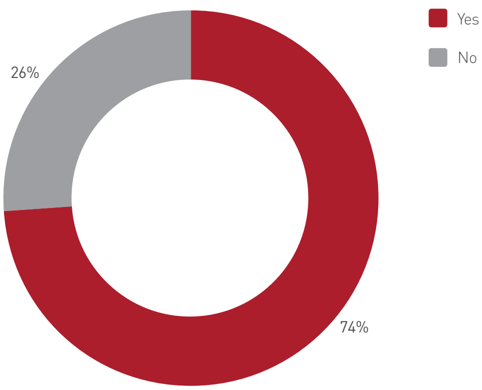
Which of the following countries will see the most intra-regional investment activity over the next 12 months? (Rank where 1 = least activity and 6 = most activity)



Saudi Arabia and Qatar emerge once again as the top two countries for investment interest from other GCC-based entities. While many respondents acknowledge that Saudi Arabia's oil market will continue to make the country a key location for both domestic and foreign investors, they also draw attention to the development of its non-oil industries as an important driver of domestic deals. A respondent based in Qatar points out that all of the GCC countries "are experiencing expansion, and the promotion of non-oil industries, like the tourism industry, will drive intra-regional M&A among them all." Another respondent, also based in Qatar, refers to consolidation in the non-oil markets as well: "Domestic companies do not have an adequate base and will likely use M&A as a road to expansion in the non-oil markets."

GCC – Currency Influence

Should plans for a common currency for Bahrain, Qatar, Kuwait and Saudi Arabia follow through, do you think such a currency would positively influence investment activity in the GCC region?

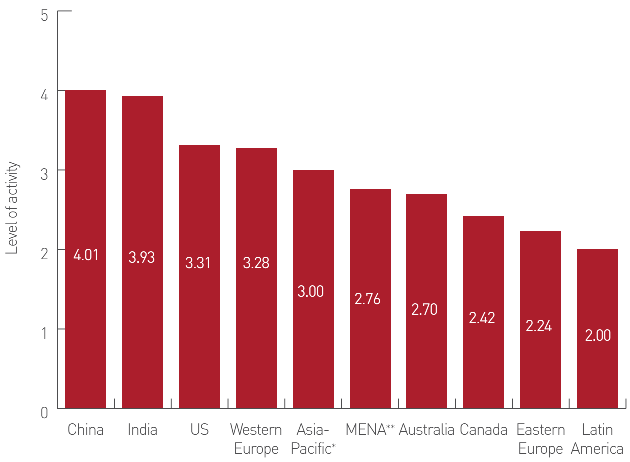


The clear majority of respondents (74%) believe a common currency in the GCC region would positively influence investment activity, and respondents within this majority tend to focus on the specific effects a common currency would have on intra-regional investments. A respondent based in Qatar believes it would stimulate intra-regional cooperation and investment, as does a Bahrain-based executive who predicts a common currency would increase intra-regional trade by 30% to 40%. Another respondent who supports a common currency reasons, "If the Gulf could have a common, unified currency it would become stronger against other currencies."

The 26% minority was equally vocal. Several respondents in this group believe each country's unique economic cycle would make it difficult to establish common ground: "The GDP varies among GCC countries, therefore a proper union can't be formed." An executive from Bahrain makes a similar argument, stating that "each country should find value for its economy individually."

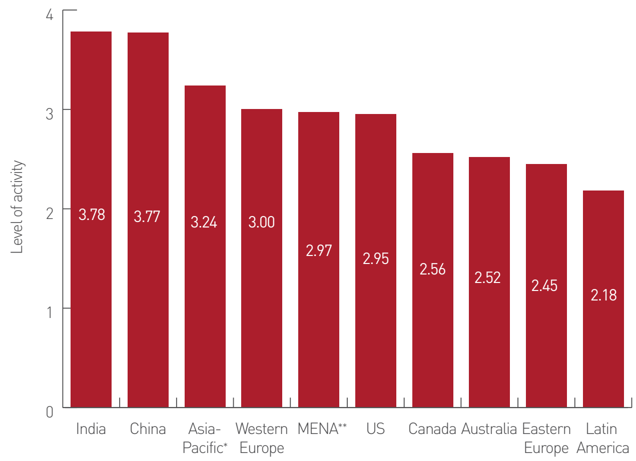
China and India

Please rate each of the following countries and regions in terms of their investment activity in the GCC region over the next 12 months, where 1 = minimal activity and 5 = significant activity.



*Excluding Australia, China and India
**Excluding GCC countries

Please rate each of the following countries and regions in terms of inbound investment activity from the GCC region over the next 12 months, where 1 = minimal activity and 5 = significant activity.



*Excluding Australia, China and India
**Excluding GCC countries

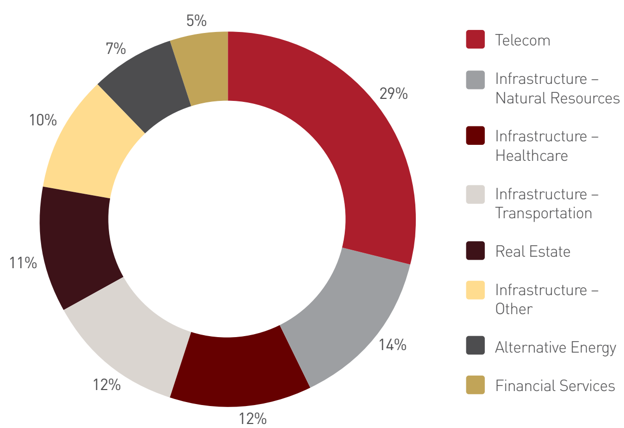
China and India are expected to be the most active investors in the GCC region over the next 12 months, exceeding both the US and Western Europe, and also standing out against the broader Asia-Pacific region, which is generally expected to be less active. As an executive based in Bahrain observes, "China will be active in trade investments this year, and among the Asia-Pacific countries (excluding Australia, China and India) Malaysia will be the most active country to invest in the GCC region; the US as an investor will be very interested in Qatar and Saudi Arabia."

Economic and financial factors will not be the only determinants of foreign investors' strategies, adds another respondent based in Bahrain: "India will likely be the most active of these countries, and the GCC hopes to see more investments and attachment with that country in the future, as Indian and Arabic people share common nature."

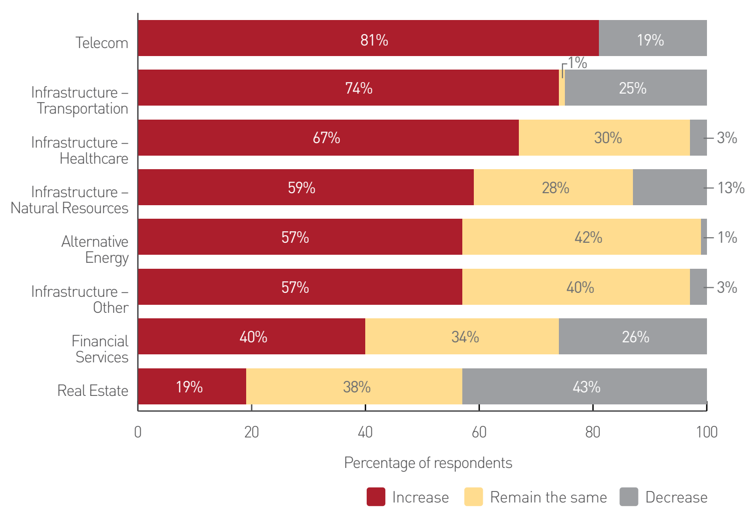
India and China, previously identified as the countries most likely to lead inbound investment activity in the GCC, are also identified as the countries in which GCC-based investors will be most active. Western Europe, MENA and the US are expected to see similar levels of inbound investments from the GCC region.

Saudi Arabia

In Saudi Arabia specifically, to which sector will banks be most willing to lend over the next 12 to 24 months?



In Saudi Arabia specifically, do you expect M&A in each of the following sectors to increase, decrease or remain the same over the next 12 to 24 months?



Looking more closely at Saudi Arabia, the largest percentage of respondents (29%) say banks will be most willing to lend to the country's Telecom sector, which according to one respondent is "growing exponentially." Infrastructure for Natural Resources, Healthcare and Transportation will also see a fair share of bank lending activity.

"The economy of Saudi Arabia is well-positioned for growth in the next three to five years, due largely to developments in the private sector, and particularly in the industrial sector. Indeed, a strong pipeline of planned projects, including government-sponsored construction projects and a host of mega-projects in the oil and raw materials industries, including aluminum plants and oil refineries, are likely to drive the country's steady advancement. Saudi recovery could well lead the GCC region in the years ahead."

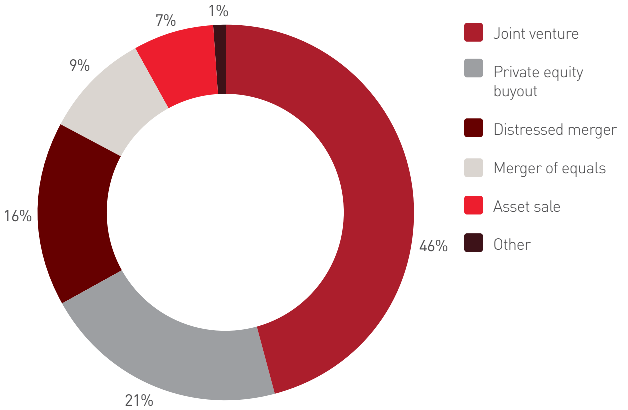
Dr. Saud Al-Ammari, Managing Partner, Dr. Saud Al-Ammari Law Firm in association with Blake, Cassels & Graydon LLP

Respondents have high hopes for Saudi Arabia's Telecom sector in terms of M&A activity, with 81% of respondents expecting M&A in the sector to increase over the next two years. In fact, a majority of respondents expect M&A to increase in all sectors, save Financial Services and Real Estate. This mirrors responses to the previous question, in which Real Estate and Financial Services were on the lower end in terms of respondents' expectations for general development.

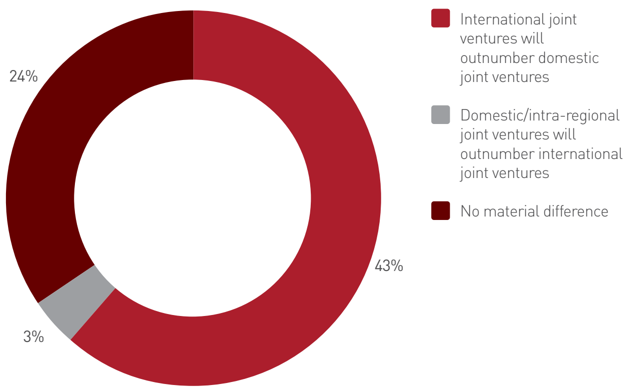
Real Estate and Financial Services are the only two sectors in which the majority does not predict an increase in M&A. Looking at the relatively low expectations for M&A in Real Estate, one respondent explains that "Real Estate is down right now, but will be stable in some time." As for Financial Services, respondents are less pessimistic. While 43% of respondents predict a decrease in Real Estate M&A, only 26% predict the same for the Financial Services sector.

Structure Types

Which of the following deal structures do you expect to be the most common in the GCC region over the next 12 months?



How do you expect the volume of domestic/intra-regional joint ventures to compare to the volume of international joint ventures in the GCC region over the next 12 months?



Joint ventures are expected by almost half of respondents (46%) to be the most common deal structure in the GCC region over the next year. Private equity buyouts are also expected to be considerably high in volume over the next 12 months, according to 21% of respondents. One respondent based in Bahrain believes private equity firms will play an active role in financing strategic M&A transactions, but will not produce a particularly high volume of buyouts as the private equity market in his country is still maturing.

"Joint ventures are powerful vehicles for driving business expansion and entry into new markets – particularly international markets. The success of a joint venture, however, depends not only on thorough due diligence in the traditional sense, but also on having a sound understanding of the unique complexities of a partner's particular culture or region."

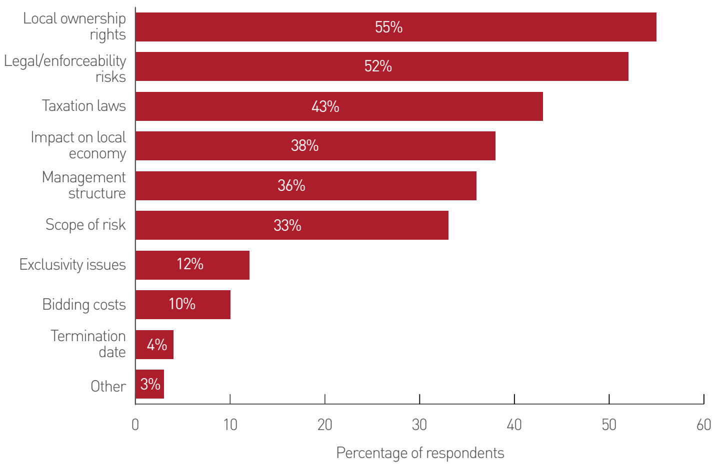
Scott Burrell, Partner, Blake Cassels & Graydon LLP in association with Dr. Saud Al-Ammari Law Firm

While respondents tend to agree that joint ventures are the deal structure of choice in GCC countries, they are split when it comes to the specific type of joint ventures that will dominate deal activity in the GCC over the next 12 months. Intra-regional joint ventures are expected to outnumber domestic joint ventures by 43% of respondents, but one-third of respondents predict that the opposite will be true.

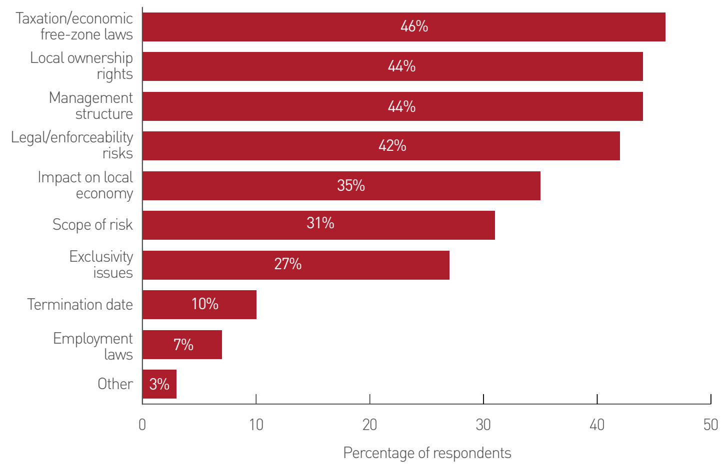
Several respondents draw attention to the drivers behind domestic and international deals, pointing out that developing sectors are likely to benefit from joint ventures involving foreign investors, and that many intra-regional joint ventures are likely to be pursued by distressed businesses operating in the region.

Principal Legal Issues

What are the top three most important factors to non-GCC entities entering into joint ventures with GCC-based entities?



What are the top three most important factors to GCC-based entities entering into joint ventures with non-GCC entities?



For foreign entities entering into joint ventures in the GCC, local ownership rights and legal/enforceability risks emerge as the most important factors for a 55% and 52% majority of respondents, respectively. "Local ownership rights would be the major factor as there is often no clarity as to who can own what," explains one respondent from Bahrain, while another respondent from the same country says the scope of risk "is a major factor for the people who invest here."

GCC-based entities entering into joint ventures with foreign entities in their own region are generally more concerned with taxation and economic free-zone laws. For these local entities, local ownership rights and management structures are more important than they are to foreign entities.

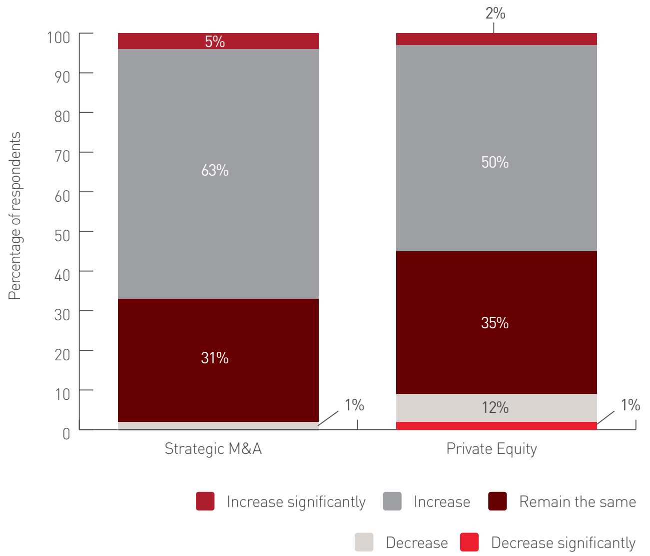
The primary focus for GCC-based companies entering into joint ventures in the region, explains one respondent, is assurance that the sector and country in which the transaction takes place are stable: "Companies are looking for local opportunities that are stable, and that give the advantage of local finance and required technology."

"Joint ventures will continue to be the preferred business model for many investors in the GCC region, as this particular deal structure tends to allow a degree of flexibility and transparency for procuring financing in the private and public debt markets."

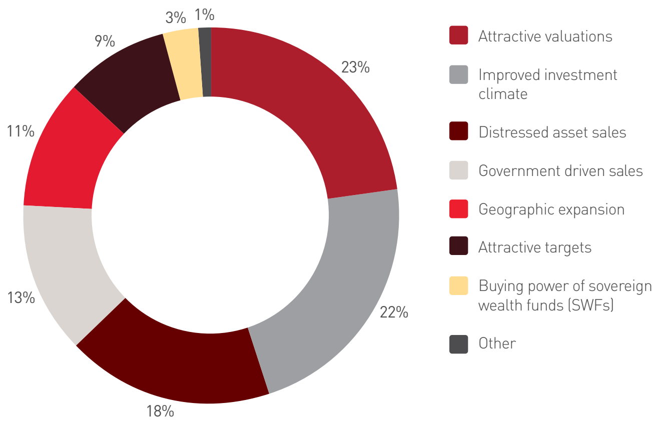
Dan Fournier, Chair, Gulf Region, Blake Cassels & Graydon LLP in association with Dr. Saud Al-Ammari Law Firm

M&A and Private Equity

What do you expect to happen to the overall level of strategic M&A and private equity activity in the GCC region over the next 12 months?



Which of the following drivers of M&A activity in the GCC region do you expect to be strongest over the next 12 months?



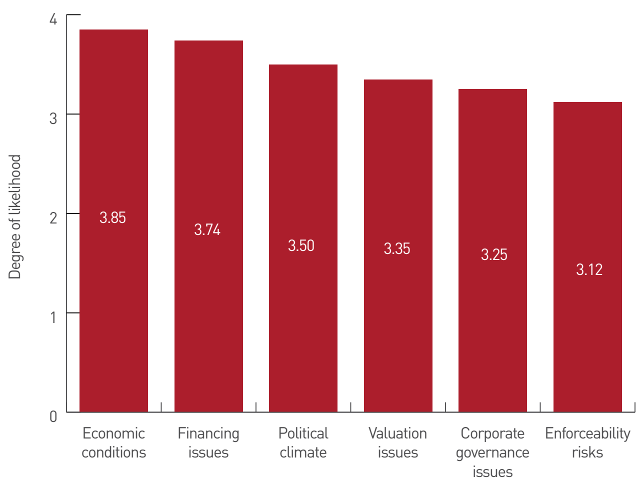
In spite of a small minority of respondents forecasting a decrease in M&A activity, the clear majority expects consolidation in the GCC region to either increase (68%) or remain constant (31%) over the course of the year. Several respondents offer insight into the drivers of strategic activity during this period, including one executive who believes that companies' growth plans will drive their M&A strategies: "While financial buyers will work on their finances, looking for more government support or equity, strategic buyers will pursue long-term plans for growth through acquisitions."

The percentage of respondents expecting an increase in private equity activity (52%) is considerably smaller than the percentage of respondents expecting an increase in strategic M&A (68%), due in part to the financial difficulties facing financial buyers across the board. Still, the majority of respondents expecting an increase in activity far outweighs the portion of respondents expecting a decrease (13%). One respondent believes that "the GCC region has more individual enterprises and will be looking for private equity investments" in the upcoming year, while another believes the stabilization of oil prices will "boost confidence, and private equity investments would then increase." Meanwhile, a Bahrain-based executive explains that private equity investments will be driven by a combination of attractive valuations and firms' need to deploy dry powder: "Valuations will be low, and private equity funds will be looking at avenues to invest all the money they have raised but not yet invested."

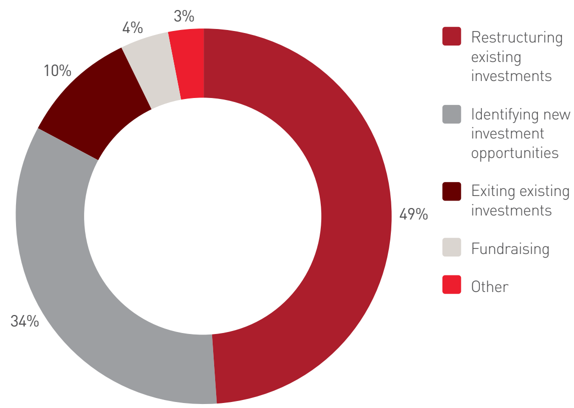
Attractive valuations and an improved investment climate will be key drivers of M&A activity in the GCC region over the next 12 months, according to 23% and 22% of respondents, respectively. Distressed asset sales are also expected to be featured heavily by 18% of respondents, many of whom point out that distressed sales have already sparked the interest of potential acquirers both domestically and abroad. "M&A acquirers are looking for companies that are unable to pay off their debt due to the recession, and there are plenty of them," says one UAE-based investor.

M&A and Private Equity

How likely is each of the following issues to affect the closing of potential M&A transactions in the GCC region? (Rate where 1 = unlikely and 5 = highly likely)



What will be the primary focus of private equity firms operating in the GCC region over the next 12 months?

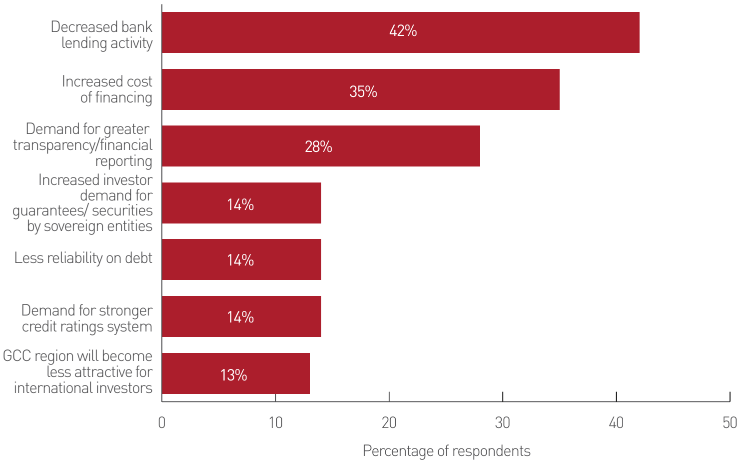


Economic conditions and financing issues are identified as the factors most likely to impact the closing of M&A transactions in the GCC region. Political climate is an issue that is more likely to affect transactions' closings than valuation, corporate governance and enforceability risk factors. One respondent elaborates on the issue of corporate governance, explaining that the closing of M&A transactions depends largely on the types of companies involved, as corporate governance issues are less likely to hinder deals involving public companies than they are to hinder private or family business deals.

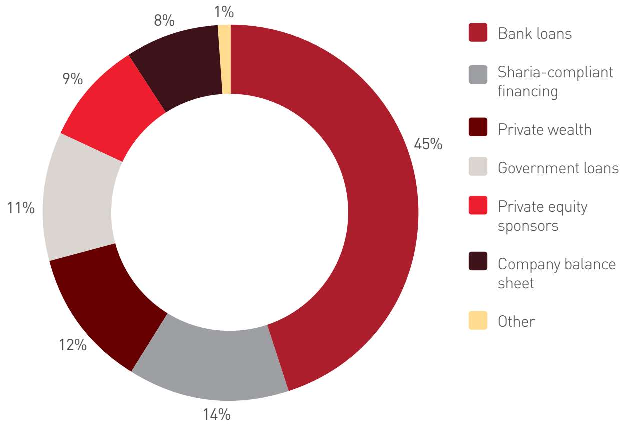
Roughly half of all respondents expect private equity firms already established in the GCC region to focus primarily on restructuring their existing investments, in line with restructuring efforts of private equity firms around the globe. Yet over one-third of respondents predict that private equity investors will turn their attention to new opportunities this year, a sentiment that is reflected in many respondents' comments on the emerging investment opportunities—particularly in the various Infrastructure subsectors—across the GCC region.

M&A and Private Equity

How do you expect GCC countries to be affected by recent events in the financial sector, including debt restructuring in Dubai and sukuk default activity in Saudi Arabia?



Which of the following financing sources do you expect to be used most frequently for M&A transactions in the GCC region over the next 12 months? (Please choose one)



The largest percentage of respondents (42%) expects bank lending activity to decrease, and a close 35% expect financing to become more expensive as a result of debt restructuring and default activity in the region. Still, respondents have a rather optimistic outlook for bank lending in specific GCC countries and bank loans are expected to be the primary form of M&A financing this year.

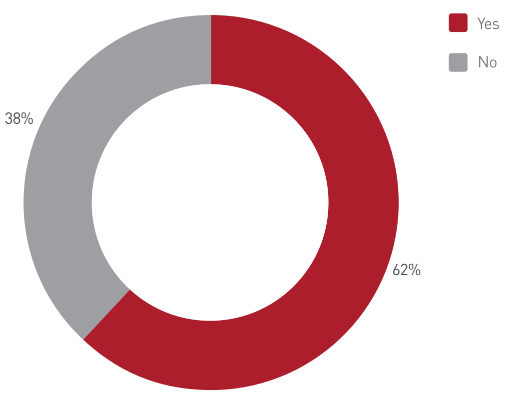
Also in line with global trends in the financial sector, recent turmoil in the GCC has triggered a call for transparency and more stringent financial reporting standards. This will be the most pronounced effect of recent events in the financial sector, according to more than one-quarter of respondents.

Despite the pessimistic outlook for lending activity, the largest percentage of respondents (45%) expect bank loans to be the most prominent source of M&A financing this year, while remaining respondents are fairly evenly distributed across Sharia-compliant financing, which is identified by the second-largest group (14%), private wealth (12%), government loans (11%) and private equity (9%).

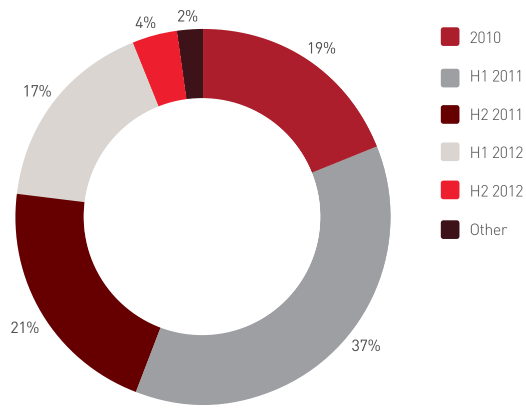
Flexibility is a common theme for many respondents, one of whom believes bank loans will be attractive because they are becoming increasingly lenient: "In previous years the terms for bank loans were a bit tight, but now they are more open and banks are keen on lending." Interestingly, another respondent says the same of Islamic financing, which he believes "accommodates a degree of flexibility." Although Islamic financing may traditionally be considered more stringent, Sharia-compliant product offerings have arguably become more flexible in recent years as Sharia law lends itself to various interpretations.

Liquidity in the Sukuk Market

Do you expect liquidity in the Islamic (sukuk) market to increase?



If yes, when do you expect this to happen?

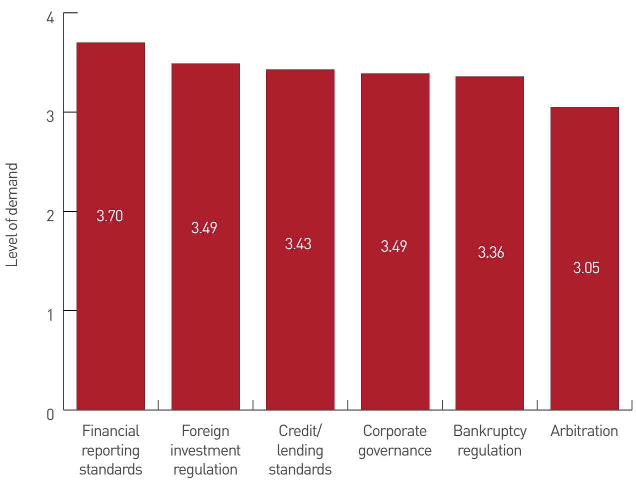


The majority of respondents (62%) foresee an increase in liquidity in the sukuk market, or the Islamic bond market, and many of these respondents cite a recent uptick in new issuances as a sign that the market is improving. There is still a significant 38% minority that believes otherwise, but even within this group there are many respondents who believe the capital markets are generally headed for improvement in the next 12 to 24 months, including an executive based in the UAE: "The market is as low as it can be and from here we can only expect it to grow."

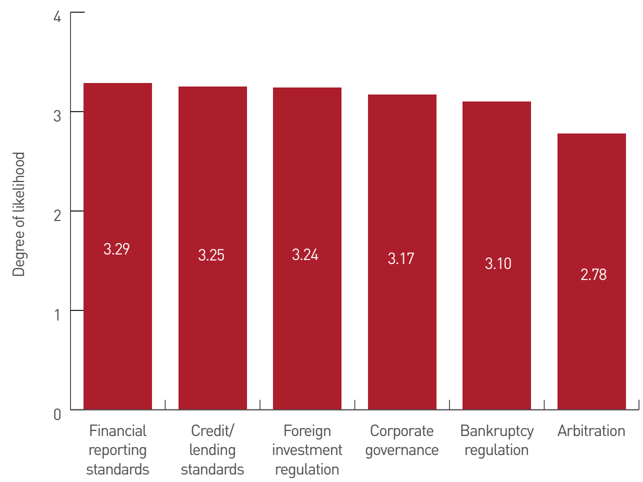
Of the respondents who expect sukuk market liquidity to increase, the majority (58%) expects to see an improvement in 2011. However, remaining respondents are somewhat divided when asked about a specific time frame. While 21% of respondents expect the increase to occur in 2012, a nearly equal portion (19%) believes this will happen as early as 2010.

Reform

How strong a demand is there for reform in each of the following areas in the GCC region? (Rate where 1 = weak and 5 = very strong)



How likely is each of the following areas to see significant reform over the next 12 to 36 months? (Rate where 1 = unlikely and 5 = extremely likely)



Financial reporting standards are seeing the greatest demand for reform, according to respondents. Many respondents also believe corporate governance and foreign investment regulation can drive foreign entities, particularly Western entities, away from potential GCC investments. Thus, these areas are seeing a call for reform from within the GCC region as well as from potential foreign investors.

All of these areas were rated above average in terms of demand, so it is not surprising that several respondents emphasize the importance of improving the investment climate as a whole to create a more welcoming environment for potential investors. One respondent explains: "Investors need confidence. For international investors, how structured, how transparent, how investor-friendly your organization is – all of these are major factors."

Financial reporting standards, credit and lending standards, and foreign investment regulations—the three areas in which respondents are seeing the greatest demand for reform—are also the areas in which reforms are most likely to materialize in the year ahead. Many respondents believe the need for reform varies across the GCC: "Financial reporting standards and foreign investment regulation are big areas and vary on a country-to-country basis amongst GCC countries." Indeed, unlike modern economies, the various central banks of the GCC region have yet to adopt uniform guidelines, which may explain why respondents believe this area lends itself to further reform.

Joint Ventures in the Gulf

Economic development in the Gulf Cooperation Council (GCC) has been accelerating in recent years despite the global economic downturn and the region is expected to be a leader among emerging markets. With clear mandates to develop sectors such as infrastructure and telecommunications, attractive opportunities exist for domestic and foreign investors. In particular, results from this survey highlight a mutually beneficial relationship between the GCC region and other growing markets such as China and India. Examination of existing joint ventures (JVs) and the outlook for future JV activity illustrates the increasingly important role domestic and foreign investors are playing in various sectors.

Energy

Focusing solely on the energy sector, the link between GCC and Asian countries is perhaps most pronounced in China as the country becomes increasingly dependent on crude oil imports from Saudi Arabia. In addition to its existing joint ventures, SASREF with Shell, SAMREF with ExxonMobil, and Petro Rubigh with Sumitomo, Saudi Aramco has significant plans to form joint ventures with Dow Chemical to develop the largest petrochemical complex in the world at an estimated cost of US$18-20 billion. Other projects include a US$9.6bn refinery with Total in Jubail in the Gulf and an export refinery at Yanbu on the Red Sea at a cost of US$10bn, aimed at satisfying the growing demand of Asian markets.

While Saudi Arabia dominates the headlines as a leading oil supplier, other GCC member states have launched significant JVs with Chinese entities driven by the same rising demand for energy. In May of 2009, Kuwait Petroleum Corporation (KPC) joined forces with Sinopec, Royal Dutch Shell and The Dow Chemical Company to develop a petrochemical plant in the Guangdong province of China. Sinopec and KPC will hold a 50% stake and a 30% stake, respectively, and together agreed to invest approximately US$9bn in the project, which will draw from the crude oil refinery assets of KPC. The transaction will enable KPC and Sinopec to expand their petrochemical business in China as it has proven to be one of the most significant importers of oil.

Although oil tends to dominate GCC investment activity overall, there is a growing focus on developing alternative energy sources in the region, and Asian bidders have been at the forefront of this development. In March of 2010, UAE-based Mulk Holdings announced a JV with Mulk Renewable Energy and India-based Aditya Solar Power Industries, to create the UAE's first solar power project.

Infrastructure

Asian investors have been keeping a pulse on the investment opportunities that exist in the GCC as they move ahead with a wide range of large-scale infrastructure projects. At the moment, many of these opportunities take the form of transportation infrastructure, with China and Korea emerging as lead bidders to finance and operate these long-term projects.

Two projects being developed at the moment are the Abu Dhabi Metro, a US$7bn project expected to be completed in 2015, and the development of the Union Rail, a US$60bn effort to create a railway linking all GCC member states with a targeted completion date in 2016. The Korea Rail Network Authority (KRNA) and the Korean Railroad Company (Korail) are forming a consortium to bid for the construction and operation of the two projects. As a global leader in large scale capital projects, Korea offers significant technology and know-how to the GCC region's wide range of infrastructure developments.

Notwithstanding the interest generated by economic growth in the GCC, investors will consider the financial risks attached to many of these initiatives after witnessing the highly publicized financial troubles of Dubai which caused many of the Emirate's greenfield projects to come to a halt. That said, a similar negative sentiment may not have affected other parts of the Gulf. China and Korea, for example, are thought to be among the most prominent bidders for the US$4.5bn New Doha Port Project (NDPP) in Qatar, which is reportedly seeing interest from a consortium led by Hyundai Engineering and Construction, as well as a consortium formed by China-based China Harbour. Meanwhile, in an aim to support its own domestic infrastructure projects, China State Construction International is pursuing JV opportunities in the GCC region, with the UAE listed among one of the markets for locating suitable partners.

Asian bidders are also emerging as major investors in industries that support the GCC's infrastructure development, such as the construction industry. In a deal that will create the first fully integrated beams and structural sections provider in the Middle East, a leading steel investment company in Bahrain, Gulf United Steel Holding Company, joint ventured with Yamato Kogyo Company of Japan to form United Steel Company (SULB) in 2009. The entity will spearhead a US$1.2bn steel manufacturing project in Bahrain, resulting in contract awards to a consortium involving Japan-based Kobe Steel and US-based Midrex, and another involving Germany-based SMS Meer and SMS Concast and South Korea-based Samsung Engineering.

Telecommunications

As the GCC lays the groundwork for its growing economy in the form of railways, ports and a variety of other infrastructure projects, the region's telecom sector is evolving rapidly as it improves its wireless operations and caters to an ever-growing base of consumers. In addition to its local market expansion, Asian countries have emerged as prime markets for acquisitions as they offer lucrative assets and licensing opportunities to the GCC's leading telecom companies.

The appeal of Asia's telecom operations to GCC entities is nothing new. Since 2007, UAE-based telecom giant Etisalat entered the markets of India, Indonesia, Sri Lanka and Sudan through acquisitions, and in 2010, Etisalat partnered with South Korean Telecom to provide local internet service. With this deal, Etisalat has ambitious plans to invest US$7.2bn to acquire new licenses and support the growth of its foreign mobile phone networks. For its part, Saudi Telecom Company (STC) continues to pursue acquisitions in Asia, focusing primarily on acquiring control in companies in which it has already invested. Such companies include the largest mobile operator in Malaysia, Maxis Communications, which is currently 25% owned by STC.

In India, meanwhile, one of the most significant auctions in the telecom space showcases the importance of Asian assets to GCC conglomerates. In April of 2010, the Indian government launched the auction of a set of third-generation (3G) phone licenses, which are expected to attract bids of as much as $8bn (£5.2bn). Videocon Telecommunications, partly owned by Bahrain Telecommunications, and the Indian division of UAE-based Etisalat, are considered leading bidders for certain licenses. The auction illustrates the increasing competitiveness of both Asia's and the GCC's telecom industries, as they compete to attract new subscribers and mobile users.

Conclusion

Investment activity between the GCC and Asia in recent years reveals a tightening economic bond and inter-dependence driven by energy demands and modernization. Indeed, although cross-border investment activity in the GCC typically stems from its oil industry, the volume of JVs and M&A activity involving Asian countries in the past year in non-oil sectors as well reflects the growing importance of such markets. In the upcoming years, both regions are expected to generate increased activity for both inbound and outbound investments.

Dr. Saud Al-Ammari
Managing Partner, Saudi Arabia and Gulf Region

Dan Fournier Q.C.
Chair, Gulf Region

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For further information about this report and investments in the GCC region, please contact:

Dr. Saud Al-Ammari
Managing Partner, Saudi Arabia and Gulf Region
Dir: +973 36 72 44 44
Cell: +9665 05 81 56 99
saud.ammari@blakes.com

Dan Fournier Q.C.
Chair, Gulf Region
Dir: +973 17 15 15 01
Cell: +973 36 48 33 44
dan.fournier@blakes.com

For additional information about Blakes, please contact:

Brock Gibson
Chair
Tel: +1 403 260 9610
brock.gibson@blakes.com

Celia Bobkin
Manager, Media & Public Relations
Tel: +1 416 863 5806
celia.bobkin@blakes.com

www.blakes.com

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Contacts

For further inquiries regarding mergermarket or its publishing division, Remark, please contact:

Erik Wickman
Managing Director, Remark
erik.wickman@mergermarket.com
Tel: +1 212-686-3329

mergermarket

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www.mergermarket.com

11 West 19th Street,
2nd fl.
New York, NY 10011
USA

t: +1 212 686-5606
f: +1 212 686-2664
sales.us@mergermarket.com

80 Strand
London, WC2R 0RL
United Kingdom

t: +44 (0)20 7059 6100
f: +44 (0)20 7059 6101
sales@mergermarket.com

Suite 2401-3
Grand Millennium Plaza
181 Queen's Road
Central Hong Kong

t: +852 2158 9700
f: +852 2158 9701
sales.asia@mergermarket.com

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