

The dynamism of THE MIDDLE EAST

Investment in the Middle East is moving at a pace never previously experienced in the history of the world. **Katherine Edmond** interviews some of the New Zealanders trading there who share their experiences for others to follow.

Sometimes, consultant Graham Vaughan-Jones feels like grabbing people by the shirt and asking if they appreciate the size of the opportunity in parts of the Middle East.

"For a country the size of New Zealand, it's limitless and often supply, not demand, driven. Frankly, any Kiwi business that has an interest in selling offshore should be checking out the Middle East."

Call it excess or call it vision, but no one disputes that investment in the Middle East is moving at a pace never previously experienced in the history of the world. While it's too soon to gauge the impact of the current financial crisis, many working in the market believe the

Gulf States are the countries likely to best weather the storm.

But despite a further boom in many Middle Eastern economies from recent high oil prices, there's a region-wide recognition that the gains are finite and diversification is vital.

New Zealander Vaughan-Jones has been working in the region since the early 2000s, originally using his extensive international experience in financial and strategic advice for what were effectively 'recovery jobs'. Later he and a British colleague set up their own consultancy, Nextera-Global.

"Many of the international consultancies are struggling to source the necessary range of expertise to support the dramatic developments taking place as governments move from a

relatively immature state to a mature one in a breathtaking timeframe.

"Middle East authorities are looking to interact with senior, external advisors who can help them manage change, handle the risks and the challenges and achieve their goals and priorities in a way that delivers long-term and sustainable results."

And, says Vaughan-Jones, expectations are huge. "One consultancy had its education authority client asking what progress had been made after six weeks on the job. They want good news and they want it fast."

It's a dynamic environment where the construction boom daily changes the physical environment and the person in charge yesterday may not be the



Atlantis, The Palm, seen under construction in May this year in the United Arab Emirates.



REUTERS/JUMANA EL-HELOUEH

decision-maker of today. Many countries are eyeing opportunities there but New Zealand gets off the starting block well, says New Zealand Trade and Enterprise's (NZTE) trade commissioner Wayne Mikkelsen.

"We're seen as non-threatening, practical and pragmatic in the way we work. Our willingness to stand up for our views on the world stage is both appreciated and respected here. Because we have a similar sized population base to a number of Gulf countries, and expertise that is recognised internationally, New Zealand is regarded as a model for developing systems in areas such as health and education. The many Kiwi expats peppered through the region enhance that positive view and prove excellent ambassadors."

Kiwi approach

The New Zealand approach is exactly why education consultancy Cognition believes it has been successful in the Middle East.

Like many modern relationships, Cognition's association with Qatar began via the internet says Jo Mullins, executive director, international market development. The Middle East wasn't in its business plan but SARS and the Gulf War had emptied international school classrooms and it was fishing for new opportunities.

Mullins says the Qatar Supreme Education Council 'checked us out very thoroughly' and, in an environment where government-to-government contact confers high status, support from the New Zealand Ministry of Education helped.

Cognition, now in its fourth year in the region, works closely with schools in the Gulf States to

improve learning outcomes for students by providing a range of mentoring expertise and sharing the lessons learned during more than two decades of education reform in New Zealand.

Students in the schools where Cognition is working consistently score well in national testing. Greater opportunities are opening up for the company to contribute to other aspects of education reform and evaluation of the changes being made. It now has around 200 staff in the Middle East, primarily in Abu Dhabi and Qatar.

"It's because we respect the fact that it is their country that we have gone on getting more work," says Mullins. "New Zealanders tend to be sensitive to multicultural differences and Cognition is careful not to impose models of reform but to work in partnership and share our knowledge."

The success of education consultants like Cognition and Polytechnics International, which helped establish the recently opened Polytechnic of Bahrain, has led to NZTE identifying opportunities for New Zealand expertise to be applied in other areas such as resource management, transportation, tourism and hospitality.

Wellington fisheries management consultant Bruce Shallard, for example, first visited the Middle East in 1996 and now does 75 percent of his business there, having completed contracts in Iran, Oman, the United Arab Emirates and Yemen.

Shallard has won contracts ahead of well-established consultants and not because he offers the lowest price.

"New Zealand takes a modern approach to fisheries management, focused on sustainability and results to

prove it works. We also strike a chord with countries that are sick of others telling them how to do it. New Zealanders have a willingness to find solutions that work for local environments. We are not afraid to stick our necks out and tell it how it is."

People on the ground

No one knows better than Professor Neil Quigley how important it is to have someone on the ground when doing business in the Middle East.

The Victoria University deputy vice chancellor chairs the New Zealand Tertiary Education Consortium (NZTEC), a group of tertiary institutions which is collectively providing course content for degree programmes being established in new Colleges of Applied Science in Oman.

Quigley says for reasons of culture, resources and contractual matters, it's been the most challenging international project he's worked on.

"To take one example, we negotiated to be paid in New Zealand dollars but when the

formal signing was about to take place I was informed that the Omani Ministry of Finance had ruled that the contract had to be in Omani Rials. It could have caused a diplomatic incident not to sign but the result has been that movements in the exchange

rate substantially reduced the returns for us, despite the effort of the Omani Minister to provide compensation for the losses.

NZTEC has supplied the curriculum but the Omani education authorities have been in charge of implementation, a model adopted for reasons of cost but which Quigley says hasn't worked well.

"Originally we were going to send people from here to train Omani teachers but that was taken out of the budget. There is a real shortage of experienced university lecturers in the

Gulf States, so there have been problems. Having senior people on the ground to handle liaison, and to oversee implementation, would have made a huge difference."

Quigley says the project is now running smoothly after a lot of effort from both sides and

Murray Higgs, managing director of Structurflex, a former sail making company that now specialises in Fabric Architecture, first went to the Big 5 construction show in Dubai in 2000 and contacts made there led to a number of jobs. The Big

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he expects NZTEC to continue working in the market. But he advises other consultants not to underestimate the cultural differences they will encounter in the Middle East. "Many of the Omanis we deal with are intelligent, well educated and speak English beautifully but in fact they think and operate very differently from us."

With consultancy, it's the New Zealand knowledge and experience Middle East countries want to buy but in construction hiring locals often makes good sense.

5 attracts exhibitors and visitors from all over the world and is a favoured way for New Zealand companies to showcase their capability to buyers in the Middle East.

At the time the relationship with its first agent went belly up, the Middle East accounted for a quarter of Structurflex's business and Higgs made the decision to set up his own company.

"It cost us a quarter of a million dollars in the first year to rent offices, pay for visas, equipment, lawyers to set up the sponsorship agreement that

Trading in the Middle East

- There are three 'P's' for living and working in the Middle East – persistence, patience and politeness:
- it's a relationship market – you can't fly in and out or wave from the shore in New Zealand but need people on the ground. Get it right and the rewards are huge
- be patient but alert – people have to know and trust you before anything can progress
- bureaucracy is becoming more transparent but there is a lot to understand and work through. Outside of the Gulf States, visas can be hard to arrange and business regulations complex. Local knowledge is vital
- the Middle East is not one market and each country must be individually researched. Remember that modern, wealthy cities populated by overseas educated graduates can be a short drive from a conservative hinterland where people live in traditional villages and speak tribal languages
- explore the options for establishing a business. Agents may successfully service one market but a regional hub offers more growth potential. Outside of the Free Zones (Dubai has a number) you may need a local sponsor. Exclusive arrangements can be very difficult to get out of so choose carefully
- think carefully before setting prices – products and services will fetch good prices if they are needed to move a project forward. Price according to what the market will stand
- look local – carry a business card with a Middle East address and have a local mobile number, even if it's patched through to New Zealand.

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would allow us to operate in Dubai and a heap of other things.”

His staff there includes a Sudanese-born manager with a law degree and work experience in Europe and an Egyptian, university-educated engineer. Both were living in the United Arab Emirates and had experience in similar businesses. “It’s important to have people who understand the nuances of trade and how it’s done. A lot of work is paid for in cash for example—not to avoid tax, as there’s often no tax anyway, it’s just the way it works. Sending people there from New Zealand would not only be more expensive but probably not as effective.”

PACE OF DEVELOPMENT

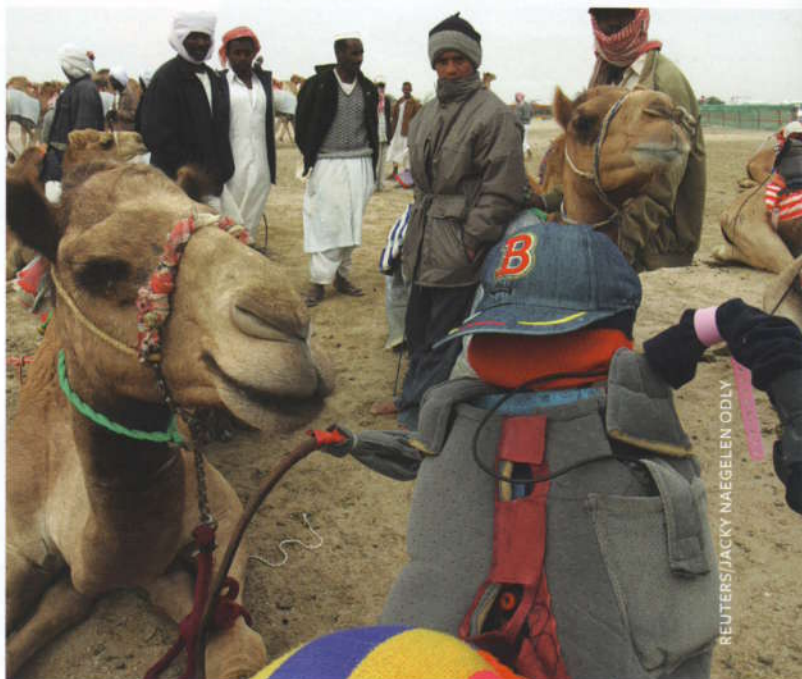
The pace of development in the Middle East makes technology from Auckland’s Framacad sought after in the region. Its clever 3D software allows plans for complex projects, and the steel components to build them, to be produced much faster than other building methods. A recent 929-square metre extension of a Dubai hotel for example was designed, built, fitted out and opened within a record 19 days using Framacad’s end-to-end design and build process methods.

Framacad’s marketing manager Alex Morcom says steel is not only lighter and much faster to build with, but has environmental advantages through being recycled and reducing fire risk in a water starved region.

Framacad went to The Big 5 in 2003 and has been back every year since. Opening an office in Dubai and hiring a native Lebanese steel framing expert from the United States to bring local expertise, were the next logical steps says Morcom. “It shows our commitment to the market but also allows us to support customers. Our technology is relatively new compared with more traditional building methods and few people have depth of knowledge about our systems.”

Morcom says Framacad views its office as a hub for the wider region. “It was a real challenge to bring visitors to New Zealand to see what we do. With an office and good reference sites and demonstration facilities in Dubai, we can properly service the whole Gulf region and beyond to places in North Africa and Europe.”

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A robot jockey is installed on a camel before a race at Doha’s Camel race track. Qatar banned the use of children as jockeys in camel races in 2003, and robot jockeys were adopted in 2006. Education consultancy Cognition has staff based in Qatar.

GETTING STARTED

Many Kiwi companies have used NZTE’s Beachhead programme for a soft landing in the lucrative Middle East markets.

The Middle East Beachhead members have access to an advisory board of high calibre senior executives from the private sector to advise on a host of issues and introduce them to local influencers and decision makers. The advisors’ expertise spans a wide spectrum of markets and sectors within the Middle East region and beyond.

Members can access office facilities, known as the New Zealand Technology Oasis and located within Dubai’s TECOM Free Zones, giving companies a base to rapidly become established in a tax-free environment with business friendly rules and regulations and state-of-the-art infrastructure.

It provides a two-year window to research the market, get revenue flowing and establish the best strategy to make a long-term commitment to the region. MEBH offers two service packages that include physical presence, in addition to the standard advisory board services.

FRAMECAD’s Alex Morcom says joining the Beachhead has been a fantastic entry strategy for the company. “It’s challenging and expensive to find your own office space. We can send guys to the Middle East, get them set up in an apartment and they’re able to start work immediately using the Beachhead facilities.

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