The Global Evolution of Digital Commerce

and

MENA eCommerce
About IORMA
The International Omni Retailing Members Association (IORMA) is an Association for Members globally who have interest or involvement in the Global Omni Retailing Industry and its future.

The Global Evolution of Digital Commerce
The continuing, accelerating growth and impact of the Internet on a global basis and its enabling of a new high-speed, low energy almost free infrastructure of borderless global instant online everything 24/7/365, is seeing unparalleled impacts on society and economies globally.

Citizens around the world increasingly use advanced technology and global communication networks to live, work, socialise, be informed and entertained though the use of online services via personal devices such as PC's, Smartphones and computer tablets (e.g. the iPad) and SMART TV's.

One dimension and sector being affected by this accelerating technology led evolution, concerns the technology enabled consumer and the sale of goods and services to those consumers, both domestically and globally.

Nowhere is the impact of this “e”volution being felt more than in the Retailing Sector.

Especially in the United States of America and the United Kingdom, as eCommerce/Online retailing is increasingly becoming the norm (driven by technology enabled consumer demand) so the traditional high street shops and out of town Retail Parks/Branded Retailers are having to embrace online shopping in order to survive and compete with the lower cost based and more eco-friendly form of Retailing provided by the new breed of pure online retailers.

As a result, the established store based major brand retailers are adopting the OMNI-Channel approach, whereby the consumers can do their shopping by whichever method of shopping is most convenient and attractive to them at any given moment … Online, at the physical Retail Store, or a combination/hybrid of both.

The consumer can then benefit from all the new attractions and benefits of online shopping, blended with the traditional benefits and traditional Trust aspects of store based shopping.

Now for example … the consumer can visit a local physical store/showroom, view, touch and feel products, then using their smartphone instantly view price comparisons to see where they can purchase the same product at the lowest cost.

Now for example … the consumer can view and order products online, then have those products delivered to the retailer’s nearest store for collection, if the consumer is not at home all day to receive deliveries.

Now for example … the consumer can order products online but return them (for reasons such as “does not fit”, “colour not right” etc.) to the retailer’s local store without the inconvenience of having to return items though a Post Office or arranging a collection at home.

John Andrews, CEO, IORMA (www.iorma.com)
About Tejuri

Tejuri is delighted to be able to introduce to you the first ever eCommerce report commissioned by VISA for the Middle East and North Africa (MENA). This is the most comprehensive study that has been conducted regarding eCommerce for MENA and outlines the opportunities and challenges eCommerce faces across the region.

Online shopping in the Middle East in particular is rapidly evolving and with one of the highest global per capita internet penetration levels, which has grown by 1500%* over the last decade, and a dynamic young population, the online spending potential is quickly emerging as one of the highest in the world. In 2012, $3.2 billion was spent by online shoppers in the GCC, underscoring the rising potential for retail on a virtual platform. Combined with an eagerness to spend and a desire from regional consumers to embrace ‘newness’, now is the perfect time to realize the potential of the Middle East shopper.

Supported by Dubai’s Department of Economic Development, Tejuri.com offers a holistic solution for online buyers in its capacity as the Middle East region’s first online mall, targeting growing consumer demand for a secure, trusted platform to purchase their favourite brands without leaving their homes.

Dubai is also the perfect launch pad for such an initiative due to its strong Retail footprint, as Retail drives a large percentage of the city’s economic growth. According to the latest figures announced by Dubai’s Department of Economic Development, it accounted for nearly 12 per cent of Dubai’s GDP over the last decade.

For retailers, Tejuri.com enables them to go online within 2-4 weeks with minimal capital investment and efforts from their side. The complete ecommerce infrastructure, payment gateway, customer services, IT hosting and Website development are already taken care of by Tejuri, hence, making it extremely easy and economical for the retailers to go online.

I hope you find that this report provides you with the information to effectively evaluate the eCommerce business opportunity across MENA for your organisation.

Ayaz Maqbool, Managing Director Tejuri.com
MENAP B2C e-Commerce Overview 2012

Focus on Middle East, North Africa and Pakistan

Containing statistical data, trends, barriers and opportunities for B2C e-Commerce, Economic Overview, Key Economic Indicators, Retail Sales and Country Information

London, September 2012
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  • Country in Brief
  • B2C e-Commerce and Online Retail
  • Economic Overview
  • Key Data: GDP, Inflation, Unemployment, Population, Currency
  • Retail Sales
e-Commerce growth is a boon for postal operators, which are the carriers of choice for last mile delivery of parcels and packets to the consumer.

To support this growing business, the Universal Postal Union is constantly striving to improve quality of service for parcels and packages so that the market needs are met via a totally reliable delivery network. Customers want to track what they have posted, which is why we are developing such a system that works all over the world.

The UPU is an important forum bringing together stakeholders at a worldwide level in the global e-commerce supply chain from customs, airlines, law enforcement, postal operators and e-commerce merchants with a stake in the development of e-commerce.

More and more we find that postal operators facilitate e-commerce in many different ways. They already provide a wide range of financial solutions, from remittances to banking services. Leveraging this capability, Posts are offering secure and trusted payment services for e-commerce transactions. Building the postal financial system network is thus a priority for the UPU, to ensure complementarity with the development of e-commerce postal opportunities.

All over the world postal operators are even going further, offering e-commerce integrated solutions that combine internet technology, payment options and delivery to facilitate the entry of small and medium-size enterprises (SME) in the areas of domestic and international e-commerce.

Importantly also, the UPU is investigating how to contribute to solving the growing problem of illegal and counterfeit items originating from the e-commerce marketplace. The UPU believes that international standards as well as enhanced technical infrastructure and industry policies must be developed in cooperation with all stakeholders in the global supply chain.

The global reach of the postal network via 810,000 postal offices, combined with the innovative digital postal network under development with our .post initiative, means the worldwide postal network is an important link between the virtual world and the real world for the growth of e-commerce.

With this in mind, e-commerce and supply chain integration are key pillars of the world postal strategy to be adopted by 192 member countries at the 25th UPU Congress, scheduled to be held from 24 September until 15 October 2012 in Doha, Qatar.
Executive Summary

IMRG has been commissioned by Visa to do a study with respect to B2C e-Commerce in the Middle East and North-African (MENA) countries. The study covers countries, belonging to the extended MENA region (often referred to as MENAP with the inclusion of Pakistan): Bahrain, Kuwait, Oman, Qatar, Saudi Arabia, United Arab Emirates, Yemen, Iraq, Jordan, Lebanon, Syria, Algeria, Egypt, Libya, Morocco, Tunisia and Pakistan.

This study focuses on the following aspects:
- Size of the MENAP e-commerce market including Pakistan as a whole in comparison to other global and regional markets;
- Barriers and Opportunities to e-commerce adoption in the region as a whole;
- Profile by country, highlighting unique aspects of each country regarding e-commerce;

This report contains a global overview and trends in B2C e-commerce around the world and focuses in particular on the MENAP region (including Pakistan) highlighting the various trends and issues essential to inspire trust and confidence in internet usage and purchasing online.

The MENA or MENAP region is often referred to as one entity. But, the (political, economic as well as social) developments are rather diverse and therefore also the speed and level of penetration of online and e-commerce. Although e-commerce is emerging and could still be considered to be in its early stages, the six Gulf countries and Lebanon are most advanced and lead the other countries in the Middle East and North Africa. Compared to India, Pakistan, even with an impressive population of close to 180 million, is not (yet) as advanced as its neighbour India.

The number of internet users has increased tremendously over the past five to ten years, but the level of penetration still differs widely: from over 86% in Qatar to under 15% in Yemen, Algeria, Pakistan and Iraq. Penetration is highest in the GCC countries with over 53%, compared to an overall penetration of just under 30% for the region (excluding Pakistan), which is just under the world average of 32.7%.

According to IMRG estimates, total B2C e-commerce sales in 2011 in the MENA region (including Pakistan) are estimated to have grown to between US$9 and 10 billion, of which $3.6 billion in North Africa, $5.4 billion in the Middle East and an estimated $400 million in Pakistan.

Egypt (estimated e-sales in 2011: US$3.2 billion) is leading in North Africa and the UAE in the Middle East ($2.8 billion). Online shopping in the region has great potential, like anywhere in the world.

E-Commerce in the MENA (P) region is facing the same barriers we see around the world such as lack of trust, payment security, delivery options, relatively high costs of internet usage and access and the like.

The MENA region (as other parts of the world) is going through the stages of coming from a cash-oriented society underwear to a digital payment society. Recent surveys in the Gulf area indicated “fraud” related to card payment as one of the main barriers to further growth of e-commerce. In this respect a recent study of the European Commission is quoted, which in particular focuses on questions of consumers to the European Consumer Centres (ECC-Net) expressing concerns over making payments in connection to e-commerce.

Social media are important as a means of communication, product review and buying. In 2012, total Facebook users in the MENA region, have grown to over 45 million, doubled since last year and tripled compared to two years ago. The top countries are Egypt (over 11 million users), Iran (6 million (e)), Saudi Arabia (over 5 million users), Morocco (close to 5 million users), Algeria (over 3.6 million users), Tunisia (3.1 million users) and UAE (over 3 million users) in this order. Arabic is the fastest growing language on Facebook and is now more widely used than English on Facebook.
According to the Dubai School of Management, there is a definite shift in the type of social media usage across the region from social to political usage, ranging from civic engagement and political participation to business entrepreneurial efforts, and social change. With a critical mass of Arab users in many countries, governments in the region have also begun to recognize-and accept-social media’s potential.

Mobile-commerce is bringing the multichannel experience together and showing how consumers are willing to use the different channels available to complement each other, for research and comparison purposes, but also as sales outlets in their own right; in Q4 2011, the percentage of e-retail sales via a mobile device in the UK rose above 5% for the first time.

It is expected that in 2012 m-commerce in Europe, led by the UK, will account for close to 7% of sales, closely behind the USA. Globally, the access to Internet through mobile devices will surpass fixed internet at the latest by the year 2015. Given the strong increase of mobile (smart) phones in the MENA (P) countries we expect that (the percentage of) m-commerce will grow relatively faster in the Middle East and North Africa.

We focus on e-government developments and initiatives as we strongly believe that the introduction of e-services by governments, the promotion of increased computer literacy as well as the initiatives taken with respect to getting businesses on-line, e-shopping, delivery and payment options and e-government which will increase the services available, inspire confidence in usage of internet services, will contribute to creating a secure environment and will enable purchasing online and e-commerce.

We see a strong relation, between retailing and the further growth of e-commerce. All over the world we see that more and more (domestic and international) retailers invest in websites and offering their offers online together with the offer in their shops. The same countries which are mentioned as “emerging and promising” markets are mostly the same countries, which are considered emerging countries with respect to e-commerce and on-line retail and where we see an emerging offer online. The retail industry has been one of the fastest growing markets for the last few years. Over the years, the retail landscape is transforming from traditional markets and small, independent outlets to large shopping malls, hypermarkets, and organized retail chains, the GCC countries leading. These new retail formats are gaining market share at the expense of the traditional businesses. Retailers are investing in the region and are set to offer a multi-channel shopping facility, a combination of brick-and-mortar shops and online purchasing.

Four of the Gulf States – UAE, Oman, Kuwait and Saudi Arabia – feature among the world’s top emerging markets for global retail expansion, according to the 2012 A.T. Kearney Global Retail Development Index.

The population of the region is very young, compared to other parts of the world: the median age is under 25, considerably younger than for instance Europe (38), USA (35) and Japan (45). This young population will be more open to embrace Internet and the (new) digital devices and media available: tablets, smart phones, social networks, online news and e-shopping.

This study could not have been realised without consulting a great many sources in the region. We have done our utmost to carefully study the available data, making the necessary and hopefully right choices in which information to focus upon and which conclusions to draw.

It is extremely important that more becomes known about all aspects of online shopping in this highly promising and interesting region in terms of data, impact of the internet economy, consumer behaviour and attitude in order to demonstrate the business opportunities for international investors but also initiatives to set up domestic sites. This will not only increase the available offer but will at the same time inspire trust and confidence among consumers.

Aad Weening  
Head of International

John Andrews  
Chairman
Global Overview and Trends in e-Commerce

The following conclusions have been taken from the B2CGlobal-CommerceOverview2012 which was published earlier this year by IMRG International. We have updated these (global) data and added a forecast for 2012.

Total B2C e-commerce sales in 2011 are estimated to have grown to $969bn, an increase of around 20%. We estimate that growth will continue in the coming years, passing the trillion-euro mark in 2013, a year earlier than forecast last year.

The world leader in B2C e-commerce remains the USA, followed by the UK and Japan. Asia-Pacific is confirming continued growth: China in particular is growing fast: over 130% in 2011 and forecasted to grow around 90% in 2012. The mature markets in the world such as USA, UK and Japan will continue to grow slightly slower, but still in double digits between 10-15%. France, Italy, Spain, Russia, Turkey and Poland will be the fastest-growing markets in Europe. Substantial growth is forecasted in Latin America and the Middle East.

The following table gives an overview of world B2C e-commerce and the growth rates per region (in US$):

<table>
<thead>
<tr>
<th>Region</th>
<th>2011</th>
<th>2012</th>
<th>UP</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>307bn</td>
<td>353bn</td>
<td>15%</td>
</tr>
<tr>
<td>Europe</td>
<td>353bn</td>
<td>390bn</td>
<td>20%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>220bn</td>
<td>278bn</td>
<td>35%</td>
</tr>
<tr>
<td>Latin America</td>
<td>43bn</td>
<td>54bn</td>
<td>30%</td>
</tr>
<tr>
<td>MENA</td>
<td>10bn</td>
<td>15bn</td>
<td>45%</td>
</tr>
<tr>
<td>World</td>
<td>960bn</td>
<td>1120bn</td>
<td>20%</td>
</tr>
</tbody>
</table>

The Middle East is a fast-growing and emerging region led by United Arab Emirates. Africa can be divided into three parts: the Northern area where relatively strong economies such as Egypt, Morocco, Algeria and Tunisia will see a rise in e-commerce (note: the recent political unrest and instability might have an impact on further development of online and e-commerce); the middle part with giant Nigeria (160 million inhabitants and striving to invest in ICT and internet) will continue to grow in a moderate way while waiting for social and economic conditions to improve; South Africa, one of the strongest economies in the region (and since recently a member of the BRICS group), is recovering but progress remains overshadowed by huge structural challenges, notably deficiencies in energy infrastructure, which raise production costs and limit growth potential.

The penetration of the internet between 2000 and 2011 witnessed staggering growth. The total number of internet users at the end of 2009 was estimated at 1,850 million or 27.2% of the total world population. In August 2010, the 2 billion mark was passed or 29.2% of the total world population. In October 2011 the total world population was estimated to have reached 7 billion. According to Internetworldstats the number of internet users reached 2.267 billion at the end of 2011 or 33% of the world population, a growth of 530% compared to 2000. We expect this number will grow and reach between 3.2 and 3.5 billion by the end of 2015. It is also expected that in that same year the number of mobile internet users will surpass the number of users accessing internet from a home or office computer.

In the MENA region, growth of internet usage was even more staggering: from under 3 million in 2000 (a penetration of under 1%) to close to 129 million or 23% of total population. For the GCC countries the increase is equally impressive: from 5.3 million users to 113 million or an increase of over 2000%.

By region, 45% of the world’s internet users are based in Asia, 22% in Europe, 12% in North America, 10% in Latin America, 6% in Africa, 3% in the Middle East and 1% in Australia/Oceania. The number of internet

1 NB: the average annual rate of exchange of the euro against the US Dollar was 1.39 in 2011 and is estimated to drop to around 1.25 in 2012. That also explains why the estimated sales in the USA are equal to European e-sales in 2012.
users in Africa grew a staggering 2,988% and in the Middle East close to 2,250% since 2000, compared to 528% for the world.

Mobile and m-commerce have certainly confirmed the breakthrough we saw in 2010. All over the world, in emerging as well as mature economies, the use of mobile internet is rapidly increasing. At the end of 2011 the number of mobile subscriptions had reached 5.9 billion or 85% of the world population. Growth is led by China and India, which now account for 30% of all subscriptions. To put that in context, the world is currently home to a population of over 7 billion people. As a result one person in three is now able to surf online. Close to 60% of internet users reside in developing countries, which overtook developed nations 4 years ago. The total number of fixed line broadband ISP subscribers in the world reached 587 million last year, while the total number of mobile broadband subscriptions reached 1.2 billion, an increase of 25% in one year.

Many mobile web users are mobile-only, i.e. they do not or very rarely use a desktop, laptop, or tablet to access the web. Even in the US as many as 25% of mobile web users are mobile-only.

Regarding the use of mobile devices in the MENA region we refer to a recent study of Plus7, titled Mobile Internet Consumption Habits in the GCC and Egypt which shows that consumers usually look for information on the mobile web via sites and applications before they make any product or service purchases. Social networking has played and will continue to play a major role in Arab society. It is forecasted that mobile social networkers in the Middle East and Africa will grow around 96% in the period 2007 – 2012. It is expected that growth in the MENA region will be driven by increased mobile broadband penetration and technology advancements.

About the MENA (P) Region

The term MENA, for "Middle East and North Africa", is an acronym often used in academic, military planning and business writing. The term covers an extensive region, extending from Morocco to Iran, including the majority of both the Middle Eastern and Maghreb countries. The term is roughly synonymous with the term the Greater Middle East (which is also sometimes taken to include Afghanistan). The population of the MENA region at the extent of this report is about 382 million people, around 5.5% of the total world population. Including Pakistan, the population is roughly 557 million, or around 8% of the world population.

The MENA (P) countries may be divided into two groups: (1) oil-exporters which include the six GCC countries (Bahrain, Kuwait, Qatar, Oman, Saudi Arabia, and the UAE), Algeria, Libya, Iraq, and Iran; and (2) net oil-importers which include Egypt, Jordan, Lebanon, Morocco, Syria, Tunisia and Pakistan. Endowed with about 70% of the world's proven oil reserves and 50% of proven gas reserves, MENA oil-exporters play a critical role in the world energy market.

The economy in the MENA (P) region

The Middle East, North Africa region is emerging as a resilient growth market with promises of renewed market growth and technology innovation.

The MENA region extends from Morocco in northwest Africa to Iran southwest Asia and includes all the Arab Middle East and North Africa countries, as well as Cyprus, Iran, Palestine and Turkey.

According to a recently published report the Middle East and North Africa (MENA) region is seeing a surge in activity aimed at developing the knowledge economy and strengthening links between education, research and development (R&D), industry, information and communication technology and entrepreneurship. In school and higher education systems also, greater attention is being paid to vocational training and curricula are being overhauled to upgrade teaching of mathematics and science and to encourage a culture of R&D and innovation.
Especially noteworthy, the United Arab Emirates (UAE) was recently ranked 23rd among 133 countries and first in the Middle East and North Africa (MENA) in the Global Information Technology Report (GITR) according to a study conducted by the World Economic Forum (WEF) and INSEAD, an international graduate business school. The report ranked the UAE first among 14 MENA countries for the second year, followed by Bahrain and Qatar.

The Middle East and North Africa region has the potential to become an emerging market leader, said global and regional leaders at a recent World Economic Forum on the Middle East and North Africa. Despite the political turmoil in the MENAP region, economic growth was 3.3% in 2011 and is forecast in 2012 to be around 3.3% (IMF, Middle East and Central Asia Regional Economic Outlook – November 2012). The following table shows the real percentage growth as recorded and forecasted by IMF:

<table>
<thead>
<tr>
<th></th>
<th>MENAP</th>
<th>USA</th>
<th>Eurozone</th>
<th>World</th>
<th>Emerging Economies</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>4.8%</td>
<td>2.4%</td>
<td>1.9%</td>
<td>5.1%</td>
<td>7.4%</td>
</tr>
<tr>
<td>2011</td>
<td>3.3%</td>
<td>1.8%</td>
<td>1.5%</td>
<td>3.8%</td>
<td>6.2%</td>
</tr>
<tr>
<td>2012</td>
<td>5.1%</td>
<td>2.2%</td>
<td>-0.4%</td>
<td>3.3%</td>
<td>5.3%</td>
</tr>
<tr>
<td>2013</td>
<td>3.6%</td>
<td>2.1%</td>
<td>0.2%</td>
<td>3.6%</td>
<td>56%</td>
</tr>
</tbody>
</table>

Oil exporters are leading growth in 2012 at 5.1% which is expected to moderate at around 3.6% in 2012. Qatar, in particular, is growing aggressively (6.3% in 2012) due to an increase in natural gas exports, along with Iraq (10.2%) and Saudi Arabia (6.0%). High oil prices, coupled with an increase in oil production to compensate for shortfalls from Libya, have bolstered the fortunes of oil exporters.

Governments in oil exporting countries will need to use this additional fiscal space to move towards more diversified economies. In many such countries, large public investment has been increasing. Though government services are responsible for a large portion of jobs, its contribution to GDP is small. The oil sector, in contrast, contributes a relatively large portion of value added but has relatively few jobs. The government will need to include an agenda that will stimulate private sector activity alongside its efforts to diversify the economy. With the current account surplus expected to exceed $300 billion in 2012, oil-exporting countries should have plenty of room to manoeuvre.

The outlook for oil importers is more subdued given the political and economic uncertainty clouding the region over the past year. Egypt and Tunisia are in the process of forming a new roadmap for economic and political reform while Syria is still in the midst of a revolution. Real growth was 2.0% in 2011 and is projected to increase to 2.1% in 2012 and 3.3% in 2013.

**B2C e-Commerce, Online Trends and Issues in the MENA (P) region**

Online shopping in the MENA region is still in the early stages, but we share the views of many that the future is bright, if certain conditions are met. Although e-commerce is facing the same barriers we see around the world, such as political stability, lack of trust, concerns about privacy and using digital payments method, payment security, delivery options and the development of address systems, relatively high costs of access and usage, the overall environment and support to invest in infrastructure, e-services such as e-government, e-learning and e-commerce in all countries of the region will undoubtedly contribute to the further penetration and usage of Internet and consequently enable and further e-shopping.

According to eMarketer online buyers in the MEA (Middle East and Africa) region will spend just US$20.6 billion this year (including sales of travel, digital downloads and event tickets making MEA the smallest e-commerce market in the world. In Latin America, the second-smallest ecommerce market, online buyers will spend over US$50 billion—more than twice as much. But growth in the region is faster than in many other regions in the world, except Asia-Pacific, in which region B2C e-commerce in China is expected to
grow close to 90% this year (having grown 130% in 2011) and India is forecasted to grow around 50% during 2012. The growth rate in 2012 will be around 45% compared to mature regions like North America and the UK, where growth rates will reach between 10 and 15 per cent.

As, in the coming years, the number of users and online shoppers (today estimated to be around 30 to 35% of internet users in the MENA region), will grow. Growth rates will inevitably slow down from 40 to 50 per cent to around 20 to 25 per cent as we saw in mature countries in North America and Europe.

The highest number of Internet users in the MENA region is estimated to be in Egypt, followed by Morocco and Saudi Arabia. However, Internet penetration (see the chart here under) was the highest in Qatar and the United Arab Emirates. Online shopping in the MENA region boomed especially as a result of group buying websites.

In November 2011 as many as half of all Internet users had already made purchases online, whereas almost two thirds of all Internet users researched products online. Online games and virtual currencies, followed by computer software and consumer electronics were the most popular B2C E-Commerce categories in the MENA region in November 2011.

![Internet penetration chart]

In North Africa, Internet penetration was the highest in Morocco; in line with this trend, the number of Internet connections and B2C E-Commerce revenue grew between 2010 and 2011 by almost three quarters. In Qatar, air tickets were especially popular by the end of 2011, and in August 2011, more than one quarter of all Internet users in Lebanon spent on average more than six hours per day on the Internet. We share the view that the markets in the Middle East (and North Africa) look set to boom through 2012.

According to researchers top sold products in the MENA region are: airline tickets, books, software, clothing/accessories/shoes, hotel and tourism reservations, electronic equipment, videos/DVDs/games, computer hardware and sporting goods in that order.

For the further growth and development in the coming years, a number of factors which we will discuss and explain hereafter, are in our view important:

Political (in) stability is a major issue which may hamper not only the economic growth potential, but might also block initiatives to promote internet usage, development of e-services and consequently also affects the growth potential of e-commerce. The social uprisings that emerged in the region are indicative of the threats that low living standards and lack of political freedom pose to long-term sustainable stability.
Access and Usage of Internet
Internet access and usage should be stimulated by both governments and private initiatives and cost of internet access and usage should be kept as low as possible. According to Internetworldstats, worldwide the number of internet users has doubled between 2007 and 2012 from 1.15 billion to 2.27 billion at the end of March 2012. Africa had the biggest percentage increase over that period (317%), followed by the Middle East with 294% increase. (See the image hereunder taken from pingdom.com and based on figures from Internetworldstats).

![Internet population 2007 vs 2012, a 2x increase in 5 years](image)

Data source: Internet World Stats
www.pingdom.com

Trust and Confidence are essential
Globally we see a growing confidence in using the Internet and the services offered. It takes a couple of years before Internet users become actual Internet shoppers. That explains why generally speaking only around 20 to 50% of Internet users are actual e-shoppers. Many consumers in emerging countries who have no tradition in buying by catalogue indicate that they still wish to touch and see the goods before they buy. Companies like eBay and other (domestic) market places, daily online deals, e-government services, e-learning etc. reliable and trusted payment options and such initiatives contribute to make people used to surfing the internet and subsequently shopping (safely) on the Internet.

Mobile developments and trends.
Worldwide mobile has definitely broken through in 2011. Forecast is that by 2015 mobile internet will have overtaken fixed internet as the total number will grow to over 2 billion. M-Commerce is predicted to reach $119 by 2015 or 8% of global B2C e-commerce. 45% of Middle East and North Africa Internet users use their mobile phone to access the Internet.
The use of mobile phones and telecommunication services are currently developing fast in the MENA region: According to experts of the telecom industry, broadband household penetration levels in the MENA region will increase from 18.5% in 2010 to 38.5% in 2014, while internet household penetration levels in the MENA region will increase to over 60% in 2014.
Some of the countries of the MENA region, especially Libya and some of the Gulf States, have the highest mobile phone penetration and have grown the most over the past ten years, as is shown in the table hereunder showing eight of the countries with the highest mobile phone penetration in the world, compared to Germany, the UK and the USA:
<table>
<thead>
<tr>
<th>SOURCE: ITU</th>
<th>2011 /per 00</th>
<th>2001 /per 00</th>
<th>Growth Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hong Kong</td>
<td>209.6</td>
<td>84.6</td>
<td>148%</td>
</tr>
<tr>
<td>Panama</td>
<td>203.9</td>
<td>15.8</td>
<td>1190%</td>
</tr>
<tr>
<td>Saudi Arabia</td>
<td>191.2</td>
<td>12.2</td>
<td>1467%</td>
</tr>
<tr>
<td>Suriname</td>
<td>178.9</td>
<td>18.4</td>
<td>872%</td>
</tr>
<tr>
<td>Oman</td>
<td>169.0</td>
<td>14.2</td>
<td>1090%</td>
</tr>
<tr>
<td>Libya</td>
<td>156.0</td>
<td>1.0</td>
<td>1550%</td>
</tr>
<tr>
<td>UAE</td>
<td>148.6</td>
<td>60.6</td>
<td>145%</td>
</tr>
<tr>
<td>Vietnam</td>
<td>143.4</td>
<td>1.6</td>
<td>8862%</td>
</tr>
<tr>
<td>Germany</td>
<td>132.3</td>
<td>68.1</td>
<td>184%</td>
</tr>
<tr>
<td>UK</td>
<td>130.8</td>
<td>78.3</td>
<td>67%</td>
</tr>
<tr>
<td>USA</td>
<td>105.9</td>
<td>45.0</td>
<td>135%</td>
</tr>
</tbody>
</table>

With a young population and increase in broadband penetration in the MENA region, development of the ICT industry, leveraging techno savvy young customer base and connected infrastructure migration will be at full force in the coming years.

According to ABI Research, globally, the m-commerce market is expected to account for 24.4% of overall e-commerce revenues by the end of 2017. This represents the result of some spectacular growth in 2011, when the mobile online commerce market doubled in size to US$65.6 billion. ABI Research’s mobile online commerce report found that this growth is being fuelled by the rapid adoption of smartphones in both mature and developing markets, as well as a retail market in which traditional brick-and-mortar retailers are implementing multi-channel strategies in the face of increasing competition from Internet-based vendors. We forecast that given the phenomenal increase of mobile and smart phone, growth in the MENAP region will outpace the foreseen global growth of mobile commerce.

Payment issues
The MENA region (as other parts of the world) is going through the stages of coming from a cash-oriented society underway to an electronic payment society. Recent surveys in the Gulf area indicated “fraud” related to card payment as one of the main barriers to further growth of e-commerce. In this respect we might refer to a recent study of the European Commission in particular focusing on questions of consumers to the European Consumer Centres (ECC-Net) expressing concerns over making payments in connection to e-commerce. These concerns have to do with safety issues and if the consumer should supply the trader with the information requested such as credit card details. We quote the report:

“Generally, the ECC-Net advises consumers to pay with a credit card when shopping online. This is also the reason for the recommendation to mainly use this means of payment in this project. Using a credit card can increase the consumer’s protection from fraud, non-delivery etc. It may be possible for the consumer to claim the lost money from the credit card issuer. The consumer should check the protection offered by his or her credit card before executing the online purchase. In 95% of the purchases, it was reported that the trader accepted credit cards as a payment method.”(See: Online Cross-Border Mystery, September 2011- availablehere)

One of the key drivers of online payment adoption is online payment security. Visa has created “Verified by Visa” which allows the consumer to use a personal password to confirm his/her identity and protect the Visa card, thereby providing greater reassurance and security. This was introduced to protect cards against unauthorised transactions, giving the consumer complete confidence when paying online.

The Visa transaction will only be authorised when the consumer supplies his or her password (similar to using your PIN when paying for goods at the supermarket). As did the report of the EU commission, the following information about “Verified by Visa” clearly indicates that online is in some cases safer than offline transactions: while total Visa volume has grown significantly over the years, global fraud rates have held steady at near historic lows, at about 6 cents out of $100 in volume. The latest fraud rates for “Verified by Visa” have been steady at 1 cent out of $100 in volume.
Another successful example of online payment adoption in the region is the Qatar’s e-Government portal Hukoomi which recently won the prestigious international award for best government electronic content in the Arab region. Although starting from a rather modest launch in 2003 with just 1,600 transactions this portal has seen mass adoption, recently processing over 2.5 million transactions in 2011 and over 2.4 million transactions already between January and October 2012.

Further, an interesting report came out on the current status of citizen’s trust in paying government fees online in the UAE:

“Though the surveyed sample is not quite large and they are internet-savvy by nature (the survey was conducted online only and promoted via Twitter and Facebook), the 83 percentage of those who trust paying government fees through government online payment gateways is large enough to draw a positive conclusion about the readiness of citizens and residents in UAE to use these payment gateways. Let’s have a look at some numbers of actual usage online payments via government gateway to further elaborate this. One of the most famous and popular government online payment gateways in UAE and the region is ePay from Dubai e-Government. The numbers show a positive trend in using this service over the past three years. Over AED 1.5 billion (1 AED = 0.272 USD) was paid by users of government services in Dubai via this gateway in 2009 only. This number has jumped to exceed AED 2.5 billion in 2010 and AED 2.7 billion in the first 3 quarters of 2011” (source: Ibrahim Elbadawi).

Very recently Ibrahim Elbadawi, strategist at the Federal e-Government in UAE, twittered that “ePay is experiencing increasing demand from the public and generated AED 2 billion in the first half of this year” (i.e. 2012 – AW).

Social media are important as a means of communication, product review and buying. According to the definition of the Dubai School of Government, social media or social networking tools are internet-based applications that focus on building social networks or social relations among people with shared interests and/or activities. Social media sites essentially consist of a representation of each user (often a profile), his/her social links, and a variety of additional services. They allow users to share ideas, activities, events, and interests within their individual networks, in addition to a wider scope of applications with increasing global impact on society and government. We might add that social networks play an important role regarding sharing information and reviews of goods and services sold through e-commerce.

In May 2010, Spot On Public Relations, a Dubai-based marketing company, released a study showing that Facebook users outstrip newspaper copies in the Middle East and North Africa. The report puts the number of Facebook users in the region at 15 million, while the total regional Arabic, English, and French newspaper circulation is just under 14 million copies. Other statistics include:
- There are now (2010 – AW) 15 million Facebook users in the Middle East & North Africa (this figure excludes Iran, Pakistan and Turkey).
- MENA’s top five Facebook country markets, Egypt, Morocco, Tunisia, Saudi Arabia and the United Arab Emirates, account for 70% of all users in the region.
- 50% of MENA Facebook users have selected their primary language for using Facebook as English, with 25% preferring French and just 23% Arabic.
- Only 37% of Facebook users in MENA are female (compared with 56% in the USA and 52% in the UK). Only Bahrain and Lebanon Facebook communities approach gender equality with female users accounting for about 44% of total users.
- The GCC has five million Facebook users, with Saudi Arabia and the UAE representing 45% and 31% of that total respectively.
- North Africa has 7.7 million Facebook users, with Egypt accounting for 3.4 million users (or 44% of all North Africa users). Egypt has the largest Facebook community in MENA.
- Francophone countries Algeria, Morocco and Tunisia together account for 3.7 million French speaking Facebook users, equivalent to nearly 25% of all MENA users.
Now, in 2012, total Facebook users in the MENA region, according to Socialbakers, have grown to over 40 million. The top countries are Egypt (over 11 million users), Saudi Arabia (over 5 million users), Morocco (close to 5 million users), Algeria (over 3.6 million users), Tunisia (3,132,680 users) and UAE (over 3 million users) in this order. The GCC countries have over 10 million users, led by KSA (close to 50%) and UAE (close to 30%), where the number of users increased dramatically over the past six months in 2012. Lebanon and Kuwait saw slight decreases in the number of Facebook users. According to recent research of SpotOnPR, Arabic is now more widely used than English on Facebook:

According to SpotOnPR, users of Facebook’s Arabic interface in MENA now account for 39% of all users, rising to 60% of users in Egypt and 55% of users in the Kingdom of Saudi Arabia. Meanwhile, less connected markets of Iraq, Libya, Palestine and Yemen have seen some of the fastest adoption rates of Facebook Arabic. 60% of Iraq’s 1.6 million Facebook subscribers now use the Arabic interface, 74% in Libya, 75% in Palestine and 82% in Yemen. Bahrain, Kuwait, Lebanon, Qatar, Oman and the United Arab Emirates all remain majority Facebook English markets, and Algeria, Tunisia and Morocco remain majority French language. But, almost all markets have seen accelerated growth for Facebook Arabic. Even the UAE has seen 47% growth in Facebook Arabic users. It, perhaps, goes without saying that, in today’s social media obsessed world, the changing demographics of Facebook in the Middle East and North Africa have profound implications for communications and marketing. Not only does this present new opportunities for targeting consumers across the region, the increasingly high usage of Facebook in Arabic challenges old assumptions of how Arabic speaking Internet users spend their time online.

NOTE AW: For the purposes of this SpotOnPR study of May 2012, Middle East and North Africa (MENA) includes Algeria, Bahrain, Egypt, Iraq, Jordan, Kuwait, Lebanon, Libya, Morocco, Oman, Palestine, Qatar, Saudi Arabia, Tunisia, UAE and Yemen.

Facebook penetration in Pakistan is 3.8% compared to the country’s population and 37% in relation to number of Internet users. The total number of FB users in Pakistan is reaching 6,885,000, ranking 29 of the list of countries and grew by more than 824,000 in the last 6 months. The largest age group is currently 18 - 24 with total of 3,373,650 users, followed by the users in the age of 25 - 34. There are 69% male users and 31% female users in Pakistan, compared to 56% and 44% in Vietnam and 48% and 52% in Russia. The biggest gain in the last 3 months was recorded by the age group of 18 - 24. Comparing to the UK: there are 48% male users and 52% female users in the UK, compared to 63% and 37% in Turkey and 48% and 52% in Philippines. The biggest gain in the last 3 months was recorded by the age group of 35 - 44. But then, the median age in Pakistan is 21.6 years against 40.2 years, almost double, in the UK.

Other research indicates that the number of social network users around the world will increase from 1.2 billion to around 1.4 billion or around 20%. The fastest growth will be in emerging markets, led by Middle East and Africa. In the coming years growth rates will slow down as the market matures.
Globally, social media now accounts for around 25 per cent of all Internet traffic, a demonstration of its rapidly expanding draw. The use of social media in the Middle East and North Africa had already seen high levels of growth in recent years before the recent unrest and its popularity is likely to continue to expand. “With the increase in Internet penetration predicted for the (MENA) region, particularly in countries with high growth potential such as Egypt and Saudi Arabia, which have relatively low penetration and large populations, the role of social media will become more important as it cements itself as the central activity of internet users as well as an important tool for communication,” according to Nomura.

This is confirmed by the Dubai School of Government in its 4th Arab Social Media report of July 2012: “The on-going popular political and civic movements in the Arab world have empowered large segments of the region’s population. Policy making circles continue to debate the impact of social media at the Arab regional as well as global levels. The continued strong growth, popularity and diversity of social media usage across the region throughout the first half of 2012 – well beyond the height of the ‘Arab spring’ – indicates that the popular movements sweeping the region were not the only contributing factor to this growth, and that a more organic growth is taking place, impacting Arabs connections with their society and community. Specifically, where we once witnessed a shift in the type of social media usage across the region from social to political usage, we now see a wider scope of uses for social media in the region, ranging from civic engagement and political participation to business entrepreneurial efforts, and social change. With a critical mass of Arab users in many countries, governments in the region have also begun to recognize – and accept – social media’s potential. Several governments in the region are viewing this as an opportunity contributing to development a more transparent, participatory and inclusive governance models. From merely being used as a tool for social networking and entertainment, social media now infiltrates almost every aspect of the daily lives of millions of Arabs, affecting the way they interact socially, do business, deal with government, or engage in civil society movements.” (Source: Dubai School of Government, 4th Arab Social Media Report, July 2012 – available here).

Delivery is vital
It may take a consumer a while to decide which product to purchase, but the moment he/she places his order, he is anxious to have the ordered goods or service as soon as possible. Therefore delivery should be up to the consumer’s expectations and he or she should be offered a range of delivery options.

We asked Charles Prescott, chair of the Universal Postal Union’s Consultative Committee and a highly respected veteran in the business about the situation in the Middle East and North Africa: “The subject of addressing, especially in urban areas, has received significant attention in recent years. Tunisia and Morocco continue to develop their systems and Algeria Post is planning to establish a new national database of addresses as part of its nationwide efforts to improve addressing and extend use of the country’s post code.

Saudi Arabia in the last four years developed and installed a nation-wide system that is geocode-based and state-of-the art. It is now offering to assist other countries to install similar systems, for a fee, of course. Many of the Posts, notably Saudi, Kuwait, and Qatar, are focusing intensely on “digital post” and e-commerce and as a consequence are “backing” into the subject of addressing after recognizing that parcels must be delivered to customers!”

A trend in delivery is “click-and-collect”: purchase online and pick up the goods in the store or a convenient pick-up point. This was originally introduced by US and UK companies, but has now spread out to other countries worldwide.

“People, who buy goods online, do not want to wait three or four weeks to get what they bought,” Martin Waldenstrom, CEO of CashU.

Retail in the MENA (P) Region
The retail industry has been one of the fastest growing markets in the Middle East for the last few years. It is the second largest sector in the oil-rich GCC region, and is considered to be the most preferred means of promoting diversification and sustained economic development in the region. The global financial crisis and
the consequent fall in oil prices, has materially slowed down the pace of market growth. However, the sector continues its uptrend supported by fundamental drivers, including growing affluence and disposable income, rise in tourism, and a large expatriate population, favourable demographic factors, and large-scale infrastructure development.

Over the years, the retail landscape is transforming from traditional markets and small, independent outlets to large shopping malls, hypermarkets, and organized retail chains, the GCC countries leading. These new retail formats are gaining market share at the expense of the traditional businesses. Given the vast market potential, many international retail companies and brands such as Carrefour, Debenhams, Marks & Spencer, Bloomingdales, Harvey Nichols, Sachs Fifth Avenue, Waitrose, Prada, and Jimmy Choo have set shop in a number of countries. Zara is present as is H&M through a franchise agreement with Alshaya Group.

Founded in 1890, this company now is present not only in Kuwait and Saudi Arabia, but also in a number of other countries throughout the Middle East and North Africa, as well as in Turkey, Cyprus, Russia, Poland, Slovakia, the Czech Republic and the UK.

Four of the Gulf States – UAE, Oman, Kuwait and Saudi Arabia – feature among the world’s top emerging markets for global retail expansion, according to the 2012 Global Retail Development Index released by consultancy A.T. Kearney.

With high GDP per capita figures, increasing population and rising tourism numbers, the Gulf states are leading in attracting strong interest from international and regional retailers, according to A. T. Kearney Middle East. Globally, Brazil topped the list for a second year in a row, followed by Chile, China, Uruguay and India.

The highest ranked countries in the MENA region are:

1. UAE

With a GRDI score of 60.6, the country ranked seven on the index, one position higher than last year. The move “reflects strong consumer confidence and increasing retail sales of over five per cent in 2011 [compared to 2010],” said the report.

2. Oman

Ranked right below the UAE at the eighth spot with a GRDI score of 58.9, Oman has been highlighted in the global study as a “small gem.”

“Although small in terms of total retail market size, its strong fundamentals and concentrated wealth represent appeal to retailers seeking first mover advantage in fast-growing markets,” said A.T. Kearney.

3. Kuwait

The GCC state fell seven spots from last year to rank 12th on the index with a GDRI score of 56.6. One of the wealthiest countries in the region, Kuwait’s position dropped because of increasing market saturation. “The country’s projected retail sales increase of $4 billion from 2011 to 2015 is indicative of the growing interest by new international brands,” the report added.

4. Saudi Arabia

The region’s largest market, Saudi Arabia ranked 14th on the index with a GDRI score of 53.3. The Kingdom has very strong fundamentals of rising GDP, population growth and increased government spending, said the report.

5. Jordan

Another first entrant in the index, Jordan had a GDRI score of 51.1, placing it 18th on the list. While retail is gaining strength in the country, Jordan’s status as a gateway to Iraq makes it even more attractive to retailers, said the report.

6. Lebanon

Lebanon’s ranking fell 10 spots from last year to 22nd position on the index this year, mainly because of political instability and the Syrian uprising taking place next door, said the report. But the country’s celebrity designers are helping it gain a reputation as a global fashion capital, A.T. Kearney added.

7. Morocco
The North African country was positioned 27th on the index, with a GDRI score of 44.8. Morocco’s ranking also dropped from last year because of increased risk posed by political instability, the report said.

8. Tunisia

Last on the index at the 30th spot, Tunisia also fell 12 positions from last year because of unrest in the country. “While the government still supports a favourable environment for foreign investment, international retailers are hesitant to enter this recovering market,” said the report.

In the top 30 Emerging Markets for the period 2012-2017 of Global Intelligence Alliance the following countries of the region are mentioned: Saudi Arabia (18), UAE (21), Egypt (22) and Pakistan (29).

Greater opportunities for women to learn and earn are making economies increasingly attractive markets for fashion retailers. This also opens opportunities for online as fashion is high on the list of most purchased goods.

e-Government in the MENAP region

We firmly believe, that e-government initiatives, will strongly increase not only the further penetration and usage of internet, but will also contribute to further inspire trust and confidence when surfing the internet and using the internet not only for information, communication and searching, but on the longer run also in transforming internet user to e-shoppers and will consequently also inspire companies to set up (local) websites and offer e-commerce opportunities to consumers. Therefore we included this chapter to show how e-government services are developing in the MENA region.

According to the latest E-Government survey by the United Nations, “progress in online service delivery continues in most countries around the world. The U.N. E-Gov Survey 2012 found that many countries have put in place e-government initiatives and information and communication technologies (ICT) applications for the people to further enhance public sector efficiencies and streamline governance systems to support sustainable development. Among the e-government leaders, innovative technology solutions have gained special recognition as the means to revitalize lagging economic and social sectors.

The overall conclusion that emerges from the 2012 Survey in today’s recessionary world climate is that while it is important to continue with service delivery, governments must increasingly begin to rethink in terms of e-government.”

The chart above shows the ranking of the MENAP countries: highest on the UN 2012 E-Gov Survey are the Gulf countries, Lebanon and Jordan, countries where there is already also an emerging and rapidly growing e-commerce offer. Earlier we have already mentioned the e-government initiatives in the UAE and Qatar.

A report presented at the 2010 International Conference on Public Administration (ICPA) says the following: “The adoption of E-government is occurring at varying rates in North Africa, the Levant and the Gulf region, depending on each country’s financial and human capital resources, the support of its political leadership, its ambitious modernization program, and its capacity and willingness to upgrade its ICT systems. Oil-rich Gulf states are investing heavily in developing their E-government programs.”

The North African region is led by Tunisia followed by Egypt and Morocco. Tunisia adopted a national e-government program in 2005 and introduced the Tunisia national portal, providing quick access for citizens to information on all kind of government services. Egypt (www.egypt.gov.eg) did the same in order to

“As online sales skyrocket in developing markets, an online presence is a low-risk way to test new markets and complement existing stores footprint’s”
A.T. Kearney – GRDI 2012

E-Government
A sound legal and regulatory regime creates greater user trust and confidence, which in turn leads to greater use of e (-government) services.
Source: Customer Centric E-Government, Booz & Co
(Brackets: AW)
modernize the Egyptian Government and putting Egypt at pace with the latest governmental technologies worldwide.

All the issues mentioned above will unquestionably have their influence on the further penetration and increasing confidence of internet, e-services and subsequently e-commerce. Hereunder we refer to the opinions of Google MENA (which company is highly active in promoting internet and getting people and businesses online in both the Middle East and Africa) and Yahoo Middle East, who both indicate some of the most important incentives to further internet usage and online presence.

“There are three main challenges we face in the region,” says Ari Kesisoglu, Managing Director of Google Middle East and North Africa. "First, in some countries the cost of getting access to the internet is high. Second, we need more content in Arabic. The percentage of users online in MENA versus the percentage of content in Arabic is a huge gap and we know users in MENA are coming online for local content. The third challenge is that e-commerce in the region has not realised its potential. SMEs need to create websites and we need more businesses in the Arab world to realise the economic impact of the internet," says Kesisoglu.

Yahoo’s Middle East Vice President and Managing Director, Ahmed Nassef, cites “deeper” educational challenges as being more relevant to development than mere lack of confidence in available payment methods.

"The MENA region has among the fastest Internet growth in terms of users in the world, so, adoption is not really slow. Of course cost of access is a factor in some areas such as Levant and North Africa, but generally these access costs will only keep coming down. Deeper challenges such as illiteracy create a bigger obstacle, and a focus on education needs to be a high priority for the region."

"In countries with a larger underclass and higher unemployment figures, people are still struggling with the basics. So, how can e-commerce grow for example at the same rate as developed countries in such an environment?" asks Nassef.

With traditional media often monetised offline, broadcasters and publishers may frequently withhold digital content from reaching web audiences. "Governments can sometimes create barriers with over-regulation of media and content, which serves to discourage innovation at a local level and discourages open user engagement with content," says Nassef.

Governments also imposing high tariffs on the transport of goods and unpredictable customs policies between countries are barriers to e-commerce growth on a regional level.

In this respect, we might refer to the case of the European Union, where today (still) only around 10 per cent of online purchases are done cross-border due to still existing legal, fiscal, postal and other barriers. This figure will reach 14 per cent by 2015, 6 per cent points lower than the target of 20 per cent set by the European Commission, according to a recent report published by Eurostat (See the picture here below).
ALGERIA

Algeria in Brief
Algeria, officially the People's Democratic Republic of Algeria is a country in the Maghreb region of Africa, with Algiers as its capital and most populous city. With a total area of 2,381,741 square kilometres (919,595 sq mi), Algeria is the tenth-largest country in the world and the largest in Africa. Algeria has been populated since 10,000 BC, as depicted in the Tassili National Park. The indigenous peoples of northern Africa are a distinct native population, called the Berbers by Greeks and Romans, and then by Arabs. Algeria gained independence from French colonial rule in the year 1962. It's the second largest country in Africa, in terms of its land area and blessed with natural resources and natural gas reserves. The head of state is the president of Algeria, who is elected for a five-year term. The president was formerly limited to two five-year terms but a constitutional amendment passed by the Parliament on 11 November 2008 removed this limitation. Algeria has universal suffrage at 18 years of age. The President is the head of the army, the Council of Ministers the High Security Council. He appoints the Prime Minister who is also the head of government. The Algerian parliament is bicameral, consisting of a lower chamber, the National People's Assembly (APN), with 380 members; and an upper chamber, the Council Of Nation, with 144 members. The APN is elected every five years.

The climate is arid to semi-arid; mild, wet winters with hot, dry summers along the coast; drier with cold winters and hot summers on high plateau; the sirocco is a hot, dust/sand-laden wind especially common in the summer.

According to the UK Trade and Industry (UKTI) there is great potential in Algeria for UK companies because the market is just beginning to open up. Companies that persevere and decide to enter the market now will reap the dividends. The economic fundamentals are strong and there are plans for significant government spending over the next 5 years, in particular on infrastructure projects.

KEY FIGURES Algeria
Area: 2,381,741km²
Capital: Algiers
Currency: Algerian Dinar
Population
2012: 37.1 million
Men: 50.6%
Women: 49.4%
Median Age: 27.6 years
Retail Sales (e): 37.5$bn
B2C e-Sales (e): $30mn
Internet Users: 5.3 million
% of population: 14%
Spend per user: $5.60
e-Shoppers: 500,000 (e)
Spend per shopper: $60 (e)
% of Users: 10% (e)
Facebook Users: 3,682,600
Ranking: #44
Internet Domain: .dz
Dialling Code: +213
Logistics Index: # 125 (155)
Ease of Business: # 148 (183)
e-Readiness: #118 (142)
UN e-Government: #131 (193)
Economic Freedom: #140 (179)
B2 e-Commerce and online retailing in Algeria

Algeria gained Internet connectivity in 1993 under the control of the Center for Research on Scientific and Technical Information (CERIST). In 1998 a Ministerial Decree ended the state monopoly of the service provision by allowing private sector companies to provide Internet services. The decree included a clause that commercial providers of the Internet service must be Algerian. Internet broadband services began in 2003. Its diffusion has increased over the last years, going from circa 1,500 users in 1999 to 5.3 million in 2011. Nowadays Algeria occupies the 58th position in a global ranking and ranked 6th in Africa, according to 2011 ITU figures. The penetration as a percentage of the population, 14%, is still rather low compared to other countries in the region. Although the Algerian government has promoted initiatives allowing users to access Internet services on a “pay-as-you-go” basis, without having to pay for a monthly subscription, the prices are prohibitively high for most of Algerians. For this reason many Algerian Internet users depend upon dial-up connections and cyber cafes for access.

Early 2009 the project e-Algérie 2013 was introduced to push initiatives in various sectors within the next 5 years. One of these sectors is the e-banking section. The policy in that area is almost completed. Payments and other transactions between banking institutions are now made through electronic tools, which at the moment are struggling. The second phase’s objective is to widen the use of electronic payment cards to the general public in Algeria. Around 4000 Point of Sales Terminals have been installed in retail stores. However, many experts believe that additional reforms are needed to boost the development of electronic payments, including changes in fiscal and customs regulations, payment systems and international exchanges. They called for the relaxing of existing texts and the codification of online sales during a recent seminar organised by the Centre for research on scientific and technical information.

With a fixed-line penetration of 8% and a mobile penetration of almost 100% Algeria has one of the highest teledensities in Africa and the infrastructure is relatively well developed. However subscriber growth has slowed down and the three operators (Mobilis, Djezzy and Nedjma) are competing to maintain or improve the revenue per user. They are entering the underdeveloped internet market by launching basic mobile data services. 3G licences are now expected to be issued this year.

Another barrier is the relatively low developed payment sector. Only recently Epay.dz, a start-up company operating since the end of last year, introduced an e-payment service, based on an electronic solution that provides secure internet, 24 hours and 7 days on 7 payment from a mobile phone. This system allows all customers to benefit from the Epay.dz card to buy and sell online. A pilot project has been initiated with stores in Algiers and Oran.

Epay.dz also created the first online site selling books awras.com, launched November last year by the Minister of PATIC. The company is therefore to be considered an important part of the promotion and development of e-commerce in the country (Shop Algeria).

The conclusion is justified that e-commerce is in its very early stages in Algeria. The penetration of internet is with 14% (ITU – 2011) still relatively low. There are some encouraging signs, such as a well developing economy, higher disposable incomes, a relatively young population ready to embrace new technologies. To really boost internet, online usage and consequently open the way for e-commerce, the Algerian government should ever more support government and private initiatives to invest and educate, as well as inspire confidence and competition on the market which will lead to more services, more retailers online, a growing offer and more affordable prices.

Economy of Algeria

The Algerian economy is fuelled by the industrial sector, particularly oil and natural gas extraction and processing. Continuous and significant improvements characterize the Algerian economy governed by the public sector; it is a closed economy with strict controls on foreign and private investments.
Hydrocarbons are the primary revenue generator for Algeria. They account for 60 per cent of total budget revenues and 30 per cent of the GDP. Approximately, 60 per cent of the Algerian labour force is employed in the service sector and governance, while industry and agriculture employs 28 per cent of the labour force.

The Algerian economy grew by 2.6% in 2011, driven by public spending, in particular in the construction and public-works sector, and by growing internal demand. Public investment was sustained by income from oil and gas, which rose as a result of continuing high oil prices, though the trend in production volume is downwards.

Unemployment particularly affects the young, with a jobless rate of 21.5% among the 15-24 age group. Steps to encourage employment help mitigate the problem but measures are needed to redress the job supply. National priority should be given to making education more democratic, and extending vocational training and higher education.

KEY ECONOMIC INDICATORS

Gross Domestic Product (GDP), Inflation (CPI) and Unemployment
The Algerian economy will be in relatively good condition in 2012 despite the economic uncertainties characterizing the global economic climate. The country is expected to achieve economic growth of around 3 to 3.5 per cent, according to the International Monetary Fund (IMF).

The coming years will see an intensification of political, economic and social reform in response to pressing social demand and intended to strengthen the process of democratisation and to improve living conditions.

Algeria is ranked 48th in the world according to nominal GDP and 47th according to GDP in Purchasing Power Parity.

Despite several years of sustained growth, the unemployment rate in Algeria remains high compared to other emerging economies. In addition, while growth performance in the last ten years was accompanied by a significant reduction in the overall unemployment rate, youth unemployment has proven more difficult to tackle as evidenced by the fact that the ratio of youth unemployment to overall unemployment has steadily increased over the recent period.

According to a recent study of the International Labour Organisation (ILO) youth unemployment reached 21.5% in Algeria compared to the worldwide rate of 12.7%.

However, while labour market flexibility has an important role, the high level of unemployment among young graduates is also the result of mismatches between labour market demand and supply: on the one hand, the private sector has not been able to create sufficient demand for skilled workers; on the other hand, the distribution of Algerian students is highly unbalanced towards disciplines (such as humanities, social sciences, law and education) that generate an undersupply of the skills most needed by the private sector.
Bn DZD | 2008 | 2009 | 2010 | 2011 | 2012 (f)
---|---|---|---|---|---
11,090 | 10,034 | 12,049 | 13,865 | 15,373
Real Percentage | 2.4% | 2.4% | 3.3% | 2.6% | 3.1%
Change (Bn USD) | 171.7 | 138.0 | 160.8 | 190.7 | 206.5
USD per capita | 4,996 | 3,954 | 4,539 | 5,304 | 5,659
Idem PPP | 6,777 | 6,910 | 7,112 | 7,333 | 7,542
Inflation | 4.9% | 5.7% | 3.9% | 4.5% | 6.5%
Unemployment | 11.3% | 10.2% | 10.0% | 10.0% | 9.7%

Population
The predominantly Muslim population is mainly of mixed Arab-Berber descent. However, many Algerians still assert that they have a distinct Berber ethnic and cultural identity, especially in the mountainous region of Kabylie, and speak the Berber language Tamazight. The people of Algeria are almost all Muslim and consequently, cultural and religious differences are few. Very small numbers of Christians and Jews (1 per cent ) complement the majority Muslim population (99 per cent). Sunni Islam is the official state religion. The chart shows the estimated average population over the past five years in millions and per the 1st of January 2012 (source: ONS Algeria).

Currency
The dinar (ISO code DZD) is the currency of Algeria and it is subdivided into 100 santeem. The chart hereunder shows the average rate of exchange to convert the Algerian dinar into US dollars:

Retail Sales
The on-going trend of modernisation is expected to result in the decline of traditional outlets, as retailing in Algeria grows more Westernised, expects Euromonitor.

International franchises continued to increase their presence in Algeria, which pushed domestic retailers to reach the same level of quality in terms of outlet presentation. On the one hand local companies express concern about competing with international giants (which was one of the reasons Carrefour closed down the operation back in 2009), but on the other hand foreign companies bring their know-how to their local partners and bring the competition for local operators up to international standards.
Non-grocery retailing saw retail value sales growth of 10% in 2011 and 3% growth in the number of outlets. The strong performance seen was due to the rising number of high quality outlets, which proved more attractive to consumers. It was also contributed to by an increase in prices, which proved affordable to consumers as purchasing power increased. Over the review period, Algerian consumers increasingly spent more on non-grocery items, as they could better afford such items.

According to the report “Hidden Heroes – the next generation of retail markets” by Deloitte, the retail sector in Algeria witnessed a strong increase in 2010 and this trend is likely to continue through 2016 given rising incomes, population growth and high inflation. The non-grocery sector is estimated to rise faster than the grocery sector and this will also continue through 2016. The chart shows the (estimated) retail sales in billion USD over the years.
BAHRAIN

Bahrain in Brief
Bahrain, officially Kingdom of Bahrain, comprises 33 islands on the western side of the Persian Gulf. The main island, also called Bahrain, lies 24 km (15 mi) east of Saudi Arabia and 29 km (18 mi) west of Qatar. The capital and largest city of Bahrain is Manama, with a population of approximately 160,000.
Bahrain has a very interesting history. It became a human settlement long back in the past. The gulf country of Bahrain has been a preferred kingdom for various ruling powers in history. Bahrain has even been considered as the appropriate place to call the Biblical Garden of Eden.
Bahrain entered recorded history about 5,000 years ago as a commercial trading centre. The site of the ancient Bronze Age civilization of Dilmun, Bahrain was an important centre linking trade routes between Mesopotamia and the Indus Valley as early as 5,000 years ago. The Dilmun civilization began to decline about 2,000 B.C. as trade from India was cut off. From 750 B.C. on, Assyrian kings repeatedly claimed sovereignty over the islands. Shortly after 600 B.C., Dilmun was formally incorporated into the new Babylonian empire.
Long under the influence of more powerful neighbours, it came under the domination of Iran in the 17th century. The al-khalifa family, originating from the central Arabian Peninsula, established themselves as Bahrain’s rulers in 1783 and has ruled ever since. A series of treaties in the 19th century gave Britain control over Bahrain’s defence and foreign affairs. Dominant British influence lasted until Bahrain became independent in 1971.

The climate is hot and humid from May-September, with average highs ranging from 30-40 C. Maximum temperatures average 20 - 30 C the remainder of the year.

B2 e-Commerce and online retailing in Bahrain
The total size of the Bahrain IT market in 2012 is forecast by BMI to be US$373mn, up from an estimated US$345mn in 2011. BMI forecasts a CAGR of 7% for 2012-2016. Bahrain’s government has responded to its domestic political turmoil in 2011 through a massive fiscal stimulus package, which was projected to boost
total IT spending in 2011-2012. Meanwhile, global IT trends such as cloud computing, virtualisation and convergence will continue to gain ground in the Bahraini market. There should still be significant opportunities. Bahrain is becoming an important regional financial hub and there should be substantial spending in this sector. Economic reform and trade liberalisation will fuel spending by public sector organisations and private enterprises to bring their IT levels up to international standards. The country will benefit from trade liberalisation, strong demand from the financial sector, e-government and broadband. The Bahraini government's 2011-2014 e-government strategy was unveiled for implementation in 2011. Bahrain's e-Government Authority (eGA) worked with US networking giant Cisco to develop the plan. Government ICT initiatives are ultimately overseen by the CIO, which was founded in 2005 by an edict from the prime minister. Three new portals for Bahrain gate, mobile phones and public services were also launched. In 2009, the government cited a study showing 85% satisfaction with its e-government strategy.

According to the Ministry of Industry & Commerce (MOIC) the e-Commerce market is poised for rapid acceleration and the internet has essentially offered the business community a new medium for product/services distribution and rich customer interaction. Promotion of e-commerce and e-services in general, is a key issue for the Ministry and the Directorate of e-Commerce & Technology. This Directorate is the regulator and the promoter of e-Commerce in Bahrain. The Directorate published recently a brochure titled “e-Commerce: today's channel, tomorrow's economy” to inform about and to promote e-commerce.

Bahrain has among the highest penetration levels for Internet and telephone of all Arab countries, alongside Qatar. Fees for Internet access have fallen in the past years, providing a boost to uptake. Bateco's 3-5 year BHD21mn 'Broadband Bahrain' programme, providing national high-speed access to individuals and corporate users, should also drive adoption of broadband services. Bahrain moved up in the World Economic Forum’s respected Networked Readiness Index 2012 to 27th place, up from 30th in 2010/2011. Bahrain is now first in the region before Qatar and UAE. It also rates high in regional rankings for e-government development.

With the resulting increase in the number of citizens using e-government services to interact with government departments, the Central Informatics Organisation (CIO) is implementing a training programme to improve the e-literacy of civil servants. The government also claimed to be the first in the Middle East to adopt open standards for its e-government initiatives.

With respect to the volume of e-commerce, back in 2002 Ernst & Young did a study on different aspects of e-commerce. The estimate for 2002 amounted to USD 15 million for B2C transactions, doubling to USD 30 million in 2005. Taking these figures into account as well as the fast growing number of Internet users IMRG estimates that the B2C volume has reached around 250 US$ million last year, up around 45% compared to 2010 and is estimated to reach US$ 375 million this year.

Economy of Bahrain
In the Middle East, Bahrain has earned the rank of being the most economically progressive country in the Middle East and North Africa area. The Heritage Foundation ranks it worldwide as the 12th freest economy. There are many incentives offered to investors not the least of which is 100% ownership for certain categories of
business. There are no taxing complications because there are no personal, corporate, or withholding taxes applicable to a Bahraini business. Furthermore, there is no sales tax or VAT for goods or services. This economic growth has resulted in a controlled and low rate of inflation over the years that many investors find attractive.

The location of Bahrain puts every business in potential contact with over 100 million people that comprise an instant market. Starting a Bahraini business can be done in as little as 7 days. Running a business is also relatively easier in Bahrain because of its multi-lingual labour force that typically operates at a mere 1/3 of the cost of other industrial economies.

KEY ECONOMIC INDICATORS

Gross Domestic Product (GDP), Inflation
Bahrain's economy continues to depend heavily on oil. Petroleum production and refining account for more than 60% of Bahrain's export receipts, 70% of government revenues, and 11% of GDP (exclusive of allied industries). Other major economic activities are production of aluminium - Bahrain's second biggest export after oil - finance, and construction. Bahrain competes with Malaysia as a worldwide centre for Islamic banking and continues to seek new natural gas supplies as feedstock to support its expanding petrochemical and aluminium industries.

IMF expects that real GDP growth will be around 2.0% in 2012, up from just 1.8% in 2011. Average annual GDP growth of between 2.5 and 2.9% is predicted between 2012 and 2016. The Bahrain Economic Development Board has estimated that the annual real output growth was around 2.2% in 2011 as the economy recovered faster than expected in the second half of the year.

Unemployment, especially among the young, is a long-term economic problem Bahrain struggles to address. In 2009, to help lower unemployment among Bahraini nationals, Bahrain reduced sponsorship for expatriate workers, increasing the costs of employing foreign labour.

Due to the diversification of its economy, Bahrain's inflation will likely remain the lowest in the Gulf, but upward pressures may push it far beyond recent expectations.

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012 (f)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bn BHD</td>
<td>8.329</td>
<td>7.253</td>
<td>8.431</td>
<td>9.819</td>
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</tr>
<tr>
<td>Real Percentage</td>
<td>6.3%</td>
<td>3.1%</td>
<td>4.5%</td>
<td>1.8%</td>
<td>2.0%</td>
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<tr>
<td>Change Bn USD</td>
<td>28.4</td>
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<td>24.1</td>
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<tr>
<td>USD per capita</td>
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<td>18,563</td>
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<td>23,132</td>
<td>24,141</td>
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<tr>
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<td>27,036</td>
<td>27,556</td>
<td>27,908</td>
</tr>
<tr>
<td>Inflation</td>
<td>5.1%</td>
<td>2.8%</td>
<td>2.0%</td>
<td>1.0%</td>
<td>2.0%</td>
</tr>
</tbody>
</table>

Population

In 2012, Bahrain's population grew to 1.3 million, of which more than 54% were non-nationals. Though a majority of the population is ethnically Arab, a sizable number of people from South Asia live in the country. In 2008, approximately 290,000 Indian nationals lived in Bahrain, making them the single largest expatriate community in the country. The chart shows the estimated average population over the past five years in millions.
Currency
The dinar (ISO code: BHD) is the currency of Bahrain. It is divided into 1000 fils. The name dinar derives from the Roman denarius. The dinar was introduced in 1965, replacing the Gulf rupee at a rate of 10 rupees = 1 dinar. It is usually represented with three decimal places denoting the fils.

In December 1980, the dinar was officially pegged to the IMF's Special Drawing Rights (SDRs). In practice, it is fixed at 1 U.S. dollar = BHD 0.376 or 1 dinar is approximately 2.65957 dollars and, consequently, almost 10 Saudi Arabian Riyals. This rate was made official in 2001. Before Malta's adoption of the euro on 1 January 2008, it was the third highest-valued currency unit after the Kuwaiti dinar and Maltese lira. After Malta adopted the Euro, the Bahraini dinar became the second highest-valued currency unit.

Retail Sales
According to BMI the country’s retail sales will rise around 10% per year in the coming three years, boosted by a growing interest in western styles of retailing and a steady rise in disposable incomes. However, this assumes that the on-going political crisis that has weighed on the country’s short-term economic outlook is resolved over the medium to long term.
Statistics from the Ministry of Culture and Information’s tourism affairs division show that tourist arrivals rose by an annual average of 10-15% over the past three years. In 2007, Bahrain attracted 5.5mn tourists, 4.9mn of them from other Gulf Cooperation Council (GCC) member countries.
The annual Formula One (F1) Grand Prix in Sakhir has generated hundreds of millions of dollars in revenue since it became a fixture on the racing calendar in 2004, and its cancellation in 2011 undoubtedly had a knock-on effect on retail sales. However, its reinstatement on the 2012 F1 calendar is good news for the retail sector.
Retail sales in Bahrain are estimated to reach US$3.3 billion this year (source: Planet Retail)
EGYPT

Egypt in Brief

Egypt, officially the Arab Republic of Egypt, is situated mainly in North Africa, with the Sinai Peninsula forming a land bridge in Southwest Asia. Egypt is thus a transcontinental country, and a major power in the Mediterranean Basin, the Middle East and the Muslim world. Covering an area of about 1,010,000 square kilometers (390,000 sq mi), Egypt is bordered by the Mediterranean Sea to the north, the Gaza Strip and Israel to the northeast, the Red Sea to the east, Sudan to the south and Libya to the west.

The regularity and richness of the annual Nile River flood, coupled with semi-isolation provided by deserts to the east and west, allowed for the development of one of the world’s great civilizations. A unified kingdom arose circa 3200 B.C., and a series of dynasties ruled in Egypt for the next three millennia.

The Arabs introduced Islam and the Arabic language in the 7th century and ruled for the next six centuries. Egypt’s ancient past and the fact that it was one of the first Middle Eastern countries to open up to the West following Napoleon’s invasion have given it a claim to be the intellectual and cultural leader in the region.

The country was ruled for more than 30 years by president Hosni Mubarak. Huge anti-government demonstrations in January 2011 eventually led President Mubarak to step aside.

The victory of Islamist Muslim Brotherhood candidate Mohammed Mursi at the presidential elections caused concern about the prospects for democratic gains, the status of Coptic Christians and women, and the crucial tourism industry.

The economy depends heavily on agriculture, tourism and cash remittances from Egyptians working abroad, mainly in Saudi Arabia and the Gulf countries. However, rapid population growth and the limited amount of arable land are straining the country's resources and economy.

Egypt is hot and dry in the summer, mild in the winter with rainfall increasing nearer the coastlines. Temperatures increase southwards, and on average, these vary between 22-37 degrees Celsius in the summer and 9-19 degrees Celsius in the winter.
B2 e-Commerce and online retailing in Egypt
Computer penetration is much higher within the business community than the general population, suggesting greater potential for B2B than B2C sites. Large Egyptian companies use in-house websites in order to manage inventory.
Sectors now with Egyptian B2C sites include stockmarket trading, real property, food delivery, lifestyle products, Egyptian handicrafts, furniture and human-resources industries. A few news portals attract a steady readership, but efforts to turn these into wide-ranging e-commerce sites have so far been notably unsuccessful.
The Internet blackout imposed by the Mubarak regime during the January 2011 uprising temporarily crippled e-commerce in Egypt. However, investors sensed even better growth potential after the regime’s fall. Orders to international e-commerce websites such as Amazon.com (and UK-based Asos) have risen over the years; however, Egyptian credit-card holders remain relatively cautious about using their cards to order through domestic sites, since merchants often apply additional, improper charges for accepting cards, whether on the Internet or in a shop. Some domestic companies have adjusted their purchasing services to accommodate consumer preferences. Otlob.com, a food-delivery portal set up in 1999 to take orders from restaurants, adds its service charge to the restaurant bill, allowing customers to pay in cash when the food arrives.

A very recent development is that the National Bank of Egypt (NBE) and Visa launched online solutions aimed at providing customers with secure, convenient and reliable means to make purchases via the Internet and promote e-commerce growth in Egypt. With Internet penetration in Egypt at around 35% of the total population and expected to grow by 40% annually, the potential to grow e-commerce is substantial. "The National Bank of Egypt is pleased to up-level its offering to customers and work closely with Visa on these great initiatives, Mr. Hazem Hegazy, Head of Retail National Bank of Egypt. "At NBE we believe providing value-added security services to our customers is crucial. The more services, products and promotions we are able to provide, the better we're able to give our clients what they need and encourage customers to use their payment cards inside Egypt."

The use of the internet has been spreading very rapidly as more and more people gain access to it. Egypt is a perfect example of this, just five years ago only a very small number of people in the country had access. This has now changed and most people can get online, although only about a quarter of the population do it regularly. The use of the internet in Egypt is about middle of the road for an Arab country. Given that Egypt is by far the most populous Arab country, the potential number of users (and eventually e-shoppers) is very high. One of the reasons for this is that internet access is relatively cheap. The government gave up its monopoly several years ago and there are now hundreds of internet service providers in Egypt. While this has certainly driven the price down, having a lot of small companies competing has not really helped with the quality. As a result the quality of the internet service in Egypt is “variable”.

Economy of Egypt
Occupying the northeast corner of the African continent, Egypt is bisected by the highly fertile Nile valley, where most economic activities take place. Egypt’s economy was highly centralized during the rule of former President Gamal Abdel NASSER but opened up considerably under former Presidents Anwar EL-SADAT and Mohamed Hosni MUBARAK. Cairo from 2004 to 2008 aggressively pursued economic reforms to attract foreign investment and facilitate GDP growth. Despite the relatively high levels of economic growth
in recent years, living conditions for the average Egyptian remained poor and contributed to public discontent. After unrest erupted in January 2011, the Egyptian Government drastically increased social spending to address public dissatisfaction, but political uncertainty at the same time caused economic growth to slow significantly, reducing the government's revenues. Tourism, manufacturing, and construction are among the hardest hit sectors of the Egyptian economy, and economic growth is likely to remain slow at least through 2012.

KEY ECONOMIC INDICATORS

Gross Domestic Product (GDP), Inflation and Unemployment
Egypt’s GDP slides to 1.5 per cent in 2012, to double in 2013, according to IMF. The country will be hit by the fallout from the European economic crisis which takes its toll on remittances, exports and tourism. According to African Outlook, economic growth -which was recovering after the global financial crisis of 2008- fell from 5.1% in 2010 to an estimated 1.8% in 2011 and is projected at 1.7% for the year ending in June 2012. The unrest has also hit tourism and foreign direct investment, two key sources of foreign reserves. The central bank is running out of foreign currency to maintain the exchange rate of the Egyptian pound and might seek a loan from IMF.
According to IMF, Egypt’s inflation is seen to contradict the inflation trend of its neighbours. Inflation is projected to surge to 12.1 per cent in 2013, up from 11.1 per cent in 2011. Nonetheless, 2012 inflation is estimated to drop to 9.5 per cent.
Despite the relative improvement in GDP, the IMF does not foresee similar progression on the unemployment front in Egypt.

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<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012 (e)</th>
</tr>
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<td>1,042.0</td>
<td>1,206.6</td>
<td>1,371.8</td>
<td>1,534.2</td>
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<tr>
<td>Real Percentage</td>
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<td>1.8%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Change Bn USD</td>
<td>162.4</td>
<td>188.6</td>
<td>218.5</td>
<td>235.7</td>
<td>252.5</td>
</tr>
<tr>
<td>USD per capita</td>
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<td>2,456</td>
<td>2,808</td>
<td>2,970</td>
<td>3,119</td>
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<tr>
<td>Idem PPP</td>
<td>5,901</td>
<td>6,112</td>
<td>6,417</td>
<td>6,540</td>
<td>6,594</td>
</tr>
<tr>
<td>Inflation</td>
<td>20.2%</td>
<td>10.0%</td>
<td>10.7%</td>
<td>11.1%</td>
<td>9.5%</td>
</tr>
<tr>
<td>Unemployment</td>
<td>8.8%</td>
<td>10.0%</td>
<td>10.7%</td>
<td>11.1%</td>
<td>9.5%</td>
</tr>
</tbody>
</table>

Population
Egypt is the most populous country in the Middle East and the third-most populous on the African continent (after Nigeria and Ethiopia). Nearly 100% of the country’s 82 million people live in three major regions of the country: Cairo and Alexandria and elsewhere along the banks of the Nile; throughout the Nile delta, which fans out north of Cairo; and along the Suez Canal. These regions are among the world’s most densely populated, containing an average of over 3,820 persons per square mile (1,540 per km²), as compared to 181 persons per sq. mi. for the country as a whole.
The overwhelming majority of the country’s approximately 82 million population are Muslims. Christianity continues to thrive in Egypt, and a significant minority of the country belongs to the Coptic church, whose liturgical language Coptic is the last stage of the indigenous Egyptian language. The chart shows the estimated population over the past five years in millions.

Currency
The Egyptian pound is the official currency for the Arab Republic of Egypt. The pound is divided into 100
piasters, or 1000 milliemes. The ISO code for the Egyptian pound is EGP, although LE is also frequently used as notation. The Egyptian government fixed the exchange rate through force, which led to the use of a de facto gold standard. As far as the global community knows, gold is still often used in internal transactions. Egyptian banknotes were issued for the first time in 1899. The chart shows the average rate of exchange of the Egyptian Pound against the US dollar (LE - USA).

Retail Sales
According to Euromonitor, sales performance will be impacted by the slowing economy which will continue during the first two years of the forecast period. However, young Egyptians, who are gaining purchasing power by entering the workforce, will be strong catalysts for growth and will encourage leading retailers and new comers to expand aggressively within modern shopping formats with large selling spaces. Store-based retailing, which dominated the market and was led by non-grocery outlets, recorded higher value growth of 7%, compared to the 4% growth recorded by non-store retailers. Non-store-based retailers became more numerous. However, people did not respond quickly to these new developments. Store-based retailing is larger in size and more dynamic in growth because stores are more involved in the daily lives of consumers, who like to go shopping; touching and inspecting their purchases. Moreover, store-based retailing works well with advertising because people can check new launches and new promotions by going to outlets and getting help from the staff.

Lastly, store-based retailers comprised big retail giants such as Carrefour, Bi-Tech, Omar Effendi and Oriental Weavers. This brought promising potential for growth.

Marks & Spencer entered the Egyptian market for the first time. The 2,600 square metres store opened through a franchising agreement with the Al Futtaim Group. The Egyptian retail market has large potential for the coming decades, according to Deloitte. More foreign retailers are expected to enter this sector in the medium or long term, come of them Arab retailers from other countries. Their impact will become more and more significant over the years. Carrefour (picture) is expanding relatively fast driving the new trend towards hypermarket shopping and online (www.carrefour.com.eg) Egypt has a growing middle class and is experiencing increasing urbanisation (currently about 45% of its total population lives in urban areas).

Hence, Egypt has one of the largest consumer markets of the MENA region, and with increasingly more women and young people entering its work-force, we expect demand for consumer goods, housing and services in Egypt will continue to rise once the political and economic situations calm down. The arrival on the market of international retailers bodes well for online as retailers are likely to start offering a multi-channel offer. Higher disposable incomes, the growing number of internet users, more (domestic) retailers going online and a relatively young population will certainly contribute to this development.
IRAN

Iran in Brief
The 18th largest country in the world in terms of area at 1,648,195 km², Iran has a population of over 70 million. It is a country of particular geostrategic significance owing to its location in the Middle East & central Eurasia. Iran is bordered on the north by Armenia, Azerbaijan and Turkmenistan. As Iran is a littoral state of the Caspian Sea, which is an inland sea and condominium, Kazakhstan and Russia are also Iran’s direct neighbors to the north. Iran is bordered on the east by Afghanistan and Pakistan, on the south by the Persian Gulf and the Gulf of Oman, on the west by Iraq and on the northwest by Turkey. Tehran is the capital, the country’s largest city and the political, cultural, commercial and industrial center of the nation. Iran is a regional power, and holds an important position in international energy security and world economy as a result of its large reserves of petroleum and natural gas.

Iran is home to one of the world’s oldest continuous major civilizations, with historical and urban settlements dating back to 4000 BC.

Iran had been a monarchy ruled by a shah, or emperor, almost without interruption from 1501 until the 1979 Iranian revolution, when Iran officially became an Islamic Republic on 1 April 1979.

The political system of the Islamic Republic is based on the 1979 Constitution. The system comprises several intricately connected governing bodies. The Supreme Leader of Iran is responsible for delineation and supervision of the general policies of the Islamic Republic.

Iran has a variable climate. In the northwest, winters are cold with heavy snowfall and subfreezing temperatures during December and January. Spring and fall are relatively mild, while summers are dry and hot. In the south, winters are mild and the summers are very hot, having average daily temperatures in July exceeding 38°C.

B2 e-Commerce and online retailing in Iran
Iran’s media news reports that only about 13 percent of Iranian internet users have access to high-speed internet. 84% still use the old-fashioned and expensive dial-up method to connect to the Internet. There is no information regarding the remaining three per cent.
Teheran, Mazandaran and Esfahan have the highest number of internet users, and Sistan-Baluchistan in the south east has the least. The report also indicates that 58.1 percent of the users are male and 41.9 percent are women.

In terms of internet speed, Iran ranks 164 out of 170 countries and Iranians have the most expensive Internet service in the world when price is calculated in relative to speed, quality and download capacities. Iranian internet users consistently complain about their slow internet speed and service disruptions, but Iranian authorities have not acknowledged the problems. Iranian authorities do, however, block hundreds of websites and have also announced plans to establish a "clean" or "national" internet (National Information Network – NIN, a similar concept as has been put into practice in North Korea), which would not allow access to obscene and inappropriate websites. However, the Minister of Communication and Technology has declared, that the World Wide Web will not be replaced by the NIN, but will remain alongside the NIN.

e-Commerce and online retail are still in their infancy in Iran. Back in 2004 the Iranian Commerce Minister said that the value of electronic commerce (B2B and B2C) was expected to reach USD 12.8 billion in 2006 registering an average annual growth of 48.6 per cent. The Minister also said that the value of B2C e-commerce in 2003 stood at between USD 1.4 billion and USD 3.9 billion.

The telecoms market in Iran is one of the least liberalised in the region. Serious competition exists only in the mobile market following the launch of services by a second national mobile operator backed by international mobile operator MTN. This new operator holds an estimated 40% market share. Iran’s mobile market will receive another boost of competition following the launch of services by Tamin Telecom.

Understanding the importance of the Internet and socio-economic advantages it can afford, Iran’s government has set a number of targets related to online services for its fifth economic development plan for the period 2010 – 2015, which asks all government bodies to prepare for the launch of e-government services. As is most often the case, the business sector is already online; credit cards can be used for online purchases and Iran’s first online supermarket commenced operations in 2010. The government is eager to facilitate e-commerce development through its irancode initiative, a products and services codification system designed to facilitate tax collection.

There are divergent data concerning the number of Internet users: the International Telecommunications Union (ITU) reports around 16 million or 21% in 2011, Internetworldstats has published that over 36 million people or over 46% of the population have access to internet.

According to Iranian Telecom there were early 2011 around 28 million internet users and only 734,000 of them had access to higher speed DSL lines, while 97% still use dial up speeds of maximum 56kbps. There were also 25 million landlines and 40 million mobile lines in use.

The same goes for Facebook usage: the data shows that between 1.8 million to over 6 million Iranians, who, in spite of all the limitations, are using Facebook to find friends, share information and discuss issues.

Given the recent news about slow internet speed and consequently high costs as well as the barriers indicated above, penetration of e-commerce must still be relatively insignificant and will slowly progress in the coming years, although the potential is high.

Economy of Iran
The economy of Iran is the seventeenth largest in the world by Purchasing Power Parity (PPP) and twenty-sixth by market value. The economy of Iran is a mixed and transition economy with a

GDP Per Capita in Purchasing Power Parity - USD

![Graph of GDP Per Capita in Purchasing Power Parity - USD](image-url)
large public sector and some 50% of the economy centrally planned. It is also a diversified economy with over 40 industries directly involved in the Tehran Stock Exchange. Yet, most of the country's exports are oil and gas, accounting for a majority of government revenue in 2010. A unique feature of Iran's economy is the presence of large religious foundations, whose combined budgets make up more than 30% of central government spending. Iran is one of the few major economies that has maintained positive growth in the aftermath of the 2008 global financial crisis, despite sanctions imposed by the international community as a result of the country's nuclear program.

According to The Economist, Iran was ranked 39th in a list of industrialized nations, producing $23 billion of industrial products in 2008. Between 2008 to 2009 Iran leaped to 28th from 69th place in annual industrial production growth. In the early 21st century the service sector constituted the largest percentage of gross domestic product (GDP), followed by industry (mining and manufacturing) and agriculture.

KEY ECONOMIC INDICATORS

Gross Domestic Product (GDP), Inflation and Unemployment
The continued rise in world oil prices in the last calendar year increased Iran's oil export revenue by over $100 billion in 2011 (a third more than in 2010), easing some of the financial impact of international sanctions. However, expansionary fiscal and monetary policies, government mismanagement, the sanctions, and a depreciating currency are fuelling inflation, and GDP growth remains stagnant. Iran continues to suffer from double-digit unemployment and underemployment. Underemployment among Iran's educated youth has convinced many to seek jobs overseas, resulting in a significant "brain drain."

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<tr>
<th></th>
<th>2008</th>
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<td>Unemployment</td>
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</tr>
</tbody>
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Population
Iran's population increased dramatically during the second half of the 20th century, reaching about 75 million by 2011. In recent years, however, Iran's birth rate has dropped significantly. Studies project that Iran's rate of population growth will continue to slow until it stabilizes above 100 million by 2050. The number of households stands at 15.8 million (4.8 person/household). According to the Central Bank of Iran in 2012 the unemployment rate among youth between 15 and 29 stand at 22.5%, while economists say that the official figures are vastly underestimated. While nearly 100% of Iran's population is fluent in modern Persian, approximately 75-80% of Iran’s people exclusively speak Iranian languages (the most common language known as Persian - or "Farsi"). Iran’s population is made up of Persians (51%), Azeris (24%), Gilaki and Mazandarani (8%), Kurds (7%), Arabs (3%), Baluchi (2%), Lurs (2%), Turkmen (2%), Laks, Qashqai, Armenians, Persian Jews, Georgians, Assyrians, Circassians, Tats, Mandaeans, Gypsies, Brahuis, Hazara, Kazakhs and others (1%).

The table above shows the estimated population in millions over the past five years (Statistical Centre of Iran – SCI)
Currency
The rial (ISO code IRR) is the currency of Iran. It is subdivided into 100 dinar but, because of the very low current value of the rial, no fraction of the rial is used in accounting. The name derives from the Spanish Real, which was for several centuries, the currency in Spain (derived from Spanish rey = king). Although the "toman" is no longer an official unit of Iranian currency, Iranians commonly express amounts of money and prices of goods in "tomans." For this purpose, one "toman" equals 10 rials. Despite this usage, amounts of money and prices of goods are virtually always written in rials.

In April 2011, it was reported that state bank of Iran is working on a six months redenomination project to slash four zeros from the national currency and replace old bank notes with new ones, similar to redenomination of Turkish lira and introduction of Turkish new lira in 2005. A website to poll the public on the redenomination plan was launched on 21 July 2011; the public was allowed to vote on how many zeroes to cut and what the new currency's name should be. Preliminary results indicate that four zeroes will be cut (in line with the government's recommendation) and that the name will be changed to Iranian Parsi. The chart hereunder shows the average annual rate of exchange of the Rial against the US Dollar.

![Graph showing average annual rate of exchange of the Rial against the US Dollar]

Retail Sales
After the Islamic revolution in 1979, the Iranian economy followed a trend of isolation from international markets, which resulted in very low investment in the country's retailing industry. In this environment, which did not permit the activity of multinational retailers, a very strong chain of wholesale independent shops became the only viable alternative. Furthermore, high risk in the industrial and agriculture sectors encouraged many individuals to open up their own stores in different fields of retailing and served to accelerate the growth of outlet numbers. Grocery retailing in Iran also entered a new phase of development, as multinational retailing giants became active in the country (French Carrefour opened its first store in February 2009 in Teheran, the Benetton Group is represented in Iran). On the other hand, non-grocery retailing remained highly fragmented, largely dominated by independent operations in the largest categories, including apparel specialist retailers, and leisure and personal goods specialist retailers. Despite the fact that retail prices are predicted to continue to increase, retail value sales are expected to see more dynamic growth in the coming years. Sales growth will be fuelled by amongst others increasing purchasing power and improving standards of living. The emergence of multinational retailers will further drive retail value sales growth. On the other hand, retail value sales growth will continue to be inhibited by the government’s policies regarding foreign investment and privatisation.

According to recent research by RNCOS, Iran's retail industry has been recording exceptional growth over the past few years. With rising urbanization, the demand for new products is expected to go up, which in turn will boost Iran's retail industry. Iran’s growing market is attracting various international retailers, which are now collaborating with domestic players for production under license. Despite global slowdown, Iran registered a double-digit growth in retail sales during 2010 and is anticipated to grow with a CAGR of around 14% during 2011-2014, owing to rising consumer expenditure and spending on non-food items.
IRAQ

Iraq in Brief
Iraq, officially the Republic of Iraq, is located in Western Asia spanning most of the northwestern end of the Zagros mountain range, the eastern part of the Syrian Desert and the northern part of the Arabian Desert. Iraq borders Syria to the northwest, Turkey to the north, Iran to the east, Jordan to the southwest and Kuwait and Saudi Arabia to the south. Iraq has a narrow section of coastline measuring 58 km (36 mi) on the northern Persian Gulf. The capital city, Baghdad is in the center-east of the country. Two major rivers, the Tigris and Euphrates, run through the center of Iraq, flowing from northwest to southeast. These provide Iraq with agriculturally capable land and contrast with the steppe and desert landscape that covers most of Western Asia.

Historically, Iraq was the center of the Abbasid Caliphate. Iraq has been known to the west by the Greek toponym 'Mesopotamia' (Land between the rivers) and has been home to continuous successive civilizations since the 6th millennium BC. The region between the Tigris and Euphrates rivers is often referred to as the cradle of civilization and the birthplace of writing, law and the wheel.

Iraq’s modern borders were mostly demarcated in 1920 by the League of Nations when the Ottoman Empire was divided by the Treaty of Sèvres. Iraq was placed under the authority of the United Kingdom as the British Mandate of Mesopotamia. A monarchy was established in 1921 and the Kingdom of Iraq gained independence from Britain in 1932. In 1958, the monarchy was overthrown and the Republic of Iraq was created. Iraq was controlled by the Ba’ath Party from 1968 until 2003. After an invasion led by American and British forces, the Ba’ath Party was removed from power and Iraq came under a military occupation by a multi-national coalition. Sovereignty was transferred to the Iraqi Interim Government in June 2004. A new constitution was then approved by referendum and a new government of Iraq was elected. Foreign troops remained in Iraq after the establishment of a new government due to an insurgency that developed shortly after the invasion, with violence peaking in mid 2007. In August 2010, the U.S. became the last member of the coalition to cease combat operations in Iraq bringing an end to the Iraq war and over one year later, in December 2011, the last U.S. troops left the country. Iraq is a country with a shia majority and a large sunni minority.

KEY FIGURES - Iraq
Area: 437,072km2
Capital: Baghdad
Currency: New Iraqi Dinar
Population: 33.3 million
Men: 50.7%
Women: 49.3%
Median Age: 20.9 years
Retail Sales 2012 (e): 57US$bn
Growth (e): 19% Internet Access
Users: 5,000,000 (e)
% of population: 15%
Facebook Users: 2,063,400
Ranking: #62
Internet Domain: .iq
Dialling Code: +964
Logistics Index: #145 (155)
Ease of Business: #164 (183)
UN e-Government: #136 (193)
The average temperatures in Iraq range from higher than 48 degree C (120 Fahrenheit) in July and August to below freezing in January. A majority of the rainfall occurs from December through April and is more abundant in the mountainous region and may reach 100 centimeters a year in some places.

B2 e-Commerce and online retailing in Iraq
The use of the internet in Iraq has been growing very rapidly in recent years as people are finally gaining access to it. Under Saddam Hussein there were very few people who had access to the internet. Nobody really knows how many since the government strictly controlled this and didn’t tell anybody. Following the removal of Saddam from power it still took quite a while for the internet to become available as a result of the continuing war. Even today most internet access is through wireless as the cables were destroyed during the war. As a result only about ten percent of the population currently have access to the internet. While the number of people in Iraq who can get online remains fairly small, this is something that the country is working on. Both the Iraqi government and the United States are working hard to build the required infrastructure. This is probably going to take some time. However, as there is still some fighting going on in the country the spread of the internet will probably be fairly slow, especially to the rural areas. Another big issue that is facing Iraq as the internet becomes more widespread, is the censorship. Under Saddam Hussein this was taken to the extreme with few people even being allowed access to the internet. The United States have always said the goal was to install an elected government and that this would require that free speech be protected. As a result, a constitution was created to protect the right to free speech, which should also preclude censoring the internet. The future of the internet in Iraq is not clear. Certainly more people are going to gain access to it, but it remains uncertain until they get there...(Source: Arab IP Centre).

This will undoubtedly hamper the (further) penetration and usage of the internet and the development of e-commerce in the country.

According to the Central Bank (CBI), Iraq has one of the most advanced electronic payment systems in the world. The system is designed to ensure the exchange of payment orders between banks automatically via an efficient and secure network. The CBI operates and manages the settlement accounts of the participants to ensure the safety and efficiency of payment systems and clearing operations. The payment network consists of the following systems:

- RTGS: Real Time Gross Settlement System
- C-ACH: Cheque - Automated Clearing House
- GSRS: Government Securities Registration System

The CBI aims to reduce the use of cash in the country despite the challenges of geography and the remaining security issues which make the transfer of money across the country difficult and risky. Hence the objective is to automate the settlement of checks, salaries and the activation of automation systems for electronic cards, in order to keep more liquidity in bank accounts.

The other achievement is the automation of the primary market for the government securities system which the CBI began to work on in consultation with the Ministry of Finance (MOF) in 2008. There are also plans to automate the activities of the secondary market (Source: CBI).
Economy of Iraq
Iraq’s economy is dominated by the oil sector, which has traditionally provided about 95% of foreign exchange earnings. After the end of hostilities in 1988 oil exports gradually increased with the construction of new pipelines and restoration of damaged facilities. An improving security environment and foreign investment are helping to spur economic activity, particularly in the energy, construction, and retail sectors. Broader economic development, long-term fiscal health, and sustained improvements in the overall standard of living still depend on the central government passing major policy reforms. Iraq’s largely state-run economy is dominated by the oil sector, which provides more than 90% of government revenue and 80% of foreign exchange earnings. Since mid-2009, oil export earnings have returned to levels seen before Operation Iraqi Freedom. As global oil prices remained high for much of 2011, government revenues increased accordingly. For 2012, Iraq’s draft budget forecasts oil exports of 2.6 million barrels per day (bbl/day), a significant increase from Iraq’s average of 2.2 million bbl/day in 2011. Iraq’s contracts with major oil companies have the potential to further expand oil revenues, but Iraq will need to make significant upgrades to its oil processing, pipeline, and export infrastructure to enable these deals to reach their economic potential. Iraq is making slow progress enacting laws and developing the institutions needed to implement economic policy, and political reforms are still needed to assuage investors’ concerns regarding the uncertain business climate.

The government of Iraq is eager to attract additional foreign direct investment, but it faces a number of obstacles including a tenuous political system and concerns about security and societal stability. Rampant corruption, outdated infrastructure, insufficient essential services, and antiquated commercial laws stifle investment and continue to constrain growth of private, nonoil sectors. In 2010, Baghdad signed agreements with both the IMF and World Bank for conditional aid programs designed to help strengthen Iraq’s economic institutions. Iraq is considering a package of laws to establish a modern legal framework for the oil sector and a mechanism to equitably divide oil revenues within the nation, although these reforms are still under contentious and sporadic negotiation. Political and economic tensions between Baghdad and local governments have led some provincial councils to use their budgets to independently promote and facilitate investment at the local level.

The Central Bank has successfully held the exchange rate at about 1,170 Iraqi dinar/US dollar since January 2009. Inflation has remained under control since 2006 as security improved. However, Iraqi leaders remain hard pressed to translate macroeconomic gains into an improved standard of living for the Iraqi populace. Unemployment remains a problem throughout the country. Encouraging private enterprise through deregulation would make it easier for both Iraqi citizens and foreign investors to start new businesses. Rooting out corruption and implementing reforms – such as bank restructuring and developing the private sector - would be important steps in this direction.

KEY ECONOMIC INDICATORS

Gross Domestic Product (GDP), Inflation and Unemployment
Iraq’s GDP is expected to grow by 33 per cent over the next three years, according to a recent report from Reuters. The average rate of about 10 per cent per year over the next three years will be driven by increased oil revenues, Mudher Kasim, Deputy Governor of the Central Bank, told Reuters in an interview.
“Without the oil, in my opinion, it (GDP) would not exceed 4.5 per cent, but the oil sector (makes up) 60 per cent of the economy,” he said. “Oil adds a lot to GDP. Each increase of 100,000 bpd of exports adds more than $3.4bn per year.”

Kasim said he hoped the rate of GDP increase would exceed 10 per cent after the three-year period if other sectors outside of the oil industry saw increased investment.

The Central Bank expects that Iraq’s federal reserves will hit around $75 billion by the end of 2013 from $67 billion currently if oil prices stay at present levels and exports continue to perform as estimated.

Iraq has the world’s fourth-largest oil reserves and is producing more than 3 million barrels per day (bpd) for the first time in three decades. It has ambitions to double its oil production over the next three years.

According to the Ministry of Planning and Development Cooperation of Iraq, inflation for the period of July 2011 until July 2012 rose by 5.7 per cent under the influence of higher prices of goods and services, which include food, rent, transportation, communications, health and education.

The government does its best to keep inflation at five per cent in 2012 with the support of the policies of the Central Bank to control the rising prices, and hopes to re-evaluate the Iraqi dinar by 2013.

The Ministry for Planning and Development Cooperation has announced unemployment in Iraq this year to be about 16%, with a poverty rate of about 11%.

“Poverty and unemployment rates are decreasing in Iraq after Iraqi GDP improved and investment in construction and services projects increased,” the representative of the Ministry said, stressing that the fall in unemployment resulted from creating new job opportunities.

The following figures and forecast for GDP and growth are taken from the IMF April 2012 World Economic Outlook.

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<tr>
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<th>2009</th>
<th>2010</th>
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</tr>
<tr>
<td>Change</td>
<td></td>
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<td>-2.2%</td>
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<td>6.0%</td>
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Population

According to the CIA World Factbook, Arabs form 75%-80% of the Iraqi population, followed by 15%-20% Kurds, and Turkoman, Assyrian with others making up the other 5% of the population.

Around 20,000 Marsh Arabs live in southern Iraq. The Iraqi population includes a community of around 30,000 Circassians, 20,000 Armenians, and a community of 2500 Chechens. In Southern Iraq there is a community of Iraqis of African descent, a legacy of the slavery practiced in the Islamic Caliphate beginning before the Zanj Rebellion of the 9th century, and Basra's role as a key port.

Arabic and Kurdish are the official languages. Aramaic and South Azeri are regional languages. Armenian and Persian are also spoken but to a lesser extent. English is the most commonly spoken European language. Most Iraqis predominantly speak Arabic, while most Kurdish Iraqis are bilingual in Kurdish and Arabic. Iraqi Turkmen speak South Azeri and the Feyli Kurds speak Feyli, a dialect of Kurdish. The chart shows the estimated population over the last five years in millions.:
Currency
The dinar (ISO code: IQD) is the currency of Iraq. It is issued by the Central Bank of Iraq and is subdivided into 1,000 fils, although inflation has rendered the fil obsolete.

Retail Sales
In early 2012 French grocer Carrefour entered Iraq with the opening of its first hypermarket at Erbil’s Family Mall. The store is the first of several Carrefour hypermarkets to open in partnership with the Erbil-based Darin Group, Majid AlFuttaim Retail’s partners in Iraq. New Carrefour hypermarkets in the cities Suleimaniyah and Duhok are under construction and will open by 2014. With this store opening, Carrefour has become the second foreign hypermarket chain to enter the lucrative Iraqi market. In November 2009, Kuwait-based City Centre opened a 13,000-square-meter hypermarket at Majidi Mall in Erbil, considered then the largest and only foreign hypermarket chain in Iraq. In addition to Carrefour hypermarket and Home Istanbul (a Turkish retailer focused on home products and appliances), stores at Family Mall include Mango, DKNY, Timberland, Bossini, Geox, MEXX, Cacharel, Levi’s, Springfield, US Polo, YKM.

Total retail sales are estimated to reach USD 57 billion, up from USD 48.8 billion in 2011. (Growth 15 per cent)
JORDAN

Jordan in Brief

Jordan, officially the Hashemite Kingdom of Jordan, is an Arab kingdom located in Western Asia on the East Bank of the River Jordan. The country borders Saudi Arabia to the east and south-east, Iraq to the north-east, Syria to the north and the West Bank and Israel to the west, sharing control of the Dead Sea with the latter. Aqaba, Jordan’s only port, is at its south-western tip, at the Gulf of Aqaba, which is shared with Israel, Egypt, and Saudi Arabia. Over half of Jordan is covered by the Arabian Desert. However, the western part of Jordan comprises arable land and forests.

The history of Jordan starts with evidence of human activity in Jordan in the Paleolithic period (c. 90,000 BC), continues with the Muslim empires starting in the 7th century, the Ottoman Empire in the 16th century, the Great Arab Revolt and the British mandate of Transjordan in the early 20th century, and goes on to the present day with the establishing of the independent Hashemite Kingdom of Jordan in 1946.

Ancient kingdoms located in Jordan, such as the Roman-era Nabatean kingdom, which had its capital in Petra, left particularly dramatic ruins popular with tourists and film crews.

The precursor to modern Jordan was founded in 1921 as the Hashemite Emirate, and it was recognized by the League of Nations as a state under the British mandate in 1922 known as The Emirate of Transjordan. In 1946, Jordan became an independent sovereign state officially known as the Hashemite Kingdom of Transjordan.

Modern Jordan is classified as a country of “medium human development” by the 2011 Human Development Report, and an emerging market with a free market economy by the CIA World Fact Book. Jordan has an “upper middle income” economy. Jordan’s long-term political outlook is among the most stable in the region owing to a series of political and economic reforms undertaken by the government in recent years.

The climate in Jordan is semi-dry in summer with average temperature in the mid 30 °C (86 °F) (mid 90°F) and relatively cold in winter averaging around 13 °C (55 °F).

B2 e-Commerce and online retailing in Jordan

The use of the internet is Jordan is more widespread than it is in much of the rest of the Arab world but it still lags far behind the developed world. Currently less than 40 percent of the population has access to the internet although this number is growing rapidly. Like most of the Arab world Jordan has been slow to
adopt the internet in part because it is difficult to use Arabic characters online and in part because of the cost. Unlike most countries in the region however, the Government of Jordan is making an active effort to encourage the use of the internet. The growth of internet usage in Jordan is likely to continue at a much faster rate than in other Arab countries as most children have access to it. The government has set a goal of making sure that all schools have internet access. The result is that a whole generation is growing up using the internet and they will be very likely to continue to do so in the future.

While the internet is used fairly widely in Jordan it still faces the issue of censorship that is so common in the Arab world. Compared to many other countries the censorship is fairly mild but it does exist. As a country that is ruled by a King most of the censorship is intended to prevent sites that could be viewed as a threat to the monarch or that encourage a change to democratic government. Some sites are also banned in order to protect social norms. This is very common in the Islamic world although Jordan is less severe than most countries.

Total e-commerce sales were estimated at $350 million in 2011, approximately 50% up compared to 2010. e-Commerce in Jordan is on the rise as more people are learning about making transactions online. The number of Internet users is relatively high. According to the ICT Association of Jordan, the number of Internet users has now reached 3.163 million or 51.5% of the Jordan population. The number of e-shoppers is estimated to be around 30% of internet users.

Buying plane tickets online are first on the list of e-commerce activities in Jordan, followed by purchasing electronic devices, making hotel reservations, paying for music and entertainment, and buying jewellery, fashion items and books. Concerns about e-fraud, however, discourage most Jordanians from shopping online. Society in Jordan and the Middle East is still cash-oriented and people are afraid to use their credit cards to buy online.

According to experts local companies need to earn customers’ trust in order to convince them to shop online. A preference of customers for still paying cash on delivery is another obstacle to e-commerce. Cash on delivery returns are seven times more than those by people who order and pay online at the same time. Also, the majority of Internet users in the region are young people who do not necessarily have credit cards with which to make online purchases, limiting the growth of e-commerce. Another barrier to the growth of e-commerce is delays in delivery caused by customs procedures.

In 2006, the government formally inaugurated the Jordan e-Government programme with the intention of streamlining bureaucracy and enhancing access to the Internet in rural areas. Currently, e-government services are provided by several public agencies, including the justice, interior and industry and trade ministries and the Borders and Residency Permits Department. This year the service will be extended to all 12 governorates.

![GDP Per Capita in Purchasing Power Parity (USD)](chart.png)

Economy of Jordan

Jordan’s GDP per capita soared by 351% in the 1970s, and after only a slight decline of 30% in the 1980s, grew once again by 36% in the 1990s. Jordan is classified as an emerging market. After King Abdullah II’s

“To make more people use the web, it is important to create an Internet culture in society by educating people on how to use the service and introducing them to its potential. It is also crucial that the government introduce more e-services.”

Abed Shamlawi, CEO ICT Association of Jordan
accession to the throne in 1999, liberal economic policies were introduced that resulted in a boom lasting for a decade, continuing through 2009. It is now one of the most open and most competitive economies in the Middle East. Jordan has a developed banking sector that attracts investors due to conservative bank policies that enabled the country to weather the global financial crisis of 2009. It is emerging as the "business capital of the Levant" and "the next Beirut". Jordan's economy has been growing at an annual rate of 7% for a decade.

The main obstacles to Jordan’s economy are scarce water supplies, complete reliance on oil imports for energy, and regional instability. Just over 10% of its land is arable, and even that is subject to the vagaries of a limited water supply. Rainfall is low and highly variable, and much of Jordan's available ground water is not renewable. Jordan's economic resources are phosphates, potash, and their fertilizer derivatives; tourism; overseas remittances; and foreign aid. These are its principal sources of hard currency earnings. Lacking coal reserves, hydroelectric power, large tracts of forest or commercially viable oil deposits, Jordan relies on natural gas for 10% of its domestic energy needs.

Rapid privatization of previously state-controlled industries and liberalisation of the economy is spurring unprecedented growth in Jordan's urban centres like Amman and especially Aqaba.

Jordan is pinning its hopes on tourism, future uranium and oil shale exports, trade, and ICT for future economic growth.

KEY ECONOMIC INDICATORS

Gross Domestic Product (GDP), Inflation (CPI), Unemployment

Jordan's long-term political outlook is considered among the most stable in the region owing to a series of political and economic reforms undertaken by the government in recent years.

According to Oxford Economics, growth in this highly open economy will remain constrained by unfavourable global conditions, continuing high geo-political risk, declining Syrian GDP and planned fiscal consolidation. And there are substantial downside risks to future growth prospects; these include a possible further surge in oil and other commodity prices, a slowdown in global and regional growth and worsening regional politics.

The IMF is expecting an extension of the low growth trend, with real GDP growth forecast at 2.8% for 2012, as high commodity import prices, rising sovereign financing costs and regional socio-political unrest are apt to adversely affect the economy.

Inflation fell in 2011, due in large part to the absence (since January 2011) of the passing on international oil prices to domestic markets. Average inflation is projected to pick up to 4.9 per cent in 2012, given the planned resumption of passing on of international oil prices (IMF).

The unemployment rate increased to almost 13 per cent in 2011, and is expected to continue to rise given the country’s muted growth prospects (IMF).

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<thead>
<tr>
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<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012 (e)</th>
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<td>Bn JOD</td>
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<tr>
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</tr>
<tr>
<td>Bn USD</td>
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<td>2.7%</td>
<td>6.1%</td>
<td>3.3%</td>
<td>4.9%</td>
</tr>
<tr>
<td>Unemployment</td>
<td>12.7%</td>
<td>12.9%</td>
<td>12.5%</td>
<td>12.9%</td>
<td>12.9%</td>
</tr>
</tbody>
</table>
Population
Native Jordanians are mostly descended from East Bank and West Bank Palestinians and Bedouin descent originating in the Arabian Peninsula. In addition, minorities like the Circassians, Chechens, Arameans and Armenians. There are a number of other ethnicities present, including communities of Kurds, Assyrians and Mandeans which are refugees from the 2003 Iraqi war. Also approximately one million Iraqis are currently residing in the country. Furthermore, hundreds of thousands of guest workers from Egypt, Syria, Indonesia, and South Asia work as domestic and construction employees. Also, there are a few thousand residents of Lebanese origin who came to Jordan when civil strife and war broke out in their native country. They primarily reside in Amman. The official language is Arabic, but English is used widely in commerce and government. About 70% of Jordan's population is urban; less than 6% of the rural population is nomadic or semi-nomadic. Most people live where the rainfall supports agriculture.
The graph shows the estimated population over the past 5 years (Jordan Department of Statistics).

Currency
The dinar (ISO 4217 code JOD) is the currency of Jordan. The dinar is divided into 10 dirham, 100 qirsh (also called piastres) or 1000 fils. The Jordanian dinar continued to be used in the West Bank along with Israeli currency after Israel took control of it in 1967. During Israel's hyperinflation in the 1970s and 1980s, the Jordanian currency provided stability. Since October 23, 1995, the dinar has been officially pegged to the IMF's special drawing rights (SDRs). In practice, it is fixed at 1 U.S. dollar = 0.709 dinar most of the time, which translates to approximately 1 dinar = 1.41044 dollars. The Central Bank buys U.S. dollars at 0.708 dinar, and sells U.S. dollars at 0.710 dinar.

Retail Sales
Jordan is currently ranked 12th on A.T. Kearney's Global Retail Development Index 2012. The retail sector in Jordan is gaining strength with expectations of more double-digit growth. Jordan on its own is an attractive market, but its status as a gateway to Iraq makes it even more so.
In recent years quite a few shopping malls have come up, especially in urban areas such as Amman and Aqaba.

The modern grocery retail sector is fairly undeveloped. The major players own less than 5 per cent of the market, with the largest, the Sultan Center, having sales of $160 million. Although Jordan is in the early stages of growth, opportunities will increase as consolidation and strong economics change the playing field. The government is on a mission to boost the economy, applying to join the Gulf Cooperation Council and investing in developing the country. The main mass grocery retailers are Sultan Center, Carrefour ($55 million in sales), and C-Town ($43 million in sales).

The Body Shop and Debenhams are already in Jordan (albeit on a limited scale), and other retailers are exploring entry strategies. Spinneys and LVMH entered last year.
KUWAIT

Kuwait in Brief
The State of Kuwait is a sovereign Arab nation situated in the north-east of the Arabian Peninsula in Western Asia. It is bordered by Saudi Arabia to the south at Khafji, and Iraq to the north at Basra. It lies on the north-western shore of the Persian Gulf. The name Kuwait is derived from the Arabic "akwat", the plural of "kout", meaning “fortress built near water”. The Emirate covers an area of 17,820 square kilometres (6,880 sq mi) and has a population of about 3.7 million. Kuwait is believed to have been part of an early civilization in the 3rd millennium B.C. and to have traded with Mesopotamian cities. Archaeological and historical traces disappeared around the first millennium B.C. Kuwait City was founded in the early years of the 18th century by the Anizah tribe of central Arabia which became an autonomous sheikdom by 1756. Abd Rahim of the al-Sabah tribe became the first sheik, and his descendants continue to rule Kuwait today. In the late 18th and early 19th centuries, the sheikdom belonged to the fringes of the Ottoman Empire.

Oil was discovered in Kuwait in the 1930s, and it was proved to have 20% of the world’s known oil reserves. Since 1946 it has been the world’s second-largest oil exporter. The sheik, who received half of the profits, devoted most of them to the education, welfare, and modernization of his kingdom. In 1966, Sheik Sabah designated a relative, Jaber al-Ahmad al-Sabah, as his successor. By 1968, the sheikdom had established a model welfare state, and it sought to establish dominance among the sheikdoms and emirates of the Persian Gulf.

Kuwait has a dry desert climate with intensely hot summers and short, cool winters.

B2C e-Commerce and Online Retailing in Kuwait
Kuwait, the third-largest computer market in the Gulf, made a recovery in 2010 from the economic slowdown, and local IT spending is expected by BMI to reach around US$846mn in 2011. The market should continue to provide opportunities for IT vendors with drivers including government projects, population growth, and strong demand from the oil and gas sector. BMI projects a 2011-2015 IT spending compound annual growth rate (CAGR) of 7%. Kuwait’s IT market has a number of enduring strengths, including its relatively small...
but tech-literate and wealthy population, which make the country an important regional testing ground for new products.

Kuwait is one of the most advanced technological markets in the Gulf, but high subscription costs continue to restrict Internet penetration. Growth in the numbers of broadband subscribers has been stronger, but numbers are still very low. Competition is limited in the supply of broadband services and thus prices have remained high, deterring many potential subscribers. The government hopes to drive IT development with its broadband access initiative. Alcatel was chosen by Kuwait’s State Ministry of Communications to supply a gigabit passive optical network (GPON) solution that will serve about 60% of access areas involved in the ministry's present rollout. The ministry's access network is gradually being upgraded by replacing the existing copper access with a passive optical fibre infrastructure.

E-business is still in its infancy in Kuwait and the use of electronic marketplaces is still very limited. Compared to neighbouring countries, the Kuwaiti government takes a liberal attitude towards the use of the Internet. There is as yet no specific legislation in the field of e-business. Young people in Kuwait constitute both the highest concentration of Internet users (approximately 63% of all Internet users) and the largest sector of Kuwaiti society.

As in other countries in the region B2C e-commerce is still in its early stages but the future is very promising. Given the increasing penetration of e-commerce as well as the rapidly increasing number of internet users, the ever higher disposable income, total B2C e-commerce volume, estimated to have reached US$400 million in 2011, is set to triple in the coming years.

Economy of Kuwait
Kuwait has a geographically small, but wealthy, relatively open economy with crude oil reserves of about 104 billion barrels - about 7% of world reserves. Petroleum accounts for nearly half of GDP, 95% of export revenues, and 95% of government income. Kuwaiti officials have committed to increasing oil production to 4 million barrels per day by 2020. The rise in global oil prices throughout 2011 is reviving government consumption and economic growth. Kuwait has experienced a 20% increase in government budget revenue, which has led to higher budget expenditures, particularly wage hikes for many public sector employees. Kuwait has done little to diversify its economy, in part, because of this positive fiscal situation, and, in part, due to the poor business climate and the acrimonious relationship between the National Assembly and the executive branch, which has stymied most movement on economic reforms. In 2010, Kuwait passed an economic development plan that pledges to spend up to $130 billion over five years to diversify the economy away from oil, attract more investment, and boost private sector participation in the economy.
KEY ECONOMIC INDICATORS

Gross Domestic Product (GDP), Inflation

The figures below show the data taken from the World Economic Outlook April 2012 of IMF. Other experts, such as Oxford Economics, expect GDP growth to slow to 3.9% this year from an estimated 4.8% in 2011. This is largely down to a more modest increase in crude oil production growth (3.7% after 10% in 2011) and a smaller increase in the average oil price. But it also reflects the continuing political instability which is depressing economic confidence and restraining economic reforms and project activity.

Kuwait’s annual inflation slowed to a ten-month low of 5 per cent in June 2011 helped by a fall in food prices, but generous government spending is expected to keep levels above those of neighbours this year. Inflation in the world’s fourth-largest oil exporter has been hovering above 5 per cent since the beginning of this year, well below double-digit levels seen in 2008.

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
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<th>2010</th>
<th>2011</th>
<th>2012 (f)</th>
</tr>
</thead>
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<td>3.4%</td>
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<td>6.6%</td>
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<tr>
<td>Bn USD</td>
<td>147.4</td>
<td>105.6</td>
<td>124.3</td>
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<td>30,392</td>
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<td>53,419</td>
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<tr>
<td>Idem PPP</td>
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<td>38,103</td>
<td>38,778</td>
<td>41,691</td>
<td>43,774</td>
</tr>
<tr>
<td>Inflation</td>
<td>9.0%</td>
<td>1.2%</td>
<td>4.0%</td>
<td>4.7%</td>
<td>3.5%</td>
</tr>
</tbody>
</table>

Population

More than 60% of the total population of Kuwait is made up of foreign inhabitants. There are a number of factors that have resulted in the increase of foreigners in the Kuwait population. The main reasons are:

* The local population of Kuwait remained low
* Limited availability of indigenous women workers
* With the achievement of greater economical development in Kuwait, the availability of lucrative jobs increased, which attracted an ever-larger number of foreign workers.

The chart shows the estimated average population in the past five years according to data from the Central Bank and the Public Authority for Civil Information.

Currency

The dinar was introduced in 1961 to replace the Gulf rupee. It was initially equivalent to one-pound sterling. As the rupee was fixed at 1 shilling 6 pence, this resulted in a conversion rate of 13½ rupees to the dinar.

From March 18, 1975 to January 4, 2003 the dinar was pegged to a weighted currency basket. From January 5, 2003 until May 20, 2007, the pegging was switched to 1 U.S. dollar = 0.29963 dinar with margins of ±3.5%. The central rate translates to approximately 1 dinar = 3.33745 dollars.

From June 16, 2007, the Kuwaiti dinar was re-pegged to a basket of currencies, and is now worth about US$3.45 (£2.37). The Kuwaiti Dinar (KWD) is the world's highest-valued currency unit.

Retail Sales

BMI forecasts that the country's retail sales will continue to grow by around 50% between 2012 and 2016. Key factors behind the forecast growth in Kuwait's retail sales are a favourable long-term economic outlook, a sophisticated consumer base and high levels of disposable income.
Over 60% of the Kuwaiti population are expatriates, while foreign workers crossing the border from Iraq also stimulate the retail market. A very high level of urbanisation is also contributing to a vibrant retail sector. In 2005, more than 96% of the population was classified by the UN as urban and this is forecast to increase to almost 99% by 2015.

According to BMI data, retail sub-sectors that are predicted to show strong growth over the forecast period include consumer electronics, Youthful population demographics, a regional economic boom and a buoyant real estate sector are all expected to drive growth.

Kuwait is ranked 12th on the A.T. Kearney 2012 Global Retail Development Index. Hypermarkets’ popularity is increasing, with a 7.5 per cent increase in sales in the past year, with young people spending more on consumer electronics. The Avenues Mall, Kuwait's largest shopping centre features the largest number of international brands in the country. The 360 Kuwait mall has 800,000 square feet of retail space, and the Mall of Kuwait when completed will have more than 1.6 million square feet. The new malls are pushing many secondary malls toward renovation as a way to attract international brands, which are popular in Kuwait. Unlike other Gulf Cooperation Council (GCC) countries, fashion sales are not driven by expatriates, but by locals with a lot of disposable income. (GDP per capita in Kuwait is over USD 50,000).

Many retailers are considering Kuwait. For example, Ivanka Trump, daughter of Donald Trump, announced plans to debut her latest jewellery line in Kuwait. Harvey Nichols, the British luxury retailer, will open a store in the country, and Marks & Spencer is considering expansion. IKEA, American Eagle Outfitters, Mothercare, Victoria's Secret, and Build-A-Bear Workshop are already in the market. EMKE Group and Carrefour opened their first hypermarkets, and Geant plans to open 10 supermarkets by 2012.

As shoppers in the Middle East are more and more turning to e-commerce, retailers will more and more include online in their multi-\(^1\) or omni-channel\(^2\) offering.

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\(^1\) Multi-Channel Retailing is a marketing strategy that offers customers a choice of ways (channels) to buy products. A true multi-channel strategy covers purchases from a store, from a website, telephone ordering, mail-order, interactive television, catalog ordering and comparison shopping sites.

\(^2\) Omni-Channel Retailing is very similar to, and an evolution of, multi-channel retailing, but is concentrated more on a seamless approach to the consumer experience through all available shopping channels, i.e. mobile internet devices, computers, bricks-and-mortar, television, catalogue, and so on.
LEBANON

Lebanon in Brief
Lebanon, officially the Lebanese Republic, is a country in the East Mediterranean. It is bordered by Syria to the north and east, and Israel to the south. Lebanon's location at the crossroads of the Mediterranean Basin and the Arabian hinterland has dictated its rich history, and shaped a cultural identity of religious and ethnic diversity. The name Lebanon comes from the Semitic root LBN, meaning "white", likely a reference to the snow-capped Mount Lebanon.

The earliest evidence of civilization in Lebanon dates back more than 7,000 years—predating recorded history Lebanon was the home of the Phoenicians, a maritime culture that flourished for nearly 2,500 years (3000–539 BC).

Following the collapse of the Ottoman Empire after World War I, the five provinces that comprise modern Lebanon were mandated to France. Lebanon gained independence in 1943, and established a unique political system, known as confessionalism, a power-sharing mechanism based on religious communities – Bechara El Khoury who became independent Lebanon's first President and Riad El-Solh, who became Lebanon's first prime minister, are considered the founders of the modern Republic of Lebanon and are national heroes for having led the country's independence. French troops withdrew from Lebanon in 1946.

Before the Lebanese Civil War (1975–1990), the country experienced a period of relative calm and prosperity, driven by tourism, agriculture, and banking.

Lebanon has a Mediterranean climate characterized by a long, hot, and dry summer, and cool, rainy winter. Fall is a transitional season with a gradual lowering of temperature and little rain; spring occurs when the winter rains cause the vegetation to revive. Along the coast, summers are hot and humid, with little or no rain.

B2 e-Commerce and online retailing in Lebanon

KEY FIGURES Lebanon
Area: 10,400 km²
Capital: Beirut Currency: Lebanese Pound
Population: 4.01 million
Men: 49%
Women: 51% Median Age: 29.8 years Retail Sales: $25bn
B2C e-Sales: $200mn (e)
Internet Users: 2,132,000
% of population: 52%
Spend per user: $94
e-Shoppers: 530,000(e)
Spend per shopper: $375
% of Users: 25% (e)
Facebook Users: 1,507,820
Ranking: #71
Internet Domain: .lb
Dialling Code: +961
Logistics Index: #96 (155)
Ease of Business: #104 (183)
e-Readiness: #95 (142)
UN e-Government: #87 (193)
Economic Freedom: #90 (179)
According to recent news articles, despite the country’s notoriously slow and insecure Internet, businesses in Lebanon have begun to tap into a demand for online shopping, fueled by social media networking and a new found consumer confidence in the safety of credit card purchasing online. While well-established international companies have been available in the country for some time, local businesses have so far remained wary of branching into the market, perhaps put off by consumers’ mistrust of online credit card security, the country’s poor Internet and its lackadasical approach to formal addresses.

This has begun to change in the past couple of years with some Lebanese companies, including florist Exotica and sweet shop Hallab, establishing websites alongside their physical stores. Companies have adapted to the local market, with many that deliver in Lebanon. Amongst these was also mizalla.com, which was announced in August 2011 as “an online shopping mall which sells products from local stores”. However, recently when visiting the website, the company announced it no longer sells online, but to offer business solutions to companies and no longer sells through mizalla.com.

The country has seen a growing number of group-buying websites, via which consumers can get substantial discounts on products provided by local businesses on deals that last around 48 hours. Lebanon now has several of these websites, including Groupon, Cobone and GoNabit, operating in the country. An increasing level of trust and convenience are the two main factors that are bringing about more business. The new sites are doing the work of the businesses and the consumers: promoting products, making deliveries and transactions without requiring their customers’ full credit card information. “The online word of mouth fuels local services and people are less worried about using their credit cards to make online purchases,” says Ayman Itani, a Beirut-based social media consultant who has helped several local online businesses launch their services.

“Banks in Lebanon have played an important role in helping with the security of online purchases,” he adds, “and they are playing a bigger role in raising awareness of online purchasing when people open their accounts.”

Lebanon ranked 87th out of 181 countries worldwide (up 6 places compared to 2010) and seventh out of 17 countries in the MENA region, according to the United Nations Public Administration Network’s Electronic Government Development Index for 2012. The index provides a quantitative appraisal of the use of e-government as a tool in the delivery of services to the public at large. It is a composite index based on website assessment, telecommunications infrastructure and human resources. The country outperformed Jordan, Tunisia and Egypt on a regional basis. Globally, it came directly after Seychelles, Saint Vincent and the Grenadines, and Albania. Regionally, it was outperformed by Qatar, Kuwait and Oman.

UK Ambassador Tom Fletcher recently pledged Britain’s support to Lebanon in regards to e-government: “Governments need to be more connected, more innovative and more efficient in harnessing information and communication technology to deliver higher and more sustainable public values, using digital technology to drive better services while lowering costs.”

“(...) the benefits of e-government include improving interaction between government and citizens through better delivery and higher convenience, breaking down bureaucratic barriers, and contributing to a “green” environment through paperless transactions and carbon-efficient services”.

Economy of Lebanon

The economy of Lebanon is a developing economy, with a private sector that contributes to 75% of aggregate demand and a large banking sector that supports this demand. Lebanon’s real GDP growth was 7% in
2010 following 8.5% growth in 2009 and 9.3% in 2008. The major industrial sectors include metal products, banking, agriculture, chemicals, and transport equipment. Lebanon has a competitive and free market regime and a strong laissez-faire commercial tradition. The Lebanese economy is service-oriented; main growth sectors include banking and tourism. There are no restrictions on foreign exchange or capital movement. Economists and business leaders predict a bleak economic picture of Lebanon this year in light of falling foreign direct investments, plummeting tourism, a widening trade deficit and a war raging across Lebanon’s only accessible neighbour.

“Even in a best case scenario, I do not see growth at more than 1.5 or 2 percent – nearly the level achieved last year,” Nicolas Chammas, head of the Beirut Traders Association said in an interview with The Daily Star. While the government has reported 5 per cent growth in 2011, its figures were contested by the International Monetary Fund, the World Bank and most economists, who estimated it below 2.5 per cent. “It seems that all the engines of growth have been turned off,” Chammas lamented.

On the FDI front, Lebanon has been suffering. The latest data collected by the World Bank show foreign investments fell by more than $1 billion – or 21 per cent – hitting $3.9 billion by the end of 2011. Analysts fear the figure could regress even more this year on growing political uncertainty and fear that the conflict in Syria could spill over to Lebanon. Data on FDI levels in the first half of 2012 has not been made available yet. “The figures reflect the Lebanese economy losing the relative attractiveness it enjoyed in 2009-10, when it was a safe haven for investments, when many countries faced severe financial crises,” Chammas added.

**KEY ECONOMIC INDICATORS**

**Gross Domestic Product (GDP), Inflation and Unemployment**

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<th>2012 (e)</th>
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<tr>
<td>Real Percentage</td>
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<td>8.5%</td>
<td>7.0%</td>
<td>1.5%</td>
<td>3.0%</td>
</tr>
<tr>
<td>Change Bn$D</td>
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<td>15,523</td>
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<tr>
<td>Inflation</td>
<td>10.8%</td>
<td>1.2%</td>
<td>4.5%</td>
<td>5.0%</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

**Population**

The population of Lebanon descends from many different peoples who have occupied, invaded, or settled this corner of the world, making Lebanon a mosaic of closely interrelated cultures. While at first glance, this ethnic, linguistic, religious and denominational diversity might seem to cause civil and political unrest, “for much of Lebanon’s history this multitudinous diversity of religious communities has coexisted with little conflict”. About 91% of the population of Lebanon includes numerous Muslim sects and Christian denominations. Because the matter of religious balance is a sensitive political issue, a national census has not been conducted since 1932, before the founding of the modern Lebanese state. Consequently there is an absence of accurate data on the relative percentages of the population of the major religions and groups. 95% of Lebanese people worldwide are primarily Arab and the rest of the 5% are Armenians. The graph shows the estimated average population over the past five year in millions.

**Currency**
The Lebanese pound (sign: £ or L£; Arabic: lira; French: livre; ISO 4217: LBP) is the currency unit of Lebanon. It is divided into 100 piastres but inflation has eliminated the subdivisions. The plural form of lira, as used on the currency, is either lira or the same, whilst there are four forms for qirsh: the dual qirshan, the plural qirush used with numbers 3-10, the accusative singular qirsha used with 11-99, or the genitive singular qirshi used with multiples of 100. In both cases, the number determines which plural form is used. Before the Second World War, the Arabic spelling of the subdivision was girsh. All of Lebanon’s coins and banknotes are bilingual in Arabic and French.

Retail Sales
Lebanon’s 22nd ranking in the 2012 A.T. Kearney Global Retail Development Index is a 10-place drop from last year, the result of political instability and the Syrian uprising taking place next door. However, Lebanon’s capital, Beirut, is home to a vibrant and trendy bourgeoisie who follow international fashion trends and prefer shopping in high-end malls for products from renowned international designers, including wristwatches and luxury cars. Although Lebanon is small and still counts as a low-income country, its array of celebrity designers is helping it regain a reputation as a global fashion capital. With strong growth and repeated periods of stability in recent years, foreign capital has surged and retail has flourished. Mass grocery grew considerably in 2011; supermarket sales rose by almost 13 per cent, and hypermarket sales increased 16 per cent.

The retail sector, although still traditional, is shifting toward modern retail. Future growth depends on political stability and infrastructure development. Food and beverage retail sales are projected to rise by almost 80 per cent between 2011 and 2016. Hypermarket sales are expected to grow by 41 per cent by 2016, but rising real estate prices could limit these growth perspectives. Carrefour announced its first Lebanese store, slated to open in 2013. Apparel retail is also an attractive sector: Gap signed an agreement with the Azadea Group to open its first store in Lebanon this year.

The local retail sector may have to wait until well into the latter half of the year before it starts to regain some of the momentum Lebanon lost in 2011. Political uncertainty at home and instability across the region, combined with a marked slowdown in the economy, has led to consumers adopting a more cautious approach to spending.

If there is a general pickup in economic conditions in the second half of 2012, there is likely to be more traffic over shop counters deep into the year.

Thanks to its affluent consumers with occidental appetites, Lebanon has a vibrant retail market, with an estimated market size of around US$20 billion in 2010. Tourist spending and inward remittances, which account for more than 40% of the country’s GDP, also help shore up the consumer market. With no official statistics showing the wealth distribution in the country, some market researchers believe that around 5% of the Lebanese population is extremely wealthy, and they can afford luxury products and lavish lifestyles. They also believe that 30%-40% of Lebanese people belong to the middle-income class, who are affluent enough to pursue a quality lifestyle and spend on branded products. According to the World Bank, remittance inflows to Lebanon posted an 11.3% growth rate in 2010, the fastest growth in the Middle East and North Africa (MENA) region and the second fastest among the ten largest recipients in developing economies.
More importantly, remittance inflows to Lebanon are expected to rise more quickly. Through the next
decade, an increasing number of overseas Lebanese will be settling back in Lebanon for their retirement.
Their considerable savings and related investment will be another engine boosting the consumer market.
With women representing 51% of the country’s population, the potential of the Lebanese female market
cannot be neglected. Unlike many other Arab countries in the region, Lebanese women are by far more
liberal in their attitude towards lifestyle and fashion. Like many developed countries, Lebanese women
spend even more than men on clothing and fashion accessories. In Lebanon, it is common to see women
occupying senior positions or at management level, earning a good salary. Lebanese women possess a high
spending power, which may not be too different from men. Apart from fashion products, Lebanese women
spend a lot on beauty care products and services.
Beirut, Lebanon's capital, was once regarded as the “Paris of the Middle East”, and has attracted many
international designers to set up shop there. Embraced by the refined culture, many world-famed fashion
designers have been nurtured in Lebanon.
As the crossroads of East and West, Beirut is considered the fashion and lifestyle trendsetter in the Middle
East. Compared with many Middle East neighbours like Saudi Arabia and Qatar, Lebanon is more open and
liberal, with Beirut becoming the fashion capital for the young generation in Arab countries. For example,
Beirut Fashion Week, the first international fashion show in the Middle East, has been held in Beirut for
more than a decade.

This bodes well for traditional retail and e-commerce, if political stability and consumer confidence are
growing.
Libya

Libya in Brief
Libya is located in the Maghreb region of North Africa bordered by the Mediterranean Sea to the north, Egypt to the east, Sudan to the southeast, Chad and Niger to the south, and Algeria and Tunisia to the west.
Archaeological evidence indicates that the coastal plain of Ancient Libya was inhabited by Neolithic peoples from as early as 8000 BC. The Ancient Libyans were skilled in the domestication of cattle and the cultivation of crops.

Libya is the third largest country in Africa by area, and the 17th largest in the world. The largest city, Tripoli, is home to 1.7 million of Libya's 6.4 million people. The three traditional parts of the country are Tripolitania, Fezzan and Cyrenaica.

Libya has the 10th-largest proven oil reserves of any country in the world and the 17th-highest petroleum production.

As a result of the Libyan civil war, the 34-year-old Jamahiriya collapsed and Libya entered a period of governance by a transitional administration called the National Transitional Council. The NTC has stated its intention to oversee the first phase of a transition to constitutional democracy, and has held elections to an interim legislature, the General National Congress, to which it claims it will hand power in early August 2012.

The climate is mostly dry and desertlike in nature. However, the northern regions enjoy a milder Mediterranean climate.

B2 e-Commerce and online retailing in Libya
According to a recent Budde report, several international telecom carriers are preparing to enter the Libyan market following the elections in July 2012. In addition, an initial public offering (IPO) of the country's two

KEY FIGURES: Libya
Area: 1,759,540 km2
Capital: Tripoli
Currency: Libyan Dinar
Population: 6.6 million
Men: 51.2%
Women: 48.8% Median Age: 24.5 years
Retail Sales 2012 (e): USD 16bn
Internet Users: 1,101,430
% of population: 17.0%
Facebook Users: 620,300
Ranking: #95 (213)
Internet Domain: .ly
Dialling Code: +218
Logistics Index: #137 (155)
Ease of Business: #n/a (183)
UN e-Government: #n/a (193)
Economic Freedom: #176 (179)
mobile network operators is planned for 2013, and new operator licences may also be issued. Despite having an old style state-owned monopoly player for the provision of postal and telecommunications services (LPTIC, GPTC), which also operates the country’s only Internet service (LTT) and two mobile networks in parallel, Libya’s telecommunications infrastructure is superior to those in most other African countries and services are available at some of the lowest prices on the continent. Libya’s fixed-line teledensity is one of the highest in Africa, supported by extensive rollouts of CDMA-2000 wireless local loop technology (WLL) technology since 2006. The mobile sub-sector remained underdeveloped with Al-Madar as the sole operator until the introduction of Libyana as the second GSM network in 2004 which sent market penetration skyrocketing from one of the lowest in Africa to one of the highest within only two years. In 2008 Libya became the first country in continental Africa to break the 100% mobile penetration barrier. Both networks are government owned but distinguish themselves with different service offerings and pricing. The mobile networks are also participating in the Internet and broadband sector with mobile data services and third generation (3G/HSDPA) mobile broadband services.

Recently the National Transitional Council of Libya (NTC) adopted the e-Libya initiative “to enhance e-learning, commerce and the flow of information”. The governments of the UK and Libya signed an agreement to develop a modern and reliable communications infrastructure in Libya, spreading the practice of open government. Both partners agreed to assign the planning and direction of the E-Libya initiative to the Libyan Ministry of Information and Communication Technology. Despite having only one Internet service provider and only two mobile operators (nine telecoms operators in total), Libya boasts 15% internet penetration rate and high mobile access rates: a staggering 201% mobile penetration rate (155.7 according to the ITU).

The adoption of e-commerce is hampered by a number of the same constraints we see in the region and world-wide. These challenges include lack of trust in online services, insecurity of personal information, lack of infrastructure and poor knowledge of its operations that have contributed to slow penetration growth over the past years. Other limiting factors hindering the further, rapid penetration of e-commerce implementation in Libya include high illiteracy rates, low income per capita and lack of reliable payment systems to support online business transactions coupled with cultural challenges to online transactions. Once these barriers have been tackled, the successful adoption of e-commerce will be adopted and will grow as in other parts of the world.

Given the relatively low numbers of internet connections as well as the barriers indicated above, the penetration of e-commerce is still insignificant and will only slowly progress in the coming years, although the potential is high.

Economy of Libya
Oil production and exports account for the majority of Libya’s GDP, approximately 70%.
The economy, previously known for impressive levels of growth driven by its oil and gas industry, was seriously disrupted by the 2011 civil war.
The fall of the Gaddafi government created, for the first time, an opportunity for the country to pursue the types of economic and social reforms that vested interests had previously prevented. Although the change is certainly an opportunity, the manner in which the revolution came about has had serious economic implications and created numerous challenges. Most importantly, Libya temporarily stopped producing and exporting oil, the

![GDP Per Capita in Purchasing Power Parity - USD](chart.png)
country’s main revenue source, while the freezing of the country’s assets by the international community created significant obstacles. The conflict effectively brought the formal economy to a halt, resulting in an estimated 41.8% contraction in real GDP in 2011 (IMF: -61.8%). Nevertheless, Libya’s economy is expected to pick up as the political situation stabilises. The speedy return of foreign oil companies alongside the strong international support the country has received, bodes well for Libya’s post conflict recovery.

KEY ECONOMIC INDICATORS

Gross Domestic Product (GDP), Inflation and Unemployment
According to experts, Libya’s GDP was growing at an average rate of five per cent since United Nations sanctions were lifted in 2003, but economic activity ground to a near halt during the conflict. The IMF recently (July 2012) reported that Libya’s GDP should grow by 116.6 per cent in 2012, after a 60 per cent contraction in 2011. The percentage real growth for 2012 of 76.3%, mentioned below is taken from the April 2012 World Economic Outlook of IMF.

Last year, non-oil economic output dropped by half, adding to an already engrained unemployment problem. Even a little investment in infrastructure could go a long way to improving living conditions, and creating jobs.

Youth unemployment, which stood at 35% in 2010, is an obstacle that has been aggravated by the economic difficulties created by the civil war and remains one of the main challenges for the future. Libya has traditionally relied on the public sector to create employment, a measure that has proved unsustainable. At the same time, the country’s inefficient private sector has been unable to compensate for the lack of jobs.

Despite the government’s efforts to reform the private sector and create opportunities by supporting entrepreneurs and small businesses, the inefficiencies of Libya’s economy stand in the way of tangible improvements in the business environment.

At the same time, Libya’s education system inadequately prepares students to meet the demands of the labour market, resulting in a negative return on education.

<table>
<thead>
<tr>
<th>Indicator</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012 (e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BnLYD</td>
<td>119.4</td>
<td>78.9</td>
<td>101.9</td>
<td>45.1</td>
<td>99.8</td>
</tr>
<tr>
<td>Real Percentage</td>
<td>5.4%</td>
<td>-0.05%</td>
<td>2.5%</td>
<td>-61.0%</td>
<td>76.3%</td>
</tr>
<tr>
<td>Change Bn USD</td>
<td>97.7</td>
<td>63.0</td>
<td>80.4</td>
<td>36.9</td>
<td>79.7</td>
</tr>
<tr>
<td>USD per capita</td>
<td>15,519</td>
<td>9,807</td>
<td>12,284</td>
<td>5,691</td>
<td>12,059</td>
</tr>
<tr>
<td>Idem PPP</td>
<td>14,285</td>
<td>14,146</td>
<td>14,383</td>
<td>5,787</td>
<td>10,130</td>
</tr>
<tr>
<td>Inflation (CPI)</td>
<td>9.7%</td>
<td>2.4%</td>
<td>2.5%</td>
<td>11.4%</td>
<td>13.6%</td>
</tr>
</tbody>
</table>

Population
The native population of Libya is primarily Arab or a mixture of Arab-Berber ethnicities. Small Tebou and Touareg tribal groups in southern Libya are nomadic or semi-nomadic. Among foreign residents, the largest groups are Egyptians (estimates range from 400,000 to 1 million), Tunisians (40,000), Turks, Pakistanis, Indians, Sudanese, Moroccans, Jordanians, South Koreans, and Thais. Other foreign residents include 70,000 from Eastern Europe and 40,000 from Western Europe. The chart shows the average population over the past five years in millions.
Currency
The dinar is the currency of Libya (ISO 4217 code LYD). The dinar is subdivided into 1000 dirhams. It was introduced in 1971 and replaced the pound at par. It is issued by the Central Bank of Libya, which also supervises the banking system and regulates credit. In 1972, the Libyan Arab Foreign Bank was established to deal with overseas investment. Earlier, the deputy governor of the Central Bank of Libya stated the exchange rate of Libyan dinar would be pegged to special drawing rights for one to three years. The chart below shows the average annual rate of exchange to the US Dollar:

Retail Sales
Libya's developing economy has created a rise in consumer demand for international retail products in almost every market category. In addition, the developing infrastructure, the creation of new shopping complexes, retail outlets and the availability of real estate has given international retailers a significant opportunity to establish new sales channels in Libya.

With the increase in the public's wealth and cultural changes towards embracing international brands, the desire for European manufactured products, consumables and produce is growing.

For instance, Marks & Spencer and Mango have opened stores in Libya (franchised by a subsidiary of the Husni Bey Group, one of Libya's largest private-sector conglomerates, as are several other fashion brands) and H&M in Benghazi.

The UK's BHS had also opened a shop before 2011, while Diesel, Geox, and others had already launched own-branded stores in the Libyan capital prior to last year's revolution.
Although this internationalisation of the retail market was already under way, it now seems certain to be accelerated. Previous regulatory “grey areas” associated with the old regime -such as the use of English-language signage- now appears to be irrelevant, while life for private sector businesses more generally is far easier than it was before.

Most Libyan franchisors have so far shared a fairly similar strategy – to open a pilot store in high-income districts of Tripoli – but many plan to expand to other areas of the capital and to the other major population centres, especially Benghazi and Misrata.
MOROCCO

Morocco in Brief
Morocco, officially the Kingdom of Morocco, is a country located in North Africa. It has a population of over 32 million and an area of 710,850 km², including the disputed region of the Western Sahara, mostly administered by Morocco as the Southern Provinces. Morocco is part of the Arab Maghreb region, in addition to Tunisia, Algeria, Mauritania, and Libya, with which it shares cultural, historical and linguistic ties.

The earliest well-known Moroccan independent state was the Berber kingdom of Mauretania under king Bocchus I. This Berber Kingdom of Mauretania (current northern Morocco) dates at least to 110 BC. The region remained a part of the Roman Empire until 429 AD when invading Vandals overran the area and Roman administrative presence came to an end.

On November 18, 2006, Morocco celebrated the 50th anniversary of its independence. Morocco recovered its political independence from France on March 2, 1956, and on April 7, France officially relinquished its protectorate. Through agreements with Spain in 1956 and 1958, Moroccan control over certain Spanish-ruled areas was restored.

Morocco is a constitutional monarchy with an elected parliament. Executive power is exercised by the government but the King’s decisions usually overrule those of the government if there is a contradiction. Legislative power is vested in both the government and the two chambers of parliament, the Assembly of Representatives and the Assembly of Councillors.

Morocco has always been known for its Islamic liberalism and openness towards the Western world. King Mohammed VI of Morocco with his ruling elite are democratically-minded, showing tolerance within the limits of territorial integrity and traditional laws and customs.

The climate is Mediterranean in the North and in some mountains (West of Atlas), which becomes more extreme towards the interior regions. The terrain is such that the coastal plains are rich and accordingly, they comprise the backbone for agriculture, especially in the North.
B2 e-Commerce and online retailing in Morocco

E-commerce has reached cruising speed in Morocco. The trigger of this dynamic market is twofold. First, unlocking the option of online payments using local bank cards by Moroccan banks in a joint initiative between the Centre Monétaire Interbancaire and Maroc Telecommerce, since 2008. Second, the multiplication of commercial websites that offer online services targeting the 11 million Moroccan Internet users. This change in access to online payment and the increased supply, led to an increase in the average basket of online shopping to around 1000 Dirhams.

In practice, an Internet user can now purchase an airline ticket, pay for a holiday, or rent a car, online with a bank card. Moreover, it is now possible to pay some bills online (water, electricity, phone...). For the first time, a public administrative authority, namely the General Treasury of the Kingdom, allows taxpayers to pay their taxes online.

There are currently 100 commercial websites listed in the platform of online payment, Maroc Telecommerce; but this number will rapidly increase in coming years. e-Commerce sales were estimated to have reached 300 million Dirhams USD 36mn in 2010, representing a growth of around 180% compared to 2009. Growth for 2011 was in the region of 100%, reaching 600 million Dirhams (USD 74 million) and the future is looking good, as e-sales in 2012 are estimated to grow over 60% reaching around 1 billion Dirhams (USD 116 million).

Today, based on these exponential growth indicators, the real challenge for e-commerce is rather the limited number of online services. While the reluctance vis-à-vis the risk of fraud in the use of bank cards on the Internet persists among a fringe of Internet users; the real reluctance today comes from companies and government agencies that are slow in implementing e-commerce sites and proximity services.

An interesting initiative is the Plan Numeric 2013 (Digital Plan 2013). Initially endowed with a budget of 5.2 billion dirhams (USD611mn), the program aims to promote and develop new information technologies and has four strategic priorities: social transformation through information technology (IT); orientating public services towards users; computerising small and medium-sized enterprises (SMEs); and developing the national IT industry.

So far, the Plan has created 9,000 jobs with 150, 000 teachers and 90,000 students connected to the Internet. In its first year of operation the Morocco Numeric 2013 Plan is on schedule for most of its projects but the some goals have yet to be achieved.

Internet retailing continued to perform strongly in 2011, maintaining the dynamic performance observed throughout the year. While this dynamism was mainly due to the emergence of internet retailing from a very low base, the channel also benefited as technological advances made online transactions more secure. In addition to safety, convenience is another factor boosting internet sales as consumers become more familiarised and comfortable with making their purchases in a way that allows them to compare prices and often save time and money.

Online shopping is gradually gaining ground as a result of several factors, including the dynamic expansion of internet retailers, the growing number of households equipped with internet access, as well as the rising consumer confidence in virtual shopping. Consumers appreciate convenience, lower prices and home delivery: factors which make internet shopping cheaper and less time-consuming.

The table below shows the estimated e-commerce sales over the last years and an estimate for 2012:

<table>
<thead>
<tr>
<th>Year</th>
<th>2008 (e)</th>
<th>2009 (e)</th>
<th>2010 (e)</th>
<th>2011 (e)</th>
<th>2012 (e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MN MAD</td>
<td>60</td>
<td>107</td>
<td>300</td>
<td>600</td>
<td>1000</td>
</tr>
</tbody>
</table>
Economy of Morocco
Morocco's economy is considered a relatively liberal one governed by the law of supply and demand. Since 1993, the country has followed a policy of privatization of certain economic sectors which used to be in the hands of the government. Morocco has become a major player in the African economic affairs, and is the 5th African economy by GDP (PPP). The World Economic Forum placed Morocco as the 2nd most competitive economy in North Africa behind Tunisia, in its African Competitiveness Report 2009. Additionally, Morocco was ranked the 1st African country by the Economist Intelligence Unit' quality-of-life index, ahead of South Africa.

Tough government reforms and steady yearly growth in the region of 4–5% from 2000 to 2007, including 4.9% year-on-year growth in 2003–2007 the Moroccan economy is much more robust than just a few years ago. Economic growth is far more diversified, with new service and industrial poles, like Casablanca and Tangier, developing. The agriculture sector is being rehabilitated, which in combination with good rainfalls led to a growth of over 20% in 2009. According to Oxford Economics, expansion was driven by domestic demand, which grew 8.4%, but the sharp slowdown in the Eurozone, Morocco's main export market and source of tourism, meant that exports of goods and services fell 11.2%, with net trade deducting from GDP growth despite lower imports.

KEY ECONOMIC INDICATORS

<table>
<thead>
<tr>
<th>Percentage Change</th>
<th>--</th>
<th>100%</th>
<th>180%</th>
<th>100%</th>
<th>67%</th>
</tr>
</thead>
<tbody>
<tr>
<td>USD</td>
<td>7</td>
<td>13</td>
<td>36</td>
<td>74</td>
<td>116</td>
</tr>
<tr>
<td>Internet Users</td>
<td>7.3mn</td>
<td>10.4mn</td>
<td>13.0mn</td>
<td>15.7mn</td>
<td>17.3mn</td>
</tr>
</tbody>
</table>

Gross Domestic Product (GDP) and Inflation
Historically, Morocco GDP Growth Rate averaged 6.4 per cent reaching an all-time high of 14.2 per cent in March of 2008 and a record low of 0.5 per cent in December of 1999. The Gross Domestic Product (GDP) growth rate provides an aggregated measure of changes in value of the goods and services produced by an economy. Morocco is the fifth largest economy in Africa. The service sector accounts for 50% of the GDP and mining, construction and manufacturing for an additional 25%. The major contributors to the country's growth are tourism, telecoms, and textiles. Morocco is the world's third-largest producer of phosphorus. With mild recession still expected in the EU in 2012 and financial market tensions deterring capital flows and FDI, Morocco will continue to suffer from weak exports. Moreover, earlier fears about drought have been borne out, meaning that agricultural output will fall this year; GDP is now likely to grow by just 2.5-3%, with food imports rising. Slower growth, together with increased subsidies on some food items last year, will curb inflation, now expected to average around 2% this year, up from 1% in 2011.

<table>
<thead>
<tr>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012 (f)</th>
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<tbody>
<tr>
<td></td>
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</tbody>
</table>
Population
Most Moroccans are Sunni Muslims, mainly of Arab-Berber, Arabized Berber or Berber stock. Morocco was inhabited by Berbers for over 5,000 years. Recent studies make clear no significant genetic differences exist between Arabic and non-Arabic speaking populations, highlighting that in common with most of the Arab World, Arabization was mainly via acculturation of indigenous populations over time and intermarriage between Arabs and Berbers. According to the European Journal of Human Genetics, Moroccans from North-Western Africa are genetically closer to Iberians and other South Europeans than to Middle Easterners and Sub-Saharan Africans. The chart shows the estimated population over the past five years in millions.

Currency
The dirham is the currency of Morocco. The plural form is pronounced darahim, although in French and English "dirhams" is commonly used. Its ISO 4217 code is "MAD". It is subdivided into 100 santimat (singular: santim). The dirham is issued by the Bank Al-Maghrib, the central bank of Morocco. It is also the de facto currency in Western Sahara. While the dirham is a fully convertible currency, export of the local currency is prohibited by law, but seldom controlled.

The table below shows the average annual exchange rate of the Dirham against the US dollar (source: Ozforex):

<table>
<thead>
<tr>
<th>Year</th>
<th>Average Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>2007</td>
<td>8.2073</td>
</tr>
<tr>
<td>2008</td>
<td>7.7392</td>
</tr>
<tr>
<td>2009</td>
<td>8.037</td>
</tr>
<tr>
<td>2010</td>
<td>8.4162</td>
</tr>
<tr>
<td>2011</td>
<td>8.0928</td>
</tr>
</tbody>
</table>

Retail Sales
Higher optimism among consumers and businesses helped retailing to rebound in 2011 from the poor performances reported in 2009 and 2010. Higher disposable incomes resulted in consumers increasing their spending not only on daily necessities such as food and other grocery products, but also on non-essential items, such as electronics, clothing and other non-grocery products. In addition, continuous investment by major retailers during 2010-2011 also drove growth. Although value growth and consumer purchasing power did not rebound to pre-crisis levels, the sales
performance of retailing in 2011 managed to lift overall growth. Domestic companies remained the unrivalled leaders in Moroccan retailing as a whole, in terms of value sales. Nevertheless, international brands, such as Carrefour and BIM from BIM Stores SARL are not giving up the fight for a larger share of sales. They are gradually increasing their spending on broadening their networks and introducing additional services to make shopping more convenient. Retailing in Morocco is expected to continue to develop steadily over the forecast period, with internet retailing and discounters expected to remain the most dynamic channels.

(Source: Euromonitor).

Morocco fell to 27th in A.T. Kearney’s Global Retail Development Index 2012 (from 20th in 2011), primarily because of the increased risk posed by political instability. The economy continues to grow about 5 percent per year, but a trade deficit and slowing growth of Morocco’s main trading partners are creating significant pressure.

Although traditional retail formats are proving resilient in rural areas, consumer preferences and government support illustrate the continuing transition to modern retail, such as bulk purchasing and shopping malls. Late 2011, the largest mall in Morocco opened in Casablanca, bringing with it many foreign retailers. Making their entrance were Louis Vuitton, Ferragamo, Zara, H&M, American Eagle, Payless ShoeSource, Starbucks, Pinkberry, and anchor department store Galeries Lafayette.

In grocery, there is room for modern retail formats, as they account for only 10 to 15 percent of sales. Players preparing for expansion are testing new formats and deep-discount food outlets, which are gaining traction. (Source: A.T. Kearney).

Organised retail, however, represents only a fraction of domestic trade, as shoppers rely on the country’s 1151 souks, markets and approximately 700,000 independent groceries and shops. The rapid emergence of a middle class – around 30% of the population – combined with a young and increasingly urban population and a craving for international brands, is rapidly changing the ways Moroccans spend their money. Average purchasing power still remains low overall, forcing retailers to cater to a broad section of the population and to keep prices low. Despite the challenges, the retail sector has strong growth potential.

According to Deloitte’s “Hidden Heroes – the next generation of retail markets” is likely to undergo a major shift as large-scale purpose-built retail become more prevalent. Morocco’s youthful population will certainly attract the attention of global retailers, on the other hand the strong tradition of shopping in street will be a hard tradition to break.

Casablanca now harbours the Morocco Mall (pictured), the largest retail outlet in Africa outside South Africa with 350 shops, a large aquarium and an IMAX cinema. The mall has attracted some of the most-sought after fashion and other retail brands. French Galeries Lafayette is the anchor tenant.
OMAN

Oman in Brief
Oman, officially called the Sultanate of Oman, is located in southwest Asia on the southeast coast of the Arabian Peninsula. Oman is bordered by the United Arab Emirates (UAE) to the northwest, Saudi Arabia to the West, and Yemen to the southwest. The coast is formed by the Arabian Sea on the southeast and the Gulf of Oman on the northeast. The Madha and Musandam enclaves are surrounded by the UAE on their land borders, with the Strait of Hormuz and Gulf of Oman forming Musandam's coastal boundaries. Oman’s history goes back to the very dawn of civilization. The coastal area fronting on the Gulf of Oman is believed to have been the land known to the Sumerians as Magan, from which as early as 3,000 B.C.

The Omanis were among the first of the peoples of the Arabian Peninsula to embrace Islam in the 7th century A.D. The centuries that followed were a golden age, with Omans sailors and traders travelling from India to Africa. The Iranian revolution of 1978-79 and the Iran-Iraq War (1980-88) led to increased international awareness of Oman’s strategic importance, particularly regarding the Straits of Hormuz, a narrow waterway at the mouth of the Persian (Arabian) Gulf, between Oman and Iran, through which, under normal circumstances, about two-thirds of the world’s sea-borne trade in crude petroleum passes.

The climate of Oman can be described as subtropical dry, hot desert climate with low annual rainfall, very high temperatures in summer and a big difference between maximum and minimum temperatures, especially in the inland areas.

In November 2010 the United Nations Development Programme (UNDP) listed Oman as the most-improved nation over the last 40 years from among 135 countries worldwide. According to international indices, Oman is one of the most developed and stable countries in the region.

B2C e-Commerce and Online Retail in Oman
An important initiative is eOman, Oman’s e-Governance initiative, which aims to create a Knowledge Society in Oman. Spearheaded by the Information Technology Authority (ITA) which is affiliated to the Ministry of National Economy (MoNE), eOman aims to create an effective government-community-citizen

KEY FIGURES Oman
Area: 309,500 km²
Capital: Muscat Currency: Omani Rial Population 2012: 3,180,600
Expats: 30%
Men: 55%
Women: 45%
Median Age: 24.1 years
Retail Sales: 185bn B2C e-Sales: 100$mn Internet Users: 2096,440
% of population: 68%
Spend per user: $48
e-Shoppers: 320,000 (e)
Spend per shopper: $315
% of Users: 15% (e)
Facebook Users: 475,620
Ranking: #105
Internet Domain: .om
Dialling Code: +968
Logistics Index: # 60 (155)
Ease of Business: # 49 (183)
e-Readiness: #40 (142)
UN e-Government: #64 (193)
Economic Freedom: #47 (179)
infrastructure that provides better public services to people, resulting in a meaningful information flow between the government and citizens.

Online consumerism in the form of group buying deals has been steadily gaining steam in the Middle East. The latest Arab nation to adopt this trend is Oman with its first group buying site, called Alatoollmuscat, launched recently. This website caters to the nation’s large population of expatriates and residents. It caters to everything, ranging from adventure trip packages to restaurant discounts.

Payments are easy to make where consumers have the choice of using cash or debit/credit cards. Alatoollmuscat.com also accepts Internet cards that are easily available across banks in Oman. Alatoollmuscat.com has generated a lot of interest with most analysts saying that it provides an interesting platform for vendors, helping them address their real clients. The idea is to eliminate costs incurred due to middlemen. The savings are distributed with the customers in the form of discounts. In the end, it is a win-win situation for the merchants and buyers.

This and other initiatives will enable further penetration of the internet and consequently further e-commerce. The relatively low volumes will grow under the influence of a booming economy, high disposable income, and retailers offering a multi-channel offer especially in fashion, consumer electronics and the like.

With an estimated US$100mn in total, e-commerce volumes were still rather low in 2011 but will exponentially grow in the coming years under the influence of government initiatives, higher disposable income, the growing number of internet users and e-shoppers as well as trust and confidence in the medium. The number of Internet users has reached over 2 million (68% of the population), a growth of over 2000% since 2000.

Economy of Oman

Oman's economic performance improved significantly in 1999 due largely to the mid-year upturn in oil prices. The government is moving ahead with privatization of its utilities, the development of a body of commercial law to facilitate foreign investment, and increased budgetary outlays.

Oman liberalized its markets in an effort to accede to the World Trade Organization (WTO) and gained membership in 2000.

When Oman declined in influence as an entrepot for arms and slaves in the mid-19th century, much of its former prosperity was lost, and the economy turned almost exclusively to agriculture, camel and goat herding, fishing, and traditional handicrafts. Today, oil fuels the economy and revenues from petroleum products have enabled Oman's dramatic development over the past 30 years.

Oil was first discovered in the interior near Fahud in the western desert in 1964. Petroleum Development Oman (PDO) began production in August 1967. The Omani Government owns 60% of PDO, and foreign interests own 40% (Royal Dutch Shell owns 34%; the remaining 6% is owned by Compagnie Francaise des Petroles (Total) and Partex).

Oman does not have the immense oil resources of some of its neighbours. Nevertheless, in recent years, it has found more oil than it has produced, and total proven reserves rose to more than 5 billion barrels (0.8 km³) by the mid-1990s. Oman's complex geology makes exploration and production an expensive challenge.

Recent improvements in technology, however, have enhanced recovery. Agriculture and fishing are the traditional way of life in Oman. Dates
and limes, grown extensively in the Batinah coastal plain and the highlands, make up most of the country’s agricultural exports. Coconut palms, wheat, and bananas also are grown, and cattle are raised in Dhofar.

The Omani economy witnessed significant turnaround in GDP growth in 2010, mostly driven by recovery in crude oil prices in the international markets. Sustained domestic demand, supported by accommodative fiscal and monetary policies, also contributed to the economic recovery amidst global uncertainties.

According to the Oxford Business Group the Sultanate’s development model is somewhat different than its neighbours. Oman is more reliant on high-quality infrastructure, connectivity, skills and its location to compete and develop new industries. Oman is actively pursuing a development plan that focuses on diversification, industrialization and privatization, with the objective of reducing the oil sector’s contribution to GDP to (9%) in 2020. Global economic recovery and an increased oil demand will have a positive impact on the economy.

KEY ECONOMIC INDICATORS

<table>
<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012 (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bn OMR</td>
<td>23.3</td>
<td>18.0</td>
<td>22.2</td>
<td>27.6</td>
<td>30.3</td>
</tr>
<tr>
<td>Real Percentage Change</td>
<td>12.9%</td>
<td>1.1%</td>
<td>4.0%</td>
<td>5.5%</td>
<td>5.0%</td>
</tr>
<tr>
<td>Bn USD</td>
<td>60.6</td>
<td>46.9</td>
<td>57.8</td>
<td>71.9</td>
<td>78.9</td>
</tr>
<tr>
<td>USD per capita</td>
<td>23,355</td>
<td>16,255</td>
<td>18,657</td>
<td>21,421</td>
<td>21,706</td>
</tr>
<tr>
<td>Idem PPP</td>
<td>25,355</td>
<td>25,033</td>
<td>25,459</td>
<td>26,519</td>
<td>27,350</td>
</tr>
<tr>
<td>Inflation</td>
<td>11.8%</td>
<td>0.9%</td>
<td>4.2%</td>
<td>3.3%</td>
<td>3.1%</td>
</tr>
</tbody>
</table>

Population

The Omani population is predominantly Arab, with several smaller ethnic groups.

Because of the combination of a relatively small Omani population and a fast-growing oil-driven economy, Oman has attracted many migrants. At the 2010 census the total expatriate population was 816,000 or 29.4% of the population.

About 50% of the Oman population live in the capital Muscat and the Batinah coastal plain northwest of the capital. About 200,000 live in the Dhofar (southern) region and about 30,000 live in the remote Musandam Peninsula on the Strait of Hormuz. Some 600,000 expatriates live in Oman; most of them are guest workers from India, Pakistan, Bangladesh, Morocco, Jordan, and the Philippines.

The chart shows population numbers in millions over the past five years

Currency

The Rial (ISO code OMR) is the currency of Oman. It is divided into 1000 baisa. From 1973 to 1986, the Rial was pegged to the U.S. dollar at 1 Rial = 2.895 dollars. In 1986, the rate was changed to 1 Rial = 2.6008
dollars, which translates to approximately 1 dollar = 0.384497 Rial. The Central Bank buys U.S. dollars at 0.384 Rial, and sells U.S. dollars at 0.385 Rial. After Malta’s adoption of the euro on 1 January 2008 the Omani Rial is the third highest-valued currency unit after the Kuwaiti dinar and the Bahraini dinar.

Retail Sales
The retail scene in Oman is distinct from those of its Gulf neighbours. This is partly due to Oman’s different resource base and development policy, and partly due to the nature of the market itself. Although oil accounts for the bulk of government revenue and GDP, Oman does not enjoy as much oil wealth as its neighbours and purchasing power is correspondingly lower. Oman’s policy in the past 40 years has favoured gradual development, which has discouraged the country from marketing itself as a retail centre. Oman has a relatively small population spread out over a large area, so the market lacks concentration.

Oman is ranked 8th on the 2012 A.T. Kearney Global Retail Development Index (GRDI). It is small and has a lower GDP per capita than other countries in the region, but it is on the radar of many international retailers. The sector has changed dramatically in the past few years, thanks to infrastructure spending, greater consumer purchasing power, a rising number of expatriates and tourists, and more modern retail formats. Wholesale and Retail trade contributes to 8.7 per cent of Oman’s GDP. Although modern outlets are gradually replacing the traditional souks (open-air marketplaces) and small shops, especially in the capital, Muscat, the expansion of supermarkets and shopping malls is slower than other Gulf countries. Nevertheless, mass grocery and electronic items are fast-growing segments. The luxury goods segment is also developing, illustrating the country’s appetite for high-end products. Marks & Spencer, LVMH, and L’Occitane have been in the country for five years. As e-commerce attracts ever more shoppers it is likely that in Oman, as in other countries in the MENA region, retailers will offer multi-channel opportunities for their customers thereby contributing to the further expansion of e-commerce.

“\nThe Middle East grabbed the headlines as the Arab Spring movement spread. But the attention did not stop the growth of international and local retailers”
A.T. Kearney
GRDI 2012
PAKISTAN

Pakistan in Brief

Pakistan, officially the Islamic Republic of Pakistan, is located in South Asia. It sits at the crossroads of the strategically important regions of South Asia, Central Asia and Western Asia. It has a 1,046-kilometre coastline along the Arabian Sea and the Gulf of Oman in the south and is bordered by India to the east, Afghanistan to the west and north, Iran to the southwest and China in the far northeast. It is separated from Tajikistan by Afghanistan's narrow Wakhan Corridor in the north, and it shares a marine border with Oman.

The territory of modern Pakistan was the site of several ancient cultures and has been ruled by numerous empires and dynasties from the the Indian Mauryan Empire until the British Empire. As a result of the Pakistan Movement led by Muhammad Ali Jinnah and India’s struggle for independence, Pakistan was created in 1947 as an independent nation for Muslims from the regions in the east and west of India where there was a Muslim majority. Initially a dominion, Pakistan adopted a new constitution in 1956, becoming an Islamic republic. Pakistan is a federal parliamentary republic consisting of four provinces and four federal territories.

The climate is generally varied throughout the country, characterized by hot summers and cool or cold winters. The upper parts of Pakistan usually receive precipitation from the Western Disturbance. From June till September most of the country is lashed by the South West Monsoon.

B2 e-Commerce and online retailing in Pakistan

We would like to refer to a blog post of groupin.pk (daily online deals):

“People in Pakistan are slowly getting aware of the fact that business on the internet is less costly and are more beneficial while in India this awareness is speedy. Pakistan has a number of barriers to electronic commerce, including inadequate infrastructure, lack of security for online transactions and comparatively less awareness. Pakistan also faces less government support for online projects, while Indian organizations are fully supported by government. The infrastructure

KEY FIGURES Pakistan
Area: 796,095km2
Capital: Islamabad
Currency: Pakistani Rupee
Population: 178.9 million
Men: 51.7%
Women: 48.3% Median Age: 21.6 years Retail Sales: US$103.4bn B2C e-Sales: $400mn (e) Internet Users: 16,101,000
% of population: 9%
Spent per user: US$16
e-Shoppers: 3 million (e)
Spent per shopper: US$80
% of Users: 20% (e)
Facebook Users: 6,885,000
Ranking #28
Internet Domain: .pk
Dialling Code: +92
Logistics Index: #71 (155)
Ease of Business: #105 (183)
e-Readiness: #102 (142)
UN e-Government: #156 (193)
Economic Freedom: #122 (179)
in India is much better due to foreign funding, availability of low cost resources and better communication setup. In order to bridge the divide, Pakistan needs to follow a pragmatic approach improving on some, if not, all of the following areas:

Connectivity: networks to be available easily, i.e. affordable access.

e-Leadership: e-readiness should be a national priority led by people with strong practical experience.

e-Business Climate: the ultimate result of e-Leadership. The healthier the e-Business Climate, the better growth the industry will see.

Broadband: introduce more affordable broadband services. Recently these have been introduced but not comparable to what leading countries in the world offer their citizens.

Knowledge: people should be more computer literate. Practical use of computers to made compulsory at school and college level.

Improved Security: the government should encourage usage and ensure that security related issues are not a cause of concern which hinders adoption.

Cybercrime Prevention: the government should take serious action against cybercrimes. The regulated cyberspace will not open the doors for locals to shop safely but will also encourage foreign investments.”

Many of these recommendations are comparable with the situation in other countries around the globe.

Pakistani e-commerce is still in its infancy. Only recently Pakistan’s leading retail store Labels has launched its online portal and offers 50 designers on its catalogue. “The timing is just right to launch an online one-stop-shop such as this”, says Labels CEO Zahir Rahimtoola who is targeting fashionistas worldwide.

"Thanks to advanced technology, a buyer can zoom into the minute details of an outfit to get a virtual feel. Having said that, there is nothing to beat the real feel," Rahimtoola said in an interview from Karachi."However, since there is a huge worldwide Indo-Pak population that does not have access to stores, virtual feel is the next best thing. Indeed, the time is ripe for e-stores," he added.

"Indians and Pakistanis have a very similar mindset when it comes to shopping. India, being a larger market and having a huge transient population, is able to innovate and adapt quicker to constantly changing international fashion trends. But, we are catching up, thanks to the social networking sites,"

The increased demand for outfits from Pakistan encouraged Rahimtoola to shape up his plans of taking the virtual route to reach out to the overseas market.

"We have been getting numerous requests over the years to ship out orders to individual overseas customers. However, we resisted doing so as we wanted to do things professionally.”

The Ministry of Interior and the National Database and Registration Authority (NADRA) has introduced a chip-based e-passport that would help further secure the identity of the citizens, making Pakistan one of the first countries in the world to issue the Multibiometric e-Passport compliant with ICAO standards. The e-Passport solution uses security features on the data page supported by sophisticated technology and business logic, which makes it one of the most modern passports of this era. NADRA has already issued the passports to millions of Pakistani citizens.
Economy of Pakistan
The economy of Pakistan is the 47th largest in the world in nominal terms and 27th largest in the world in terms of purchasing power parity (PPP). Pakistan has a semi-industrialized economy, which mainly encompasses textiles, chemicals, food processing, agriculture and other industries. Growth poles of Pakistan’s economy are situated along the Indus River; diversified economies of Karachi and Punjab’s urban centers coexist with lesser developed areas in other parts of the country. The economy has suffered in the past from decades of internal political disputes, a fast growing population, mixed levels of foreign investment, and a costly, ongoing confrontation with neighboring India. Foreign exchange reserves are bolstered by steady worker remittances, but a growing current account deficit – driven by a widening trade gap as import growth outstrips export expansion – could draw down reserves and dampen GDP growth in the medium term. Pakistan’s economy remains highly vulnerable to several aspects of the country’s current reality: continued security issues, political uncertainty, and two recent and severe floods. Large fiscal deficits keep inflation high and limit growth, and the outlook for the short and medium term is not good, according to experts.

KEY ECONOMIC INDICATORS

Gross Domestic Product (GDP), Inflation and Unemployment
According to a report launched by ESCAP on Thursday, the Gross Domestic Product (GDP) in Pakistan is projected to grow by 4 per cent in 2012 which is an improvement from 2.4 per cent growth in 2011. The GDP growth in the country slowed considerably to 2.4 per cent in fiscal year 2011 from 3.8 per cent in the previous year, mainly due to prevailing security concerns, the exogenous shock from elevated oil prices and unprecedented floods in a large part of the country and shortage of electricity and natural gas have also hampered the economic growth. The report said that widespread poverty continues to be major challenge in South Asia: “To fight against poverty, countries need to continue to implement economic reforms to improve productivity, strengthen public institutions, improve economic governance and build social safety nets to protect the more vulnerable segments of the population”. Inflation continues to be a major problem for Pakistan, according to experts.

<table>
<thead>
<tr>
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<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012 (e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bn PKR</td>
<td>10,243</td>
<td>12,724</td>
<td>14,837</td>
<td>18,063</td>
<td>20,918</td>
</tr>
<tr>
<td>Real Percentage Change</td>
<td>3.7%</td>
<td>1.7%</td>
<td>3.8%</td>
<td>2.4%</td>
<td>3.4%</td>
</tr>
<tr>
<td>Bn USD</td>
<td>163.9</td>
<td>176.8</td>
<td>210.6</td>
<td>210.6</td>
<td>233.5</td>
</tr>
<tr>
<td>USD per capita</td>
<td>1,018</td>
<td>962</td>
<td>1,030</td>
<td>1,201</td>
<td>1,305</td>
</tr>
<tr>
<td>Idem PPP</td>
<td>2,690</td>
<td>2,647</td>
<td>2,720</td>
<td>2,787</td>
<td>2,860</td>
</tr>
<tr>
<td>Avg. Inflation</td>
<td>10.8%</td>
<td>17.6%</td>
<td>10.1%</td>
<td>13.7%</td>
<td>12.0%</td>
</tr>
<tr>
<td>Unemployment</td>
<td>5.2%</td>
<td>5.5%</td>
<td>5.6%</td>
<td>6.0%</td>
<td>7.7%</td>
</tr>
</tbody>
</table>
Population
Pakistan's estimated population in 2011 of close to 180 million makes it the world's sixth most-populous country, behind Brazil and ahead of Bangladesh. During 1950–2011, Pakistan's urban population expanded over sevenfold, while the total population increased by over fourfold. In the past, the country's population had a relatively high growth rate that has changed by moderate birth rates. The population growth rate now stands at 1.6%. Pakistan is in essence a multi-ethnic and multilingual nation that is home to people of diverse regional ethnicities and nationalities, reflecting the rich and complex demographics and history of Pakistan. As a result, Pakistanis do not consider their nationality as an ethnicity but as a citizenship of a Muslim state with various ethnicities comprising the "Pakistani people". Pakistani people belong predominantly to six ethno-linguistic groups: Punjabis, Sindhis, Seraiks, Pashtuns, Mohajirs and Balochs, with smaller numbers of Brahuis, Hindkowans, Chitralis and other small, minority ethnic groups in the remote north of the country. The chart shows the population estimates of the IMF in millions over the past five years.

Currency
The rupee (ISO code: PKR) is the currency of Pakistan. The issuance of the currency is controlled by the State Bank of Pakistan, the central bank of the country. The most commonly used symbol for the rupee is Rs, used on receipts when purchasing goods and services. The origin of the word "rupee" is found in the Sanskrit word rūp or rūpā, which means "silver" in many Indo-Aryan languages. Rūpaya was used to denote the coin introduced by Sher Shah Suri during his reign from 1540 to 1545 CE. The chart below shows the average rates of exchange to the US Dollar over the past years.

Retail Sales
Retailing continued on the path to growth as the economy slowly recovered from the floods and its economic slump in 2009 and 2010. Consumers showed signs of increased spending capacity in 2011 compared to the previous two years. However, growth in retailing and consumer spending was still negatively affected by irregular bouts of terrorism and continuing high levels of inflation. With increasing urbanisation and growth of outlets amongst modern grocery retailers, more consumers started to rely on this channel for their regular grocery needs. Rising awareness of the convenience and economic advantage offered by these retailers, coupled with their increasing presence has contributed to this trend. Non-grocery retailing had a faster growth rate than grocery retailing in current value terms over the review period. A move towards non-essential items in terms of consumer spending is the natural step forward for the population which is experiencing a rise in the standard of living and more disposable income in their hands to spend. This led to strong growth for non-grocery retailers as well as the non-grocery channels of mixed retailers such as supermarkets and hypermarkets.
Recently, Debenhams opened its first department store in Pakistan as it continues to expand its business overseas. The retailer signed a franchise agreement with Team A Ventures to open the store which is situated in Dolmen Mall in Karachi. According to the retailer, the fashion market has been expanding for the last four to five years and there are strong local brands in the market. According to Deloitte, the Pakistani retail market is an attractive market with its large and youthful population. The country has developed rapid economic development in recent years and incomes are gradually rising. With a growing middle class (estimated at 25% of the population), increasing urbanisation and growing popularity of international products, Pakistan is emerging as an attractive market for US and European products.

According to Euromonitor, recovery is in progress but 2011 was still hit by terrorism and inflation. (repetition). Consumers showed signs of increased spending capacity in 2011 compared to the previous two years. (repetition) Businesses and people’s daily lives were hit by instability in the major business hub of Karachi for prolonged periods throughout 2011 due to growing violence and acts of terrorism. Inflation levels remained high, mainly due to the rise in the cost of raw materials, fuel and electricity in 2011. (Repetition from above) In the area of retailing foreign brands such as Hyperstar, as well as local enterprises like City Supermarket have both made great efforts to achieve visibility and win over the loyalty of consumers. While foreign brands enjoy brand recognition and visibility, local businesses have also been successful in turning location and convenience to their advantage.

As in other markets in the region non-grocery retailing had a faster growth rate than grocery retailing in current value terms over the review period.

Retailing in Pakistan remains highly fragmented and is dominated by small retailers which compete within their own geographic areas in terms of price, consumer loyalty, location and range of products available. Large retail stores are still mainly found in the major cities where there is a higher concentration of middle and upper-income consumers who can afford to buy products in bulk with their regular stream of income.

The economy recovered slowly before being hit by violence in Karachi and the global downturn in light of the US debt rating downgrade. However, recovery is expected to continue in the forecast period as the global economy stabilises and domestic issues in Pakistan get resolved. Although inflation is currently in decline, it may spike again due to unforeseen circumstances including adverse weather conditions, natural disasters and changes in global demand. Other factors which may impede retailing include terrorism, corruption, and general domestic turmoil. The chart shows the retail sales in US$ billion as estimated by Planet Retail and EIU (Economist Intelligence Unit).
QATAR

Qatar in Brief
Qatar is an independent and sovereign State situated in the midway of the Western coast of the Arabian Gulf. The name may derive from “Qatara”, believed to refer to the Qatari town of Zubara, an important trading port and town in the region in ancient times. Qatar has a land and maritime boundary with Saudi Arabia, and also maritime boundaries with Bahrain, United Arab Emirates and Iran. The State of Qatar with its arid desert climate extends over a Peninsula of about 200 Kilometers long and 100 Kilometers wide covering a total area of 11850 square Kilometers including a number of Islands and Islets. A strait of the Gulf separates Qatar from the nearby island state of Bahrain.

Qatar has been inhabited for millennia. The Al Khalifa family of Bahrain dominated the area until 1868 when, at the request of Qatari nobles, the British negotiated the termination of the Bahraini claim, except for the payment of tribute. The tribute ended when the Ottoman Empire occupied Qatar in 1872.

In 1935, a 75-year oil concession was granted to Qatar Petroleum Company, a subsidiary of the Iraq Petroleum Company, which was owned by Anglo-Dutch, French, and U.S. interests. High-quality oil was discovered in 1940 at Dukhan, on the western side of the Qatari peninsula. Exploitation was delayed by World War II, and oil exports did not begin until 1949.

During the 1950s and 1960s gradually increasing oil reserves brought prosperity, rapid immigration, substantial social progress, and the beginnings of the modern history of Qatar.

A mild winter and a hot summer characterize the climate. Rainfall in the winter is slight, averaging some 80 millimetres a year. Temperatures range from 7 degrees centigrade in January to around 45 degrees at the height of summer.

B2C e-Commerce and Online Retailing in Qatar
With its booming economy and ambitious ICT investment programme, Qatar is expected to be the fastest growing IT market in the region over BMI's five-year forecast period. 2011-2015 IT spending CAGR is forecast at 12%, with opportunities in sectors such as infrastructure, hydrocarbon, banking and telecoms.
The decision to award Qatar the 2022 FIFA World Cup is expected to fuel a wave of investment in IT products and services. Some of the wealth of Qatar was used to develop an extensive telecoms network, with a high proportion of households able to access fixed lines. Despite this, Qatar’s telecoms market holds much potential for development. Qatar was the last country in the region to introduce competition to its telecoms market. New market entrant Vodafone Qatar has rapidly gained a sizeable share of the mobile market and is only now establishing a presence in the fixed market.

Broadband represents the majority of Internet connections. ADSL accounts for the majority of fixed broadband services, given the previous monopoly of Qtel in the market. Advertised broadband speeds are relatively low. Recognising the inherent opportunities in faster communications for social and economic development, Qatar is developing a national broadband network, promising speeds of up to 100Mb/s to 95% of households by 2015. Faster broadband speeds will underpin the future development of Qatar’s digital economy. Strategies and specific initiatives have been launched in the areas of e-commerce, e-government, e-health and e-education. The regulator has also unveiled plans to develop Qatar as a digital media hub, recognising the current underrepresentation of Arabic content on the Internet and hence potential for growth. Qatar seems a likely home for such an initiative, given its launch of the influential Arabic broadcaster Al Jazeera.

Similar to neighbouring markets in the region, Qatar possesses a mobile market characterised by high penetration levels. Competition has improved tariffs levels and encouraged development of specialised products targeted at specific market segments such as expatriate workers. Both mobile network operators Qtel and Vodafone have deployed 3G/HSPA networks which is supporting growth of the nascent mobile broadband market (source: BuddeComm: “Qatar - Telecoms, Mobile, Broadband and Forecasts”)

Qatar was one of the regional movers in the UN’s most recent e-readiness survey due to government initiatives and expanding broadband penetration. The country performed even better in the e-government rankings, moving from 62nd in 2010 to 48th place in 2012. The government launched a new e-services portal in 2008 and is rolling out new initiatives in various areas.

E-commerce in Qatar is emerging and growing. Some popular sites are: amazon.com, asos.com as well as dohasouq.com, offering items for home delivery and the Green Box.

For 2011 the estimated B2C e-commerce sales were around $550 million. As in the other Gulf States this figure is set to grow with around 40 to 45% per year due to growing confidence in purchasing on the web, the growing number of internet users and e-shoppers.

Economy of Qatar
Oil formed the cornerstone of Qatar’s economy well into the 1990s and still accounts for about 62% of total government revenue. In 1973, oil production and revenues increased sizably, moving Qatar out of the rank of the world’s poorest countries and providing it with one of the highest per capita incomes. In 2011,
Qatar's per capita income of over $98,000 was the second highest in the world according to the IMF, just after Luxembourg, but before Norway and Switzerland.

The country's economic growth has been stunning. Qatar's nominal GDP was $174 billion for 2011, has recently been growing at an average of 15%, and the 2011 real growth rate was 18.8%. Qatar's 2012 per capita GDP is forecast to be $106,000, second after Luxembourg. The Qatari Government's strategy is to utilise its wealth to generate more wealth by diversifying the economic base of the country beyond hydrocarbons.

Throughout the Gulf Cooperation Council countries, efforts are under way to attract partnerships and investment to R&D and innovation. The $600 million Qatar Science & Technology Park (QSTP) was inaugurated in March 2009. The park is part of the Qatar Foundation and is located in Qatar Education City, which also hosts the campuses of six US universities. It is intended that it become a recognised international hub for research, innovation and entrepreneurship. By the end of 2009, 25 companies were established in QSTP, with commitments of well over $225 million in R&D investment for 2008-13. They include Chevron, Cisco, GE, Microsoft, Rolls-Royce and Williams F1. Qatar is keen to encourage research into clean energy and the reduction of carbon emissions. An ambitious $70 million, ten-year joint research project entitled Qatar Carbonates and Carbon Storage Research Centre is a collaboration between Shell, Qatar Petroleum, Imperial College and QSTP. A team of 20 researchers from Imperial College is investigating carbon capture and sequestration in carbonate reservoirs.

**KEY ECONOMIC INDICATORS**

**Gross Domestic Product (GDP) and Inflation**
Qatar has the world's highest per capita GDP and proven reserves of oil and natural gas. In 2011, Qatar had the world's highest GDP per capita, while the economy grew by around 20%, the fastest in the world. The main drivers for this rapid growth are attributed to on-going increases in production and exports of liquefied natural gas, oil, petrochemicals and related industries.

The forecast for 2012 in the table below is from the IMF. Qatar's General Secretariat for Development Planning (GSDP) forecasted recently 6.2% for 2012 and 4.5% for 2013.

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<th>2010</th>
<th>2011</th>
<th>2012 (f)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bn QAR</td>
<td>419.0</td>
<td>355.2</td>
<td>463.5</td>
<td>632.8</td>
<td>712.1</td>
</tr>
<tr>
<td>Real Percentage</td>
<td>17.6%</td>
<td>12.0%</td>
<td>16.6%</td>
<td>18.8%</td>
<td>6.0%</td>
</tr>
<tr>
<td>Change</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bn USD</td>
<td>115.0</td>
<td>97.6</td>
<td>127.3</td>
<td>173.8</td>
<td>195.6</td>
</tr>
<tr>
<td>USD per capita</td>
<td>79,409</td>
<td>59,545</td>
<td>74,901</td>
<td>98,329</td>
<td>106,394</td>
</tr>
<tr>
<td>Idem PPP</td>
<td>77,572</td>
<td>77,568</td>
<td>88,221</td>
<td>102,943</td>
<td>106,283</td>
</tr>
<tr>
<td>Inflation</td>
<td>15.0%</td>
<td>-4.9%</td>
<td>0.4%</td>
<td>2.0%</td>
<td>4.0%</td>
</tr>
</tbody>
</table>

**Population**
Qatari nationals can be divided into three groups: the Bedouin, Hadar, and Abd. All three groups identify themselves as Qatari and their right to citizenship is not challenged, but subtle socio-cultural differences among them are recognized and acknowledged.

Only 20% of the total population are Qatari. The remaining 80% mainly comprises of Bangladeshis, Indians, Pakistanis and Filipinos as well as 16% Iranians, 25% Arabs and four percent other groups.
The majority of the Qatari population is Sunni Muslim and the minority is made up of Hindu, Bahai, Christian and others.

Like most Arab countries, Qatar's population is mostly young: 22 per cent of the population is younger than 15, only 1.5 per cent is over 65. A majority of Qataris (90 per cent) are concentrated in urban areas. Major cities have been growing at the rate of 2 per cent annually. Almost 80 per cent of the population is concentrated in the capital, Doha. Other major cities include Mesaieed, an industrial township 124 kilometers (77 miles) south of Doha.

The total number of population in households is estimated at around 780,000 (45%) and the number of persons per households approximately 5.3 (Census 2010).

The chart above shows the estimated population over the past five years in millions, according to the Qatari Statistical Authority.

Currency
The Riyal (ISO code QAR) is the currency of the State of Qatar. It is divided into 100 dirham and is abbreviated as QR (English). In March 1975, the riyal was officially pegged to the IMF’s Special Drawing Rights (SDRs). In practice, it has been fixed at 1 U.S. dollar = 3.64 riyal since 1980, which translates to approximately 1 riyal = 27.4 USD cents. This rate was made official in July 2001.

Retail Sales
The retail sector in Qatar has expanded greatly in recent years and will expand further with a series of major developments in the next five years. Qatar had the highest GDP per capita income in the world in 2011 and boasts a number of high-end shopping locations. With the population of Qataris and expats set to increase and the income level expected to remain amongst the highest in the world, there should be many opportunities in the coming years for SMEs in the retail sector.

A host of major new developments is set to more than double the gross leasable area over the next five years. These include the USD1.7bn Doha Festival City complex, which will be anchored by Qatar’s first IKEA store and will be the country’s largest mall. The first phase of this project is due for completion in 2012.

Also under development is Barwa Commercial Avenue, a mixed-use development, which should be complete by the end of 2012, and further retail space will be added at the Pearl as it continues to develop.

Qatar’s retail sector is expected to gain further momentum as a result of the government’s investment programme and the feel-good factor leading up to hosting the 2022 FIFA World Cup. This event is forecast to attract between 1.7 and 3.7 million tourists to the region, up from 900,000 currently per year now.

With per capita GDP the highest in the world at more than $98,000 a year and forecast to go higher, Qataris are in a strong position to spend. Local retailers should be buoyed by a groundswell of consumer confidence to accompany the continuing increase in discretionary spending power. According to the latest quarterly consumer confidence survey conducted by online job site Bayt.com, in conjunction with research specialists YouGov Siraj, Qatar’s consumers are increasingly positive in their outlook, a confidence that is expected to be translated into higher spending in the country’s shops and subsequently online.
SAUDI ARABIA

Saudi Arabia in Brief
The Kingdom of Saudi Arabia, commonly known as Saudi Arabia is the largest country in the Middle East by land area, constituting the bulk of the Arabian Peninsula, and the second-largest Arab country. Jordan and Iraq border it on the north and northeast, Kuwait, Qatar and the United Arab Emirates on the east, Oman on the southeast, and Yemen on the south. The King Fahd Causeway also connects it to Bahrain. The Persian Gulf lies to the northeast and the Red Sea to its west.

The Arabian Peninsula has supported agricultural, herding, and hunting cultures for thousands of years. Living on important ancient trade routes, the ancestors of the Saudi Arabians were touched by diverse civilizations, including those of Mesopotamia, Egypt, Greece, Rome, Byzantium, India, Persia, and China.
The Qur'an (Koran), the holy book of Islam, was revealed to the Prophet Muhammad in the western Arabian cities of Makkah (Mecca) and Madinah (Medina) beginning about 610 A.D. The birth of the new faith of Islam was one of the most momentous events in history.

The country remains a leading producer of oil and natural gas and holds more than 20% of the world's proven oil reserves. The government continues to pursue economic reform and diversification, particularly since Saudi Arabia's accession to the WTO in December 2005, and promotes foreign investment in the kingdom. A burgeoning population, aquifer depletion, and an economy largely dependent on petroleum output and prices are all on-going governmental concerns.

With the exception of the province of Asir with its towns of Jizan on the western coast and Najran, Saudi Arabia has a desert climate characterized by extreme heat during the day, an abrupt drop in temperature at night, and slight, erratic rainfall.

KEY FIGURES  Saudi Arabia
Area: 2,149,690 km2
Capital: Riyadh
Currency: Saudi Riyal (SAR)
Population: 28,789,000
Expats: 30%
Men: 54.8%
Women: 45.2%
Median Age: 25.3 years
Retail Sales: 768bn
B2C e-Sales: 800$mn
Internet Users: 13mn
% of population: 45.1%
Spend per user: $62
e-Shoppers: 4.5mn (e)
Spend per shopper: $175 (e)
% of Users: 35% (e)
Facebook Users: 5,156,440
Ranking: #32
Internet Domain: .sa
Dialling Code: +966
Logistics Index: # (155)
Ease of Business: #12 (183)
e-Readiness: #34 (142)
UN e-Government: #41 (193)
Economic Freedom: #74 (179)
B2C e-Commerce and Online Retail in Saudi Arabia

More than SR200 billion ($53 billion) has been invested in the information and communications technology (ICT) sector in Saudi Arabia, helping create 60,000 new jobs, a recent report from telecommunications company STC said. The investment has reflected positively on the kingdom’s GDP with revenues reaching around SR50 billion every year.

The report highlights the growth in expenditure on information technology in Saudi Arabia, compared to levels achieved in other developed countries, such as Australia, as well as those in China, India, Chile, Malaysia and Mexico. The telecommunications sector was said to represent 2 per cent of the total GDP in Saudi Arabia.

According to the report, the accelerated growth in telecommunications and information technology investments provide huge economic benefits. The entry of e-commerce platforms and the use of broadband applications (33 fixed broadbands for every 100 homes in Saudi Arabia) have demonstrated the strength of the Saudi market, it said.

Interestingly, according to the report, the performance of the kingdom in E-banking services is close to the levels of some southern European countries. A survey conducted by the Communication and Information Technology Commission found that 35 per cent of those surveyed bought goods and service over the internet.

A recent survey of Saudi Arabia’s Internet users revealed that around 39% of the adult Internet users in the country buy products and pay for services online through e-commerce services. Electronics are the most popular products bought online, followed by software, while airline tickets booking and hotel reservations are the top services paid for online.

Consumers have spent an estimated US$800 million on buying products and paying for services through e-commerce transactions in 2011.

According to the Sacha Orloff Consulting Group, the liberation of the ICT market has seen a rapid growth in 3G and broadband market, having a snowball effect across all aspects of the sector’s value chain. The Kingdom has seen a rapid adoption of new technologies and has serious potential in Value Added Services (VAS) and e-commerce.

Nowhere has this been more apparent than in the market penetration of mobiles and smartphones. Saudi Arabia has the largest mobile market in the region: a penetration of 188% at the end of 2011, which is expected to rise more than 40 per cent by 2016. This clearly demonstrates the huge market growth that will be seen within the next five years in m-commerce among all retail business segments. The smartphone penetration rate in Saudi Arabia is set to double to 50 per cent within the next four years. This demographic trend is led by males in their late forties as well as teenagers.

The Saudi Internet sector contributed SAR37bn ($9.9bn) to the overall Saudi economy in 2010, representing 2.2 per cent of GDP, and putting Saudi Arabia at 13th place amongst the G-20 countries. This figure is projected to rise to SAR107bn ($28.6bn) by 2016, representing 3.8 per cent of GDP, according to a new report in The Boston Consulting Group’s Connected World series. “The $4.2 trillion Opportunity: The Internet Economy in the G-20” finds that if the Internet were a separate economic sector in Saudi Arabia, it would be more than twice as large as the utilities sector.

Saudi Arabia’s Internet economy growth rate of 19.5% compares favourably to other developing nations in the G-20, which are growing at an average of 17.8%. Projected growth rates elsewhere are: 24.3% in Argentina, 18.3% in Russia and 15.6% in Mexico. In 2016, Saudi Arabia will rank number 10 in the G-20, with its contribution to GDP increasing to 3.8%. These growth rates are impressive compared to the Internet economies of developed G-20 markets, which are expected to grow at an average of 8.1% through 2016 - for example, 10.9% for the U.K. and 7.8% for Germany. In 2010 developed markets contributed 76% of the G-20’s Internet economy; by 2016 that will fall to 66%.
In 2009 Saudi Post launched an online market initiative (E-Mall) that features a range of merchants, from local artisans to major stores. Last year, Saudis spent SAR 5 million ($1.3bn) on Saudi products purchased online at E-Mall. While post service officials around the world blame technology for making their jobs obsolete, the Saudi Post has followed the Arab saying, “Shake the hand that cannot be defeated.” The post has used technology to come up with a project through which companies, stores and charitable societies’ productive families can sell their products, according to Majed bin Anzan, director of postal operations and the E-Mall supervisor.

“The mailman is back, but instead of delivering your letters, he is delivering your electronics purchased online.” The demand at the Saudi Post’s E-Mall consists mainly of electronic items, while cosmetics are a close second. Through the website one can shop at 70 subscribed stores showing more than 5,000 products. Saudi Post has introduced the Unified National Addressing System which covers the entire Kingdom and each of its parcels, buildings and constructions have been marked and addressed geographically with the standardized fundamentals and methodologies of the Saudi Post.

A number of barriers can be identified to the further penetration and adoption of e-commerce.

We will find some of these barriers not only in Saudi Arabia but in quite a few other emerging countries in the world. Amongst others:

- Internet is seen as a means to access data and information rather than actively purchasing goods and services
- A preference for face-to-face shopping, which is part of the lifestyle (or in other words: lack of a catalogue background as for instance in the USA, the UK and Japan)
- Minimal payment options other than credit cards
- Resistance to change and
- Relative high costs of setting up an e-commerce business

Plus a number of other factors, such as privacy concerns, home delivery issues, unclear return policies.

On the positive side are enabling factors, such as a well-developing ICT based economy, a growing internet penetration, one of the highest mobile penetrations in the world, strongly developed and growing social networks. Google has invested heavily in the Kingdom with initiatives directed at training developers, business leaders and entrepreneurs (glsaudiarabia and Kingdom’s Dialogue, together with the Ministry of Education).

A big development in the Saudi e-services is the eDashboard portal, which verifies the identity of the citizen (Digital Verification) and serves as a single sign-on portal where citizens can access all services provided. The Saudi Government also offers an Open Data Initiative, which provides citizens with documents and

Quote of American Bedu:
“Online shopping has not taken off in Saudi Arabia as compared to other parts of the world. This is due to the lack of a sufficient infrastructure to support online shopping and the low number of credit card use in the Kingdom. While one may believe online shopping would appeal to female shoppers in Saudi Arabia, particularly if a woman does not have a driver to take her to the shops, that is not the case. Shopping is a major outlet and form of entertainment in Saudi Arabia and women overall prefer to go to the shops and malls. Women may enjoy looking at online sites to get ideas but will then go out to the malls to find similar items. Other barriers to online shopping in the Kingdom include language, shipping and delivery. There remain many streets in Saudi Arabia without addresses or houses without numbers presenting challenges for delivery. Eventually online shopping will become more prevalent in Saudi Arabia but the timing is not right yet. Shopping remains a social highlight for many in Saudi Arabia.”
reports from ministries and government agencies, all publicly available. It encourages e-participation to gather public opinion through surveys, public consultations and blogs.

Economy of Saudi Arabia
Saudi Arabia has an oil-based economy with strong government controls over major economic activities. It possesses about 20% of the world's proven petroleum reserves, ranks as the largest exporter of petroleum, and plays a leading role in OPEC. The petroleum sector accounts for roughly 80% of budget revenues, 45% of GDP, and 90% of export earnings.

Saudi Arabia is encouraging the growth of the private sector in order to diversify its economy and to employ more Saudi nationals. Diversification efforts are focusing on power generation, telecommunications, natural gas exploration, and petrochemical sectors. Almost 6 million foreign workers play an important role in the Saudi economy, particularly in the oil and service sectors, while the Riyadh-based Government is struggling to reduce unemployment among its own nationals.

Saudi officials are particularly focused on employing its large youth population, which generally lacks the education and technical skills the private sector needs. The Government has substantially boosted spending on job training and education, most recently with the opening of the King Abdullah University of Science and Technology - Saudi Arabia's first co-educational university. As part of its effort to attract foreign investment, Saudi Arabia acceded to the WTO in December 2005 after many years of negotiations.

As one of its strategic goals, Saudi Arabia aims to transform its economy into a technology and knowledge-based economy. The $2.6 billion King Abdullah University for Science and Technology (KAUST), opened last September amid great fanfare, is a linchpin of this strategy. KAUS has an endowment of $10 billion, making it from its inception one of the world's richest universities. It has signed partnerships with some of the best academic institutions in the world, including the British universities of Oxford, Cambridge and Imperial College.

Oxford is one of four overseas universities to win a KAUST global research partnership. Oxford’s new Centre for Collaborative Applied Mathematics (OCCAM) has a KAUST grant of $25 million over five years. OCCAM’s research will lead to mathematical solutions to real-world problems of particular relevance to Saudi Arabia, including agriculture, land use and the management of oil reservoirs. Cambridge University and Imperial College have Academic Excellence Alliances (AEA) with KAUST. The AEA with Cambridge primarily covers biosciences and bioengineering, while that with Imperial College focuses on materials science and engineering.

The King Abdulaziz Centre for Science and Technology (KACST) has spearheaded Saudi R&D since 1977 and is currently implementing a $30 billion five-year programme to upgrade Saudi Arabia's science and technology infrastructure. In 2009, KACST set up a partnership with National Aeronautics and Space Administration of the US in lunar and asteroid science research.

GDP Per Capita in Purchasing Power Parity (USD)
KEY ECONOMIC INDICATORS

Gross Domestic Product (GDP) and Inflation
Lower crude production and prices will likely depress Saudi Arabia’s GDP growth by more than half in 2012 while inflation and the current account balance in the world’s dominant oil power will recede. Forecasts by the Riyadh-based Jadwa Investments showed GDP growth in the largest Arab economy would dive to 3.1 per cent in 2012 from 6.8 per cent in 2011 and all GDP components are expected to slow down. The oil sector is forecast to record negative growth of 3.3 per cent in 2012 because of an expected decline in prices and the Kingdom’s output.

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<th>2011</th>
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</tr>
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<tr>
<td>Change</td>
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</tr>
<tr>
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<td>4.2%</td>
<td>5.4%</td>
<td>5.3%</td>
<td>4.8</td>
</tr>
</tbody>
</table>

Population
Most Saudis are ethnically Arabs. Some are of mixed ethnic origin and are descended from Turks, Iranians, Indonesians, Indians, Africans, and others, most of who immigrated as pilgrims and reside in the Hijaz region along the Red Sea coast. Many Arabs from nearby countries are employed in the kingdom. There also are significant numbers of Asian expatriates mostly from India, Pakistan, Bangladesh, Indonesia, and the Philippines. Westerners in Saudi Arabia number under 100,000.

Saudi Arabia’s population includes about 30% resident foreigners. Until the 1960s, most of the population was nomadic or semi nomadic; due to rapid economic and urban growth, more than 95% of the population is settled. The chart shows the estimated population in millions over the past 5 years (IMF).

Currency
The Riyal (ISO code: SAR) is the currency of Saudi Arabia. It is abbreviated SR (Saudi Rial). It is subdivided into 100 Halalas.
In June 1986, the riyal was officially pegged to the IMF’s Special Drawing Rights (SDRs). In practice, it is fixed at 1 U.S. dollar = 3.75 riyals, which translates to approximately 1 riyal = 0.266667 dollar. This rate was made official on January 1, 2003.
The riyal briefly rose to a 20-year high after the Federal Reserve cut interest rates on September 18, 2007 and the Saudi Arabian Monetary Agency chose not to follow suit, partially due to concerns about the inflationary effects low interest rates and a lower value for the riyal. The riyal returned to its peg against the U.S. dollar in early December of 2007.

Retail Sales
Saudi Arabia is 14th of the 2012 A.T. Kearney Global Retail Development Index as it continues to exhibit a strong market, evident in rising GDP and population, increased government spending, and a more stable political environment. With some 28 million citizens, Saudi Arabia is the largest and among the most attractive markets in the Middle East. Saudi Arabia’s drop of four spots from last year’s GRDI rankings is the
result of new countries entering the ranking, rather than a change in Saudi Arabia's attractiveness. Rising disposable incomes and acceptance of modern formats and foreign brands is driving consumer spending. Furthermore, a government stimulus plan will inject about $110 billion into the economy in the next five years.

Saudi Arabia's large population and its relatively low GDP per capita compared to its neighbours suggest that the Saudi middle class could be a source of growth as incomes rise. Moreover, religious tourism is driving sales in many sectors, as millions of Muslims make the annual trek for Hajj.

Yet restrictions on women still have an impact. Women are not allowed to drive, so local nearby convenience stores are popular shopping venues. In addition, the limited opportunities for entertainment have turned shopping trips into popular social activities and a preferred way for Saudi families to spend their free time.

Several brands announced expansion plans to capture Saudi spending. Gap plans to open 44 Gap stores and 10 Banana Republic stores by the end of 2012. Savola Group, owner of Panda Hypermarkets, plans to have 120 supermarkets and 40 hypermarkets by 2012, and the group has also acquired 11 Geant stores. Burberry entered Saudi Arabia a year ago through a joint venture.

According to Euromonitor, retailing saw a strong performance in Saudi Arabia during the review period, with growth due to a number of factors. The country benefits from a high degree of affluence and saw a good economic performance, avoiding recession during the global economic downturn in 2009. Retailing also benefited from the country’s young population, with the majority of indigenous Saudis being aged below 30-years-old. Due to the conservative nature of Saudi society there are few entertainment options, with many of these consumers thus opting to socialise in malls and regarding shopping as a leisure pursuit.

A major factor driving growth for retailing during the review period was the strong development of shopping malls, with these air-conditioned outlets housing a wide range of grocery and non-grocery retailers and offering a comfortable shopping environment.

Retailing is expected to see stronger constant value growth during the forecast period than that seen during the review period. This will be due to the on-going expansion of modern retailing formats across the country, with an estimated 150 shopping malls being in construction at the end of the review period. Consumers will thus gain increasing access to a wide range of grocery and non-grocery retailing brands in a comfortable air-conditioned environment. Strong economic and population growth and the government’s construction of a number of new cities are also expected to drive growth for retailing during the forecast period.
SYRIA

Syria in Brief
Syria, officially the Syrian Arab Republic, is situated in Western Asia, bordering Lebanon and the Mediterranean Sea to the West, Turkey to the north, Iraq to the east, Jordan to the south, and Israel to the southwest.

The modern Syrian state was established after the First World War as a French mandate, and represented the largest Arab state to emerge from the formerly Ottoman-ruled Arab Levant. It gained independence in April 1946, as a parliamentary republic. Between 1958 and 1961, Syria entered a brief union with Egypt, which was terminated by a military coup in Syria. Syria was under Emergency Law from 1963 to 2011, effectively suspending most constitutional protections for citizens, and its system of government is considered to be non-democratic. Bashar al-Assad has been president since 2000 and was preceded by his father Hafez al-Assad, who was in office from 1971.

Since March 2011, an uprising against the government of Assad, considered an extension of the events of the Arab spring, has thrown a significant part of the country into armed conflict.

The climate in Syria is dry and hot, and winters are mild. Because of the country's elevation, snowfall does occasionally occur during winter.

B2 e-Commerce and online retailing in Syria
Back in 2000 there were 30,000 internet users in Syria, which rapidly grew to 3.5 million in 2009. Growth slowed down between 2009 and 2011 from 3.5 million to just under 4.5 million and today the number is estimated at around 5 million, just over 20% of the population. This places Syria rather low in the ranking of the Middle East countries at the moment, just before Iran, Libya, Yemen and Iraq.

According to a recent report of Budde, Syria's telecom sector has been caught up in the ongoing civil war. Reports include instances of information warfare, proposed sanctions against telecom companies and damage to telecoms infrastructure. The deteriorating situation is having an impact on market development with regulatory developments delayed. However, given the utility nature of telecoms, services are likely to be restored once fighting ceases.

Recognising the potential of applying ICT to improve both social and economic development, Syria has taken steps to develop a digital economy. E-government services are available, with a national e-government policy in place to guide developments. To support e-health development public funding has been made available for ICT equipment, software, pilot projects, skills training and scholarships. E-health
initiatives also extend to the mobile sector (m-health), with m-health initiatives undertaken. Broadband connections have tripled between 2010 and 2012 (from 200,000 subscribers to 600,000) and mobile phone has increased from 11.8 million to 14.3 million.

However, given the ongoing civil war, the political and social unrest, the low penetration of internet users, the restrictions on the use of internet, the insecure situation for investors (who still consider Syria “a huge opportunity”), it is not likely that e-commerce will be of significance in the near future, not before stability is brought back in the country.

Economy of Syria
Syria is a middle-income country, with an economy based on agriculture, oil, industry, and tourism. However, Syria’s economy faces serious problems and challenges and impediments to growth, including: a large and poorly performing public sector; declining rates of oil production; widening non-oil deficit; widespread corruption; weak financial and capital markets; and high rates of unemployment tied to a high population growth rate.

After modest economic reform in recent years, Syria’s economy suffered the effects of political unrest and violence in 2011. Economic growth slowed because of international sanctions and reduced domestic consumption and production. The economy remains highly regulated by the government, which has increased subsidies and tightened trade controls to assuage protesters and protect foreign currency reserves. Long-run economic constraints include foreign trade barriers, declining oil production, high unemployment, rising budget deficits, and increasing pressure on water supplies caused by heavy use in agriculture, rapid population growth, industrial expansion, and water pollution. The outlook for 2012 and later is uncertain. According to EIU, the lack of international consensus, as well as a fragmented opposition, will ensure that the president, Bashar al-Assad, and his regime, remain in power. Although the regime will retain control over the organs of the state, its grip over the country is likely to weaken. After an estimated contraction of 3.4% in 2011, GDP is expected to further contract by 8.1% in 2012, before growing by an average of 1.6% in 2013-16.

Gross Domestic Product, Currency, Inflation and Unemployment
The IMF has excluded data for the Syrian Arab Republic for 2011 and onward due to the uncertain political situation. The graph shows the GDP per capita PPP data until 2011 according to the September 2011 World Economic Outlook. We refrained for obvious reasons to show any forecast data for 2012 and onward. Despite the sanctions on Syria, the country's economy will not "collapse,". Syria's economy will grow between 0 and 2 per cent in 2012, while the fiscal deficit "remains within normal estimates" and on target of 6 to 7 per cent of GDP, according to Finance Minister Jelelaiti, contrary to international forecast. According to the Carnegie Middle East Centre, the devaluation of the Syrian Pound (SYP) has been consistent. The exchange rate was around 50 SYP to the U.S. dollar at the beginning of the uprising, but by
February 2012, the value was cut in half, with the exchange rate reaching 74 SYP to the dollar. Since then, it has been as high as 85 to 90 SYP to the dollar on the black market. Currency exchangers have begun to hoard dollars, driving the exchange rate even higher. The inflation rate rose to 32.5% in May 2012 compared with May 2011 according to Syrian ONS. International sanctions and nearly 17 months of political unrest have slowed the pace of economic growth. Total unemployment in Syria has increased from about 12 per cent to 25 per cent, according to the Minister of Finance.

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<thead>
<tr>
<th></th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2011 (e)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bn SYP</td>
<td>2,445</td>
<td>2,519</td>
<td>2,763</td>
<td>2,862</td>
</tr>
<tr>
<td>Real Percentage</td>
<td>4.5%</td>
<td>5.9%</td>
<td>3.4%</td>
<td>-3.4%</td>
</tr>
<tr>
<td>Change Bn USD</td>
<td>52.6</td>
<td>53.9</td>
<td>59.3</td>
<td>68.3</td>
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<tr>
<td>USD per capita</td>
<td>2,678</td>
<td>2,678</td>
<td>2,877</td>
<td>3,235</td>
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<tr>
<td>Idem PPP</td>
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<td>5,120</td>
<td>5,208</td>
<td>5,293</td>
</tr>
<tr>
<td>Inflation (CPI)</td>
<td>15.4%</td>
<td>1.7%</td>
<td>6.3%</td>
<td>7.0%</td>
</tr>
</tbody>
</table>

Population
The roughly 22 million inhabitants of Syria are an overall indigenous Levantine people. While modern-day Syrians are commonly described as Arabs by virtue of their modern-day language and bonds to Arab culture and history, they are, in fact, largely a blend of the various Aramaic speaking groups indigenous to the region who were Arabized when Muslim Arabs from the Arabian Peninsula arrived and settled following the Arab expansion. Syria's population is 74% Sunni Muslim (includes Turks and most Kurds), and 16% other Muslim groups, including the Alawi, Shi'a, and Druze, and 10% Christian, with a Syrian Jewish community of a few dozen. Sixty percent of the population live in the province of Aleppo, the Euphrates valley or along the coastal plain; a fertile strip between the coastal mountains and the desert. The chart shows the estimated population in each year.

Currency
The Syrian pound (sign: LS or £S, ISO code: SYP) is the currency of Syria and is issued by the Central Bank of Syria. The pound is subdivided into 100 qirsh (piastres in English or French), although coins in qirsh are no longer issued. Until 1958, banknotes were issued with Arabic on the obverse and French on the reverse. After 1958, English has been used on the reverses, hence the three different names for this currency. Coins used both Arabic and French until Syrian independence, then only Arabic.
Retail

Experts say, that “the retail opportunity is "huge" in Syria, but sales were expected to be weak this year: "Retail sales are subdued [at the moment]. Retailers are probably being fairly cautious in buying stock. Everything just slows." The unrest has already deterred UAE retailers and entertainment companies from entering Syria. Paris Gallery, the luxury retailer based in Dubai, has scrapped plans to roll out stores, having launched one in Aleppo before the unrest began.
TUNISIA

Tunisia in Brief
Tunisia, officially the Republic of Tunisia, is the northernmost country in Africa. It is an Arab Maghreb country and is bordered by Algeria to the west, Libya to the southeast, and the Mediterranean Sea to the north and east. Its area is almost 165,000 square kilometres (64,000 sq mi), with an estimated population of just under 11 million. Its name is derived from the capital Tunis located in the northeast. Tunisia is the smallest country in North Africa. The south of the country is composed of the Sahara desert, with much of the remainder consisting of particularly fertile soil and 1,300 kilometres (810 miles) of coastline.

The Atlas mountains and the Sahara desert both played a prominent role in ancient times, first with the famous Punic city of Carthage, then as the Roman province of Africa, which was known as the "bread basket" of Rome. Later, Tunisia was occupied by Vandals during the 5th century AD, Byzantines in the 6th century, and Arabs in the 8th century. It passed under French protectorate in 1881. After obtaining independence in 1956 the country took the official name of the "Kingdom of Tunisia" at the end of the reign of Lamine Bey and the Husainid Dynasty.

With the proclamation of the Tunisian Republic on July 25, 1957, the nationalist leader Habib Bourguiba became its first president.

The country was led by the authoritarian government of President Zine El Abidine Ben Ali from 1987 to 2011 before he fled during the Tunisian revolution. Tunisia now finds itself as an export-oriented country in the process of liberalizing and privatizing an economy that, while averaging 5% GDP growth since the early 1990s, has suffered from

KEY FIGURES Tunisia
Area: 163,610km²
Capital: Tunis Currency:
Tunisian Dinar Population
2012: 10,732,900
Men: 49.9 % Women:
50.1% Median Age:
30 years Retail Sales:
$5bn (e) B2C e-Sales:
$300bn
Internet Users: 4.2 million
% of population: 39.3%
Spend per user: $71 (e)
e-Shoppers: 1.47 million(e)
Spend per shopper: $200 €
% of Users: 35% (e)
Facebook Users: 3,132,680
Ranking: #47
Internet Domain: tn
Diailling Code: +216
Logistics Index: #41 (155)
Ease of Business: #41 (183)
e-Readiness: #50 (142)
UN e-Government: #103 (193)
Economic Freedom: #95 (179)
corruption benefiting politically connected elites.

B2 e-Commerce and online retailing in Tunisia

Compared to most Arab countries Tunisia has a fairly large number and a relatively high level of penetration of internet users. This is mostly because they have better access to it than most of the other countries in the Arab world. The government has made a conscious effort to improve services and this has resulted in the one of the best internet systems in Northern Africa. Tunisia also offers internet access at a much lower cost than other Arab countries. In part this is because Tunisia has one of the most developed economies in the Arab world. It also helps that they have a close relationship with Europe and a policy that allows foreign companies to operate in the country. While the internet in Tunisia is fairly widely used up until recently it was also heavily censored. Unlike most Muslim countries the censorship had little to do with maintaining social norms or the tenets of Islam, Tunisia is fairly relaxed in this regard. Rather the censorship had more to do with stifling opposition to an unpopular dictator. As a result sites that encouraged democracy or which detailed human rights abuses in Tunisia were the ones that were most likely to be censored. This all changed however with the recent revolution in Tunisia.

In the spring of 2011 Tunisia, the new government changed the rules on internet usage. Most of the censorship that had previously existed was removed. By no means can it be said the Tunisians have free access to the internet now but things are much less restricted than before. In particular it is now possible to access social sites like Facebook. Under the old rulers this was impossible since the government can't control the information on those sites. While there is still a long way to go before internet censorship is completely removed in Tunisia there are some promising signs.

The revolution in Tunisia does raise some interesting questions about the use of internet censorship. In a lot of cases governments attempt to control access because they view it as a threat. In the case of Tunisia this turned out to be true. The revolution was largely started online after all. On the one hand this does prove that the internet can be a threat to a government. On the other hand attempting to censor it didn't work to protect the government and in the end just gave the people another reason to rebel. It will be interesting to see how the censorship policies of other countries are changed by what happened in Tunisia.

(source: Arab IP Centre)

In Tunisia, a number of modern online payment systems have been developed, such as e-Dinar by the Tunisian Posta, with more than 1.8 million users, a system meant to pay for various activities, such as paying utility bills, a bouquet of flowers, a greeting card, university registration and to buy online handicrafts.

There is also the Secure Payment Servers “SPS” developed by the Tunisian Banking Consortium, for all kind of secure online payments, used by more that 150 webshops. And the third payment system is Mobile Payment, the number of mobile phones close to 10 million. Recently 3G services were launched by Tunisiana, covering 48% of the population, which will be extended to 87% in 2013.

Economy of Tunisia

The political future and economic recovery are closely linked. There can be no economic recovery without stability, and
no successful transition to democracy without recovery, providing a tangible response to young people’s aspirations.

The revolution revealed the extent of the country’s structural weaknesses: regional disparities, unemployment among young graduates and governance. Despite the progress made, the Tunisian economy is still dominated by traditional sectors providing little added value. Nevertheless, the medium-term outlook remains positive. Although investors were reticent in 2011, Tunisia should attract new inflows of capital by stressing transparency and enterprise creation. The country has a highly qualified local workforce, dynamic private sector and a favourable geographical location at the meeting point of Europe and the African continent. The reform process has speeded up since the revolution, ranging from administration of regional development, not forgetting press freedom and youth employment.

However, the expected recovery in 2012 will depend on the main political stakeholders’ ability to reach an agreement on a new Constitution and government’s ability to take bold measures to foster economic growth and win investors’ confidence. Also, the evolving situation in Europe and Libya will continue to have a decisive role. (source: African Outlook)

KEY ECONOMIC INDICATORS

Gross Domestic Product (GDP), Inflation and Unemployment

Tunisia’s economic growth is expected to accelerate to 2.7% this year from a 1.8% contraction in 2011, and to 3.5% in 2013 as the country’s economic activity picks up, the International Monetary Fund said recently. The IMF, however, warned of a possible spill-over from the euro-zone crisis, and risks from the unsettled political situation and the weak global environment.

In its latest Article IV review of Tunisia’s economy, the IMF attributed the growth to a pickup in tourism and foreign direct investments, as GDP, increased by 4.8% in the first quarter in 2012 compared to the same period of 2011.

"However, risks to the short-term outlook are large and tilted to the downside, including a worse-than-anticipated recession in Europe which would depress exports, an escalation of domestic social tensions which would hamper foreign and domestic investment, and capacity constraints and delays in financing which could curb the envisaged growth-supporting fiscal stimulus," the IMF added.

The IMF’s 2012 forecast remains lower than Tunisia’s own target of a 3.5% GDP growth for this year, and the IMF’s 2013 expectations are below Tunisia’s forecast for next year as well.

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<td>Real Percentage Change</td>
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<td>3.1%</td>
<td>-1.8%</td>
<td>2.7%</td>
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<tr>
<td>Bn USD</td>
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</tr>
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<td>4,199</td>
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<td>4,368</td>
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<td>Idem PPP</td>
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<td>9,165</td>
<td>9,454</td>
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<td>9,707</td>
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<tr>
<td>Inflation</td>
<td>4.9%</td>
<td>3.5%</td>
<td>4.4%</td>
<td>3.5%</td>
<td>4.7%</td>
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<tr>
<td>Unemployment</td>
<td>12.4%</td>
<td>13.3%</td>
<td>13.0%</td>
<td>18.9%</td>
<td>17.0%</td>
</tr>
</tbody>
</table>

Population
The majority of modern Tunisians are Arabized Berber or Arab-Berber, and are speakers of Tunisian Arabic. However, there is also a small percentage of pure native Berbers located mainly in the Jabal Dahar
mountains in the South East and on the island of Jerba. The Berbers primarily speak Berber languages, often called Shelha or have shifted to Tunisian Arabic.

Nearly all Tunisians (98 per cent of the population) are Muslim. There is a Jewish population on the southern island of Djerba and Tunis. There is also a small indigenous Christian population.

Tunisians are also descended, to a lesser extent, from other African, Middle Eastern and European peoples, specifically the Phoenicians, Romans, Vandals, French and Blacks. In fact, the Tunisian genetic distances to European samples are smaller than those to North African groups. This could be explained by the history of the Tunisian population, reflecting the influence of the ancient Punic settlers of Carthage followed, among others, by Roman, Byzantine, Arab and French occupations, according to historical records. The chart shows the average population over the past five years in millions.

Currency
The dinar (ISO code: TND) is the currency of Tunisia. It is subdivided into 1000 milim or milliemes. The dinar was introduced in 1960, having been established as a unit of account in 1958. It replaced the franc at a rate of 1000 francs = 1 dinar. Tunisia had a historically low inflation. The Dinar was less volatile in the period 2000 to 2011 than the currencies of its oil-importing neighbours, Egypt and Morocco.

Retail Sales
2011 saw the expansion of some international retail brands, such as Carrefour, which, apart from expanding its Carrefour Market supermarkets, also launched a new retail concept called Carrefour Express, already present in France, which opened its first outlet in the capital city. In addition, independent local chains saw a remarkable increase, such as Mercure Market in Sousse, and Ons and Masmoudi in Sfax. Sfax is attracting a great deal of interest from retailers, as it is the second largest city in the country, but has a limited offer in terms of retailing. Franchises such as Materna and Franck Müller were opened in the city during the year.

With increases in prices and unemployment, consumers cut down on purchases of non-grocery products in order to focus on primary goods. This was also spurred by the inflow of Libyan refugees during the summer. In the weeks preceding Ramadan consumers started to fear that essential goods would run out, since many manufacturers of food and drink had to close during the holiday or had to face strikes from their staff. As a result, sales of groceries boomed during the summer, as consumers stocked up on supplies of oils and fats, semolina and bottled water.

Besides the growth of giants such as Carrefour and Monoprix, an increase in local chain retailers was observed during the review period. For example, the chain food specialist retailers El Mazraa, M’liha and Chahia are the key players in sales of fresh poultry and dairy products all over the country. They operate
small shops located in residential areas, and offer the advantage of convenience to their customers, who do not need to travel long distances to a supermarket. Forecast remains uncertain due to political instability.

Retailing is expected to recover in Tunisia in constant value terms, and even see an acceleration of growth, as more foreign retailers enter the country and local players expand their reach to second-tier cities. However, this forecast will greatly depend on the political situation in the country. In fact, the democratic transition will last until the end of 2012, following the vote on a new constitution in October. Until then, the country is expected to encounter some unrest, as the population grows impatient and local political parties’ battle for influence over the new regime. Therefore, the economy is likely to be affected, and this could impact retailing if consumers’ confidence does not recover. (Source: Euromonitor)

Following the Arab Spring protests, Tunisia drops 12 places to 30th. Before the Arab Spring, per capita income was on the rise, and a growing middle class was forming more sophisticated purchasing patterns. The political unrest in early 2011 led to GDP growth of only 1.1 per cent. While the government still supports a favourable environment for foreign investment, international retailers are hesitant to enter this recovering market. With just 230 modern grocery retail outlets in Tunisia, there are plenty of growth opportunities if the country manages to stabilize. Many major outlets closed in 2011, but some are already returning to Tunisia. For example, this year, hypermarket Geant is expected to return, Carrefour expects to increase retail sales and, outside of grocery, Japan beauty brand Shiseido has announced plans to enter the market. (Source: A.T. Kearney - Global Retail Development Index 2012)

In 2010 the Champion supermarkets were renamed as Carrefour Market, which is the latest brand extension of the retailer in Tunisia. Last but not least, the non-store retailing sector performed well during the same year. In fact, direct selling saw the entrance of two international brands – Cristian Lay and 3 Suisses. The development of e-commerce in Tunisia has also enhanced the local retail market as some companies, like MASMOUDI Patisserie, launched online stores, while others, like Carrefour and Bricorama, published online catalogues.

![Carrefour Market](image)
UNITED ARAB EMIRATES

United Arab Emirates in Brief
The United Arab Emirates, often abbreviated as UAE or shortened to The Emirates, is situated in the southeast of the Arabian Peninsula in Southwest Asia on the Persian Gulf, bordering Oman and Saudi Arabia and sharing sea borders with Iraq, Kuwait, Bahrain, Qatar and Iran.

The UAE’s rich history is rooted in trade and tied to Islam, which came to the region in AD 630. Its location between Europe and the Far East attracted merchants from India and China and was prized by Europeans, in particular the Portuguese, the Dutch and the British.

In the early 1930s the first oil company teams conducted geological surveys. In 1962, the first shipment of crude was exported from Abu Dhabi. Its oil reserves are ranked as the sixth-largest of the world and the UAE possesses one of the most-developed economies in West Asia. It is the thirty-fifth-largest economy at market exchange rates, and has a high per capita gross domestic product (GDP), with a nominal per capita GDP of US$59,717 as per the International Monetary Fund (IMF). The IMF classifies the UAE as a high-income developing economy.

The United Arab Emirates (UAE) is a federation of seven states formed in 1971 by the then Trucial States after independence from Britain. Since then, it has grown to one of the Middle East’s most important economic centres.

Although each state - Abu Dhabi, Dubai, Ajman, Fujairah, Ras al Khaimah, Sharjah and Umm al Qawain - maintains a degree of independence, a Supreme Council of Rulers made up of the seven emirs, who appoint the prime minister and the cabinet, governs the UAE.

The climate of the UAE is subtropical-arid with hot summers and warm winters. The hottest months are July and August, when average maximum temperatures reach above 50 °C (122.0 °F) on the coastal plain. In
the Al Hajar Mountains, temperatures are considerably lower, a result of increased altitude. Average minimum temperatures in January and February vary between 10 and 14 ºC (50 and 57.2 ºF).

B2C e-Commerce and Online Retail in the United Arab Emirates
The latest release of the Household Download Index has ranked UAE at the top position within the GCC. UAE positions itself as technology leaders by offering faster and cheaper per mbps internet, as compared to other competing nations within GCC.
A high adoption rate of cloud computing and a fast and reliable internet are among the main contributors for the Internet subscriber growth and the effective cost per Megabit per second rate.
The Internet penetration was around 70 per cent in 2011 (source ITU 2011 data), which is among the highest rates in the region. With household broadband penetration of nearly 56 per cent, the UAE is soon expected to be the leader and the first country in the world, to have 100 per cent household broadband internet penetration through FTTH technology.

According to a recent study by researcher TNS Global, more people in the UAE shop online using mobile phones than via personal computers, bucking the global trend in the e-commerce industry.
About 29 per cent of internet users in the Emirates have bought goods or services using smartphones, compared with 26 per cent using PCs. Globally, the trend is (for the moment still) reversed. An average of 73 per cent of internet users has used computers to shop online, versus the 50 per cent who have used mobile phones.
"Mobile shopping [is] likely to play a bigger role than PC-based online shopping in the future," according to the TNS report entitled Digital Life, making reference to the Africa and Middle East (AME) market.
Note IMRG: “This is fully in line with what happens globally as mobile internet is rapidly growing and forecast to surpass fixed internet by 2015”
However, the report acknowledged that online shopping was "still under-developed in most of AME", in comparison with other global markets.

The results of an interesting online survey came out recently on the current status of citizen’s trust in paying government fees online in the UAE. 83% of the respondents expressed trust in paying government fees online and only 7% said not:
“Though the surveyed sample (2300 – AW) is not quite large and they are internet-savvy by nature (the survey was conducted online only and promoted via Twitter and Facebook), the 83 percentage of those who trust paying government fees through government online payment gateways is large enough to draw a positive conclusion about the readiness of citizens and residents in UAE to use these payment gateways.
Let’s have a look at some numbers of actual usage of online payment via government gateways to further elaborate this. One of the most famous and popular government online payment gateways in UAE and the region is ePay from Dubai e-Government. The numbers show a positive trend in using this service over the past three years. Over AED 1.5 billion (410mn USD) was paid by users of government services in Dubai via this gateway in 2009 only. This number has jumped to exceed AED 2.5 billion (6890mn USD in 2010 and AED 2.7 billion (735mn USD in the first 3 quarters of 2011”

In order to provide additional security for online transactions, UAE-based banking group Emirates NBD has partnered with Visa using its secure Verified by Visa system to launch the service called DoubleSecure.
Under the terms of the deal, Emirates NBD Visa debit cardholders will be able to make online transactions via Verified by Visa the company’s e-commerce security service. Verified by Visa allows registered customers to use a personal password to confirm their identity before the online transaction is finalized.
Even when someone else knows the credit card number, the purchase cannot be completed without the password at a participating merchant.
In 2011 several group buying websites in the UAE opened, offering discounts on a wide variety of products including food, holidays and pet grooming. Experts and industry insiders say the growth of e-commerce has raised the profile of the overall market in the Middle East, with the sector forecast to expand dramatically this year. Paul Kenny, the founder and chief executive of Cobone.com, which was launched in late 2010, expects the group buying market to double sales this year.

"In the overall e-commerce space, this year is going to be big. Daily-deals websites have almost forced people to go online and buy. We are converting people online almost every day."

Considering the increased number of users and e-shoppers (estimated at around 50% of internet users), better economic condition and higher disposable income" he says.

The UAE has made a remarkable achievement worldwide in the field of e-Government according to the UN E-Government Survey 2012. The biennial Survey which was released in February 2012 is the most comprehensive reference for e-Government programmes in the world. The 2012 edition of the Report focuses on the role of e-Government in sustainable development.

The UAE has leaped to rank number 7 on the ‘online service index’ in the United Nations E-Government Survey 2012; up this is up from a ranking of 99 in the 2010 version of the biennial report. This noteworthy advancement is a rare achievement for a country since the UN started releasing the E-Government Surveys in 2003.

The Report also shows that the UAE Government has made a great advancement in the field of e-Participation, another main factor in determining e-Readiness. The UAE has advanced from a ranking of 86 in 2010 to rank 6 in the 2012 Report. E-Participation is particularly important as a tool of communication between the Government and the public.

This giant progress was reflected in the overall ranking of the UAE in the e-Government development index. The UAE has advanced from a position of 49 in 2010 to improve to 28 in 2012. Over this short period, Emirates e-Government has succeeded in regaining the leading position of the UAE in the field of e-Readiness in the region and the world.

Recently Dubai e-Government has applied to the Internet Corporation for Assigned Names and Numbers (ICANN) for the dotDubai geographic top level domain (TLD).

"Obtaining dotDubai top level geographic domain will open new windows for those interested in obtaining exclusive information on Dubai and will enable them locally and globally to get fast access to the rich and diverse content of Dubai government and private websites in addition to rich and comprehensive information on all aspects of life in the emirate," said Director General of Dubai e-Government Ahmed Bin Humaidan.

IMRG estimates total e-commerce sales for 2011 at around 2,800 million USD, set to increase by 40 to 45% in the coming years. Popular online shopping sites include emiratesavenue.com; souq.com (established in 2005 and for the moment covering UAE, Egypt, Saudi Arabia, Jordan, and Kuwait); carrefouruae.com (FR) and also asos.com (UK) and amazon.com (USA).

Economy of the United Arab Emirates

Great oil finds since the 1960's has brought the UAE wealth and progress. Oil and natural gas are by far the most important to UAE's economy. Yet, it is only in 3 of 7 emirates where oil exploitation is of a major scale, but search of new reserves are going on in all the others. Over the last 20-30 years, the UAE's success in the Middle East is largely owned to a national focus on developing alternatives to the oil industries. This involves very successful programs to turn designated ports of the Emirates into trade centers, development of industries, refining of oil as well as land reclamation. With many young Emiratis graduating from higher education, the government encourages a process of taking back the jobs to nationals. Banking, insurance and human resources are the sectors that have recently seen a growth in its Emirati work force.
The challenge for UAE economic policy makers is to boost bank credit growth to the private sector, accelerate infrastructure spending to boost GDP growth and manage the legal/regulatory frameworks that are a prerequisite for any long-term stability in the property markets. The huge rise in commercial bank loan provisions in 2008-09 is now over and Abu Dhabi will scale up a new pipeline of infrastructure projects, thanks to the recent oil and gas bonanza. Bank credit growth and government spending will boost the growth of the non-oil UAE economy. The UAE, the only successful model of political federation in the Arab world, is also destined to be the region’s next economic tiger.

Recently, the United Arab Emirates’ Economy minister, Sultan bin Saeed al-Mansouri, cut his forecast for the country’s gross domestic product growth this year, predicting expansion of around 3 per cent, after a sharp fall in global oil prices in June 2012. But his forecast for 2012 was lower than his last prediction, made in March, of “almost 4 per cent” growth. At that time, the price of Brent crude oil was around $125 a barrel; since then, signs of a global economic slowdown have dragged oil down to $97, the lowest since January 2011.

The minister of Economy expected inflation in the UAE of between 1 and 1.5 per cent this year. A Reuters’ poll of analysts in March predicted inflation of 2 per cent in 2012 after 1.2 per cent in 2011 and 0.9% in 2010.

KEY ECONOMIC INDICATORS

Gross Domestic Product (GDP)
At $360 billion in 2011, the GDP of the UAE ranks second in the GCC region (after Saudi Arabia), third in the Middle East—North Africa (MENA) region (after Saudi Arabia and Iran), and 30th in the world.

There are various estimates regarding the actual growth rate of the nation’s GDP, however all available statistics indicate that the UAE currently has one of the fastest growing economies in the world.

According to a recent report by the Ministry of Finance and Industry, nominal GDP rose by 20.8% in 2011 to $360 billion, compared with $298 billion in 2010.

According to the GDP per capita in Purchasing Power Parity (IMFG) UAE is ranked seventh in the world.

<table>
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<tr>
<td>Inflation</td>
<td>6.6%</td>
<td>1.9%</td>
<td>0.9%</td>
<td>1.2%</td>
<td>1.6%</td>
</tr>
</tbody>
</table>
Population
Official data of the National Bureau of Statistics (NBS) showed that the UAE’s total native population stood at 947,997 in mid-2010, nearly 11.4 per cent of the country's total population of 8.264 million.
Among nationals, males represented 50.5% and females 49.5%.
For non-nationals the figures are: males 77.7 % and females 22.3%. Umm Al-Qawain, which has the smallest population in the UAE, is the only emirate where females outnumber males. More than 42 per cent of Emiratis live in Abu Dhabi while around 33 per cent are based in Dubai and Sharjah.
The mid-year estimates of the National Bureau of Statistics showed 6.1 million males (73.8%) and 2.1 million females (26.4%). The chart shows the yearly estimates: for 2008 and 2009 the estimates refer to the population at the end of the year, for 2010, 2011 and 2012 the estimates refer to the mid-year population.

Other sources such as IMF (2010: 5,218,000 - 2011: 5,375,000), World Bank (2010: 7,512,000 - 2011: 7,890,000), the United Nations (2010 - 7,512,000), Internetworldstats (2011 – 5,148,664) all report different and considerably lower population figures, most probably because the figures are estimates based on the 2005 Census. This has serious consequences when calculating for instance GDP per capita, penetration of internet usage, mobile phones etc. In this respect we might refer to the 2010 study of Madar Research and Orient Planet indicating inaccuracies in GCC population figures and urging the authorities to establish independent bodies to monitor and update population figures and other statistical data.

Currency
The dirham (ISO code AED) is the currency of the United Arab Emirates. The dirham is subdivided into 100 fils. On January 28, 1978, the dirham was officially pegged to the IMF's Special Drawing Rights (SDRs). In practice, it is pegged to the U.S. dollar for most of the time. Since November 1997, the dirham has been pegged to the 1 U.S. dollar = 3.6725 dirham, which translates to approximately 1 dirham = 0.272294 dollar.
The name Dirham derives from the Greek word Drachma, literally meaning "handful", through Latin. Due to centuries of old trade and usage of the currency, the name Dirham survived through the Ottoman regime.

Retail Sales
The UAE (7th on the A.T. Kearney Global Retail Development index 2012, up from 8th last year) celebrated its 40th year in 2011, and it celebrated by increasing public spending to improve the welfare of its citizens. Increased tourism, population growth, and government stimulus put the UAE back on the map for many retailers. After two years of stagnation, overall retail sales increased by more than 5 per cent and consumer confidence rose.

Tourism has always been an important retail growth factor. During the Arab Spring, the UAE benefited from its perception as a safe and welcoming nation for tourists and investors. Dubai Mall is the world's most-visited shopping and leisure destination, with more than 54 million visitors in 2011 (up 15 per cent from 2010) and a 35 per cent increase in average retail sales. The 12-million-square-foot mall is expanding by one-million square feet to serve more local and international retailers. A similar trend is occurring at Majid Al Futtaim Holding, which owns the Mall of the Emirates, the country's second biggest. Last year, it had its best performance since its founding in 1992.

Unregulated rental prices for space in top-tier malls are good for developers but squeezing retailers’ profits—motivating many players to move to lower-tier malls. French supermarket chain Geant, for example, is opening a new hypermarket in the Dragon Mart.
Convenience formats are becoming more popular in the UAE. While big-format is still dominant, convenience formats are a way for retailers to expand their local footprints. Abu Dhabi-based LuLu Hypermarket Group is planning 50 neighbourhood stores across the Gulf region over the next three years, and Carrefour is expanding its express convenience stores across the country, offering at the same time the opportunity to purchase online.

Luxury retailers had another good year. The UAE is a top importer of Swiss watches, with Dubai alone importing between 800,000 to one million premium watches per year. The country is the fourth biggest market for Rolls-Royce. (Source A.T. Kearney – Global Retail Development Index 2012)
YEMEN

Yemen in Brief
The Republic of Yemen, commonly known as Yemen, is located in Western Asia, occupying the southwestern to southern end of the Arabian Peninsula. It is bordered by Saudi Arabia to the north, the Red Sea to the west, and Oman to the east. Yemen’s territory includes over 200 islands. It is the only state in the Arabian Peninsula to have a purely republican form of government.

Yemen has long existed at the crossroads of cultures; it linked some of the oldest centers of civilization in the Near East by virtue of its location in South Arabia.

The modern history of South Arabia and Yemen began in 1918 when Yemen gained independence from the Ottoman Empire. Between 1918 and 1962, Yemen was a monarchy ruled by the Hamidaddin family. In 1962, North Yemen saw a republic rivaling the Imams with Egyptian Occupiers assistance. Britain withdrew in 1967 from the area around Aden and that area became South Yemen. The two countries were formally united as the Republic of Yemen on 22 May 1990.

The 2011–2012 Yemeni uprising followed protests in the Arab world in early 2011. The uprising was initially against unemployment, economic conditions and corruption, as well as against the government’s proposals to modify the constitution of Yemen. After an election, power was transferred to the vice president, Abd Rabboh Mansur Al-Hadi, for a two-year term starting in February 2012. Al-Hadi will oversee the drafting of a new constitution, followed by parliamentary and presidential elections in 2014.

The climate in Yemen is various and depends on the different altitudes of the regions.
There are no distinctive limits between the seasons. During the summer the climate is hot with high humidity dominating in the coastal area. In the winter the climate in the coastal area is relatively moderate. Occasional rains in the summer are caused by the monsoon coming from the Indian Ocean. These rains decrease the high temperatures in the coastal area during the summer. The weather in the mountain area is moderate in summer and relatively cold in winter. During winter it becomes especially cold in the night and in the early morning, with pleasant sunny days.

KEY FIGURES Yemen
Area: 527,970 km²
Capital: Sana’a
Currency: Yemeni Rial
Population: 25.9 million
Men: 50.7%
Women: 49.3%
Retail Sales 2012 (e): US$21.8bn
Median Age: 18.1 years
Internet Users: 3.6 million
% of population: 14.9%
Facebook Users: 573,700
Ranking: #96
Internet Domain: .ye
Dialling Code: +967
Logistics Index: #63 (155)
Ease of Business: #99 (183)
e-Readiness: #141 (142)
UN e-Government: #167 (193)
Economic Freedom: #121 (179)
B2 e-Commerce and online retailing in Yemen
BuddComm, a global independent telecommunications research and consultancy company, in its latest report about the Telecom, Mobile and Broadband report sees growth opportunities in a developing market in Yemen.

Yemen is very much the poorest country in the Middle East with approximately 39% of the population living below the poverty line. Yemen’s economic difficulties are exacerbated by declining oil production which accounts for a significant proportion of the economy and recent political unrest.

Yemen’s telecom sector is representative of the growth opportunities that abound in such a developing market. Fixed lines subscriptions are increasing, with a penetration rate of less than 5% indicating significant room for growth. Given that over 60% of the population lives in rural areas a significant amount of fixed line investment has been in the form of wireless local loops based on a variety of technologies. In addition the incumbent has invested in core and transmission network infrastructure to expand bandwidth and to support the ability to offer new products and services.

Mobile telecoms continues to be the big success story in Yemen. Steady growth has seen penetration rates rise to over 40%. Competition is healthy with four mobile network operators offering services. Foreign investors include regional mobile operators Batelco of Bahrain and MTN of South Africa. Attracting investment is Yemen’s low mobile penetration, the lowest in the Middle East. Yemen’s mobile data market is also in the nascent stages of development, with mobile messaging and mobile Internet access offered. The latter has the potential to develop into a significant market given the lack of competition in the fixed broadband market and low PC penetration. (Source: BuddComm)

Our conclusion: we fully share the belief that internet and online will progress everywhere in the world. However, given the present low penetration figures of internet usage, lower than average (in the region) per capita income, a relatively small and middle class and a large uneducated and illiterate population, political instability, high (youth) unemployment, it will take some time before online and subsequently e-commerce will really break through in Yemen.

Economy of Yemen
Yemen is a low income country that is highly dependent on declining oil resources for revenue. Petroleum accounts for roughly 25% of GDP and 70% of government revenue. Yemen has tried to counter the effects of its declining oil resources by diversifying its economy through an economic reform program initiated in 2006 that is designed to bolster non-oil sectors of the economy and foreign investment. In October 2009, Yemen exported its first liquefied natural gas as part of this diversification effort. In January 2010, the international community established the Friends of Yemen group that aims to support Yemen’s efforts toward economic and political reform.

The context in Yemen has changed significantly over the last few years. The country has faced repeated conflict and crisis since 2004, which has generated a different set of needs and has tested the population’s capacity to cope, especially among the most vulnerable. The root cause of conflict and disputes is the lack of development and lack of access to basic social services, which raises the issue of equity in the distribution of resources and underpins the need for a long term development vision to be in place. The high population growth requires additional 700,000 health and education services and 300,000 new jobs every year; furthermore the country suffers from depleting water resources, a stagnant rate of economic growth and jobless nature of the growth process and rising unemployment,

GDP Per Capita in Purchasing Power Parity - USD
particularly acute among young people and educated women.
The non-oil sectors will grow by 4.5 percent in 2012 and by 5.13 percent in 2013, while the oil and gas sector will see a 3.6 percent negative growth in 2012, the report of the program for stability and development for the transitional period said. However, the oil and gas sector will grow by 11.5 percent in 2013, it said. The oil and gas sector is the backbone for Yemen’s economy. Oil revenues make up more than 70 percent of the state budget and oil products account for more than 90 percent of the country’s exports.

With over 45% of Yemen’s population below the poverty line, one of the greatest challenges the country faces at the moment is a hardcore poverty that makes millions of people struggle for survival. Such a significant problem represents a huge obstacle that hinders any effort for development in the crisis hit nation. Yemen remains one the poorest countries in the world, ranking 151 of 177 countries on the UNDP Human Development Report. Population growth is very high (3.02% annually), is doubling every 19 years and is expected to reach 38 million by 2026. There are also large gender disparities, with significant gaps in women’s access to economic, social and political opportunities; Yemen ranks 155 out of 156 countries in the UNDP Gender Development Index. Recent reports indicate that Yemen is at the verge of an economic collapse making economic problems as Yemen’s biggest challenge that needs to be addressed in order for Yemen to move forward.

KEY ECONOMIC INDICATORS

Gross Domestic Product (GDP), Inflation and Unemployment
Yemen’s economic outlook remains grim, as persistent political unrest continues to hit private consumption, fixed investment and exports. The country's prospects in the years ahead are highly dependent on the degree to which promised foreign aid receipts materialise. According to BMI, real GDP is estimated to grow by just 4.4% and 3.2% in 2012 and 2013 respectively, following the contraction of last year. Moreover, given the extent of the political uncertainty, risks to the outlook are predominantly to the downside.

According to the Economic and Social Development Research Center in Sana'a, the general inflation rate in Yemen rose to roughly 23.17% at the end of last year compared to 13% in 2010. Last January, it reached 24.09%.

The report stressed that inflation doubled the size of the poor in society, worsened unemployment and the housing crisis, raised transportation costs, lowered the purchasing power of the local currency, slowed economic growth, caused instability and depressed investments. It also impacted the balance of payments and trade.

The International Monetary Fund’s Regional Economic Outlook said that “the currency depreciation and the shortage in commodities other than food were the direct causes of inflation.”

Unemployment is a major problem. According to the United Nations, the Yemen economy is caught in a jobless slow growth cycle leading to stagnant per capita incomes and rising levels of unemployment, particularly amongst the youth and women. Nearly half the population is below 15 years of age, and population growth has outpaced economic growth, with unsustainable levels of unemployment, estimated at 52.9 per cent among the 15-24 age group, and 44.4 per cent among the 25-59 years group.

<table>
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<tr>
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<th>2010</th>
<th>2011</th>
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<td>5,098</td>
<td>6,817</td>
<td>7,200</td>
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<tr>
<td>Real Percentage Change</td>
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<tr>
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<td>1,061</td>
<td>1,272</td>
<td>1,340</td>
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Idem PPP 2,413 2,457 2,599 2,307 2,249
Inflation 19.0% 3.7% 11.2% 17.6% 17.1%

Population
The population of Yemen is around 26 million, with 46% of the population being under 15 years old and 2.7% above 65 years.
Yemenis are mainly of Arab origin. Arabic is the official language, although English is increasingly understood by citizens in major cities.

Yemen is still a largely tribal society. In the mountains of northern Yemen live some 400 Zaydi tribes. The African-descended group known as Al-Akhdam form a kind of hereditary caste in Yemen.

The official language is Modern Standard Arabic. Yemeni Arabic is spoken in several regional dialects.
Yemen is one of the main homelands of the South Semitic family of languages, which includes the non-Arabic language of the ancient Hemari. Its modern Yemeni descendants are closely related to the modern Semitic languages of Eritrea and Ethiopia.

Yemen’s population growth is very high by world standards, and the highest in the Middle East. The population is generally young, with some 50 percent below the age of 15.
According to its National Population Council, a government body, 700,000 are added to the country each year. Its current population is set to double in the next two decades. The chart above shows the estimated population over the last five years in millions according to the IMF.

Currency
The official currency of Yemen is the Yemeni Rial, denoted by the ISO code YER. One rial is further divided into 100 fils.

Retail Sales
Yemen has does not have many well-developed commercial centres—even in the larger coastal cities, with the exception of Aden—and, therefore, has a relatively poorly developed retail sector. The majority of shops in major cities are small and family-owned and run. Small family shops and temporary road stands characterize this sector in the majority of inland towns.
About IMRG

IMRG (Interactive Media in Retail Group) is the UK’s industry association for e-retailing. IMRG is a membership community, set up to develop and the latest best practice advice to enable retailers to succeed in the world’s most competitive online market. IMRG is the recognised authoritative voice of e-retail, supporting and promoting online shopping and digital commerce since 1990.

The mission of IMRG international is to inform, assist and enable the successful adoption of interactive media by businesses and governments around the globe, by providing access to intelligence and know-how and by assistance and guidance in identifying and accessing markets. Our market research capabilities are greatly enhanced by the IMRSmart Knowledge Base. An exclusive product of IMRG, IMRSmart is a storehouse of contemporary and historical data covering a range of relevant categories (such as e-commerce, internet usage, demographics, economics, delivery and country-wide rankings) from countries across all regions of the world. IMRSmart features a user-friendly interface for undertaking graphical analysis of the data, exporting the data into different formats and carrying out comparative analysis.

About Aad Weening (author)

Aad Weening is involved with the international aspects of e-business around the globe. From 1966 until 1979 he worked at a professional secretariat agency offering legal and economic advice as well as lobbying services to ten trade sectors.

As managing director of the Dutch Mail Order Association he was in charge of the lobbying contacts with the Ministries of Economic Affairs, Justice, and Finance and the negotiations with the Dutch Post. Since 1993 he was secretary general of the Brussels based European Distance Selling Trade Association (EMOTA). In this capacity he represented the distance selling sector to European and international institutions on issues such as legal, consumer protection, consumer credit, international contract law, and postal services.

Through his numerous contacts in European Union countries and his international activities Aad has set up an unrivalled network of contacts for assisting companies to access these developing markets.

Following the evolution of the industry from traditional mail-order via distance selling to the multichannel and online business of today, he has developed great insight in global e-business.

Aad is author of a couple of in-depth reports with respect to e-commerce and online retail, such as the Global B2C e-Commerce Overview 2011 and 2012, specific country profiles covering leading and emerging countries in the world and the Gulf Cooperation Council B2C e-Commerce Overview, commissioned by Visa.

Our approach

IMRG publishes in-depth reports, data, analysis, forecasts and insights with respect to B2C e-commerce worldwide. We do so by gathering information from many sources, filtering it, and putting it into perspective.

Sometimes the information sourced can seem contradictory or different figures and data are given by different sources within the same country. In our Overviews and other reports such as the recent GCC report prepared for Visa we have mentioned these different sources and the different outcomes of such reports and studies. Often the definition of which data are included might differ. We do our utmost to carefully study and compare the available data, make the necessary and hopefully the right choices in which information to focus upon.
DEFINITIONS related to, internet, e-commerce, the index rankings used in this report and the economic indicators

A. Definitions related to internet and e-commerce

Internet is an open worldwide communication network, linking countless computer networks through a mixture of private and public telephone lines.

Mobile Internet refers to using a mobile phone handset device incorporating a web browser to access the World Wide Web.

e-Business or electronic business refers to commercial activities performed over computers and related technologies mainly through networks such as intranets, extranets, and the Internet to streamline, improve, and extend business operations. NOTE: e-Business and e-commerce are often viewed to be one and the same, however this is incorrect. e-Commerce is simply a part of e-business, more specifically, the trading aspect of e-business.

e-Commerce or electronic commerce, a subset of e-business, is the purchasing, selling, and exchanging of goods and services over computer networks (such as the Internet) through which transactions or terms of sale are performed electronically. e-Commerce can be broken into five main categories: B2B, B2G, B2C, C2B, and C2C:

- B2B (Business-to-Business) is the Internet-facilitated activity of companies doing business with each other such as manufacturers selling to distributors and wholesalers selling to retailers
- B2G (Business-to-Government) is the Internet-facilitated exchange of services, information and/or selling products from a business to a government agency on national, federal, regional or local level
- B2C (Business-to-Consumer) is the Internet-facilitated activity that involves transactions between businesses and consumers via a multichannel approach using a combination of channels such as shop, catalogue, internet, e-mail, telephone or a pure play approach by companies that originated and do business purely using the Internet as a medium without a physical (brick-and-mortar) store
- C2B (Consumer-to-Business) is the Internet-facilitated activity of consumers posting their project with a set budget online and within hours companies review the consumer's requirements and bid on the project. The consumer reviews the bids and selects the company that will complete the project.
- C2C (Consumer-to-Consumer) is an electronic Internet-facilitated medium that involves transactions between consumers utilizing a third-party. The most common example of C2C is the online auction. In this form of C2C, consumers post items for sale and other consumers bid to purchase them. eBay's auction service is a great example of where person-to-person transactions take place every day since 1995.

e-Government as defined by the World Bank refers to the use by government agencies of information technologies (such as Wide Area Networks, the Internet, and mobile computing) that have the ability to transform relations with citizens, businesses, and other arms of government. These technologies can serve a variety of different ends: better delivery of government services to citizens, improved interactions with business and industry, citizen empowerment through access to information, or more efficient government management. The resulting benefits can be less corruption, increased transparency, greater convenience, revenue growth, and/or cost reductions. Traditionally, the interaction between a citizen or business and a government agency took place in a government office. With emerging information and communication technologies it is possible to locate service centres closer to the clients. Such centres may consist of an unattended kiosk in the government agency, a service kiosk located close to the client, or the use of a personal computer in the home or office. Analogous to e-commerce, which allows businesses to transact
with each other more efficiently (B2B) and brings customers closer to businesses (B2C), e-government aims to make the interaction between government and citizens (G2C), government and business enterprises (G2B), and inter-agency relationships (G2G) more friendly, convenient, transparent, and inexpensive.

e-Retail (or online retail, e-tail, e-tailing, electronic retail or electronic retailing), is the selling of retail goods on the Internet. In the limited sense of the word, sectors such as online leisure travel, event tickets, downloading music or software are not included.

e-Services are defined as: “Deeds, efforts or performances whose delivery is mediated by information technology. Such e-service includes the service element of e-retailing, customer support, and service delivery”. This definition reflects three main components: service providers, service receiver and the channels of service delivery (i.e., technology). For example, as concerned to public e-service, public agencies are the service provider and citizens as well as businesses are the service receiver. The channel of service delivery is the third requirement of e-service. Internet is the main channel of e-service delivery while other classic channels (e.g. telephone, call centre, public kiosk, mobile phone, television) are also considered.”(Jennifer Rowley, Professor Information and Communications, Manchester Metropolitan University, UK)

Internet is an open worldwide communication network, linking countless computer networks through a mixture of private and public telephone lines.

m-Commerce or mobile commerce is the ability to conduct commerce, using a mobile device e.g. a mobile phone, a PDA, a smart phone and other emerging mobile equipment such as dash top mobile devices.

s-Commerce or social commerce is a subset of electronic commerce that involves using social media, online media that supports social interaction and user contributions, to assist in the online buying and selling of products and services.

World Wide Web is “the universe of network-accessible information, an embodiment of human knowledge.” The World Wide Web, abbreviated as WWW or W3 and commonly known as the Web, is a system of interlinked hypertext documents accessed via the Internet. With a web browser (such as Internet Explorer, Firefox, Opera, Safari) one can view web pages that may contain text, images, videos, and other multimedia and navigate between them via hyperlinks. (World Wide Web Consortium or W3C, the organisation Tim Berners Lee, the inventor of the World Wide Web, founded).

B. Definitions related to the rankings used

The Ease of Doing Business Index: Developed by the World Bank, averages the country’s percentile rankings on 9 topics, made up of a variety of indicators, giving equal weight to each topic. The rankings for all economies are benchmarked to June 2010. The Index covers 183 countries.

Economic Freedom Index: Economist Adam Smith formed this theory in his influential work, The Wealth of Nations, in 1776. In 2012, his theory is measured – and proven – in the Index of Economic Freedom, an annual guide published by The Wall Street Journal and The Heritage Foundation, Washington’s No. 1 think tank. For over a decade, The Wall Street Journal and The Heritage Foundation have tracked the march of economic freedom around the world with the influential Index of Economic Freedom. Since 1995, the Index has brought Smith’s theories about liberty, prosperity and economic freedom to life by creating 10 benchmarks that gauge the economic success of 184 countries around the world. With its user-friendly format, readers can see how 18th century theories on prosperity and economic freedom are realities in the 21st century. The Index covers 10 freedoms – from property rights to entrepreneurship – in 184 countries.
E-Government Development Index: The United Nations E-Government Development Database (UNeGovDD) is a benchmarking tool that provides a comparative assessment for monitoring progress of a country’s E-Government Development from 2003 to 2012. As such it provides an interactive snapshot picture of a country’s E-Government Development in the world. The primary source of data for the e-Government Development Database comes from the United Nations Global E-Readiness Reports and Survey. The Index covers 188 countries.

Logistics Performance Index (LPI): The Logistics Performance Index (LPI) measures the logistics “friendliness” of 155 countries. It helps countries identify the challenges and opportunities they face in their trade logistics performance and what they can do to improve. The index is developed by the World Bank, is based on a worldwide survey of operators on the ground – such as global freight forwarders and express carriers – and covers 155 countries.

The Networked Readiness Index (former: e-Readiness): Developed by the World Economic Forum, measures the propensity for countries to exploit the opportunities offered by information and communications technology. It is published annually. The NRI seeks to better comprehend the impact of ICT on the competitiveness of nations. The NRI is a composite of three components: the environment for ICT offered by a given country or community (market, political and regulatory, infrastructure environment), the readiness of the community’s key stakeholders (individuals, businesses, and governments) to use ICT, and finally the usage of ICT amongst these stakeholders. The Index 2012 covers 142 countries.

C. Definitions related to the economic indicators

Currency means any form of money that is in public circulation. Currency includes both hard money (coins) and soft money (paper money). Typically currency refers to money that is legally designated as such by the governing body, but in some cultures currency can refer to any object that has a perceived value and can be exchanged for other objects.

In this report we report in National currency and in US Dollars. For the years before 2012 we have taken the average annual exchange rate of the European Central Bank (ECB) or -when not supplied by the ECB- of the yearly average exchange rates of the US internal Revenue Service (IRS) or GO currency .com

Economic growth: a positive change in the level of production of goods and services by a country over a certain period of time. Nominal growth is defined as economic growth including inflation, while real growth is nominal growth minus inflation. Economic growth is usually brought about by technological innovation and positive external forces.

Real economic growth is a measure of economic growth from one period to another expressed as a percentage and adjusted for inflation (i.e. expressed in real as opposed to nominal terms). The real economic growth rate is a measure of the rate of change that a nation’s gross domestic product (GDP) experiences from one year to another. Gross national product (GNP) can also be used if a nation's economy is heavily dependent on foreign earnings.

Gross Domestic Product (GDP) current prices measures value-added production in today's prices. Increases in current price GDP can be driven simply by price changes when one of the key pieces of information that is needed is whether or not the quantity of final goods and services available is increasing or not. For this reason GDP series are often expressed in constant price.

On the contrary to this, GDP constant prices measures value-added production expressed in the prices of a particular year, known as the base period. It is calculated by adjusting nominal values for price changes. By expressing current price series in constant prices we can analyse the price and volume components separately.

GDP PPP per capita or Gross Domestic Product per capita expressed in Purchasing Power Parity (International Dollars): a nation's GDP at purchasing power parity (PPP) exchange rates is the sum value of
all goods and services produced in the country valued at prices prevailing in the United States in the year noted. This is the measure most economists prefer when looking at per-capita welfare and when comparing living conditions or use of resources across countries. The measure is difficult to compute, as a US dollar value has to be assigned to all goods and services in the country regardless of whether these goods and services have a direct equivalent in the United States. GDP per capita PPP enables to better compare the relative position of countries against each other.

Inflation: the overall general upward price movement of goods and services in an economy (often caused by an increase in the supply of money), usually as measured by the Consumer Price Index and the Producer Price Index. Over time, as the cost of goods and services increase, the value of a currency is going to fall because a person won't be able to purchase as much with that currency as he/she previously could.

Population can be defined as the total number of persons inhabiting a country, region, city, or any district or area. Often different sources, such as the ONS’s, IMF, World Bank, Population Reference Bureau, World Factbook, ITU, Interworldstats and others report different population figures, most probably because the figures are estimates extrapolated and based on the Census of a recent year. These differences might have serious consequences when calculating for instance GDP per capita, penetration of internet usage, mobile phones etc. In this respect we might refer to the 2010 study of Madar Research and Orient Planet indicating inaccuracies in population figures of the Gulf countries and urging the authorities to establish independent bodies to better monitor and update population figures and other statistical data. In the Gulf countries, for instance, these differences are “blamed” on the growing or decreasing number of expatriates, but even in countries where this is definitely not the case, population figures differ widely. In this respect we might mention Russia and Brazil amongst others.
Acknowledgements and Sources

This report could not have been realised without consulting a great many sources around the globe. As the internet and online penetrate deeper into society and become an ever greater part of our day-to-day lives, more research is done in all continents, regions and countries about the importance of the internet economy and e-commerce.

Sometimes the information sourced can seem contradictory or different figures and data are given by different sources within the same country. In our country profiles we have mentioned these different sources and the different outcome of such reports and studies. Often the definition of which data are included might differ. We have done our utmost to carefully study and compare the available data, make the necessary and hopefully the right choices in which information to focus upon.

The sources we consulted include but are not limited to:

◆ National and Central Banks
◆ Offices of National Statistics
◆ Telecommunications Regulatory Authorities
◆ International Monetary Fund (IMF)
◆ African Economic Outlook
◆ European Central Bank (ECB)
◆ World Bank
◆ United Kingdom Trade & Industry (UKTI)
◆ OECD
◆ World Factbook CIA
◆ US Department of State
◆ Business Monitor International (BMI)
◆ Oxford Business Group
◆ A.T. Kearney: Global Retail Development Index 2012
◆ Deloitte – Hidden Heroes
◆ Planet Retail
◆ Euromonitor
◆ International Telecommunications Union (ITU)
◆ Internetworldstats
◆ Social Bakers – Facebook and other social statistics
◆ Grail Research
◆ eMarketer
◆ Logistic Performance Index 2012 – World Bank
◆ Ease of Doing Business – World Bank
◆ Network Readiness Index – World Economic Forum
◆ Index of Economic Freedom 2012 – The Heritage Foundation
◆ E-Government Development Index 2012
◆ Wikipedia
◆ Google search engine
◆ Reports, Press Releases, Blogs, Comments and News Articles
◆ IMRSmart Knowledge Base
◆ IMRG International: estimates and analysis