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GOING INTERNATIONAL TO THE UNITED ARAB EMIRATES

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ABSTRACT

The objective of the thesis is to describe the process of internationalization of three Portuguese companies into the market of the United Arab Emirates (UAE) in general and the Emirate of Dubai in particular and to explore the reason for the differences in the internationalization process of the companies.

The companies addressed by the thesis were Gelpeixe, Quidgest and Enouida. Although the three companies already possess some international presence and experience, they are eager to explore business opportunities in new emerging markets.

The study applied the analyses of internationalization process concepts and theory, the target market characteristics, the three companies' profiles, international objectives and product/ service particularities as well as a data qualitative analysis provided by a few Portuguese companies with operations in the UAE.

The findings in this thesis show that the internationalization strategy of a company is assumed to depend upon internal and external factors such as a company´s different level of international experience and objectives, different business sectors and characteristics of its products or services and particular target market conditions and requirements. Although the three companies share similar internationalization objectives the findings suggests different market entry strategies for each company, namely, direct export with an agency agreement, wholly owned branch and franchise. Regarding the companies internationalization objectives and the target market characteristics each market entry strategy entails specific steps which each company is advised to follow in order to raise the chances of success in terms of market entry and future development starting from a moderate risky approach to a more committed local presence.

Key Words: Internationalization, Agency, Branch, Franchise

JEL Classification System: M00, M160

ABSTRACT

A tese tem como objectivo descrever o processo de internacionalização de três empresas portuguesas para o mercado dos Emiratos Árabes Unidos (EAU) em geral e do Emirato do Dubai em particular e explorar a razão pela qual existem diferenças nos processos de internacionalização entre as empresas.

As empresas alvo de análise na tese foram a Gelpeixe, a Quidgest e a Enouida. As três empresas já possuem alguma experiência e presença internacional e continuam a desenvolver esforços na busca de oportunidades de negócio para explorar em novos mercados emergentes.

A realização do estudo envolveu a análise de diversos conceitos e teorias sobre processos de internacionalização, características do mercado alvo, perfil e objectivos de internacionalização das empresas, particularidades dos produtos/ serviços das empresas bem como uma análise qualitativa sobre a informação obtida através de empresas portuguesas com actividade nos EAU.

A tese permitiu entender que a estratégia de internacionalização de uma empresa deverá depender de factores internos e externos tais como os diferentes níveis de experiência internacional e objectivos da empresa, diferentes sectores de negócio, características dos produtos/ serviços e em particular das condições e requisitos do mercado alvo. Apesar das três empresas partilharem objectivos de internacionalização idênticos foi possível identificar diferentes estratégias de entrada no mercado para cada uma das empresas nomeadamente, exportação directa através de acordo de agência, subsidiária detida totalmente pela empresa mãe e *franchising*. Considerando os objectivos de internacionalização de cada empresa e as características do mercado alvo foi delineada uma estratégia de entrada para cada empresa que começará por uma aproximação de risco moderado até atingir uma posição local com maior grau de compromisso. Cada estratégia inclui um conjunto de passos que se aconselha serem seguidos por forma a maximizar o sucesso de entrada no mercado e assegurar um crescimento sustentável.

Palavras-chave: Internacionalização, Agência, Subsidiária, Franchise

JEL Classification System: M00, M160

SUMÁRIO EXECUTIVO

As empresas quando querem entrar num novo Mercado estrangeiro têm à sua disposição um largo número de métodos de entrada de onde podem escolher aquele que consideram ser mais vantajoso. Porém, esta decisão pode ser crítica na medida em que o método escolhido influenciará o sucesso da entrada no mercado e respectivo processo de internacionalização.

A tese permitiu concluir que ainda que as empresas tenham objectivos de internacionalização muito semelhantes, os métodos de entrada são diferentes, dependendo essencialmente do sector de negócio em que operam, da dimensão e disponibilidade de recursos humanos e financeiros, da experiência internacional que possuem, se comercializam produtos ou serviços e características dos mesmos, dos agentes no mercado alvo e da distância e particularidades do mercado alvo.

Esta investigação permitiu também entender que as empresas quando entram num novo mercado, não começam sempre pelo método com menor risco, geralmente exportações irregulares, e que apenas vão desenvolvendo a sua presença local à medida que vão estando mais envolvidas e ganhando mais experiência. Empresas que possuem já alguma experiência e conhecimento sobre internacionalização estão mais disponíveis para começar por métodos com maior risco e investir em presença local e parcerias.

A tese permitiu também perceber que mercados emergentes, como o Dubai em particular, têm grande interesse em atrair investimento directo estrangeiro e que para tal têm vindo a criar todas as condições e incentivos para atrair empresas estrangeiras. Uma economia em forte crescimento, uma localização estratégica, um elevado poder de compra, a inexistência de impostos para indivíduos e empresas, a disponibilidade de zonas francas e a liberdade de expatriação de capital são algumas das razões porque as empresas portuguesas devem olhar com particular atenção para este mercado e explorar todas as oportunidades ainda por revelar.

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1. INTRODUCTION

1.1. Background

Today's world business is globalized. Worldwide trade and opportunities are rising, making the practice of international operations part of the everyday life of companies. Companies go international because increased global business activities create increased opportunities. Additionally, the current sovereign debt problems and economic distress in some western European countries has put higher pressure on local companies to expand their activities into new, potential high-growth foreign markets. In order to survive, to grow or to strengthen their competitive advantage, many companies can no longer be focused only in their domestic markets and therefore they are pushed to become less conservative and look at business from an international and global perspective instead.

According to Root (1994), companies staying at home, sooner or later learn from hard experience that there are no longer any domestic markets but only world markets and if the global economy is a threat to domestic organizations, it is also an opportunity for them to exploit bigger and faster-growing international markets.

Internationalization

The globalisation and internationalization concept embraces the trend toward growing interdependence among national institutions and economies and according to this trend national boundaries are becoming less relevant (Wild et al, 2003). National economic isolation has become an impossible reality and internationalization is even more necessary because the failure to participate in the global market affects the economic capability of a nation (Czinkota and Ronkainen, 2004).

According to Root (1994) organizations become committed to international markets only when they come to believe they cannot attain their strategic objectives by remaining at home. Many organizations have already reached this point, and the effect of the continuous expansion of globalisation will certainly bring many more organisations to that point in the future.

Process of internationalization

Many companies experience into international activities through a series of phased developments and according to Czinkota and Ronkainen (2004), internationalization is a gradual process for organizations. Export operations are usually the first step in internationalization for most of the companies and only after they get more involved, they start developing new strategies. According to Root (1994), only after some success in casual export or licensing, do some companies start to think about what is needed to create positions in foreign markets that can be sustained over the long run.

According to Hollensen (1998), the company major motives to start with international activity can be divided into proactive and reactive motives whereas proactive motives are focusing primarily on opportunities and reactive motives are necessary for the company's survival.

Tax benefits, investment of profits, higher profit margins, economies of scale, profit and technological advantage, market potential, unique product or service advantages can be seen as proactive motivations for organizations to go international. On the other hand, perceived/ imminent saturation in the domestic market, competitive pressure, overproduction, increased taxes, risk diversification, excess capacity, declining domestic consumption and domestic economic and political instability can be seen as reactive motivations for organizations go international.

In order to help deciding to adapt a proactive or reactive strategy, companies also need to address internal and external factors extensively when preparing international expansion. Internal factors such as corporate objectives, organization and resource availability need to be fully addressed. External factors such as competition, consumer behaviour, technological change and economy potential also need to be considered carefully.

International market entry

An international market entry mode is an institutional arrangement that makes possible the entry of a company's products, technology, human skills, management, or other resources into a foreign country (Root, 1994).

According to De Burca et al (2004), when selecting entry modes for foreign markets, organizations can experiment different approaches which have different implications for large, small and medium-sized companies. Most small and medium sized enterprises that enter foreign markets do it in a country-by-country basis providing a suitable pace with good control over the development. (ibid)

Once a company has decided to enter or expand into a foreign market, it must determine the structural nature of its operations in that nation. (Osland et al, 2001). The importance of choosing the right method of entry into foreign markets is one of the most critical decisions because the entry decision will set forth the objectives, goals, resources, and policies that will guide the organisation's international operations over a future period long enough to achieve sustainable growth. According to Root (1994) for most organizations the entry-strategy time horizon is from three to five years, because it will take that long to achieve enduring market performance.

Regarding the foreign market entry strategies there is a wide variety from where to choose and each one has particular advantages and disadvantages, depending on the company objectives, the market characteristics, the product characteristics, etc. Before entering the foreign market, companies need to clearly understand each one of the strategy concepts.

According to Czinkota and Ronkainen (2004) companies making foreign direct investment can choose from large ownership to a minority interest. The different levels of ownerships will result in a varying flexibility, a changing ability to control strategy, and differences in the level of risk assumed.

2. INTERNATIONALIZATION AND ENTRANCE INTO NEW MARKETS

2.1. Evaluating and Selecting the Target Market

It is widely recognized that many companies still overestimate the attractiveness of foreign markets because usually they are enthusiastic by the size of the potential market and the potential business opportunities, that they forget the difficulties and challenges of entering new and often very different markets.

According to Pankaj Ghemawat (2001), companies often rely on tools that consistently underestimate the costs of doing business internationally. Country Portfolio Analysis (CPA) is still widely used as a tool for deciding where a company should compete, but CPA places all the emphasis on potential sales and ignores the costs and risks of doing business in a new market. Most of these costs and risks result from barriers created by distance in all of his forms, namely geographically, cultural, administrative, political and economic. The combination of these can make foreign markets more or less attractive.

For instance, cultural and administrative differences can have a huge effect in doing business. According to Pankaj Ghemawat (2001), a company is likely to trade ten times as much with a country that is a former colony, than with a country to which it has no such ties. Also, a common currency increases trade by 340 percent.

Although the effect of globalization is making the world smaller and more homogenous, companies still need to address very carefully all the dimensions of distance in order to collect a deeper and clearer insight of the real business opportunities.

According to Pankaj Ghemawat (2001) the distance between two countries can manifest itself along four basic dimensions namely, cultural, administrative, geographic and economic.

Difference in religious beliefs, race, social norms and language are all capable of creating distance between two countries. (Pankaj Ghemawat, 2001). For instance, the Chinese don’t prevent the copyright infringement, like the westerns do, Muslims don’t eat pork or drink alcohol because it’s against their religion, Muslims eat halal food, Hindus don’t eat beef because it’s sacred and their religion also forbids consumerism.

Historical and political associations shared by countries greatly affect trade between them (Pankaj Ghemawat, 2001). Relations between colony-colonizer, preferential trade agreements, common currency, political and economic union can have a big effect in the increase of trade. Nevertheless, companies need to consider that administrative distance can be created unilaterally by the other country since, in order to protect domestic industries, it can create tariffs, trade quotas, restrictions of foreign direct investment, favouritism to local companies, etc. Institutional infrastructures and social conflict can also affect trade between two countries since most usually companies stay away from risky countries in these matters. For instance, if a country has low levels of corruption and a reliable and working legal system it becomes more attractive to companies.

According to Pankaj Ghemawat (2001), geographic distance is not simply a matter of how far away the country is in kilometres, because attributes such as the physical size of the country, average within-country distance to borders, access to waterways and the ocean, and topography also contribute for a wider or smaller distance. Transporting low value-to-weight, bulk ratios, fragile or perishable products can impact trade and must be considered to determine the way of doing business. Some companies may even consider a direct investment in a local plant as an alternative way to access the market. According to Pankaj Ghemawat (2001) intangible goods and services are also affected by distance, not because of the transport costs, but because of the level of information infrastructure, measured by telephone traffic, number of branches, etc.

The wealth or income of consumers is the most important economic attribute that creates distance between countries, and it has a marked effect on the levels of trade and the types of partners a country trades with (Pankaj Ghemawat, 2001). Companies that rely on economies of experience, scale, and standardization should focus more on countries that have similar economic profile. That’s because they have to replicate their existing business model to exploit their competitive advantage, which is hard to pull off in a country where a customer incomes are very different.

Finally, according to Pankaj Ghemawat (2001), in some industries their competitive advantage comes from economic arbitrage where companies benefit from costs and prices differences between markets.

2.1.1. Preliminary Screening

The preliminary screening process mainly relies on secondary data for country specific factors as well as product and industry specific factors. Country specific factors include for example population GDP, market size and accessibility, cost of doing business, risk level, competitive advantage, etc. The indicators presented in Table 1 are employed to determine the market overall buying power as well as market potential. The country demographic characteristics, socio-cultural factors, geographic characteristics, political and legal factors, as well as economic factors should be carefully examined. The company is naturally interested in their own operational area, therefore product specific factors should be analysed to narrow the research. The statistical data should be joined with the qualitative assessment of the impact of cultural elements and the overall climate for foreign companies and products (Czinkota et al, 1998). A potential target country is the one which satisfies the set levels.

Table 1: Indicators of Market Potential

Demographic Characteristics	Socio-cultural factors
Education Population size and growth Population age composition	Consumer life style, beliefs and values Business norms and approaches Cultural and societal norms Languages
Geographic Characteristics	**Political and Legal factors**
Climate Country size Population density - urban and rural Transportation structure and market	National priorities Political stability Government attitudes toward global trade Government bureaucracy Monetary and trade regulations
Economic Factors	
GDP size and growth Income distribution Industrial infrastructure Natural resources Financial and human resources	

Source: Kotler & Armstrong, 2008

The Political, Economic, Social-Cultural and Technological (PEST) analysis is also a useful instrument to assess the countries' potential. Companies cannot control each one of these four factors, and the current situation of these or potential changes can represent threats and/ or opportunities for companies.

According to Freire (1997) in order to narrow the internationalization options and ease the decision on which internationalization method to choose companies also need to evaluate other specific factors such as:

Access to market: identify the existence of entry barriers, the difficulty to penetrate the distribution channels or the need to reach a major recognition of the brand locally which may require a more active international presence by using Foreign Direct Investment. For example, many years ago the Italian brand Ferragamo decided to develop from a pure export mode to the development of a subsidiary for distribution and marketing actions in the Japanese market to ensure a bigger and better coverage of the local market.

Experience: the company internationalization history and knowledge, the weight of international sales in the overall sales of the company and the own company performance in foreign markets can influence its choice of internationalization mode.

Competition: oligopolistic competition or the necessity to handle other foreign competitors or the protection of strategic markets may influence the decision of specific entry modes instead of others. For example the American Caterpillar decided to invest in Japan through the creation of a joint venture with Mitsubishi to fight in its own field his biggest competitor the Japanese company Komatsu.

Risk: currency variations, political instability, cultural differences, among others, can pose a big influence in the internationalization method.

Control: the necessity to protect the brand, to protect its own technology and to ensure quality delivered to the client, may require different levels of internationalization approach, considering the strategic goals of the company.

Payback: the investment payback period, the Return on Investment or the ease to expatriate profits are additional elements that can influence the selection of the most suitable internationalization method.

Assets nature: the bigger or minor possibilities of operations transfer to a foreign market, the technology transaction ability, or the products specificities can influence the internationalization method decision as well.

Cost: the cost of entering a foreign market, the competitiveness of the company products in the foreign markets and the required dimension to reach competitive advantages also need to be considered when choosing the internationalization method.

Resources: human resources availability, financial resources availability and organizational resources availability also affects the nature of the internationalization method the company should choose.

Products: dimension and nature of the products, their technological level and the investment intensity requirements also affects the company internationalization method decision.

2.2. Internationalization Methods and Market Entry Modes

Once the company has decided which market to enter it has to choose the most suitable operational model on how to enter the market which, according to Vahvaselka (2009) can be divided into external and internal aspects. External aspects can be the homeland conditions, market potential, size of the target market, easiness and rapidity of the target market entry, risk level, macro and micro environmental factors and availability of the modes of entry and related demands and complexity. The internal aspects for a company can be strategy, objectives, goals, size, experience, commitment, financial and personnel resources, products and competitive advantage. Besides the internal and external aspects, companies should also consider their product factors like uniqueness, technology, the need of maintenance, the price of the product as well as immaterial rights when deciding the mode of entry.

To start the selection of the mode of entry companies must first examine their long-term internationalization objectives along with the identification of opportunities for competitive advantage in the target market. In the next phase, companies need to identify the right operational mode to enter the market asking themselves which one will be the most advantageous and suitable to reach the objectives. The following step is to compare the different operational modes for example between their features, expenses, risks, easiness, profit potential (ROI), rapidity to enter the market, obtaining the market information and know-how, as well as their opportunity for controlling market activities. All of these criteria combined will help the organization to better identify the pros and cons of the operational modes and facilitate the final decision.

2.2.1. Foreign Entry Modes

According to Vahvaselka (2009), operational modes in internationalization can be divided into exporting, joint venturing and direct investment entry modes.

2.2.1.1.Export

In exports, goods are produced in the home country and exported directly by the company (own export) or using intermediaries (indirect and direct export).

Usually when a company wants to start its internationalization process, it will choose to export goods to other countries as the first step because through exports, companies can avoid the costs of setting up operations in the host country and they can also gain experience about the market. Export is also regarded as a flexible instrument since companies can react in fast way to business opportunities that arises anywhere. However, for some companies export might not be a solution because it usually involves high transport costs which for some products might not be feasible and also it might turn out to be much cheaper to produce goods abroad instead of exporting them. Other factors to be considered are the tariff barriers since these may render exporting risky, financially unjustifiable and contribute to weaker bargaining power due to the lack of a presence or volume of trade.

By own export, a company sells its goods straight to the foreign customers without involving an intermediary. Through own exporting activities, a company gains customer and market intelligence due to the higher level of involvement in the process, marketing and services which must be customer-oriented and flexible. There are also disadvantages in own exporting. The company has to travel to the target market and needs local know-how. Also, the exporting expenses are high when a company exports directly on its own (Vahvaselka, 2009; Kotler & Armstrong, 2008).

Indirect exporting means that the company uses intermediaries such as export companies, export agents or export partner networks to take care of all export activities which means that a company does not deal with foreign customers or companies by itself. Indirect exporting should be taken into consideration if an organization's own experience is limited in international business and if the intermediate's resources as well as the know-how benefit the organization. The indirect exporting entry mode is low risk for the exporter, however, indirect exporting is expensive since each intermediary takes their compensation and this adds up to the final price of the product. (Vahvaselka, 2009)

In direct exporting the company handles the exporting activity by itself and is in contact with the intermediaries in the target market such as import agents, retailers or brokers. Direct exporting requires bigger efforts, professional personnel, more risk taking and exporting knowledge and experience from the company than indirect exporting, since it is necessary to know the market, select the agent or distributor carefully and possess the knowledge in marketing as well as exporting routines. Benefits of direct exporting can be a shorter distribution channel, smaller distribution expenses as well as closer connection to the end user and greater potential return. (Vahvaselka, 2009; Kotler & Armstrong, 2008). Czinkota et all (1998) state that these companies are more likely to gain their competitive advantage quicker and therefore expand more rapidly. They will also have better control in their international business activities and the building of business relationships with their trading partners.

2.2.1.2.Joint Ventures

An alternative method of entering a foreign market is through the development of a joint venture. In a joint venture the company joins with two or more independent foreign companies to produce or market a product or service. Because of the joint with a local partner, the different culture, language and so on in the host country will not be an obstacle for a firm to enter the foreign country. Also the costs and risks can be shared among the partnering firms. On the other hand, a joint venture entails risks, such as facing a company to share the control of its technologies, knowledge and brand. The company will not have a tight control on the subsidiary with this entry mode and the shared ownership may turn up in conflicts and battles for control.

Joint Ventures include modes such as licensing, franchising, management contracting, project operations and joint ownership. Piggybacking is also regarded as a voluntary alliance between two companies, usually with no equity ties.

A licensing agreement is an arrangement where a licensor grants the rights to intangible property to another entity for a specified period and in return, the licensor receives a royalty fee from the licensee.” (Hill, 2007)

If a company wants to enter an unfamiliar or political volatile foreign market, or if the foreign country has some entry barriers it can choose the licensing entry mode. Through licensing the company doesn’t need to face the development costs and risks of establishing the operation directly in a foreign market and the company can expand to the foreign market with little resistance.

Licensing is a good opportunity for companies who want to profit from their product and service innovations globally, but are missing financial or personnel resources and know-how. (Vahvaselka, 2009).

However, the company has less control over the licensee than it would over its own operations, and if the licensee is very successful and the contract is about to come to the end, the company may find it has created a competitor. (Kotler & Armstrong, 2008)

Another option of licensing is franchising. Franchising is when a business realizes that its products or services and brand have created value that other investors want to replicate its proven concept. In the franchise model the franchisor sells the rights to its business model to a franchisee. Through franchising the franchisor has the right on how the franchisee should run the business. Franchising generates instant cash flow and requires no supplementary real property or equipment and it has no liability for daily operations and management and other emergencies. More benefits can be added such as the fact that the franchisor has a long term residual income stream at his disposal and it is able to start internationalization faster with fewer assets. The company will gain valuable information and experience from the target country for later usage.

This entry mode also entails a lower cost and risk although because of the distance, it will be difficult to realize its control which may lead to quality problems.

Another joint venture entry mode is management contracting in which the domestic company provides the management know-how to a foreign company that supplies the final products. Contract manufacturing is beneficial when manufacturing costs are cheaper abroad than in the home country. (Kotler & Armstrong, 2008).

Project operations include selling a specific project abroad such as equipment installation, implementation of the factory investments, or community building project. Projects can be partial projects, turnkey projects and turnkey plus projects or consortiums. (Vahvaselka, 2009: 77)

In turnkey projects one side will handle all the project for the other side and after the completion of the contract, the key to a plant will be given to this foreign client of operation. Turnkey projects are often used in the industries with complex and expensive production technologies, such as chemical, petroleum, and metal refining industry. As an example, the Portuguese pharmaceutical company Atral-Cipan participated in several turnkey projects in some Middle East countries, where it has developed plants for the production of medicines. Nevertheless a turnkey project does not provide long-term interest in the foreign country, a competitor may be created and also the firm with high technologies may be selling competitive advantage to a potential or actual competitor.

Turnkey plus contract can also be an option where this leaves the developer with some financial long-term interest in the project. For example, a builder will construct a retail establishment for an owner, and the builder will receive a percentage of the gross receipts for a specific period of time. This may encourage the builder or developer to make construction decisions based on the long-term needs of the project, rather than just the short-term decisions needed to get the job done.

A consortium is a collective group, typically one made up of groups like businesses, educational institutions, or financial companies. The structure of a consortium varies, depending on the agreement the members reach and in most of the cases, each member is a distinct entity, retaining all of its own assets, and the members simply bargain or work together. A consortium can be an advantageous mode of entry when a company with no experience in a foreign market has in his consortium a more experienced company.

In a joint ownership a company joints investors in a foreign market to create a local business in which they share joint ownership and control (Kotler & Armstrong, 2008). The joint ownership can be very useful if a company's physical, financial or managerial resources are not enough to undertake the venture alone.

In piggybacking exporting, one manufacturer uses its overseas distribution to sell another company's product along with its own. (Terpstra and Sarathy, 2000). Piggybacking is considered as an early form of strategic alliance where firms join together voluntarily, usually with no equity ties, to reach some objectives together that they cannot reach efficiently by themselves (Terpstra and Yu, 1990).

In piggybacking there is what is called the carrier and the rider, whereas the carrier is usually a large firm with considerable international business and experience, and sometimes with distribution facilities in several countries and the rider is the supplier of products. According to Terpstra and Yu (1990), the rider generally supplies the product while the carrier performs the marketing and distribution strategy. According to Jeannet and Hennessey (1995), the rider is piggybacking its products on the shoulders of the established company.

Piggybacking can be very interesting for companies who have a gap in their product line, because in this way the company has the possibility to acquire the necessary product outside and in a very fast way. It is also regarded as a low cost solution because by getting the product, the carrier does not have to invest in R&D, production facilities or marketing tests of the new product. (Hollensen, 1999).

2.2.1.3.Direct Investment

Direct investment requires the largest involvement in foreign markets and usually the company has gained market experience already through exporting. Foreign Direct Investments include green field operations and acquisitions and if the market is large enough, direct investments can offer many advantages. Through direct investment the company's show its commitment with the market promoting in this way a better image of itself and especially deeper relationships with customers, local suppliers, distributors which allows the company to adapt its products to meet the local needs better. Through direct investment, the company can reach very advantageous agreements with the local government. The company's direct investment allows also a full control over its activities. However, this entry mode is the most risky in terms of restricted and devalued currencies, falling markets or government changes. (Kotler & Armstrong, 2008)

The Direct investment entails what is also called as wholly owned subsidiaries where the company will be the owner of 100 percent of the stock. Usually, there are two ways to establish this subsidiary. One is what is called Green Field investment where a company starts a new venture in a foreign country by constructing new operational facilities from the ground and the other is the opposite namely a Brown Field investment where a company acquires or leases existing production facilities and then produce its own items in these facilities. Both strategies are used in Foreign Direct Investment.

Through a wholly owned subsidiary the company will have a tight control on the operation and also will not lose its technologies to others. The main disadvantage is that it is the most costly and risky method of entering a foreign market. Usually associated with Green Field investments is the creation of long-term jobs in the foreign country by hiring new employees.

2.3. Developing Alliances

Research by Carvalho (2011) has provided evidence that regarding the importance of alliances in the internationalization process, an international cooperation agreement between companies is identified as a relatively long relation involving connections and flows which uses the resources and/ or structures from autonomous companies, based in two or more countries, for the satisfaction of common objectives.

Alliances between companies can take many forms from the most complex to the simplest ones depending on the objectives of the internationalization.

According to Carvalho (2011) alliances can be horizontal, involving the cooperation between two companies from the same business sector, although competitors, or vertical involving a supplier or a purchaser.

Horizontal alliances include licensing, consortium and cooperation with potential technological, market and complementary knowledge sources competitors. Vertical alliances include outsourcing and alliances with the suppliers or clients. (Carvalho, 2011).

The internationalization process is recognized as becoming increasingly complex and companies face many questions when they need to decide on the alliance to choose. Research by Carvalho (2011) has provided evidences that the main factors affecting the alliances participation by companies are the level of control, the resources commitment and the risk dissemination.

Research by Carvalho (2011) has provided evidences about suggestions on different entrance methods for multinational companies, namely:

- Companies which follows multidomestic strategies should prefer low control entrance methods, and on the other hand companies that follows a global strategy should prefer high control entrance methods;
- When the necessity for global strategy coordination is high, companies favour high control entrance methods;

- When the target country risk is high, companies should prefer a relatively low resources commitment entrance method;
- When the perceived distance with the target country is big, companies should select a relatively low resources commitment entrance method;
- When there is uncertainty about the market demand level, companies should favour a relatively low resources commitment entrance method;
- When there is competition volatility in the target market, companies should prefer a relatively low resources commitment entrance method;
- The bigger the potential know-how earning generated from a company proprietor, the bigger the chance that the company will favour a minimal risk dissemination entrance method;
- The bigger the specific tacit know-how from the company is, the bigger the chance for the company to favour a high control entrance method.

As mentioned, different entrance strategies can be adopted by companies, nevertheless, companies should choose the strategy that maximizes the long run value of the company, after evaluating all the relevant factors into consideration.

2.4. Foreign Direct Investment Determinants in the MENA Region

According to the UNCTAD (United Nations Conference on Trade and Development) Foreign Direct Investment (FDI) is defined as:

"*An investment involving a long-term relationship and reflecting a lasting interest and control by a resident entity in one economy in an enterprise resident in an economy other than that of the foreign direct investor. FDI implies that the investor exerts a significant degree of influence on the management of the enterprise resident in the other economy. Such investment involves both the initial transaction between the two entities and all subsequent transactions between them and among foreign affiliates, both incorporated and unincorporated*." (UNCTAD, 2006)

Regarding the level of FDI this is recognized as being closely related with the entry mode and ownership decision whereas if a company chooses a high control entry mode (wholly owned subsidiaries) the FDI level will be higher than if decided for a low control entry mode. Market entry through a joint venture is an effective way of reducing internal and external uncertainty, while wholly owned subsidiaries leave a company exposed to uncertainty arising from cultural distance and other identified distance factors. Location determinants of FDI are usually the market size, openness's to trade and environmental risk and institutional factors.

Research by Rogmans (2011) has provided evidence that market attractiveness, openness to trade and energy prices have positive association with FDI flows into MENA countries, but on the other hand a country's endowment of energy resources has a negative association with FDI flows. Rogmans (2011:14) refers that "*The finding that a country's energy endowment is negatively associated with FDI inflows represents an extension of the "Dutch disease" or "resource curse" theory to FDI flows. Those countries that earn large reserves of foreign currency from oil and gas revenues have found it not desirable to open up their markets to foreign investor. This view is supported by the generally high level of restrictions to foreign ownership in OPEC countries compared to non-OPEC countries in the MENA region*".

Following the "Dutch disease" argument, countries with significant endowments of energy resources attract less FDI than countries without such resources, meaning that the theory of the existence of natural resources is conducive to attract investment does not always apply.

According to Rogmans (2011) the "Dutch disease" theory says that a country manufacturing sector declines as a result of a sudden increase in revenues from oil and gas. The manufacturing sector decline occurs because earnings from energy export push up a country's real exchange rate, thereby making local manufacturing activity uncompetitive, both domestically and in international markets.

Furthermore, research by Rogmans (2011) has provided evidence about the importance of market attractiveness for market seeking investments. When companies are considering the location of regional headquarters they address full attention and importance to institutional factors, infrastructure and quality of life. As for the ownership modes, research by Rogmans

(2011) has provided evidence that the transaction costs determined whether companies would consider ownership modes other than full ownership.

Overall research by Rogmans (2011) has provided some interesting considerations about the determinants of FDI in the MENA region, namely:

- Market attractiveness, openness to trade and energy prices are significant determinants of FDI inflows in the MENA region;
- In the MENA region, institutional quality and regulatory stability are more relevant in determining FDI flows than overall measures of environmental risk;
- FDI flows are positively associated with the size of a country government budget and current account deficits, indicating that countries with high deficits may be using FDI as a mechanism to maintain external balances;
- A variation of the "Dutch disease" or "resource curse" theory applies to FDI in the MENA region;
- International investors in the MENA region do not view joint ventures as an effective mechanism to manage environmental risk. Instead they prefer to have full ownership and control (if transaction costs are high) or resort to licensing (if transaction costs are low).

Agarwal and Ramaswami (1992) define environmental risk as "the uncertainty over the continuation of present economic and political conditions and government policies which are critical for the survival and profitability of a firm's operations in that country".

2.5. The Uppsala Model

According to Johanson & Vahlne (1977) the internationalization of a firm is a step by step process of increasing commitments as a firm develops international experience. Companies which are establishing themselves internationally should follow defined steps where each step represents an additional resource commitment:

1. Irregular export activities
2. Export via independent sales representative

3. Establishment of overseas sales subsidiary
4. Establishment of foreign manufacturing subsidiaries

Johanson & Vahlne (2009) also observed that companies start in foreign markets that are close to the domestic market in terms of cultural and mentality aspects. Companies then move gradually into markets that are further away in terms of cultural or mentality aspects.

Some exceptions in following the model steps may occur, when firms have access to a large pool of resources, firms with the ability to obtain relevant market knowledge in ways other than through direct experience or firms that use the experience obtained in similar markets.

3. THE UAE MARKET REPORT

3.1.1. Fast Facts and Figures

In 25th May 1981, following the Iranian revolution and after the start of the first Gulf War between Iran and Iraq the leaders of the UAE, State of Bahrain, Kingdom of Saudi Arabia, Sultanate of Oman, State of Qatar and State of Kuwait founded The Cooperation Council for the Arab States of the Gulf, better known as Gulf Cooperation Council (GCC).

The GCC aims to strengthening ties between the six countries peoples by formulating similar regulations in strategic areas like economy, finance, trade, currency, customs, tourism, legislation and administration. The GCC is also taking a close look to have a sustainable economic and business development in the future by fostering innovation, scientific and technical progress in industry, promoting joint ventures and encouraging cooperation of the private sector.

Until now, the GCC members have been developing activities and following shared economic goals and ultimately hope to create a unified economic block paring with other regional and economic blocks like the European Union (EU), Association of Southeast Asian Nations (ASEAN) or Southern Common Market (Mercosul).

In May 2011 the GCC announced the bid to welcome two more Arab monarchies, Morocco and Jordan, to join the council. Negotiations are still on-going and no major decisions have yet been reached, although the GCC is very aware that the GCC and Morocco/ Jordan share economic synergies that lead to mutually beneficial goals.

From all the GCC countries Saudi Arabia is the biggest in terms of country size, population, nominal GDP and political/ economic influence, followed by the UAE. While the most advanced economies in the West see their population getting older the GCC countries show a high level of population growth as well as a very young population with an average age ranging from 24,1 years old in Oman to 30,9 years old in Bahrain. Following the most suitable education programs implementation for the population the GCC states may expect in the future a high level of available qualified human resources for their economies, despite the current high level of expats in the overall population in some of the countries, especially UAE and Bahrain.

Table 2: Key Facts and Figures of the GCC

Area/ Population	UAE	Bahrain	Kuwait	Qatar	Oman	Saudi Arabia
Surface Area (sq km)	83.600	760	17.818	11.586	309.500	2.149.690
Population (2012 est)	5.314.317	1.248.348	2.646.314	1.951.591	3.090.150	26.534.504

Age Structure	UAE	Bahrain	Kuwait	Qatar	Oman	Saudi Arabia
0-14 years	20.40%	20.50%	25.80%	21.80%	31.20%	29.40%
male	537.925	126.313	348.816	95.240	484.292	3.939.377
female	513.572	122.359	321.565	89.446	460.066	3.754.020
15-64 years	78.7% *	77% **	72.20%	76.70%	65.70%	67.60%
male	2.968.958	595.244	1.153.433	460.673	1.133.329	9.980.253
female	1.080.717	339.635	720.392	189.914	856.701	7.685.328
65 years and over	0.90%	2.60%	2%	1.50%	3.10%	3%
male	30.446	14.791	25.443	7.311	47.786	404.269
female	17.046	16.363	25.979	5.432	45.785	368.456

Average Age	UAE	Bahrain	Kuwait	Qatar	Oman	Saudi Arabia
Total (years)	30.2	30.9	28.5	30.8	24.1	25.3
Male (years)	32.1	32.2	29.8	32.9	25.5	26.4
Female (2011 est) (years)	24.9	28.1	26.3	25.5	22.4	23.9

Population Growth/ GDP	UAE	Bahrain	Kuwait	Qatar	Oman	Saudi Arabia
Population Growth (2012 est)	3.055%	2.652%	1.883%	4.93%	2.043%	1.523%
Nominal GDP (bilion USD) (2012 es	375.9	27.3	176.6	180.7	68.8	581.9
GDP per capita (USD)	48.500	27.300	40.700	102.700	26.200	24.000

Other Economic Data	UAE	Bahrain	Kuwait	Qatar	Oman	Saudi Arabia
Public Debt (% of GDP)	43.90%	75.30%	6.80%	8.90%	3.80%	9.40%
Inflation Rate (2011 est)	2.50%	0.30%	5.60%	2.80%	4%	5%
Labor Force	4.111.000	672.500	2.243.000	1.032.000	968.800	7.063.000

* Note: 73.9% of the population in the 15-64 age group is non-national (2011 est.)

** Note: 44% of the population in the 15-64 age group is non-national (2011 est.)

Source: CIA The World Factbook, International Monetary Fund, 2011

3.1.2. GCC Profile

Due to their strategic location, the rapid growing and the wealth originated by the high rising oil prices, the GCC countries are increasingly attracting multinational corporations, eager to benefit from the region relative stability to establish local headquarters. Although the six countries are unified by the GCC all of them compete between each other to be the primary destination for investors and entrepreneurs, seeking to establish operations in the Middle East and North Africa (MENA) and also the Indian sub-continent and the east coast of Africa.

Because of Iran influence in the region and fears of security triggered by the Iran/ Iraq war the GCC defined as a priority the security and stability in the region. Based on the conviction that an aggression against any one of the GCC countries is deemed an aggression against all of them, cooperation in the military field has received the attention of the GCC countries.

One of the primary objectives of the GCC is to have an economic integration between the six countries, but only recently some important and concrete steps were taken to establish single tariffs on goods coming into the GCC. In January 2003, under a customs union, a flat five percent tariff on basic goods and seven per cent on luxury goods is charged when entering the GCC bloc.

In January 2008, the GCC started a new era of economic integration with the introduction of the GCC common market, set to pave the way for a monetary union and single currency in the near future. The common market gives the six member states citizens the same rights and entitlements in each country such as access to universities and education, healthcare, social security and residence, as well as in economic activities such as trading in stock markets, setting up companies and buying and selling properties.

3.1.3. The GCC Economic Relevance

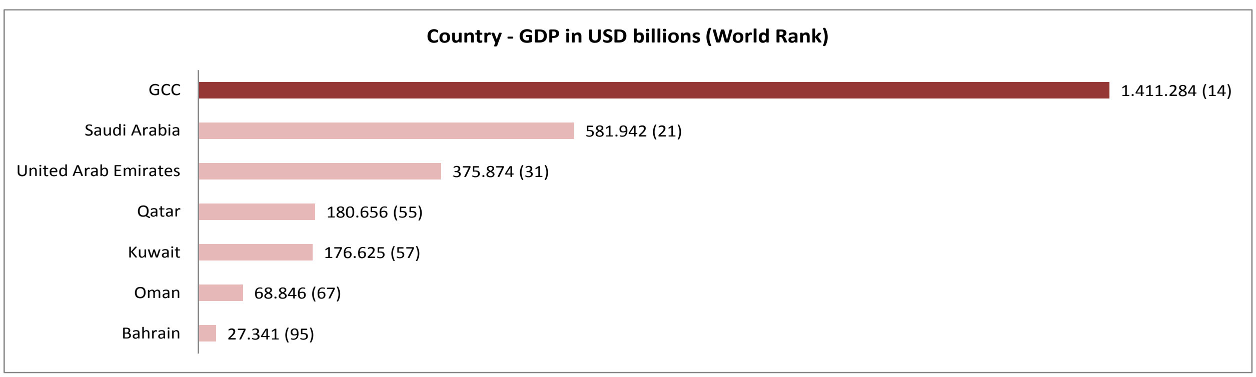
In the past decade the GCC has witnessed impressive economic growth and nowadays the Gulf region is much more than oil business. The Gulf his becoming a major player in the international business scene, and investors, organizations and entrepreneurs worldwide are settling their business in the region to take full advantage of the business potential in the MENA region.

The countries from the Gulf region have clear advantages. Their strategic location at the intersection of Africa, Asia and Europe is vital. All of the six countries offer low or no tax regimes for foreigners, and there is also the chance to have direct access to the most desired liquidity that emerges from high oil prices.

More than ever, the GCC is looking to attract foreign investment and technology transfer from all over the world to support their rapidly growing economies. In order to diminish their dependence of oil and gas, as well as the fluctuations of the associated prices, the GCC countries are deeply committed to diversify their economies towards a non-oil basis. To reach their targets, each one of the six countries is embarking in enormous transformations of economic policies, regulations, etc., both in national and local levels.

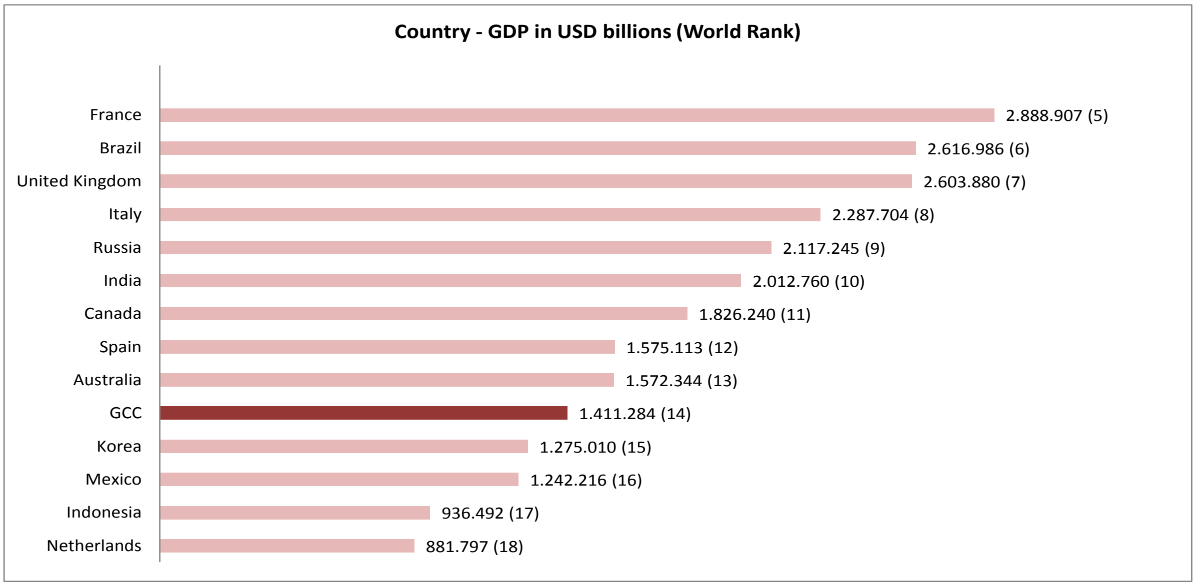
The creation of a unified economic bloc with a series of high-profile trade agreements would give the GCC increasing global visibility and significance. As a single economy in 2012, the GCC is expected to rank as the world's fourteenth-largest economy reaching almost the Australian and Spanish economies in terms of GDP.

Figure 1: Real GDP of GCC Economies



Source: International Monetary Fund, 2012

Figure 2: Real GDP of the GCC Bloc compared to other major economies



Source: International Monetary Fund, 2012

Despite the GCC amazing rise in recent years has been overshadowed by other emerging markets such as the BRIC, the GCC is short-listed in companies' internationalization agendas around the world.

Today the GCC countries are completely different from what they were ten years ago, and they have created one of the world's most attractive investment environments, offering long-term tax exemptions on both corporate and personal level, well-developed free trade zones, world-class infrastructure, industry and sector clusters and much more unbeatable benefits.

3.1.4. Profile of the United Arab Emirates

Positioned in the heart of three continents, the geographic location of the Middle East is certainly of strategic importance. Located in the eastern entry point of this strategic region, the UAE's role as a vital transit point between the east and the west through its access to both the Persian Gulf and the Indian Ocean has been a competitive advantage of the country for many years.

The country's landscape primarily consists of flat and rolling desert with a major mountain range in the east and a coastline of 1.300 kilometres. Only 0,6 percent of the UAE's land is considered arable.

The UAE is located next to the Strait of Hormuz, a critical passage for more than 40 percent of the world crude oil and because of its location the UAE ports and airports today are ranked among the top choices for major carriers when planning their routes from the east to the west.

The UAE possesses massive oil reserves, which at the current production rates would last over a hundred years, and gas reserves as well, especially in Abu Dhabi.

The UAE population is predominantly young with 78,7 percent of the population between 15 and 64 years of age and 20,40 percent less than 15 years of age. Some studies have showed that there is a correlation between the GDP growth and the percentage of 15-64 years old age group and the UAE aware of the strong relationship between the young population and the economic growth developed policies to maximize the benefits by providing his population high education and skills through comprehensive education systems. The rapid rise in population has demanded also a significant investment in education.

Table 2: Demography of the UAE

Population	UAE
Population (2012 est)	5.314.317
Age Structure	
0-14 years	20,40%
male	537,925
female	513,572
15-64 years	78.7% *
male	2.968.958
female	1.080.717
65 years and over	0,90%
male	30,446
female	17,046
Median Age	
Total (years)	30,2
Male (years)	32,1
Female (2011 est) (years)	24,9

* Note: 73.9 percent of the population in the 15-64 age group is non-national (2011 est.)

Source: CIA Factbook, International Monetary Fund, 2011

The UAE is comprised of seven Emirates: Abu Dhabi, Dubai, Sharjah, Umm al-Qaiwain, Ajman, Fujairah and Ra's Al-Khaimah and the locals are called Emiratis. The capital and the largest city of the federation, Abu Dhabi, is located in the emirate of the same name.

Arabic is the official language and Islam is the state religion. The currency is the Arab Emirates Dirham (AED) (€1 is equivalent to approximately AED5).

3.1.5. The UAE Economic Relevance

Most of the UAE's success can be attributed to the development of its two largest emirates Abu Dhabi and Dubai, but each emirate has its uniqueness and traditions, making the combination of each one of them an essential component necessary for making up the whole.

Regarding its legal system, together with the constitution the UAE has a federal court system, which comprises civil, criminal and shari'ah (Islamic law) courts. For judicial matters, the UAE depends on three different sources of legislation, namely the federal law, the law of each emirate and shari'ah federal law applies in the areas of trade and corporate affairs, civil and criminal matters, economic policy, labour rights and commercial legal protection. Each emirate can adopt its own laws as long as they do not interfere with existing federal laws. The UAE's legal system is regarded as well-developed and deeply inspired and influenced by French, Egyptian and Islamic Laws.

The UAE is a presidential, elected system that has a president, vice-president, prime minister and a cabinet. The election of the president takes place every five years and this is elected by the members of the Federal Supreme Council, which includes the rulers of the seven emirates constituting the federation.

As for UAE financial policy, some of its oil revenues are directly saved in reserve funds and also capital gains from foreign investments are kept out from the national budget which allows the UAE to compensate periods of low oil prices with the earnings and savings from his reserve funds. In terms of economic policy, each emirate is free to make its own key economic policy decisions which induce an intense competition among the large emirates in terms of economic achievement. This reality may explain why some infrastructure projects, such as ports, airports and free-zones, tend to be replicated across the country. Also in April 1996, the UAE became an official member of the World Trade Organization.

The upcoming economic outlook of the UAE is naturally sensitive to the price of oil and the most recent deterioration of global finance markets and downward revisions to a host of growth forecasts in Europe, Asia and the Americas, underpin the view that the UAE economy will be hit. Even though the International Monetary Fund forecasts an annual real GDP growth rate of about 3,8 percent in 2012. Accordingly to the Business Monitor International in the near term, tourism, hydrocarbon and industrial construction sectors are expected to outperform over the coming quarters.

It is also important not to forget that UAE still has structural weaknesses such as a large real estate and debt overhang are still a reality and continue to hold back stronger rates of economic expansion.

The UAE and particularly Dubai has been one of the few beneficiaries of the Arab Spring, having solidified its reputation as a safe haven in the region, therefore the positive forecast for the tourism and financial services sectors in the near future.

The tourism sector is still growing and accordingly to the Dubai Statistics Centre, the number of hotel guests has increased 19,8 percent year-on-year (y-o-y) and 9,2 percent in the first and second quarters of 2011 respectively. The UAE financial market is raising the highest concerns since USD30 billion in debt coming due in 2012 and some of the largest government related entities will face difficulties refinancing in increasingly harder market conditions.

Abu Dhabi

Abu Dhabi, by far the largest emirate, is the country’s capital and has always been the source of political power in the UAE. The emirate is primarily a vast desert area with about two dozen islands in the coastal waters, including the island where the city of Abu Dhabi is located, plus six sizeable islands further out in the Arabian Gulf.

Abu Dhabi holds ninety-four percent of the UAE's oil and gas reserves and started to develop his economic power, based primarily on its vast oil wealth. Currently Abu Dhabi produces 2,7 million barrels of oil per day, positioning itself internationally as one of the world's largest producers. Initially much more slower than Dubai in opening its markets, Abu Dhabi has now picked up speed and has liberalized some aspects of its economy to keep the pace with the global economies. Being the capital of the UAE, Abu Dhabi today is the home of the main offices of the federal government as well as the headquarters of many financial institutions and leading organizations.

In line with the UAE strategic roadmap, Abu Dhabi developed his own Economic Strategic Plan (2008-2012) which is set to support investment initiatives in sectors like renewable energy, basic industries, tourism, media, IT, communications and others. Also, and as for its long-run strategic thinking "Economic Vision 2030" Abu Dhabi aims to significantly expand the non-oil sector by 2030 to reach a balance between oil and non-oil trade by 2028. The Abu Dhabi government intends to foster the non-oil GDP growth at a higher rate than that of the oil sector.

According to the Mercer Worldwide Cost of Living survey 2011, Abu Dhabi is ranked as the 67th most expensive city in the world.

Dubai

Dubai is the second-largest emirate in the UAE and very well-known for its cultural diversity and welcoming people. At this moment, Dubai is at the forefront of the GCC's economic transformation and stands as a regional role model for countries looking to develop non-petroleum based sectors to international standards.

Dubai is home to more Middle East headquarters of multinational companies than any other city in the region. Cisco, IBM, Samsung, Siemens, AC. Nielsen, HSBC, Nestlé, General Electric, etc., have established regional headquarters in Dubai.

Regarding the Dubai Strategic Plan 2015 certain sectors were identified as strategically relevant for the economic growth of the emirate, which include Travel and Tourism, Financial Services, Professional Services, Transport and Logistics, Trade, Storage and Construction.

Sharjah

Sharjah, shares its southern border with Dubai and is the only emirate to have coastlines on both the Arabian Gulf and the Gulf of Oman. In the nineteenth century the town of Sharjah was the leading port in the lower Gulf. Currently Sharjah is the cultural and educational centre of the UAE and takes pride in preserving the country's cultural heritage as well as promoting Arab culture and traditions.

Umm Al Qaiwain

Umm Al Qaiwain is the second smallest emirate in the UAE. Positioned between the emirates of Sharjah and Ajman to the south and Ra’s Al-Khaimah to the north, Umm Al Qaiwain has the smallest population. Fishing and date farming are the main means of income in the emirate. Umm Al Qaiwain enjoys great touristic elements which include the availability of different facilities, beautiful beaches, various archaeological sites, and distinguished islands.

Ajman

Ajman is the smallest emirate in the UAE. Ajman benefited greatly from the union of the emirates, a fact that is reflected today in their stately buildings and infrastructure. The Ajman mountains are rich in magnesium, chrome and lime stones and their fertile valleys produce a variety of crops each year.

Fujairah

The only emirate without a coastline on the Arabian Gulf is Fujairah. Unlike other emirates, where the desert forms a large part of the terrain, mountains and plains are its predominant features. Fujairah's economy depends on cement, stone crushing, and mining industries. The establishment of the newly free zone has moved the economy and created a vibrant business environment in Fujairah. Its outstanding geographical location gave an ease of communication with the major shipping ports in the world. More than 40 giant oil-vessels pass the port. The port is also one of the most important livestock shipping ports in the world, where the largest cattle station in the Arabian Peninsula was created.

Ra’s Al-Khaimah (RAK)

Ra’s Al-Khaimah has a strategic geographical location, being the entry gate of the Persian Gulf, neighbouring three emirates and bordering the Sultanate of Oman. It was renowned for its prosperous port and for its exquisite pearls, which were famous as being the whitest and roundest available anywhere. Today it became the largest cement producer regionally and has also established the world’s largest ceramics producer and became a leader in pharmaceuticals industries. With its healthcare, hospitality and airline making a combined effort, Ra’s Al-Khaimah is all set to raise its profile as a medical tourism destination.

RAK Hospital, the Ra’s Al-Khaimah largest privately owned healthcare facility, is close to unveiling a deal with RAK Airways under which patients can fly in free of charge for treatment. The same deal is also being prepared with Etihad Airways, the flight company from Abu Dhabi and also similar specialty hospitals are planned to Dubai and Abu Dhabi.

Promoting itself as a medical tourism destination is the next priority for the emirate to grow into other feeder markets. It is forecasted that medical tourism in the UAE could become a USD17 billion (AED62.5 billion) industry by 2015. For that to happen, the UAE's healthcare operators must spread the message that patients can get quality treatment at optimum cost compared with destinations such as India, Thailand and others.

4. UAE OUTLOOK

4.1.1. The UAE as a Regional Hub

According to Kuntze and Hormann (2008) companies coming to the UAE rarely establish subsidiaries to serve only customers within the UAE. Most often, the subsidiaries serve as a hub for the GCC region and the UAE operations also serve to reach South Asia, Central Europe and Russia.

Comparing the UAE competitive advantages with other countries in the region it is possible to highlight four main factors namely, the availability of free zones, logistics infrastructure, security and attractive lifestyle for expatriates.

Research by Kuntze and Hormann (2008) provided evidence that one of the most attractive investment driver factors in the UAE is the availability of free zones. There is a large number and variety of free zones available through all of the Emirates, and they offer very advantageous conditions to companies who decide to settle in. Companies also take advantage of the cluster effect because they often find their customers and suppliers having regional headquarters in the same free zone. Other advantages of the free zones are that companies do not require trading licenses for export and the free zones can also provide customs exemptions.

As for Logistics, the UAE, due to its strategical location offers a very competitive connectivity to the Middle East, Africa, Europe and the Subcontinent.

Regarding security and according to Kuntze and Hormann (2008) the UAE is still a security haven in the entire Middle East region. As for the Personal Safety ranking, Abu Dhabi and Dubai are ranked 23rd and 39th position respectively in the 2011 Quality of Living Worldwide City Rankings Mercer survey.

According to Kuntze and Hormann (2008) because of its high dependency of foreign labour, the UAE needed to find solutions to attract high level and income professionals. Dubai is also very well known in the region for its tolerance towards western lifestyles, in terms of the consumption of alcohol or choice of clothing, but is strongly committed to adhering to regional and religious norms. Dubai, ranks 74th the highest for quality of living across the Middle East and Africa and is followed by Abu Dhabi, 78th in the 2011 Quality of Living Worldwide City Rankings Mercer survey.

4.1.2. Drivers for Foreign Companies Expand Business to the Region

According to Kuntze and Hormann (2008), many companies moved to the GCC region looking for new business opportunities offered by the size and potential growth of sales of these markets. Several companies find their domestic markets saturated and therefore look after new clients in new markets where these under-served markets offer a very high potential of growth in revenues. It also happens, in certain industries, that companies are required by their clients to offer local presence, i.e. Federal Express. These clients prefer that the same company handles their needs in business worldwide and so their local presence is essential.

According to Kuntze and Hormann (2008) for the cost-driven expansion companies, the UAE is not so competitive due to the scarcity of local labour. The UAE relies heavily on expatriate workers, and although the cost of unskilled labour is far lower than in more developed economies, labour usually has to be imported by offering a significant premium on the wages paid in the exporting country. So, as far its concern, the cost-driven opportunities are limited to a few niche areas. Heavy industry which enjoys very cheap energy prices is one good example. Logistic companies also take advantage of the country's excellent ports, airports and road networks. The strategic location between Africa, Asia and Europe it's a very important incentive for logistics companies.

There's also the fiscal incentive that represents a cost-saving opportunity, since taxation is often a considerable cost in many countries. The UAE is very well known for not imposing income tax on individuals or companies, but although this tax incentive can provide additional cost saving, alone it is usually not enough to justify expansion into the UAE. (Kuntze and Hormann, 2008)

4.1.3. Market Overview

Despite the attractiveness of the UAE in particular and the GCC region in general for investment, many challenges of doing business still need to be addressed. In the 2012 annual survey on FDI Confidence Index by A.T. Kearney, the UAE only ranked 15th out of 25 countries, not only coming well behind potential rivals such as Singapore, but also behind other emerging markets such as China, India and Brazil.

4.1.3.1. Bureaucracy

According to Kuntze and Hormann (2008) in some specific areas the administrative and bureaucratic system has already reached international standards. The WTO describes licensing procedures as "straightforward" and e-government initiatives are heavily promoted all over the country. Most of the Government Institutions in the UAE have their own website. Corruption within governmental institutions is believed to be very low. The UAE ranked number 28 among 182 countries in Corruption Perception Index 2011, and thus did significantly better than large, developed economies such as Spain, South Korea or Italy. The federal government follows a competitive procurement policy and tenders electronically. The UAE is ranked number 8th in the Emerging Leaders in e-government development presented in the United Nations E-Government survey 2012. In another comparative study, the World's Bank "Doing Business" benchmark 2012, the UAE ranked 33 out of 183 countries in the "Ease of doing business". The UAE has reached an excellent performance in areas like paying taxes, trading across borders, registering property and getting electricity.

According to Kuntze and Hormann (2008) access to credit is one of the biggest challenges in the UAE with several severe impacts in its economy and entrepreneurship development. Two types of frameworks can facilitate access to credit and improve its allocation: credit information systems and the legal rights of borrowers and lenders in collateral and bankruptcy laws. Credit information systems enable lenders to view a potential borrower's financial history (positive or negative) valuable information to consider when assessing risk. And they permit borrowers to establish a good credit history that will allow easier access to credit.

In the World's Bank "Doing Business in the Middle East and North Africa" benchmark 2012 the UAE ranked 78th on the ease of getting credit. To tackle this issue the UAE enhanced access to credit by setting up a legal framework for the operation of the private credit bureau and requiring that financial institutions share credit information.

4.1.3.2. Protectionism and Legal Constraints

According to Kuntze and Hormann (2008) protectionist tendencies and widespread state-ownership are two primary criticisms that international companies have of the UAE. Despite the positive steps taken, legislation remains a concern for foreign investors considering involvement in the country's local economy. Although criticized by the World Trade Organization, the UAE has retained its Commercial Company Law as well as its Trade Agencies Law, which both oblige foreign companies to take on local partners in order to do business in the country. Other protective measures can be seen in the country's Emiratization programme, which sets minimum percentages of Emirati nationals to be employed in certain sectors, and restrictions on foreigners buying and owning property.

According to Kuntze and Hormann (2008) state-ownership in some sectors of the country's economy is still widespread. The government of Dubai wholly owns some of the emirate's largest companies such as DP World, Emirates, DUBAL and Jumeirah.

According to Kuntze and Hormann (2008) another issue in the country's commercial law is the absence of legal dunning, which makes collection of accounts receivable an issue of constant concern for many businesses. Some disputes have to be taken directly to litigation and lawsuits in the UAE are very expensive, as lawyer fees usually surpass the compensation granted by the court.

4.1.3.3.Immature Capital Markets

According to Kuntze and Hormann (2008) capital markets remain relatively immature and banks continue to prevent adequate funds from reaching SME's. As in many emerging markets, the problem lies in the inability of banks to assess credit risk through a proper credit bureau, making them reluctant to fund entrepreneurs and other small to medium-sized companies. This is changing. At the end of 2006, the UAE opened Emcredit, the country's first independent credit office.

The consequence of starved capital markets is that these innovators have little chance of bringing their products and services to the market. In turn, banks channel their funds to large scale private or government-owned companies.

4.1.3.4.Political, Social and Legal Environment

The UAE is frequently labelled by the international community as open, stable and tolerant, haven in the region. It's regulatory and legal system is regarded as well administered and moderately efficient.

Comparing with is neighbours from the region, the UAE political risk is recognized as extremely low and no expressions of anger or protests have been reported in the last years. It is also well known that the local Emiratis love their leaders which provide a big stability to the country. The law is very strict in social and work environment and all the expats are compelled to comply with them. Protests coming from unemployed workers doesn't happen because residency is tied to employment and foreigners who lose their jobs are unlikely to be allowed to remain in the country.

4.1.3.5. Legal and Regulatory Framework

According to Kuntze and Hormann (2008) the UAE's legal system is well-developed and fairly secularized. The system provides legal rights for both domestic and foreign investors, a feature that encourages the FDI into the country. The UAE's legislation is still a work-in-progress, but its legal and regulatory system is significantly more developed than that of its GCC neighbours.

Another sign of the UAE's competitive advantage is the establishment of free trade zones or similar vehicles throughout the country. Companies established in these areas are allowed 100 percent ownership and are exempt from laws to incorporate UAE nationals into the workforce

(Emiratization). In addition, some free zones have developed their own commercial laws. (Kuntze and Hormann 2008)

4.1.3.6. Taxes and Tariffs

Apart from foreign banks and oil companies, all businesses in the UAE are exempt from income tax which makes the UAE one of the world’s most competitive countries. There is no value-added tax (VAT) and personal incomes are generally non-taxable. However, on the municipal level taxes are levied on rent paid for both commercial and personal properties.

Another major advantage of the tax system in the UAE is the fact that the free flow of capital and goods is allowed. All foreign companies are allowed full repatriation of capital and profits with no exchange restrictions.

According to Kuntze and Hormann (2008) in January 2003 the GCC Customs Union agreed on equalizing the duties paid upon entry of an item into any member state, and for instance when an item is imported to the UAE which is destined for another country it has a five percent duty fee and after that there is no need to pay customs fees again when taking the item to another country. Also, for most items the customs duty is calculated on Cost, Insurance and Freight (CIF) value at the rate of five percent, with the exception of alcoholic products and tobacco products which have a fifty and one hundred percent duty fee respectively.

4.1.3.7.Exhibitions and Trade Shows

Participating in exhibitions and trade shows is of the most importance for companies since these represent good opportunities for interacting, learning, know the market and its players, start developing business relationships and exploring new business opportunities. Abu Dhabi and Dubai are very active in trade shows and exhibitions which are held throughout the year. The most prominent exhibitions and trade shows are held in Abu Dhabi - Abu Dhabi National Exhibition Company and Dubai - Dubai World Trade Center.

5. SETTING UP A BUSINESS IN THE UAE

5.1.1. Company Formation

The legal requirements for a company formation in the UAE are often subject to changes, due to the continuing efforts of the local government to improve the international business environment.

According to the World Bank's Doing Business report 2011, it only takes 15 days to set up a new business in the UAE while it may take up to 60 days in other countries across the region. Making business entry easier has always been a target for the UAE government, and in this regard, a one stop-shop was introduced in some emirates. The termination of the minimum capital requirement condition in establishing a Limited Liability Company (LLC) company in the UAE has fostered the growth in the small and medium enterprises sector.

The UAE government is continuously making all efforts to lead the virtual arena by providing the latest of electronic and mobile services to investors, businessmen and residents. Currently, most of the procedures for licensing and registering businesses can be conducted within a mouse-click through the different government entities e-portals. For instance, checking the availability of a trade name and reserving it as well as gaining the initial approval for setting up a new business entity can be made easily online.

In order to operate a business in the UAE, the business entity must be registered and licensed by the authorizing body. There are two main locations where to establishing a business in the UAE, namely: establishing a business outside free zones and establish a business in a free zone. They differ in the government authorizing entity, forms of business entities, types of business licenses, procedures and fees.

Free zones are districts arranged by the Government to encourage investors and businessmen to do business in selected sectors such as Dubai Media City, Ra's Al-Khaimah Creative City, with exclusive incentives and privileges for foreign investors. A business entity established in a free zone must comply with the regulations and follow the procedures of the free zone.

In contrast, a business entity established outside free zones is treated as a fully Emirati entity and can operate within the jurisdiction of the emirate. They must comply with the regulations of the Federal and local licensing authorities.

Business licensing is required when investing outside free zones, therefore the investor need to contact the respective emirate licensing authority so that can be granted business licensing. The licensing authority can grant commercial, industrial and civil licenses.

5.1.2. Selecting and Registering a Trade Name

Before the new business entity can operate in the UAE, a trade name must be selected and registered at the "Licensing Authority" of the emirate. Trade license regulations are similar throughout the UAE, and the licensing authority of each emirate provides detailed trade name registration conditions. By selecting the appropriate trade name that fits the business activity to be conducted, fees must be paid. Fees might slightly differ from an emirate to another. All these procedures can be submitted online through the Abu Dhabi Department of Economic Development website or the Dubai Department of Economic Development website. (UAE Ministry of Foreign Trade, 2012)

5.1.3. Local Partner, Sponsor or Service Agent

Establishing a new business entity outside a free zone in the UAE requires having a local (UAE national) sponsor/ partner or service agent. The national sponsor is, usually, a silent partner.

Finding a local partner or service agent mainly depends on personal contacts. Searching on newspapers and magazines advertisements as well as the web may provide some results. It is also advisable to visit trade shows and exhibitions and attempt to network via Dubai´s various business councils in the way that the company may get in touch with the market players, ask for references and recommendations, exchange contacts, etc. (UAE Ministry of Foreign Trade, 2012)

5.1.4. Form of the Business Entity

Once the Trade Name is reserved, investors are then allowed to choose from a variety of forms of business entities that exist under the UAE federal legal system. All foreign business entities wishing to operate in the UAE, outside the free zones, must have a local partner or sponsor or a local agent depending on the legal form of the business entity. (UAE Ministry of Foreign Trade, 2012)

5.1.5. Business Licenses in the UAE

By selecting the legal form of the business entity, a business license must be obtained from the same licensing authority. In general, three different business licenses exist in the UAE: commercial, industrial and professional. In addition, a new business license – tourism – was lately introduced in order to best organize the business activity. The bellow diagram explains the documents needed special requirements and examples of business activities that fall under the respected license type. (UAE Ministry of Foreign Trade, 2012)

Table 3: Requirements and examples for each type of License

License Type	Issued for	Examples	Special requirements
Commercial License	Business activities wishing to practice commercial activities in the UAE	Import, export, sell, distribute or store items, banking, insurance, hotels and transport	Commercial companies must register the company Articles of Association in the Ministry of Economy commercial registry
Industrial License	Business entities wishing to practice industrial activities in the UAE	Discover natural resources, transform raw materials in terms of its structure or appearance into manufactured or semimanufactured products, transform semimanufactured products into fully manufactured products by using mechanical power, and segregate the products, filling, assembling or packing	A minimum capital of AED 250.000
Professional License	Issued for business entities wishing to practice professional or artisan and service activities in the UAE	Accounting, marketing, consultancy services (law, medicine, engineering and research activities)	The number of staff members shall be limited, can be 100% owned if conditions met, the most common form of civil entity used by foreign investors
Tourism License	Issued for business entities wishing to practice tourism in the UAE (only applicable in Abu Dhabi and Dubai)	Hotels, restaurants, travel agencies, tour operators, recreational and cultural activities, sporting activities	Commercial companies must register the company Articles of Association in the Ministry of Economy commercial registry

Source: Why UAE?, 2012

5.1.6. Third Party Approval

Some activities require an approval from a third party, other than the licensing authority of the emirate. By selecting the business license and the legal form of the business entity wished to be established in the UAE, outside free zones, investors and businessmen should be aware that some business activities require an approval from third parties such as ministries and other authorities.

To obtain the final approval, the investor must start by obtaining the Third Party Approval if needed, then submit the documents required for final approval, pay the associated fees for Final Approval and finally wait for the Final Approval to be issued. (UAE Ministry of Foreign Trade, 2012)

5.1.7. Commercial Registration

Commercial Registration is a condition that precedes the operating of the business activity. Within two months from the date of establishment and preceding the commencement of the business of a company, every merchant, branch manager, managers, etc., must inscribe their companies in the Commercial Register of the licensing authority in accordance with the terms and conditions determined by the law. (UAE Ministry of Foreign Trade, 2012)

5.1.8. Appointing a Commercial Agent

Appointing a Commercial Agent can be seen as an alternative form of investment. Carrying out business in the UAE does not require foreign investors to maintain physical presence. Investors have the choice to appoint a commercial agent to represent their interest in the country. The Agencies Law regulates and governs the appointment of commercial agents, sales representatives and distributors. According to the federal legislation, a commercial agency is defined as "any arrangement whereby a foreign company is represented by an agent to distribute, sell, offer, or provide goods or services within the UAE for commission or profit". (UAE Ministry of Foreign Trade, 2012)

Commercial Agencies in the UAE have some requirements, namely, must be a UAE national or a company wholly-owned by UAE nationals. The Agent must be registered at the Ministry of

Economy as a commercial agent in order to gain the protections of the Agency Law, the Commercial Agency agreement must be written, notarized and registered in the Ministry of Economy. The Agent is entitled to receive commissions on the sales he makes and the agency must be exclusive. (UAE Ministry of Foreign Trade, 2012)

5.1.9. Establishing a Free Zone Business Entity

Free zones in the UAE were established to compete in attracting foreign investments by providing outstanding privileges and incentives especially for international entrepreneurs who seek opportunities and fight for business success and prosperity.

Over 50 free zones are scattered all over the emirates. Some are designed as purpose built zones to serve specific sectors, and some were built to best utilize the geographic location such as Jebel Ali Free Zone. Some free zones dedicated to specific sectors only allow the establishment of the business that fit their specific categories. Overall, free zones are united to reduce bureaucratic steps and allow foreign ownership.

Before operating a business in a free zone, the business entity must be registered and licensed by the free zone authority.

Free Zones Incentives and Benefits: A “one-stop-shop”, 100 percent Foreign Ownership, 0 percent Corporate Tax, Free Capital Transfer, 0 percent Import and Re-Export Duties, 0 percent Personal Income Tax, Unlimited Foreign Employees, No Currency Restrictions, Low Operating Costs, State-of-the art Facility, Efficient Communication Infrastructure, etc.

The free zones generally offers four types of business forms, but a free zone does not have to offer all the types. Some free zones offer only one type.

These Forms of Business can be Free Zone Establishment with a single shareholder, a Free Zone Company (FZCO) with 2 to 5 shareholders, Branches of Foreign Companies that cannot be a separate legal entity and must follow the Parent’s Company Activities, and a Freelance permit that can only be performed by a freelance professional.

Prior establishing a business in a free zone, it is necessary to obtain a license from the free zone's authority. The license must relate to the business activities the business entity will undertake. Mainly there are four types of licenses issued in the free zones. (UAE Ministry of Foreign Trade, 2012)

Table 4: Types of Licenses issued in the Free Zones

Free Zone Establishment	Free Zone Company (FZCO)	Branches of Foreign Companies	Freelance Permit
Issued for business that wish to import, export, distribute and store items specified on the license	Issued for business that wish to import raw materials, carry out the manufacture of specified products and export finished product to any country	Issued to businesses that wish to provide a service like business management, marketing, consulting, IT within the free zone	Issued to industrial companies registered within or outside the UAE, provided they meet the conditions of having at least 51% GCC equity and their local production accounts for at least 40% value added.

Source: Why UAE?, 2012

The procedures of establishing businesses in the UAE free zones are very similar. These include Business Plan, Company and personal details, Memorandum of Article and Association, etc. Still, to obtain detailed procedures it's necessary to contact the specific free zone authority. (UAE Ministry of Foreign Trade, 2012)

5.1.10. Procedures and Documents

Although the procedures to establish business in the UAE free zones are very similar it is always necessary to contact directly the free zone authority in order to know what are the current procedures. Normally the required documents are: Business Plan; Company and personal details (passport copy, etc.); Certificate of Registration or Certificate of Incorporation or Certificate of Good Standing of the Mother Company; Memorandum of Article and Association; Board of Resolution calling to establish a branch in the UAE (for establishing branches only); Appointment of Negotiator of Legal Representative (optional) Power of Attorney, Specimen of his/ her Signature and valid Passport copy; Applicant's Personal Details/ Profile, Specimen of Applicant's Signature and valid Passport copy. (UAE Ministry of Foreign Trade, 2012)

5.1.11. Selling Outside Free Zones

If a company wants to sell its products outside the free zone, it must appoint a UAE official agent. In addition, a 5 percent customs duty is applied on most goods. However, obtaining services and products from and within the UAE is not confined to this restriction. (UAE Ministry of Foreign Trade, 2012)

5.1.12. Workforce

When it comes to employment, the nationality takes a major role. Employing a GCC national does not require issuing an employment visa but expatriates must be sponsored to obtain a visa in order to work in the UAE. The issuing authority differs based on the location of the company, and the Ministry of Labour is the entity to be contacted for business established in the UAE, outside free zones. On the other hand, businesses established in a free zone need to contact the free zone authority to apply for a visa for their employees.

Regarding the working hours, the UAE Labour Law sets the maximum working hours at eight hours per day, or forty eight hours per week. However, for certain industries such as retail trade, hotels and restaurants, this extends to nine hours per day. During the holy month of the Ramadan, normal working hours are reduced by two hours. Under the same law, Friday is an official day off but the government sector and many private organizations give two days off weekly which are Friday and Saturday. (UAE Ministry of Foreign Trade, 2012)

6. STARTING BUSINESS IN DUBAI

6.1. Available Business Forms in Dubai

When entering the UAE companies will find different requirements and specifications regarding the establishment of businesses between each one of the seven emirates. In this particular case only the requirements and specifications about starting a business in Dubai will be addressed.

Companies incorporated in Dubai can operate commercial, industrial or professional activities by setting up:

- **Limited Liability Company**
- **Branch or Representative Office**
- **Free Zone Establishment**
- **Commercial Agency**
- **Public and Private Shareholding Companies**
- **Professional Firms**
- **Joint Venture Companies**
- **Franchising**
- **Direct Trade**

Limited Liability Company

A Limited Liability Company can operate any commercial or industrial activity that includes one or more UAE nationals whose shares are at least 51 percent of the capital.

A Limited Liability Company can be formed by a minimum of two and a maximum of 50 members whose liability is limited to their shares in the company's capital. Limited Liability Companies are recognised as offering a suitable structure for organisations interested in developing a long term relationship in the local market.

Currently the minimum capital is AED300.000 (EUR65.000), contributed in cash or in kind. While foreign equity in the company may not exceed 49 percent, profit and loss distribution can be prescribed. Responsibility for the management of a limited liability company can be vested in the foreigner or national partners or a third party.

Branch or Representative Office

A permanent presence can be established using branches and representative offices of foreign companies which may be 100 percent foreign owned, provided a local agent is appointed.

Only UAE nationals or companies 100 percent owned by UAE nationals may be appointed as local agents (which should not be confused with the term commercial agent). Local agents, also referred as sponsors, are not involved in the business operations but instead provide support in contacts with government entities to obtain visas, labour cards, etc. The agent might be paid a lump sum and/ or percentage of profits or turnover.

Foreign companies are allowed to set up wholly owned branches and representative offices in the UAE but the offices are limited in the activities they may conduct within the UAE. According to the Law, activities such as banks, finance, insurance and commercial agencies, can only be carried out by UAE nationals.

The main difference between a representative office and a branch office is that the representative office is only authorized to gather information and solicit orders and projects to be finalised in the company's head office. A representative office is allowed to have a limited number of employees they may pay for. Basically a representative office is mostly an administrative and marketing centre of a foreign company while a branch office is a justified business which is permitted to execute contracts and conduct other activities that are specified in its license.

Free Zone Establishment

Free zones were created to complement Dubai's growth and development and their legal status is quite distinct because organizations operating in free zones are treated as being offshore or outside the UAE for legal purposes.

Entities operating within the free zone may benefit from 100 percent foreign ownership, exemption from all import duties, 100 percent repatriation of capital and profits, no corporate taxes for 15 years that can be renewed for an additional 15 years, assistance with recruitment of skilled and experienced workforce as well administrative support.

A Free Zone Establishment (FZE) is an establishment formed and registered within the Free Zones and regulated solely by the Free Zone authorities. Each free zone has an individual and independent authority which is responsible to issue operating licenses and assist organizations in establishing their business in the free zone.

A FZE only needs a single shareholder and is an independent legal entity. Any organisation or individual wishing to form a FZE must submit a completed application to the Free Zone authorities. If permission is granted, the authorities will record all relevant details in the FZE Register and issue a Certificate of Formation. This will specify the date of registration after which the FZE will be free to conduct any such business as is permitted in its licence.

Free zones can also be seen as industrial clusters and depending on the type of business to be set up, the appropriate free zone should be selected by the business. For example, Dubai Airport Free Zone is intended for businesses that import and export goods and the business activities permitted in TECOM include ‘design, development, use and maintenance of everything relevant to Information Technology, E-commerce and Media’.

Organizations operating in free zones are not allowed to conduct business in other parts of the UAE market. Nevertheless, the organization can undertake business within the UAE using a commercial agent, representative, distributor, or the mother company licensed by the relevant UAE authority. Any company holding a Free Zone licence can itself purchase goods or services within the UAE.

The option of setting up in the free zones is therefore most suitable for companies intending to use Dubai as a regional manufacturing or distribution base and where most or all of their turnover is going to be outside the UAE.

Commercial Agency

A commercial agency is an arrangement whereby a foreign company is represented by an agent to distribute, sell, offer, or provide goods or services within the UAE for a commission or profit.

Instead of establishing a business branch in the UAE organizations may use a representative agent. The commercial agent has to be a UAE national or a company that is 100 percent owned by UAE national. The foreign organization may use the services of a sole agent in the UAE or assign a commercial agent in each emirate or for each product.

Commercial agents are empowered to territorial exclusivity embracing at least one emirate for the specified products. Therefore agents are entitled to receive commission on sales of the products in their area of activity regardless of whether the sales were made by the agent. The commercial agents are entitled to prevent products to be imported into the country if the goods are not subjected to their agency.

The agreement with the agency can be limited to a specified period, however, the organization cannot terminate the agency agreement without the agent's endorsement, except for a valid reason according to the Commercial Agencies Committee of the Ministry of Economy and Commerce. If the agreement is terminated without any justified reason or if the term is not renewed by the foreign company, the agent is entitled to receive compensation from the principal, therefore the initial selection of an agent should be done carefully.

Public and Private Shareholding Companies

Banking, insurance, or financial activities should be run as public shareholding companies, however, foreign banks, insurance and financial companies can establish a presence in Dubai by opening a branch or representative office.

Shareholding companies are suitable primarily for large projects or operations, since the minimum capital required is AED 10 million for a public company, and AED 2 million for a private shareholding company. The chairman and majority of directors must be UAE nationals and there is less flexibility of profit distribution than is permissible in the case of limited liability companies. At least 51 percent of the paid-up capital must belong to UAE nationals.

Professional firms

To set up a professional firm, 100 percent foreign ownership, sole proprietorships or civil companies are permitted. Such firms may engage in professional or artistic activities but the number of staff members that may be employed is limited. A UAE national must be appointed as local service agent, but he has no direct involvement in the business and is paid a lump sum and/ or percentage of profits or turnover. The role of the local service agent is to assist in obtaining licences, visas, labour cards, etc.

Joint Venture Companies

A joint venture is a contractual agreement between a foreign party and a local party licensed to engage in the desired activity. The local equity participation in the joint venture must be at least 51 percent, but the profit and loss distribution can be prescribed. There is no need to license the joint venture or publish the agreement. The foreign partner deals with third parties under the name of the local partner who (unless the agreement is publicised) bears all liability.

Franchising

Franchising is when a business realizes that its products or services and brand have created value that other investors want to replicate its proven concept. In the franchise model, the franchisor sells the rights to its business model to a franchisee. There is no special legislation for franchising in the UAE. The concept of franchising falls within the ambit of commercial and agency laws which do not differentiate between franchise, agency or distribution agreements. General contract and commercial law apply to franchise agreements, whereas only UAE citizens or corporations wholly owned by UAE citizens or those with a UAE partner or sponsor are allowed to conduct operations. Businesses located in the multiple free zones are exempt. Investors should keep in mind that the Agency Law tends to favour agents/ franchisees rather than franchisors.

Direct Trade

Foreign manufacturers and exporters may conduct business by concluding transactions directly with dealers and distributors who are already established in the market. This method may be suitable for low volume trade. However, for an on-going business relationship, overseas companies may want to consider a more permanent form of representation.

If a company is present in the country with one of these methods it is permitted to engage in all activities as licensed in the UAE. However, a foreign entity can only operate in those activities licensed by the relevant UAE authority such as contracting, providing services, and possibly manufacturing. Certain activities, such as commercial agency activities, are reserved for wholly UAE owned enterprises.

6.2. Companies’ Experiences in Dubai

Research by Rogmans (2011) has provided evidences about how companies decided their entry mode into the MENA region.

A total of nine companies were selected and interviewed representing a range of services industries and a broad sample of MENA markets. The interviewed companies are: Nielsen (Marketing Information Services), Credit Suisse (Financial Services), FedEx (Logistics), Hay Group (Management Consulting), Investment Bank (anonymous) (Financial Services), Maersk (Logistics), Robeco (Financial Services), SEI (Financial Services) and Yum Brands (Restaurants).

All the mentioned companies are involved in service industries, rather than manufacturing, and with the exception of Yum Brands, all companies are actively in Business to Business transactions.

The interviewees addressed several topics such as location choice criteria and environmental risk but since the location of the present thesis is Dubai, only the findings regarding the entry modes and operation modes will be presented as these can be useful for benchmarking purposes.

Research by Rogmans (2011) has provided the following evidences:

- Companies interviewed operate with a large variety of operations modes such as wholly ownership, joint ventures and licensing agreements;
- Most of the companies have a strong preference for maximum ownership and control in all their markets in the MENA;
- Regulatory affairs inhibit companies from having full ownership in many MENA countries. In all GCC, except for Bahrain, an onshore presence can only be obtained in partnership with a local sponsor, where the sponsor must own a minimum of 51 percent in the venture;
- Companies operating under such arrangement see it not as a true joint venture but an effective way to operate under the market regulations existing at the time of entry;
- In most of the cases the local joint venture partner does not take a risk by participating in the venture, gets no share of the profits and only receives a fee for services rendered (visa processing, administrative services, etc.);
- Some companies would prefer to set up in one of the free zones in order to benefit from full ownership. However, switching costs (administrative, office move, etc.) and the possibility that the existing sponsor may respond negatively to the termination of the sponsorship agreement, deter a change in the operation mode;
- Companies prefer full ownership for several reasons being the main reason the fear of opportunism among joint venture partners. The potential risk that the interests of the joint venture partners are not aligned is also a reality. Another concern is that the joint venture partner may not be sufficiently interested in the profitability of the venture as it may be just one of many business or activities he engages in, meaning that the partnership may be seen as an opportunity to show off prestige rather than profit. Also, because in the region intellectual property rights are not enforced as they should be, knowledge intensive companies should think twice before they share their knowledge and expertise with partners. The need for companies with operations in the US to be in compliance with the Foreign Corrupt Practices Act may work has another issue with joint venture partners if they are not easy to monitor. Another risk is the potential

damage to a company’s brand or reputation if actors that are not controlled by the parent company to carry out business in the company´s name;

- Financial reporting can be also an issue and another reason for companies to prefer full or majority of ownership because, at least, a majority ownership is required to be able to consolidate investments in the company’s financial statements;
- The issue of dealing with host governments was seen also as a reason to maintain full control over an investment. If it is required the Embassy or Consulate in the host country can help with the contacts to the government or the company may even use a consultant to whom it pays a fee in order to take care of the issue, without having the need to share ownership over the investment;
- Internationalization of staff is an additional reason that local partnerships are even less necessary by large multinationals. Most of the companies have staff from the region with an extensive experience and knowledge in the region;
- All of the interviewed companies established their presence in the region, with or without local partners, using Green Field investment with the exception of one company which used the Brown Field method (acquisition);

Research by Rogmans (2011) has provided evidence about the interviewees opinions:

“*Local partners don’t bring much to the table. They are not needed for financial strength and not for operational skills.*”

“*The sponsor is not really needed to open doors in a country. This can be done just as well by local employees.*”

“*If your name is on the venture, then we must have majority ownership.*”

“*A joint venture is seen as risky since it ties the company to one partner, who may later turn out to be the wrong partner.*”

“*Our strategy is to have as much ownership share as the local regulations will allow.*”

“*Only we can represent ourselves to foreign governments.*”

"*If we would make the entry decision again, we would prefer to be in a free zone and have full ownership rather than tie up with a local sponsor.*"

"*Not having a joint venture partner now leaves us with the option to choose one later on if we need to.*"

"*We prefer to recruit staff from the target country rather than do a joint venture.*"

"*We would rather have local people on the Board of the subsidiary than involve them through an ownership stake. This provides much greater flexibility.*"

6.3. Internationalization to Dubai, UAE – The Portuguese Companies Strategy

The internationalization path entails big and most often unexpected challenges and opportunities to companies pursuing a sustainable growth across borders. After selecting a target market the implementation of the business operations can be seen as the next big challenge. The correct entry mode and a well thought market positioning strategy is paramount to reach the desired success in the international stage. The right strategy definition will depend not only from internal factors from companies but also from external factors related to the target market.

The internationalization process success depends on many factors and on the combination of these. A successful internationalization process can be measured by companies through the achievement of financial results, competitiveness advantages and market growth. In most of the new ventures, forecasted results might not be evident or might be even inexistent in the beginning, depending on the initial level of investment, market performance, local macro-economic conditions, etc. For most of the organizations the entry strategy time horizon is from three to five years, because it will take that long to achieve enduring market performance.

Besides the size of the potential market, the potential business opportunities, etc., the cost and risk of doing business internationally should be carefully addressed in order to define the most advantageous entry strategy, or in some cases to evaluate if it is even worth to invest in a certain market.

According to Pankaj Ghemawat (2001) the distance between two countries can manifest itself along four basic dimensions: cultural, administrative, geographic and economic.

Taking a close look at the UAE market it is possible to reach the following conclusions:

- The UAE is not a former Portuguese colony, hence the lack of this tie will not facilitate potential trade activity;
- The UAE does not have a common currency with Portugal, hence financial results can also be affected by currency variations;
- The UAE has a huge cultural distance with Portugal, attested by different religious beliefs, a different race (besides the local Emiratis, Dubai has habitants from more than 200 countries), different social norms and behaviours, different language, etc.;
- The UAE as a Muslim country favours Halal food, therefore to reach more Muslim consumers food producers/ manufacturers need to address carefully the Halal requirements. As for services or children garments the fact of being a Muslim country doesn't have a significant impact;
- UAE and Portugal don't share a common political or economic block besides the World Trade Organization or United Nations;
- The UAE does not impose trade tariffs or quotas nor restrictions to foreign direct investment which is a big advantage for foreign companies;
- The UAE is likely to favour local companies and is known that in legal disputes it often benefits local entities. The level of corruption in the UAE is regarded as being low;
- The UAE has one of the most advanced infrastructures in the world, from roads to seaports and airports. Emirates airlines, Dubai airline company, flies directly to more than 120 destinies worldwide and currently has a direct daily flight to Lisbon;
- The UAE is easily accessible by sea, air and land;
- The UAE has a high level of very wealthy and extremely wealthy consumers and the demographics show growing numbers in population.

These are some of the facts that should be addressed by Portuguese companies when deciding the market entry strategy to be implemented and besides all the challenges, opportunities also exist and should be explored.

6.3.1. Case Studies

To reach the objective of the thesis which is to describe the process of internationalization of Portuguese private companies into the Dubai market and explore the reason for differences in the internationalization process, three companies were selected as case studies. The main purpose of the case studies is to analyse the findings about the companies profile and internationalization objectives, identify the factors that drive decisions on foreign market entry modes and related to these describe the process of internationalization companies should implement to enter the market. Whereas the literature and market analysis provides a macro level view, the case study is by nature at the level of the firm and represents a micro level analysis.

A total of three Portuguese companies were selected in order to provide a picture about potential different market entry modes. The companies are Gelpeixe, Quidgest and Enouida represented by the brand Knot – just for Kids?

The companies that were selected have the following characteristics:

- All companies are privately owned and have 100 percent Portuguese equity;
- Two of the companies are relatively large and one is a small company;
- All companies are multinational companies, originating from Portugal;
- All companies have different levels of international experience and presence;
- None of the companies have investments in the MENA region;
- All companies demonstrated interest in expanding its international presence to Dubai;
- The companies are involved in three distinctive business sectors, namely Food sector, Information Technology sector and Garment sector;
- With one exception (Quidgest) all companies are active primarily in the Business to Consumer transactions as opposed to the Business to Business.

Overall, the mix of companies represents a range of different size companies, different international experience and different service/ product industries. In this way, several market entry modes scenarios can be evaluated, enabling a comprehensive analysis of the process and criteria used for entry modes decision.

The main mechanism by which the case studies are done is through a questionnaire followed by phone interviews (Skype) with selected representatives from companies, supplemented by desk research. Face to face interviews with the companies from the sample are not possible due to the geographic distance of both parties. The thesis researcher is based in Dubai and the companies representatives are based in Lisbon.

To complement the analysis and access valuable knowledge acquired from local experience some Portuguese companies already with operations in Dubai and the Middle East are also to be contacted and invited for informal meetings. These companies are NAD/ Design, Parfois, Portugal Link and Altitude Software. The valuable information provided by these companies is to be included throughout the case studies analysis.

Regarding the case study structure this is divided in five specific sections so that the case study analyses flows efficiently towards the final findings. The five sections are: 1) Company Profile, 2) Internationalization Objectives, 3) Market and Company Factors Assessment, 4) Proposed Internationalization Strategy and 5) Potential Challenges to be Addressed.

Through this case study structure and methodology it is possible to first understand the company's business and internationalization objectives, then the company/ market factors and conditions and finally propose a market entry strategy along with the identification of the challenges companies will face in their endeavour.

6.3.2. Company Profile - Gelpeixe

Gelpeixe has been in business since 1977 and its core activity is the transformation and commercialisation of deep frozen food. The policy of trust it has with its clients, the rigorous quality criteria applied to the selection of suppliers and its Certifications standards all mean that

Gelpeixe is quite rightly a leader in its market. Gelpeixe is based in Loures, Portugal on a 10.000 m^2 site with a cold capacity of over 20.000 m^3.

Gelpeixe has until today a family structure and prides itself on its stakeholder relations which go far beyond the merely professional. In 2011, Gelpeixe also ranked the 14th place in the Exame magazine competition for “The Best Company to Work” in the Portuguese industry sector.

As far as the product is concerned, the diversity of its offer to the client is one of the things that really set Gelpeixe apart. Gelpeixe products are essentially suited for the Portuguese taste and they are most common in the Portuguese cuisine. Sardines, codfish pastry, cream tarts, shellfish, seafood, vegetables, meals, savouries, desserts and meat are just some of the categories with which Gelpeixe tempt his clients taste.

Gelpeixe products can be found trough out Portugal ranging from small neighbourhood grocery shops to the biggest retail shops with its own brand and other brands as well.

Gelpeixe is currently implementing a strategy of full cover of the Portuguese market and sustainable growth in the international market. Currently 8 percent of Gelpeixe sales come from foreign markets and it is the administration intention to develop the international market at least 30 percent on a year-on-year basis and develop from only exports to more committed internationalization methods. Gelpeixe holds the necessary human and financial resources to develop the internationalization strategy designed by the administration who is deeply committed with the development of its international presence as this is seen as essential for the company market diversification and revenues growth.

Besides Portugal, Gelpeixe products can be found in Angola, Macau, Cape Verde and Luxembourg. All of these foreign markets have close cultural ties with Portugal what makes it easier for Gelpeixe to sell its products because the brand and products are more easily recognized and they are adapted to the client’s tastes. These four markets were chosen because they demonstrated lower entry barriers due to the proximity of language, gastronomy, culture and legal requirements. Besides the differences with the present foreign markets, the UAE market is currently seen by Gelpeixe with interest due to market potential growth and clients purchase power.

In the foreign markets, Gelpeixe sells its products through modern distribution, importers and distributors. The availability of good cold facilities in the foreign markets is seen as critical to ensure the products quality.

Direct export has been until this moment the preferred internationalization method applied by Gelpeixe because it has proven to be a safe and suitable method to reach a sustainable growth. However, due to its experience, Gelpeixe has been developing deeper knowledge about several internationalization factors and it is now open to implement other more committed internationalization methods depending on their advantages and target market potential and conditions.

At this moment, for countries outside Europe Gelpeixe products are sent through maritime transport and for countries in Europe products are sent through land transport. The usage of air transport has not yet been used because it compromises the product price and consequently its competitiveness. However the air transport might be considered depending on the availability of advantageous conditions to do so.

In order to meet clients and market specific needs, Gelpeixe had to adapt some of its products, in terms of grammage, container and shape, which shows the company high commitment towards client satisfaction.

Quality and brand image are Gelpeixe products' most important features. The price factor is also important and it is recognized the existence of some price sensitiveness from clients, however product quality can overlap the price issue. Gelpeixe clients are essentially between the ages of 21 to 60 years old and are mostly women, since they are most commonly the ones in the family responsible to do the grocery shopping.

Gelpeixe has been doing the internationalization path by its own efforts with little support from governmental institutions. In some occasions, Gelpeixe found difficulties with products registration in foreign markets, and in terms of competition more mature markets have a higher level of competition.

6.3.3. Internationalization Objectives - Gelpeixe

Gelpeixe has two main internationalization objectives, namely:

1. **Foreign Market Growth** – Access new markets in order to sustain the targeted external revenue growth rate defined by the administration.
2. **Strengthening International Presence** – Develop from only exports to others more committed market entry methods.

Regarding the foreign market growth, Gelpeixe objective is to enter 1 or 2 new markets and grow at least 30 percent in foreign revenues on a year-on-year basis. The Portuguese market is limited and not expected to grow in the near future and Gelpeixe is eager to find and explore new opportunities within new markets. Although its presence in Angola, Macau, Cape Verde and Luxembourg, which are markets with very close ties with the Portuguese culture, new markets with no familiarity with the Portuguese culture are also an option to be considered. Market growth potential and purchase power are some of the factors that attract Gelpeixe to Dubai.

Additionally, Gelpeixe internationalization to Dubai will settle the basis for a potential future expansion into the Middle East region through the development of deeper knowledge about the region, international partnerships, local production facilities, distribution channels, etc.

6.3.4. Market and Company Factors Assessment – Gelpeixe

Regarding the internationalization methods and in order to narrow the choices, some factors need to be evaluated before, namely:

Access to market: there are no entry barriers for goods coming to the UAE and to facilitate the access to the existing distribution channels it is advisable the usage of the connections from a local agent/ distributor. The UAE market is a completely new market for Portuguese products and there is not much local awareness about Portuguese brands which means that Gelpeixe might consider investing in local marketing campaigns or otherwise sell its products under a local brand.

Experience: Gelpeixe has already developed some knowledge and experience in exports and international markets through its presence in a few countries. However, this knowledge and experience might turn out to be limited because it comes as a result of the relation with countries which are very familiar with Portuguese products and brands. The UAE market is another reality and the methods applied in those markets might not work in the UAE market. Gelpeixe´s current foreign revenues only represent 8 percent of the total revenues which shows a low weight of its external activities when compared with the activities in the home country.

Competition: Because Dubai is an international trade hub, local customers can find products from all over the world ranging from the most exquisite and rare products to the most current ones. Competition is fierce, not only because of the availability in the market of other frozen alimentary products and substitute products, but especially when negotiating with major retailers.

Risk: The UAE’s currency is pegged to the dollar, giving the country minimal control over the monetary policy and reducing its ability to tackle inflationary pressure. The UAE has one of the most liberal trade regimes in the Gulf and attracts strong capital flows from across the region. Also the UAE is probably the most stable government in the entire Middle East region and the Emiratis are known to love their leaders. Although the Middle East is a turbulent region, the UAE is regarded as a safe haven which can be attested by the number of multinational or regional companies that are based in the UAE. The cultural, administrative, geographic and economic differences between Portugal and the UAE are somehow big and should be consider before entering the market in order to identify any adaptation necessities ensuring that the risk of failure is minimized. The lack of awareness of the Portuguese brands and products might be a threat. However the Portuguese community in the UAE is growing every day and this can be an opportunity for Gelpeixe to sell its products.

Control: In Dubai, companies are able to choose freely what kind of control they want to have over the business. Companies can set up a business in a free zone with 100 percent ownership or set up a business onshore through a joint venture with a local partner, or have a local agent/ distributor, franchise agreements, etc.

Payback: In the UAE there are no corporate taxes and companies are allowed full repatriation of capital and profits with no exchange restrictions. The only existing taxation is 5 percent in almost all products that enter the GCC block. The VAT also doesn't exist in the UAE until this moment. As for the investment payback period or return on investment (ROI), this will depend on the amount of the investment to be realized, the entry mode method and the business model. However if it doesn't exist any green or brown field investment, which often include a heavy investment, and the company continues with the export method, this means that the payback period might be visible in the short term.

Assets nature: Gelpeixe operations could be transferred to a foreign market, but at this moment this is not to be considered as an option since this is still Gelpeixe first approach to the UAE market and the transfer would involve a heavy investment that might not be justified by the market size. However, Gelpeixe products can continue to be produced in Portugal and easily transported by sea or air to the UAE. Gelpeixe already exports its products to Macau hence exporting the same products to the UAE would not be an issue.

Cost: The costs of entering the UAE can be somehow heavy if Gelpeixe needs to build or acquire a local cold storage facility for its products. However there is a possibility for Gelpeixe to sell its products directly to hotels who will handle the storage enabling Gelpeixe to reduce its costs. Some hotels might even pay the air transport of the products directly from Lisbon to Dubai. Gelpeixe products can be very price competitive but the transport method and number of intermediaries should be carefully addressed as these may affect the final price.

Resources: Gelpeixe is a big company with many years of business experience and holds enough available human and financial resources to invest in its international venture. Gelpeixe's top management team is fully committed with its internationalization strategy in order to ensure a sustainable growth and staff is also very motivated towards the company objectives.

Products: Gelpeixe transforms and commercializes deep frozen food. Gelpeixe products are made of Portuguese ingredients and targeted to consumers familiar with the Portuguese cuisine. At this moment Gelpeixe is not considering changes in its products ingredients in order to adapt them to the tastes of customers located in markets without any kind of familiarity with the Portuguese cuisine. Gelpeixe has hundreds of products references, but is strongly advised to develop first a deep analysis about local competition of other products and brands in order to find the opportunity gap for its own products. Gelpeixe should test the market with a selected range of products depending on the targeted costumers and local needs/ opportunities. The best way to evaluate local competition is to be present in the Gulfood Exhibition held every year in Dubai, usually in February. Gelpeixe products are of small dimension and have a low technological level. The maintenance of the products in cold storage facilities is seen as critical to ensure the product quality. Gelpeixe's current products are not under the Halal requirements, which is a factor that should be attained if Gelpeixe wants to reach a wider range of potential clients both locally and in the region.

6.3.5. Proposed Internationalization Strategy - Gelpeixe

Regarding the market entry methods presented before, Gelpeixe's profile, strategy, internationalization objectives and the Dubai market reality and conditions, it is suggested that Gelpeixe should go through a series of phased developments in its internationalization process. This process can be divided into three main phases:

- Phase 1: Active Involvement and Market Evaluation;
- Phase 2: Involvement and Expansion into Neighbouring Markets;
- Phase 3: Physical Presence in the Local Market.

Each of the proposed phases will include the following details:

Phase 1: Active Involvement and Market Evaluation

For the first approach to the market it is proposed using direct export, which means that Gelpeixe continues to handle its exporting's and is in direct contact with the selected intermediary in the target market. Gelpeixe holds the required financial and human resources to handle its export activity, it has experience with foreign markets, it has exporting knowledge and is willing to take more risks to achieve higher compensations. By using this method Gelpeixe will be able to experiment the market acceptance for its selected products with a lower risk and investment.

Due to the cultural, administrative, geographic and economic distance of the targeted market, Dubai market competition, access to retailers and Gelpeixe products particularities it is advisable for Gelpeixe to choose a local agent to deal with local retailers and distributors and to benefit with the agent resources, network and know-how of the market as well.

Finding the right agent mainly depends on personal contacts, but searching in newspapers, magazines and web may provide some results. It is strongly advised to visit trade shows and exhibitions and attempt to network via Dubai business councils in order to know who are the market players and ask for references.

In Dubai, Gelpeixe can sell its selection of products through mass market retailers or through the Hotel/ Restaurant/ Café (HoReCa) channel. The major retailers in Dubai are Carrefour, EMKE Group (Lulu Hypermarkets), Choithrams, Union Coop, HyperPanda, Géant, Waitrose and Spinneys (curiosity: in the beginning Spinneys became known in Dubai as 'The Frozen Chicken' because it was the first retailer in the area to sell frozen chickens from a chiller van). Besides the mass distribution channels, the HoReCa channel in Dubai is of major relevance due to the huge number of hotels, restaurants, coffee shops (Café), small grocery shops and small supermarkets spreaded all over Dubai. Dubai is primarily a touristic spot with a resident population of around 2 million plus 6 million visitors on year-on-year basis. All of these visitors stay in hotels and visit restaurants daily hence the HoReCa might be much more advantageous than the mass distribution retailers. In addition, Gelpeixe can reach more advantageous commercial conditions negotiating with the HoReCa channel rather than negotiating with the major retailers.

To optimize the relation with the agent Gelpeixe should evaluate a combination of factors, namely:

- Develop a careful due diligence process of the agent in terms of resources, market positioning, corporate culture and compliance with local legal business requirements;
- Favour agents where the chances of conflict of interests are minimized. The activity of both parties should reach a high level of complementarity in order to foster the business potential;
- Reach an agreement between both parties about what is expected from the relation, through a Memorandum of Understanding, before signing any formal contract;
- Ensure objectives to be reached and targets to be accomplished, especially when exclusivity regimes are being contracted;
- Define clearly which clients are of exclusive interest of Gelpeixe to approach, meaning these are excluded from the relation agreement.
- Develop very clear performance control structures and reporting. Reporting from agents should include new business leads, on-going negotiation status with major clients, developed and planned promotion activities, financial execution of current contracts, technical issues reported by clients, after sales support pending issues, etc. Gelpeixe should also keep its agent always updated on new product releases, new updates to existing products, any potential problems with shipping the products, etc.

Disadvantages in direct export can involve higher costs because of the commissions charged by the agent and the risk of choosing the wrong agent who may have different interests in the venture or doesn’t honour his commitments. Benefits in direct export can be higher level of involvement with the market, shorter distribution channels and smaller distribution costs as well, closer connection to the end user, greater potential of return and easier to penetrate the market if the agent is well connected and also experiment market acceptance to the products at a low risk and investment level. Choosing the right agent in Dubai is deemed as critical to reach the HoReCa channel and other major retailers of mass distribution.

If it was to choose the own export method, Gelpeixe would not have an easy task to reach the local HoReCa channel and would certainly face disadvantageous negotiation conditions with the existing retailers in Dubai. In addition, if the selected products don’t meet the targeted sales objectives it might result in damage for Gelpeixe brand image for these retailers. As mentioned before, because Gelpeixe's products are tailor-made for Portuguese taste, the risk of not meeting the sales objectives in a distant cultural market might be worth to consider. This is why Gelpeixe should choose carefully which products wants to commercialize in Dubai.

In Dubai one of the business forms available is the Commercial Agency which, according with the federal law is an arrangement whereby a foreign company is represented by an agent to distribute, sell, offer, or provide goods or services within the UAE for a commission or profit.

The Commercial Agency is seen as an alternative form of investment since that carrying out business in the UAE does not require foreign investors to maintain a physical presence. The commercial agent has to be a UAE national or a company owned 100 percent by a UAE national. The foreign company may use the services of a sole agent in the UAE or assign a commercial agent in each emirate.

One potential local agent could be a Portuguese company already based in Dubai called Portugal Link. Portugal Link handles the imports and distribution of other Portuguese companies' products especially within the HoReCa channel for the entire emirate of Dubai.

The phase 1 entails a very active involvement of Gelpeixe with the target market by liaising directly with only one intermediary and also a market evaluation to experiment and validate the local acceptance of selected products. A soft approach with low risk and low investment is probably the most suitable way to start developing business in such a particular market. Depending on the achieved results Gelpeixe might decide to abandon the market, move to other markets in the region or consider to adapt its products in order to reach a wider range of potential clients. Gelpeixe can also innovate in its products to offer something completely different from what costumers are used to, or even focus on a strategy of market niche by producing for the up-market clients very special products and sell them directly to restaurants and hotels at a premium price. In order to raise even more the chances of success, Gelpeixe could consider creating a line of halal food products. The word halal means permitted or lawful. Halal foods are foods that are allowed under Islamic dietary guidelines and as per these guidelines gathered from the Qu'ran, Muslim followers cannot consume pork or by pork products, animals that were dead prior to slaughtering, animals not slaughtered properly or not slaughtered in the name of Allah, blood and blood by products, alcohol, carnivorous animals, birds of prey and land animals without external ears. The Câmara do Comércio e Indústria Árabe-Portuguesa could be a good adviser in how to address the halal factor.

If the internationalization strategy results to be successful, Gelpeixe might consider its expansion to the neighbouring markets with special attention to the biggest ones in the entire region, the Kingdom of Saudi Arabia and Iran.

Phase 2: Involvement and Expansion into Neighbouring Markets

In phase 2, which should take more or less 3 years to start after phase 1 reached maturity, is suggested the expansion to neighbouring markets in the Middle East region, in particular the GCC countries and Iran. The methods of internationalization to be used for expanding into the other regional markets should also be through local agents/ distributors or piggybacking with Gelpeixe clients in the UAE. Gelpeixe would continue with its direct export method and by using local agents/ distributors its level of involvement with the local markets would continue to be at a high level.

Besides the agency agreement, piggybacking is also an alternative method that it might turn out interesting to Gelpeixe. Depending on the relations established between Gelpeixe and its retail clients in the UAE there might be a chance that these retailers carry Gelpeixe products into new markets, where Gelpeixe would be the rider and the retailers the carrier of these relationship.

The same challenges faced in the UAE for the acceptance of Gelpeixe Portuguese taste products are most likely to be continued in the other markets and there is the possibility to address some light or extensive adaptations in the process or product characteristics depending on the local cultures, consumer behaviour and business licenses or requirements. The halal factor is certain to be a major factor when expanding to other Muslim countries, especially Saudi Arabia and Iran.

Phase 2 will have better chances to develop into a successful strategy once Gelpeixe acquires deep knowledge about the market reality, customer needs, business laws and procedures in the Middle East, through a straight connection with the local agent and involvement predicted in phase 1. This is the main reason why Gelpeixe should wait at least 3 years before moving from phase 1 to phase 2.

Nevertheless, another scenario should be considered. Even if phase 1, prove not to be a successful strategy, Gelpeixe might consider proceed to phase 2 and move its operations to other market in the region that may offer better opportunities. Countries inside the GCC block compete fiercely between themselves for attracting foreign investment and it should not be difficult to find very advantageous conditions and incentives in other countries. An example of this reality is Soares da Costa SGPS, a major Portuguese construction company that just recently in 2012 moved all of its operations from the UAE to Oman.

Phase 3: Physical Presence in the Local Market

If the market entry strategy in the previous phases proved to be a success and products are in high demand generating big volumes, the potential to grow is high and the number of existing consumers/ clients in the region justifies the creation of a local subsidiary to provide closer and better support, Gelpeixe should consider a physical presence in the region. Following this strategy, Gelpeixe would be showing a high level of commitment which is much appreciated by local costumers, retailers and authorities.

Gelpeixe would pursue this strategy after at least five years presence in the region when the activity should have reached the expected performance and maturity, the company has acquired a deep knowledge of the market, the consumer needs, the market players and stakeholders, the distribution channels and the necessary “wasta” to facilitate business. Someone said once that in the Middle East everything goes through wasta. Wasta roughly means connections, influence or favouritism and the use of intermediaries. The intermediary in cases of wasta must be someone with influence, in order to secure the favour, but not necessarily a relative or even a close friend, quite possibly just a passing acquaintance or sometimes a complete stranger. By using his influence to perform a service, the wasta acquires prestige and honour but, perhaps more importantly, the person receiving the favour incurs a debt of gratitude which may have to be repaid in unspecified ways in the future.

To accomplish this strategy there are two main entry strategies to be considered, namely joint venture or direct investment. Joint venture would be an interesting option if Gelpeixe was still doing its first steps in the region, benefiting in this way from the know-how and connections of a local partner in the venture. However in phase 3 Gelpeixe is not in its first steps in the region and in addition researchers and UAE business leaders have provided evidences and opinions that joint ventures often have more disadvantages than benefits. Considering that in phase 3 Gelpeixe would be in a mature stage of internationalization in the region if it was to consider the option of establishing physical presence in the region, it is suggested the direct investment method that could be realized through Green Field or Brown Field projects.

Gelpeixe could set up an entire new facility or buy an existing one in a free zone and from there produce and export directly to all of the Middle East, Africa, Pakistan, India, Southeast Asia countries, and Far East Asia.

Through a wholly owned subsidiary Gelpeixe will have a tight control on the operation and quality control and will not lose its technologies and expertise to others. The main disadvantage of this method is that this is the most risky and costly internationalization method.

Finally, it is also suggested the definition of metrics that allows Gelpeixe to evaluate its internationalization process evolution. Some of the metric indicators to be used can be the sales volume growth rate, percentage of sales from foreign markets, client number, clients and customers satisfaction levels, etc.

The above mentioned internationalization process, divided in three phased developments, provides an overview of a possible path for Gelpeixe internationalization objectives achievement. By entering the UAE market through Dubai, Gelpeixe access a new market which also contributes to set the path to expand its presence into other markets in the region (Objective 1: Foreign Market Growth). After a few years if the venture is proved to be successful Gelpeixe will be able to develop from only exports to a local presence by owning a local production facility which enables Gelpeixe to supply the entire region with its products. (Objective 2: Strengthening International Presence)

6.3.6. Potential Challenges to be Addressed - Gelpeixe

Gelpeixe is currently present in Angola, Macau, Cape Verde and Luxembourg and its interest and willingness to invest in the Middle East region and Dubai in particular is a clear example of the findings provided by Johanson & Vahlne (2009) research where companies start in foreign markets that are close to the domestic market in terms of cultural and mentality aspects, and then move gradually into markets that are further away in terms of cultural or mentality aspects.

The proposed internationalization strategy for Gelpeixe also follows the predicted by Czinkota and Ronkainen (2004) where internationalization is a gradual process for organizations through a series of phased developments. Gelpeixe will continue with its exporting strategy as the first approach to the market and only after it gets more involved will start developing new strategies.

According to Root (1994), only after some success in casual export or licensing, do some companies start to think about what is needed to create positions in foreign markets that can be sustained over the long run. This is exactly what is suggested to Gelpeixe through the above mentioned three phases. First it starts with a soft approach, direct export with local agency, to the local market (Phase 1 – Active Involvement and Market Evaluation) and only after, if successful, will proceed to the presence in the neighbouring markets through direct export with local agency or partnerships (Phase 2 – Involvement and Expansion into Neighbouring Markets) and finally will conclude with a local physical presence in the region through direct investment in the form of a Green Field or Brown Field project (Phase 3 – Physical Presence in the Local Market).

Related to the proposed internationalization strategy through phased developments the same findings are in compliance with the findings provided by Johanson & Vahlne (1977) research where the internationalization of a firm is a step by step process of increasing commitments as a firm develops international experience.

Finally, Gelpeixe´s first step to approach the Dubai market, the direct export, is in compliance with the findings provided by Carvalho (2011) research where when the perceived distance with the target country is big, companies should select a relatively low resources commitment entrance method; when there is uncertainty about the market demand level, companies should favour a relatively low resources commitment entrance method and when there is competition volatility in the target market, companies should prefer a relatively low resources commitment entrance method.

In order to consolidate its international presence and reach the defined objectives Gelpeixe will pass through several challenges which will need to find solutions.

The first challenge to be addressed is finding a good agent who shows commitment and professionalism with the venture. The agent should have deep knowledge about the market and be well connected with the local distribution channels. It might happen that one single agent represents several companies that compete between themselves in the same business sector, what make us think about potential conflict of interests. However, this situation is a reality in the UAE and although it might sound awkward it can work really well because of the agent connections and influence.

The cultural differences have a major relevance in all of the internationalization processes and Gelpeixe should do the needful to integrate its operations and select the most adequate products in order to meet the market specificities. Besides the globalization tendencies in working and consumption habits, local languages, costumes and habits are still dominant which means that in order to survive one needs to adapt and act local. In this regard, one of the major challenges for Gelpeixe is that probably the majority of its products are tailored for the Portuguese taste what may result in a big challenge to be accepted in an Emirate with a resident population from more than 200 countries. In addition and to raise the challenge, Gelpeixe brand is also not recognized by the local consumer. In order to tackle this issue, Gelpeixe should consider developing a local promotion strategy, by choosing its own brand, create a local brand or use its local partners/ distributors names.

Besides the mass distribution retailers Gelpeixe is strongly advised to start its venture by approaching the HoReCa channel and especially the hotels. Dubai is a major worldwide tourist destination with an average of 6 million visitors per year and it also has a huge number of hotels to host all these visitors. This fluctuating population might represent a big market for Gelpeixe products because restaurants in Dubai are mostly present in hotels rather than in shopping malls or in the street. Restaurants inside hotels are known to be the best in terms of quality and are especially favoured by local and foreign customers because only these restaurants are allowed to serve clients alcoholic drinks like wines, champagne, beer, spirits, etc. Restaurants outside hotels don’t have license to sell alcoholic drinks which immediately excludes the street and shopping mall restaurants. Many hotels even buy directly from producers and they even pay the air transport if the product justifies the investment. If the agreement with the agent is not of exclusivity, Gelpeixe can experiment the approach to some major hotels in Dubai.

Expanding to neighbouring markets entails challenges, because new markets means new consumers, new consumer habits, new social norms, new laws, new competitors, etc. Once a company is successful in Dubai, the chances of being successful in the neighbouring foreign markets is also a possibility because residents from other Middle East countries and especially the GCC, India and Pakistan fly frequently to Dubai almost every weekend which means that these potential customers could be in contact with Gelpeixe´s products before they are available in their own countries.

The best way to approach the neighbouring foreign markets would be through local agents/ distributors where it would be easier for Gelpeixe to use the existing UAE agent if possible because a relationship already exists and Gelpeixe would handle only one agent or use the piggybacking method through a Dubai client that can be a retailer, hotel, etc. The piggybacking would depend on the relations developed between Gelpeixe and its retail clients were these clients would carry Gelpeixe products being Gelpeixe the rider and the client the carrier of the relationship.

In a final stage, if physical presence in the region is to be consolidated through Green or Brown Field projects, Gelpeixe should be prepared to recruit new staff locally and/ or relocate some staff from Portugal. The recruitment of new staff will entail training and inducting sessions in order to orient the new staff to the corporate culture. If the demand for Gelpeixe products justifies the investment in local production facilities it would be really interesting for Gelpeixe sustainable growth because due to the strategic geographic location it could easily export its products at a very competitive price to Europe, Africa, Middle East, India/ Pakistan, Central Asia, Southeast Asia and Far East Asia.

Competition is another challenge to be addressed by Gelpeixe. Dubai is an international hub for trade and products from the most remote regions in the world can be found in local retailers and HoReCa channel. Gelpeixe will find fierce competition not only negotiating with local retailers but especially with other deep frozen products and also substitute products. Innovation might be the key to successfully mitigate competition and raise Gelpeixe negotiation power with retailers.

Besides all the challenges, interesting opportunities and trends are available for Gelpeixe to explore. The premiumisation of all food categories, growing interest about healthy food options and increasing demand for organic food might turn up to be very interesting opportunities to explore. Halal food is another factor to be addressed if Gelpeixe wants to reach the Muslim consumer.

Being innovative, creating a new line of products and focus in niche markets might be solutions to consider in order to raise the chances of success.

Finally, if a foreign investor wants to have any chance of success in its Middle East venture and in the UAE in particular, it must be present locally sooner or later otherwise it will be a loss of time and money.

6.3.7. Company Profile - Quidgest

Quidgest is a Portuguese software engineering company that has disrupted software development, by developing and continuously improving Genio, a framework for automatic code generation enabling multi-platform deployment (server, cloud, desktop, mobile). Genio assures both management and continuous improvement of dynamic models of functional specifications. All systems implemented at Quidgest clients organizations are able to evolve in accordance to their standards and current legislation.

Quidgest offers software solutions in a very wide range of areas namely: Public Management Solutions (i-Gov, Shared Services, etc.), Health and Sports (Health Care Systems, Research, etc.), Engineering, Construction, Public Works, Energy and Environment, Human Resources Management (Work Organization, Training, etc.), Banking, Insurance and Finance, Strategic Management (Audit, Management Control, etc.), Support for Developing Countries, Citizenship and Education, Supply Chain Management (Procurement, Logistics, etc.) and Research and Outsourcing.

Aware of the uniqueness and high competitive advantage (while a traditional programmer writes 2 characters per second, Quidgest Genio writes 1 million characters per second) of its software solution in any market in the world, Quidgest started its internationalization journey in 2005 and is currently present in El Salvador, Brazil, Norway, United Kingdom, Angola, Mozambique, Cape Verde, Macau, East Timor and Germany. The main reasons for choosing these particular markets were cultural ties, market growth and project bidding opportunities. Quidgest also discovered that comparing with their solutions, the ones being used in these markets are not the most advanced technically which represents an interesting opportunity to Quidgest introduce its state of the art solutions.

Quidgest exports its software and related complementary services such as consultancy, training and continuous maintenance to local public entities, supranational entities (United Nations and World Bank) and private companies. Clients are very demanding in terms of quality and require personal service, technical support, continuous solution updates, etc. In 2011, exports represented 20 percent of Quidgest total revenues.

Quidgest clients come from the most diversified areas and have particular needs and requirements which trigger the necessity for Quidgest adapt its solutions accordingly. All the developed solutions are tailored to meet perfectly clients' needs and requirements according to their local specifications (language, currency, culture, law, etc.). Over the last 24 years, Genio has been used to generate hundreds of tailor-made solutions for organizations in both public and private sector across the globe.

Regarding the internationalization process, Quidgest adopted the strategy of approaching several markets at the same time whenever the opportunities arise. As for the foreign market entry methods Quidgest clearly prefers joint ventures with local partners because of their availability and knowledge about the local market and culture. Besides the joint ventures Quidgest also has a few wholly owned subsidiaries. It can also happen that a team of experts is temporarily displaced from Lisbon to the client's premises in order to liaise with them directly during the project development phase.

Quidgest has 14 different nationalities among its workforce of 80 people and a financial autonomy of 70 percent, meaning that human and financial resources are available to pursue the internationalization strategy. Quidgest's top management team is absolutely committed with its internationalization strategy and it aims to consolidate its position in its current foreign markets and expand its presence to 3 to 5 foreign markets on a year-on-year basis. The UAE market is seen with some interest due to the well-known economic capacity and strategic location that provides easy access to Africa, Asia and Europe.

Quidgest software solutions demand continuous technology supervision about trends and evolution in order to meet the state of the art in this particular business area. Price is a relevant factor but not the determinant in selling the product. It is well known in the sector that these services are not cheap and a low price is not seen as reliable by the clients.

6.3.8. Internationalization Objectives - Quidgest

Quidgest has two main internationalization objectives, namely:

1. **Foreign Presence Consolidation** – Consolidate its current foreign markets presence.
2. **Foreign Market Growth** – Access new markets in order to diversify and expand its international presence.

Regarding the foreign presence consolidation, Quidgest's objective is to reinforce and further develop its presence in the markets where it already has operations and portfolio of clients and projects. With the current foreign clients Quidgest is able to develop a long term relationship by selling new projects and also its post-sales services such as maintenance and training. The successful relation with the current clients and its local presence will provide experience in that particular market and a good company brand image which will enable Quidgest to market new clients and consequently expand its activity and consolidate its presence locally.

As for the foreign market growth, Quidgest is always looking for opportunities to implement its unique software solution wherever the opportunities arise. Quidgest's current internationalization objective is to access 3 to 5 new markets on a year-on-year basis and reach all the potentially interesting foreign markets in the next 10 years. It is indeed a very ambitious objective. Nevertheless it is attainable due to the uniqueness of its product and especially the ability to easily adapt the software solution to each client needs and market specifications.

Economic wealth and a strategic geographic location are some of the factors that attracts Quidgest to Dubai. Because the first internationalization objective is out of the scope of this thesis, only the second objective – Foreign Market Growth – will be addressed having Dubai has the target market.

6.3.9. Market and Company Factors Assessment – Quidgest

Regarding the internationalization methods and in order to narrow the choices, some factors need to be evaluated before, namely:

Access to market: there are no entry barriers to the UAE and B2B companies are most welcome and strongly incentivated to invest locally. The UAE market is a completely new market for Portuguese services and local awareness about Portuguese services and company's names is most certain very limited. However, multinational companies which are located in Dubai might be aware of the high performance and reputation of the Portuguese Information Technology (IT) industry and it may also happen that current Quidgest clients are also located in Dubai which would be a great opportunity to Quidgest enter the market.

Experience: Quidgest has already developed a strong knowledge and experience in international markets through its presence in a few countries. Quidgest international performance is going really well and in 2011 20 percent of its total revenue was coming exclusively from foreign markets. Because Quidgest solutions are flexible and easily tailored to clients' needs and local markets specifications, the knowledge and experience acquired in other countries might be very useful and a big advantage for Quidgest to attract clients in Dubai. Showing to potential local clients, the uniqueness of Quidgest software solutions along with an impressive portfolio of international clients, developed projects and major achievements can make all the difference when bidding for contracts.

Competition: The IT sector in Dubai is regarded as being very competitive because of the presence of major multinational companies and also a high number of other SME's IT related from Western, Middle East and Asia countries, especially from India. Quidgest can expect to find fierce competition, but the uniqueness of its solutions can overlap easily this issue and enable Quidgest to reach very interesting opportunities due to the government heavy investment in e-government and the presence of a large expatriate business community that helps the sector development.

Risk: The UAE's currency is pegged to the dollar, giving the country minimal control over the monetary policy and reducing its ability to tackle inflationary pressure. The UAE has one of the most liberal trade regimes in the Gulf and attracts strong capital flows from across the region. Also the UAE is probably the most stable government in the entire Middle East region and the Emiratis are known to love their leaders. Although the Middle East is a turbulent region, the UAE is regarded as a safe haven which can be attested by the high number of multinational or regional companies that are based in the UAE. Cultural, administrative, geographic and economic distance between Portugal and the UAE is somehow big and attention should be addressed when approaching the market. However, besides the language, currency and the way of doing business in the region, which are factors somehow easy to tackle, there aren't other significant factors that can represent a risk for the successful commercialization of Quidgest solutions in the region.

Control: In Dubai, companies are able to choose freely what kind of control they want to have over the business. Companies can set up a business in a free zone with 100 percent ownership or set up a business onshore through a joint venture with a local partner, or have a local agent/ distributor, franchise agreement, etc.

Payback: In the UAE there are no corporate taxes and companies are allowed full repatriation of capital and profits with no exchange restrictions. The only existing taxation is 5 percent in almost all products that enter the GCC block. If Quidgest chooses to settle in a free zone it will only pay a tax for issuing its license to operate in the free zone and after that it is excluded of paying any more taxes. As for the investment payback period or return on investment (ROI), this will depend on the amount of the investment to be realized, the entry mode method, if it is the opening of a local branch, if it is joint venture, etc., and the business model. Normally it is expected that after a period of 3 to 5 years it will start seeing financial results, but once again depending on entry mode results may be seen in the short term.

Assets nature: Due to the immateriality of IT services, Quidgest software solutions are very flexible and can be developed in one country and implemented in another. There are no borders to the development of software solutions, however Quidgest favours the development close to the client because of the necessity of having the client active participation during the project development, testing and release phases. Maintenance, updating, training, etc., are the services that usually require local presence in the client's office.

Cost: The costs of entering the UAE can be very competitive especially if a company chooses a free zone and some of their special features. Dubai free zones offer very interesting and affordable conditions for companies to install even if it is for a short period of time. There are available facilities, desks, offices, access to internet, temporary working visas, etc., that allow companies to develop their activities in a cost efficient and comfortable way before they decide to move to a heavier investment through an own office rental.

Resources: Quidgest is a big company with many years of business experience and holds enough available human and financial resources to invest in its international venture. Quidgest top management team is fully committed with its internationalization strategy in order to ensure a sustainable growth and staff is also very motivated towards the company objectives. Quidgest holds a sufficient number of experts to create project teams who travel worldwide to meet clients and develop software solutions in loco. In addition, if Quidgest needs to recruit local staff this can be easily attained because the supply of IT qualified human resources in Dubai is higher than demand.

Products: Quidgest services its clients with disruptive software solutions that include a very high level of technology, expertise and investment in R&D activities. The software solutions industry is constantly innovating and developing to the next stage hence Research, Development and Innovation activities must be continuous if companies want to keep updated and lead the market. The immateriality factor of Quidgest solutions provides the possibility to easily reach any client in the world. Because of the high level of technology and know-how associated to its software solutions Quidgest should take a close look to the intellectual property protection especially when choosing the market entry mode.

6.3.10. Proposed Internationalization Strategy - Quidgest

Regarding the available market entry methods, Quidgest profile, strategy, internationalization objectives and the Dubai market reality and conditions, it is suggested that Quidgest should go through a series of phased developments in its internationalization process. This process can be divided into two main phases:

- Phase 1: Physical Presence in the Local Market;
- Phase 2: Expansion into Neighbouring Markets.

Each of the proposed phases will include the following details:

Phase 1: Physical Presence in the Local Market

For the first approach to the market it is proposed direct investment through the setup of a wholly owned branch where Quidgest will be the owner of 100 percent of the stock. This branch would adopt the business form of “Branch of a Foreign Company” and it should be settled in a free zone, more specifically Dubai Internet City (DIC), so that it is possible to have 100 percent ownership and benefit from all the advantages associated to be part of a IT dedicated free zone, especially the cluster effect, the financial/ tax benefits and the unbeatable features offered to business starters.

By being present in DIC, Quidgest can also benefit from potential synergies with other software development companies located in the same free zone. Altitude Software, another Portuguese software company also settled his operations in the DIC. Other companies located in DIC are Cannon, HP, Microsoft, Oracle, Samsung, Siemens, AT&T, Yahoo, Dell, Logica CMG, Mastercard, etc.

Around 50 free zones are scattered all over the UAE. Some are designed as purpose built zones to serve a specific sector like DIC, and some were built to benefit the geographic location such as Jebel Ali Free Zone (JAFZA). Because some free zones are dedicated to serve a particular sector such as DIC which is a free zone only dedicated to IT and e-business companies, they only allow the establishment of the business that fit their specific categories.

As mentioned before, the form of business would be "Branch of a Foreign Company" where this cannot be a separate legal entity from the parent´s company and it must follow the parent´s company activities. "Branch of a Foreign Company" licences are issued to business who wish to provide a service like business management, consulting, IT within the free zone. Organizations operating in free zones are not allowed to conduct business in other parts of the UAE market. Nevertheless, the organization can undertake business within the UAE using a commercial agent, representative, distributor, or the mother company licensed by the relevant UAE authority. However, this is not entirely true in reality and companies present in the free zones operate normally throughout all of the emirates without needing a commercial agent, representative, etc.

In theory the option of setting up in the free zones is more suitable for companies intending to use Dubai as a regional manufacturing or distribution base and where most or their entire turnover is going to be outside the UAE. But in reality this is not what happens because although many companies use Dubai as a base to operate in the entire region, companies also operate within Dubai and the rest of the emirates since, after the Kingdom of Saudi Arabia the UAE is the biggest economy in the region.

Additionally, in order to sell products outside free zones, the company must appoint a UAE official agent and 5 percent customs duty is applied on most goods. However, because Quidgest only provides services and not products, this restriction does not apply. Companies in the free zones can obtain services and products from and within the UAE without being confined to this restriction.

The wholly owned branch development is regarded as the most costly and risky method of entering a foreign market, but by using this method Quidgest will have a tight control on the operations and quality and will not take the risk of losing its valuable knowledge and technology to others. In addition, by setting up in a free zone, Quidgest doesn't need a local partner and is not under the Emiratization law where it is demanded to recruit local Emirati staff.

But, before setting up its branch in its own office, Quidgest should start with a low investment solution by using one of the most interesting DIC free zone features, namely the First Steps Business Center. According to the latest information from DIC, First Steps Business Center allows companies to lease short term office spaces, while exploring business and market opportunities. First Step Business Centre offers an enabling combination of a comprehensive working area, which includes a fully furnished office along with administrative services and an advanced infrastructure. Companies can operate in the DIC First Steps Business Center as a fully operational "Branch of a Foreign Company" or "Free Zone Limited Liability Company" (FZ-LLC) for a minimum lease term of one year after successfully completing the registration process. A "Branch of a Foreign Company" is not a legal entity separate from its parent but is considered a place of business that forms a legally dependent part of the parent company and conducts all or some of the operations inherent in the parent's business. There is no capital requirement for branch companies, no share capital is required and Quidgest would be the wholly owner. A FZ-LLC is formed as a separate legal entity, with shareholders as individuals and/or entities. Each FZ-LLC is required to have at least one director. The minimum capital requirement for incorporation depends on the business activity. FZ-LLCs incorporated in Dubai Internet City are required to have minimum paid up capital of AED 50.000.

According to DIC, the First Steps Business Center facilities at Dubai Internet City include:

Executive Desk: A hot desk is perfect for companies that require minimum space to complete office work such as email, browsing, printing and making phone calls. Hot desk clients are eligible only for one visa.

Executive Office: An executive office is a full-fledged furnished office environment, available in different sizes and with a capacity to accommodate between two to seven employees per office.

As for the above mentioned reasons Quidgest is advised to use the DIC First Steps Business Center in the beginning as a "Branch of a Foreign Company", during one or two years, depending on the maximum period allowed for the lease, in order to experiment the market before setting up its own office in the DIC free zone.

Companies entering the UAE B2B market especially in the services sector should keep in mind that the local companies, especially the ones run by Emiratis, don't appreciate long distance service providers who just arrive by plane and leave the country after a few days. Unless the company has a completely innovative and disruptive product or service, the long distance relation will not work with the local companies. By settling the business in Dubai through direct investment the company is showing commitment with the market which is very appreciated by local players, clients and authorities.

An alternative method of entering the UAE market could be through the development of a joint venture with a local partner. With the help of a local partner it would become easier to reach new clients or existing clients from the partner portfolio, easier to tackle the cultural, administrative, geographic and economic differences and also the costs and risks could be shared among the joints. However some of these advantages can be easily reached by simply recruiting local staff that know the language, have good connections and have been in business already for a few years. The joint venture also entails risks that should be carefully addressed especially when the service to be provided is knowledge intensive. With joint venture, Quidgest would need to share the control of its technologies, knowledge, profits, brand, etc., with its partner. In addition it will not have a tight control on the subsidiary and the shared ownership may turn up in conflicts. Although Quidgest has its own methodology to approach foreign markets, due to the maturity of the IT market and intensive competition in Dubai, it would be advisable to start with the proposed method in the free zone.

In Dubai companies are able to set up business in a free zone. The free zones generally offers four types of business forms, but a free zone does not have to offer all the types. Some free zones offer only one type. These Forms of Business can be Free Zone Establishment with a single shareholder, a Free Zone Company (FZCO) with 2 to 5 shareholders, Branches of Foreign Companies that cannot be a separate legal entity and must follow the Parent's Company Activities, and a Freelance permit that can only be performed by a freelance professional.

Each free zone has an individual and independent authority which is responsible to issue operating licenses and assist organizations in establishing their business in the free zone.

The proposed free zone for Quidgest to establish its branch is DIC. Some of the benefits offered by DIC are: 100 percent exemption for personal income tax for 50 years, 100 percent exemption from corporate taxes for 50 years, 100 percent foreign ownership, 100 percent repatriation of profits, dynamic international community, opportunities for business interaction and networking, opportunities for channel and market development, etc.

For the above mentioned reasons the most advisable method of entry in Dubai is through a wholly owned branch through the business form of "Branch of a Foreign Company" in the DIC free zone. If Quidgest find strategically advantageous it can move to a joint venture agreement with a local partner. However, besides all the advantages and disadvantages mentioned before, Quidgest must keep in mind that the joint venture can only be settled outside a free zone meaning it would be under the federal law of the emirate and not under the free zone authority and it would lose many of the benefits that only applies to companies inside a free zone as mentioned before. The FZCO allows 2 to 5 shareholders but, according to Table 4 the licenses issued for the FZCO are only for business that wish to import raw materials, carry out the manufacture of specified products and export finished product to any country which is not the case of Quidgest. If it wants to be part of a free zone, Quidgest can only adopt the business form of "Branch of a Foreign Company".

If the starting strategy results as a success, Quidgest might consider expanding its activities to the neighbouring markets in the region with special attention to the biggest one in the entire region, the Kingdom of Saudi Arabia.

Phase 2: Expansion into Neighbouring Markets.

In phase 2, which should take more or less 3 years to start after phase 1 reached maturity, is suggested the expansion to neighbouring markets in the Middle East region. Because Dubai works has a hub for the entire region and since Quidgest is based in Dubai it is suggested that, like many businesses in Dubai, the approach to the neighbouring markets is made on a project basis where a team is displaced from Dubai to the client office/ country only to develop the project.

To be successful in the Middle East businesses need to be locally present and invest in close relations with current and potential clients. Aware of this reality multinational companies and SME's from all over the world have settled in Dubai because of its competitiveness, benefits and strategic geographic location. Additionally, if a company wants to attract and/ or retain talented workforce it must provide the best conditions possible (quality of life for expats and families, schools, restaurants, security, entertainment, tolerance towards western standards of life, etc.) which only Dubai can offer. It is very feasible for Quidgest to settle its operations for the entire Middle East in Dubai, and dislocate teams to the other markets on a project basis. Every company in Dubai does the same and the Dubai International Airport is especially prepared to make life easy for travelling business man. Through this approach, Quidgest would continue to control all of its operations and final software solutions provided to international clients.

When it comes to deciding if a company establishes a physical presence in a new foreign market the top management team has to evaluate the usual economic and market factors in order to verify if the investment is justified or not. However, companies many times forget about the human factor which in the Middle East can be a big issue. Retaining talent, promoting happiness and motivation among the staff and have a low staff turnover level are common objectives among companies therefore these factors should be carefully addressed when choosing to locate in certain countries where the life standards can be very harsh for some of the staff. A good example is Saudi Arabia where most of the expats live inside closed compounds, access to information/ entertainment is very limited, women are not allowed to drive and travel alone without a presence of a man, etc. All these aspects should be considered before moving into some countries in the region.

Piggybacking can also be an option to consider and it might even turn out interesting to Quidgest. Depending on the relations established between Quidgest and its UAE client portfolio there might be a chance that these clients carry Quidgest solutions into new markets, where Quidgest would be the rider and the clients the carrier of these relationship. It may also happen that Quidgest needs to follow its clients wherever they go and settle operations accordingly. Following clients worldwide is widely recognized as one of the motives that make many companies go international.

Phase 2 will have better chances to develop into a successful strategy after Quidgest acquires deep knowledge about the Dubai and UAE business community and has an extensive network already established.

Finally, it is also suggested the definition of metrics that allows Quidgest to evaluate its internationalization process evolution. Some of the metric indicators to be used can be the sales volume growth rate, percentage of sales from foreign markets, Book to Bill ratio, client number, clients and customers satisfaction levels, etc.

The above mentioned internationalization process divided in two phased developments provides an overview of a possible path for the Quidgest internationalization objective achievement (Objective 2: Foreign Market Growth). By first entering the UAE market through Dubai, Quidgest access a new market where it can develop a business network and activity until it reaches an interesting volume of projects and turnover. If the initial venture in phase 1 proved to be successful, Quidgest can start preparing the path to expand its activity and start serving more clients throughout the all region on a project development basis.

6.3.1. Potential Challenges to be Addressed - Quidgest

Quidgest interest and willingness to invest in the Middle East region and Dubai in particular is a clear example of the findings provided by Johanson & Vahlne (2009) research where companies start in foreign markets that are close to the domestic market in terms of cultural and mentality aspects, and then move gradually into markets that are further away in terms of cultural or mentality aspects. Quidgest can be assumed as being in a more mature internationalization stage because its presence in close markets (Angola, Mozambique, Cape Verde, Brazil, etc.) started already a long time ago. Quidgest is currently also present in markets that are further away in terms of cultural and mentality aspects (El Salvador, etc.) and the interest for Dubai confirms the company´s gradual movement to more far away markets as described by Johanson & Vahlne research.

The proposed internationalization strategy for Quidgest also follows the predicted by Czinkota and Ronkainen (2004) where internationalization is a gradual process for organizations through a series of phased developments. Quidgest will start by establishing a wholly owned branch through the business form of "Branch of a Foreign Company" in a free zone as the first approach to the market and only after it gets more involved can start thinking about developing new strategies to expand its activity and presence in the region.

According to Root (1994), only after some success in casual export or licensing, do some companies start to think about what is needed to create positions in foreign markets that can be sustained over the long run. This finding is in compliance with the suggested strategy for Quidgest through the above mentioned two phases. Quidgest will enter the market through direct investment in the form of a wholly owned branch (Branch of a Foreign Company) in a free zone (Phase 1 – Physical Presence in the Local Market). Only after, if successful, will proceed to the next stage which is the expansion of its activity and presence in the neighbouring markets (Phase 2 – Expansion into Neighbouring Markets).

Through a wholly owned branch Quidgest will have tight control on the operation and also will not lose its technologies to others. The main disadvantage is that it is the most costly and risky method of entering a foreign market and this is why it is suggested to set up a branch in a free zone to begin the approach to the market.

Related to the proposed internationalization strategy through phased developments the same findings are in compliance with the findings provided by Johanson & Vahlne (1977) research where the internationalization of a firm is a step by step process of increasing commitments as a firm develops international experience.

Establishing a joint venture with a local partner is also an option to be considered by Quidgest. A joint venture entails advantages and disadvantages as well. Research by Rogmans (2011) about companies based in the MENA region has provided evidences that companies operating under such arrangement, joint venture, see it not as a true joint venture but an effective way to operate under the market regulations existing at the time of entry. Also some companies would prefer to set up in one of the free zones in order to benefit from full ownership. However switching costs and the possibility that the existing sponsor may respond negatively to the termination of the sponsorship agreement deter a change in the operation mode. Additionally, because in the region intellectual property rights are not enforced as they should be, knowledge intensive companies should think twice before they share their knowledge and expertise with partners. If Quidgest decides to proceed with a joint venture with a local partner it should keep in mind that coming back from the deal might not be easy especially when dealing with a local partner, the joint venture can only be settled outside a free zone meaning it would be under the federal law of the emirate and not under the free zone authority and it would lose many of the benefits that only applies to companies inside a free zone.

Additionally, Quidgest´s first step to approach the Dubai market, the “Branch of a Foreign Company” in the DIC First Step Business Center, is in compliance with the findings provided by Carvalho (2011) research where when the perceived distance with the target country is big, companies should select a relatively low resources commitment entrance method; when there is uncertainty about the market demand level, companies should favour a relatively low resources commitment entrance method and when there is competition volatility in the target market, companies should prefer a relatively low resources commitment entrance method.

In order to develop its international presence and reach the defined objectives Quidgest will pass through several challenges for which will need to find solutions.

The biggest challenge to be addressed is to start developing projects locally. If Quidgest doesn’t have any client in the region, it will have to approach new clients which mean a bigger effort in terms of marketing, negotiation, travelling, etc. Unless Quidgest has something really unique to offer, it will face a fierce competition with local IT companies who are already settled for a long time and have their relationships and wasta well developed. However, there is always a chance to win a new project when a potential client opens the call for tenders, since companies will evaluate closely all the companies who are bidding to find the most advantageous offer in terms of solution provided, time of delivery, price, post-sales support, maintenance, etc.

Besides the quality of Quidgest software solutions, a good portfolio of past and current international projects and international clients will provide a good impression about the company to local business leaders, because if the company is new, they need to have something that gives them trust and confidence ensuring they are not taking the wrong decision. A commercial team from Quidgest is critical in the first approach, being these naturally aware of the protocol and way of doing business in the Middle East before they meet the client.

Quidgest favours and has a long and positive international experience with partnerships through joint venture agreements in several foreign markets. Through this agreement Quidgest can be close to its clients and develop its projects with the clients' presence at a low investment level. Quidgest also favours the local branch option for the same reasons/ benefits of the joint venture. It all depends on the market and finding a good quality and reliable partner. However, before deciding to invest in a more committed entry mode, such as joint venture, Quidgest should start with a soft approach by creating its own branch in the DIC free zone and benefit from all the features and incentives provided to companies. This option doesn't entail a heavy investment and contributes to one of the major critical factors of success in the Dubai market, which is the local presence.

Regarding the expansion to the neighbouring markets the best strategy for Quidgest should be to dislocate teams from Dubai to the client office/ country only in a project basis. Quidgest would continue to be based in Dubai and from there reach the entire region. Only if a client or project justifies it, Quidgest should consider the investment in physical presence be it through joint venture or own branch. However this option entails risks due to the cultural, social, geographic and economic distance between Portugal or even Dubai and the new market.

The UAE is a price-sensitive market due to intense competition from local IT companies and available IT developers/ experts, especially from India. Competition from other emerging countries in the region such as Egypt also raises the competition in the market. Due to this business sector high sophistication level, a low price can be seen as poor quality and clients will not take a risk of losing months developing a solution that doesn't work. The quality of the product and the client needs satisfaction can easily tackle the price issue. However, new companies should be aware that there are also good companies operating locally with good solutions who generally have staff made of local expertise at more competitive prices than the staff from Portugal or other western countries.

Local language, currency and laws can also become a light issue when developing the software. Nevertheless, Quidgest can tackle it easily by recruiting local staff who speaks the language and know the local law and procedures. The knowledge Quidgest gained through its experience in Macau will surely be helpful to tackle these issues in an Arab country.

Besides all the challenges, many opportunities are available for Quidgest to explore such as for example the E-learning market, the booming tourism and travel sector as well as CRM, storage and security products. In addition, many manufacturing and trading companies are seeking efficiencies by transitioning from manual environments to full automation of back-office systems.

According to the Business Monitor UAE Information Technology Q1 2012 report the cloud services are central to the emirate's e-government strategy for the next three years and the General Information Authority (GIA) is leading efforts to provide cloud services to federal government entities. Another interesting opportunity for Quidgest is the federal IT spending in healthcare. According to the Business Monitor UAE Information Technology Q1 2012 report the government's "Wareed" healthcare IT initiative aims to establish a completely integrated electronic platform linking 13 state-run hospitals and 67 affiliated clinics across the country.

6.3.2. Company Profile – Knot

Knot – just for Kids? is a Portuguese garment brand owned by Enoiuda, a Portuguese private company, and its core business is the commercialization of garments for children from 0 to 8 as well as some pieces for adults.

Knot collections are conceived, designed and mostly produced in Portugal. The brand was launched in 2008 through the opening of own brand stores and distribution in multibrand stores. Currently, Knot has 12 own brand stores in Portugal and is present in 20 multibrand stores. The 12 own brand stores and wholly owned by Enouida and not by franchisees.

The Knot internationalization process started in 2010 with a distribution partner in Spain and continued in 2011 to the United States of America (USA) also through a local distributor. Knot firstly decided to invest in the Spanish market because of the market size and geographic proximity. However, because the operations in Spain didn't meet the expected performance, Knot decided to disinvest in this market being currently only present in the USA with a portfolio of 20 clients where Barneys in New York is the most relevant one. Knot decided to invest in the American market because of its size and because the American consumer appreciates the Knot style. Currently Knot exports its garments to one distributor in the American market which then sells the products to its multibrand clients who are mainly small multibrand businesses with the exception of Barneys. However, in order to consolidate its presence in the American market Knot is also starting to develop the investment in the opening of own brand stores. Exports currently represent 5 percent of Knot total turnover.

Knot clients are mostly parents and grandparents from 30 to 60 years old with high culture levels from the A and B social classes. These clients are not price sensitive and are very demanding in terms of the products quality and associated fabrics therefore Knot is continuously using the most advanced technologies available in the textile sector and has been developing functional fabrics with anti-bacterial, anti-uv, etc., characteristics in all of its products.

Knot recognizes that an excellent post-sales service is also a major factor to reach full clients satisfaction therefore it addresses a big effort in this matter. If a client finds any quality problem the product is immediately exchanged for a new one.

Knot is still a small company with limited human and financial resources and all the investments are made using its own equity capital. All the operations with the American market are controlled from the Lisbon headquarters since the current volume of sales doesn't justify additional investments in staff or offices abroad. At this moment Knot has one person exclusively dedicated to the international markets and it has gathered the sufficient financial resources to develop its business abroad through partnerships.

The competition in the American market is fierce and to tackle it Knot invests in the differentiation of its products through high quality, design and brand image. Knot recognizes that its brand identity is very strong among its clients hence the opening of own brand stores would certainly help increasing sales.

Knot top management team is fully committed with its internationalization process since it recognizes it to be an essential step to reach a sustainable growth. However the lack of financial support is deterring a stronger and more committed expansion to new markets.

Regarding its internationalization objectives, Knot is mostly interested in approaching markets with high growth potential and a healthy economic/ financial situation. As for the market entry modes, Knot gives preference to joint ventures for the opening of new own brand stores and direct export through agency when selling to multibrand stores.

6.3.3. Internationalization Objectives – Knot

Knot has one main internationalization objective, namely:

1. **Foreign Market Growth** – Access new foreign markets in order to promote a sustainable growth of its activity.

Knot presence in the Portuguese market is somehow consolidated and in a mature stage. Its presence in the American market is in a continuous and sustainable development and the objectives for this market are clearly defined and on-going.

Market diversification is a key element to promote growth and minimize the risks of being too dependent on one or two markets performance. Besides the potential of other foreign markets, Dubai offers high potential of sales due to its particular characteristics such as wealthy population, demographics, huge volume of tourist visitors, strong interest for fashion, consumer behaviour, availability of a large number of shopping malls, etc.

Knot internationalization to Dubai will contribute to its foreign market growth as well to settle the basis for a potential future expansion into the Middle East region.

6.3.4. Market and Company Factors Assessment – Knot

Regarding the internationalization methods and in order to narrow the choices, some factors need to be evaluated before, namely:

Access to market: there are no entry barriers for goods coming to the UAE. To access the existing relevant retail channels it is necessary to establish an agreement with a local partner/ distributor. Some Portuguese garment brands, such as Sacoor and Salsa, are already present in the UAE market, however local awareness about Portuguese brands is still incipient which may imply the investment in local marketing campaigns. The franchise sector in Dubai gets generous support from the government because by investing in this sector it is inducing growth and development of the SME businesses. Further, in 2004 it was established by the government the UAE Franchise Association.

Experience: Knot international experience is still in its first steps and can be assumed as being somehow limited. The bad experience with the Spanish market can be seen as an evidence of low foreign market experience or knowledge in the beginning. However there are lessons learned which are very valuable for a company which wants to continue its investment in the foreign markets. The investment in the American market is showing results and it can be seen as a good experience for Knot and a way to be better prepared for other foreign markets.

Competition: The franchise market is dominated by American brands and French brands mostly in sectors such as fast-food and fashion retail. Until now, the Dubai franchise market has witnessed supremacy of few big retail conglomerates, such as Dubai Holding, The Apparel Group and Al Tayer Group, having multibrands in their portfolio and predominantly the Master Franchisee arrangements but now the trend for small franchisees and sub-franchising is picking-up. The competition for the children garment business in Dubai is fierce. There is a wide number of children garment companies and brands are already present in the market and located in the best spots of major shopping malls and in major multibrand department stores. In Dubai clients can find brands originated from all over the world ranging from the more affordable to the most expensive like Baby Dior. However some Portuguese brands such as Sacoor and Salsa, have been performing really well in this market, although they don't target the same consumers, which shows that there is also a chance of success for other Portuguese brands, despite the competition.

Risk: The UAE's currency is pegged to the dollar, giving the country minimal control over the monetary policy and reducing its ability to tackle inflationary pressure. The UAE has one of the most liberal trade regimes in the Gulf and attracts strong capital flows from across the region. Also the UAE is probably the most stable government in the entire Middle East region and the Emiratis are known to love their leaders. Although the Middle East is a turbulent region, the UAE is regarded as a safe haven which can be attested by the number of multinational or regional companies that are based in the UAE. The cultural, administrative, geographic and economic differences between Portugal and the UAE are somehow big and should be consider when entering the market in order to identify any adaptation necessities ensuring that the risk of failure is minimized. Regarding children's garments, clients can find in Dubai the exact a model as in Europe, United States or Asia, which means that there is no need for any significant adaptations of the product to the local customs. Maybe when producing the summer collection, because of the local summer extreme temperatures and humidity there might be the necessity to choose different fabrics from the ones used for summer in Europe where temperatures and humidity are much more tolerable.

Control: In Dubai, companies are able to choose freely what kind of control they want to have over the business. Companies can set up a business in a free zone with 100 percent ownership or set up a business on-shore through a joint venture with a local partner, or have a local agent/ distributor, franchise agreements, etc.

Payback: In the UAE there are no corporate taxes and companies are free to expatriate 100% of the profits owned. The only existing taxation is of 5 percent in all products that enter the GCC block. The VAT also doesn't exist in the UAE until this moment. As for the investment payback period or return on investment (ROI), this will depend on the amount of the investment to be realized, the entry mode method and the business model. Taking the franchising as an example, it is known that franchising generates instant cash flow and requires no supplementary real property or equipment, hence the investment is limited and the results can be very interesting and visible in the short term.

Assets nature: Knot products are conceived, designed and mostly produced in Portugal. These products can be easily exported to any country in the world through air, land or sea transport. The transfer of production operations to another country is still far from being considered since there isn't enough volume to justify such a heavy investment.

Cost: The costs of entering the UAE can be very affordable especially when choosing the right entry mode decision. If it chooses the franchising method, Knot just need to invest in the furniture, architecture and build-up of the store leaving all the remaining investment for the franchisee. If it chooses direct export to a local distributor then the investment will be even lower since it will only have the costs of exporting the products. Because Knot garments aims to high income clients with low price sensitiveness, the existing costs of entering the market, transport, etc., can be easily integrated in the final price of the product not affecting in this way the products competitiveness.

Resources: Knot is still a small company with limited financial and human resources. However efforts are being made to optimize at the most the existing resources to achieve the highest level of results with the lower investment of resources. Knot top management team is fully committed with its internationalization strategy in order to ensure a sustainable growth and resources are available to develop the foreign market through partnerships.

Products: Knot collections are conceived, designed and mostly produced in Portugal. Knot products can be seen as mid-level technology products because of the sophisticated fabrics (anti-bacterial, anti-uv, etc.) used in their conception. The high quality of the products also require highly sophisticated machinery and some hand labour work to verify if the final product is in compliance with the demanded quality standards. To produce the final product Knot only needs the fabrics and machinery which means that they can be produced anywhere.

6.3.5. Proposed Internationalization Strategy – Knot

Regarding the market entry methods presented before, Knot profile, strategy, internationalization objective and the Dubai market reality and conditions, it is suggested that Knot should go through a series of phased developments in its internationalization process. This process can be divided into two main phases:

- Phase 1: Joint Venture with a Local Partner;
- Phase 2: Expansion into Neighbouring Markets.

Each one of the proposed phases will include the following details:

Phase 1: Joint Venture with a Local Partner

To make a successful entrance in the Dubai retail market Knot is advised to choose among three options. It can choose to have its own brand stores, it can choose to be present in department stores with other brands or it can choose both.

Considering Knot products market position and characteristics, its limited human and financial resources and the strategic importance of being present in the major shopping malls the first approach to the Dubai market should be by joint venturing through a franchise agreement with a local partner, who would be the franchisee. The franchise agreement will enable Knot to promote its brand by having its own brand stores and will contribute to the company strategy of investing in the Knot brand, style and concept.

Through franchising Knot would still continue to control all the production, handling the exporting itself, be in direct contact with the local franchisee and have the right on how the franchisee should run the business. Other major benefits would be a faster internationalization starting with fewer assets and lower investment.

Other reasons to choose the franchising method is the cultural, administrative, geographic and economic distance of the targeted market, market competition and access to retailers. There are some major local retail conglomerates, such as Dubai Holding, The Apparel Group and Al Tayer Group which Knot should approach to reach the desired franchise agreement. These groups are currently representing most of the international garment brands and department stores in Dubai’s major shopping malls and they are also the owners of many commercial spaces in these malls, what would give Knot easy access to top notch locations in the shopping malls. The main department stores available in Dubai shopping malls are Bloomingdale’s, Debenhams, Galeries Lafayette, Marks&Spencer, Paris Gallery, Harvey Nichols, Jashanmal and Woolworths. Knot should also attend the Franchising Middle East (FME) which is the largest international franchise exhibition in the Middle East, supported by the International Franchise Association. This exhibition is conducted annually in Dubai and facilitates direct communication between franchisors and potential franchise buyers from the region.

The franchise relationship is based on a contract between a franchisor and a franchisee. There is no fiduciary relationship between both parties. However, they work closely and are interdependent partners with their roles defined.

The advised operations in Dubai for Knot should be as follows:

- **Market entry method**: Franchising with own brand stores.
- **Franchisee**: Approach one of the above mentioned groups to find out which one provides the most advantageous conditions. Taking in consideration the experience from another

Portuguese company with operations already in the UAE the Dubai Holding Group offers very interesting and flexible conditions.

- **Investment**: Knot only invests in the training, image, furniture and construction work of the stores. Staff and all the other costs or investments are of the franchisee responsibility.
- **Negotiation**: The franchisee buys the product to Knot and will be responsible to sell it with no possibility of returning the product to Knot. Knot only needs to send the products depending on the orders from the franchisee and whenever a new collection is released. This option is different from the most current one which predicts the payment of a fee for the achieved sales.
- **Marketing**: Marketing campaigns are proposed by the franchisee and approved by Knot. Promotions are suggested by Knot and approved by the franchisee.
- **Contract**: Both parties are free to terminate the contract if the agreement requirements are not being achieved or if there is any misuse of the product, brand image, etc.

In a joint venture the company joins with one, two or more independent foreign companies to produce or market a product or service. By having a local partner most of the differences between the Portuguese and the target market, such as language, culture, bureaucracy, etc., would be easier to tackle. Additionally, the costs and risks are also shared between both parties. The main disadvantage is because of the distance, the difficulty to control what is happening in the stores. However the company can send someone to visit regularly the stores in order to provide support and training to the staff.

In addition, besides a franchise agreement there is also the opportunity to be present in multibrand department stores. The presence in multibrand department stores may look interesting as an initial approach to test the market and because of the low risk investment. However, due to the design, image and quality of Knot products and if the right marketing campaign is done, by having its own brand stores the chances of success and consequent high volume of sales are much higher than if it was to be present in a multibrand store being just another garment brand like other hundred garment brands.

If it selects only the presence in multibrand department stores Knot would incur the risk of not getting noticed since there are many other brands also available. However, when negotiating with the franchisee, who most probably is also the owner of multibrand department stores, Knot can explore the opportunity to be also present in these department stores along with the own brand stores. The decision will depend on the negotiations between franchisor and franchisee and the level of investment required.

In Dubai, one of the business forms available is that of franchising which falls within the ambit of the commercial and agency laws which do not differentiate between franchise, agency or distribution agreements. General contract and commercial law apply to franchise agreements. UAE citizens or corporations wholly owned by UAE citizens or those with a UAE partner or sponsor are allowed to conduct operations.

So, the proposed strategy to be followed is to prefer the franchise agreement and invest in Knot's own brand stores. If possible, as a complement, Knot might try reach an agreement with the franchisee, who most certainly also owns department stores, to have its products in multibrand department stores as well. By being present in multibrand department stores Knot would be diversifying and widening its exposure to potential clients at a lower level of investment.

If the strategy result is successful, Knot might consider expansion to the neighbouring markets in the region.

Phase 2: Expansion into Neighbouring Markets

Expansion to neighbouring markets is the natural step of business development and this should take 2 or 3 years to reach the necessary business maturity, brand awareness and position in the market. It is suggested the expansion to neighbouring markets in the Middle East region, in particular the GCC countries because these markets have similar consumer behaviours as in the UAE and Dubai in particular. Also because, residents from the GCC countries travel frequently to Dubai for shopping hence most probably they are already aware of the brand existence. In addition, if Knot exports its products directly from the UAE to other GCC countries there is no taxation, because this was already paid before when the products entered the GCC block through the UAE.

To expand into the neighbouring markets, Knot should continue with its own brand stores concept and continue to look for franchise agreements with new local franchisees. Otherwise, Knot might go for an alternative way by using the piggybacking method with its current franchisees in Dubai if they already have operations in the neighbouring countries.

An interesting aspect to be addressed by Knot when choosing the right franchisee in phase 1, is to verify if the franchisee also has operations in other countries so it can carry Knot products to those countries as well. This method is called piggybacking.

Besides the franchise agreement, piggybacking is also an alternative method that it might turn out interesting to Knot. Depending on the relations established between Knot and its retail franchisee in the UAE there might be a chance that this franchisee carries Knot garment products into the new markets, where Knot would be the rider and the franchisee the carrier of this relationship.

The GCC nationals have similar consumer behaviours and most certainly if Knot garments are successful in Dubai they certainly will be also successful in the other GCC countries without the need for any product adaptations.

Phase 2 will have better chances to develop into a successful strategy after Knot acquires deep knowledge about the Dubai market reality, customer needs, business laws and procedures in the Middle East through a straight connection with its franchisee.

Finally, it is also suggested the definition of metrics that allows Knot to evaluate its internationalization process evolution. Some of the metric indicators to be used can be the sales volume growth rate, percentage of sales from foreign markets, client number, clients and customers satisfaction levels, etc.

The above mentioned internationalization process divided in two phased developments provides an overview of a possible path for the Knot internationalization objective achievement

(Objective – Foreign Market Growth). By first entering the UAE market through Dubai with its own brand stores, Knot starts developing locally its brand awareness and if the market acceptance is good and the volume justifies, it can start preparing the path to expand its own stores to other countries in the region.

6.3.6. Potential Challenges to be Addressed - Knot

Knot interest and willingness to invest in the Middle East region and Dubai in particular is a clear example of the findings provided by Johanson & Vahlne (2009) research where companies start in foreign markets that are close to the domestic market in terms of cultural and mentality aspects, and then move gradually into markets that are further away in terms of cultural or mentality aspects. Knot internationalization process started in 2010 with Spain, which is maybe the closest market to Portugal in many aspects, and continued in 2011 to the United States of America which is much further away in terms of cultural and mentality aspects from Portugal or Spain.

The proposed internationalization strategy for Knot also follows the predicted by Czinkota and Ronkainen (2004) where internationalization is a gradual process for organizations through a series of phased developments. Knot already has its own stores in Portugal, an agency agreement in the American market so that its products are available in local retailers and now, as suggested, is going for a franchise agreement with a local partner as the first approach to the market. Only after if it gets more involved in the UAE market will start developing new strategies to expand its presence in the region.

According to Root (1994), only after some success in casual export or licensing, do some companies start to think about what is needed to create positions in foreign markets that can be sustained over the long run. This is exactly what is suggested to Knot through the above mentioned two phases. First it starts the approach to the local market by using a franchise agreement with a local partner (Phase 1 – Joint Venture with a Local Partner) and only after, if successful, will start thinking about developing its presence in the neighbouring markets through the same franchise agreement from the UAE or with new franchise agreements with local partners from the target market (Phase 2 – Expansion into Neighbouring Markets).

Related to the proposed internationalization strategy through phased developments the same findings are in compliance with the findings provided by Johanson & Vahlne (1977) research where the internationalization of a firm is a step by step process of increasing commitments as a firm develops international experience.

Finally, Knot´s first step to approach the Dubai market, the franchise agreement and/ or the presence in multibrand department stores, is in compliance with the findings provided by Carvalho (2011) research where when the perceived distance with the target country is big, companies should select a relatively low resources commitment entrance method; when there is uncertainty about the market demand level, companies should favour a relatively low resources commitment entrance method and when there is competition volatility in the target market, companies should prefer a relatively low resources commitment entrance method. The franchise agreement entails a lower cost and risk and the franchisor has a long term residual income stream at his disposal and it is able to start internationalization faster with fewer assets. Franchising generates instant cash-flow and requires no supplementary real property or equipment and it has no liability for daily operations and management and other emergencies. Knot's presence in multibrand department stores would mean an even lower commitment and resources from Knot side since it would be based mainly in irregular exports depending on the orders from the retailer.

In order to consolidate its international presence and reach the defined objectives Knot will pass through several challenges for which it will need to find solutions.

Companies that choose the franchise entry method are aware that the franchise growth model is an aggressive and rigorous model that enables quick expansion and scalability. This reality can clearly contribute for a quick expansion of Knot into new foreign markets at an easy expense. Like all the other foreign market entry modes, franchising not only entails great opportunities but also considerable challenges.

The first challenge Knot will face is the amount of available financial resources for the initial investment. Although the investment may be limited to the furniture and construction the total amount will depend in how many stores it is available to open and invest which will depend on the agreement that it reaches with the franchisee. Instead of opening 5 or 6 stores at once in different shopping malls, maybe it would be advisable to start with two stores each one in two major shopping mall such as the Dubai Mall and the Mall of the Emirates.

As mentioned in the beginning to make a successful entrance in the Dubai retail market Knot is advised to choose among three options. It can choose to have its own brand stores, it can choose to be present in department stores with other brands or it can choose both. Looking at the current Knot reality and objectives, the franchise method is most surely the most advantageous one to enter a foreign market and reach a quick expansion with an affordable level of investment. Having its own brand stores or be present in multibrand department stores is a strategical decision to be made only by the company. However this issue can become easier to tackle if Knot finds a franchisee who owns department stores making it easier to be present in both places. Being present in both channels would be the most interesting solution for Knot and it will only depend on the agreement both parties can reach. It can get even better if the franchisee also possesses activities in other regional countries so it can carry Knot products to those markets. For the above mentioned reasons and for Knot’s best interest, the best franchisee would be the one who possesses hot spots in major shopping malls, owns multibrand department stores and has activities in different countries in the region.

Choosing the best franchisee and reach an advantageous agreement will be challenging especially because of the negotiation power of the few existing group of retail conglomerates. However reaching a good agreement is possible especially if the franchisee recognizes an interesting commercial potential in Knot products. This is very important because there is a shortage of retail space and many malls have waiting lists for available units.

Another challenge will be the competition from other brands which means that a strong marketing campaign should be considered in order to raise awareness about the brand. Once the consumers get to know about its existence the quality and design of the product will do the rest.

Besides all the challenges, many opportunities are available for Knot to explore such as the fact that the local residents and tourists as well, all visit the shopping malls very often to do some shopping. This will expose Knot's brand to people coming from all over the world and with so many visitors the potential of high volume of sales is of considerable interest.

In addition, local Emiratis have significant spending power, and the emirate's relatively young population are poised to ensure long-term growth for retail operators.

7. FINDINGS AND CONCLUSIONS

The research has provided a comprehensive view of the differences in the internationalization process of companies who wish to enter the UAE market in general and Dubai in particular and has confirmed the importance of several factors that affect the market entry mode decision making. Although the three companies assessed share very similar internationalization objectives the research has provided different findings for each company market entry mode.

According to Root (1994) a company's choice of its entry mode for a given product or service/ target country is the net result of several, often conflicting, forces. The research of the thesis has proved that choosing the best market entry mode is a complex task with numerous trade-offs among alternative entry modes.

During the companies analysis it was possible to identify and reach conclusions about some relevant factors influencing the market entry mode decision making. These factors can be divided in Internal Factors and External Factors.

Internal Factors are the ones related only to the company itself and the findings show that they have a significant influence when choosing the market entry mode. These factors are:

- **Company's Internationalization Objectives** – the internationalization objectives must be defined and very clear since they are critical to defining the internationalization strategy to implement. Without defined objectives it is impossible to even start thinking about what are the possible market entry modes.
- **Company Size and Available Resources** – the company size and available resources, be it financial or human resources can clearly affect the internationalization strategy. Small companies with limited human and/ or financial resources are more prompt to delegate to others the effort of developing their international activity and big companies with plenty of human and financial resources are more prone to taking ownership of their international activity development. Usually, big companies have a great amount of available assets that they can dispose of to develop their activities wherever they want to go without significant limitations. The same doesn't happen with small companies who,

due to often limited resources, become more cautious and conservative when choosing their strategies, which can deter the development of their activities into new boundaries.

- **International Experience** – depending on the international experience companies will decide whether to take a more risky market entry mode or not. International experience is very important because companies get more self-confident with the knowledge they already possess hence they are more open to take bigger risks in order to get higher compensations. The opposite also happens, meaning that companies without or with a very limited international experience will most certainly start by approaching close markets through a low investment and risk method.
- **Business Sectors** – different business sectors have different environments, different players, different expectations, different ways of doing business, different clients, different intermediaries, different levels of competition, different levels of technology and different levels of commitment. Hence, there are different commercialization and internationalization strategies which in the end influence the market entry method decision making.
- **Commercialize Products or Services –** selling products or services make a big difference when choosing the market entry mode. The tangibility of products and intangibility of services have many factors attached, such as transport, maintenance, intellectual property rights, storage, etc., that influence the market entry decision making. Exported products can be commercialized by others on behalf of the proprietor company since this will not affect significantly the product quality. Services can be outsourced, depending on the level of technology and expertise involved, but this can affect the quality of what is delivered to the final client hence is not that easy to delegate to others, to provide a service without direct and personal participation of the proprietor company, even if training was provided before to the intermediary.
- **Products Characteristics –** different products have different target consumers, being private or corporate consumers, therefore different retail channels, different marketing campaigns, different contract agreements, etc., and all these differences influence the market entry method decision making.

External Factors are market and environmental factors that surround companies both in the target market and at home countries and they can seldom be affected by management decisions. The research findings show that they also have a significant influence when choosing the market entry mode. These factors are:

- **Distance** - the distance between two countries can manifest itself along four basic dimensions namely, cultural, administrative, geographic and economic. Each one of the four dimensions or the combination of these can have a big influence in the market entry method. Transporting perishable products can make some companies to consider a direct investment in a local plant just to access the market. If the demand and volume of sales justifies a company may consider investing in a local Green Field or Brown Field project and from there supplying the entire region. Local culture can make companies change their products features in order to adapt to local consumers or social norms. Law and government incentives can affect a company location decision as well as ownership modes choices. In this particular case of the thesis, companies can decide to settle on-shore or off-shore in a free zone and they can have total ownership or decide for a joint venture, agency agreement, franchising, etc.
- **Local players –** the development of relationships, especially in the Middle East, is regarded as critical if a company wants to have any chance of success in its business. Companies who are venturing alone into a new market need to rely on the local agents, distributors, retailers and even clients to be able to start the business or expand business to other markets in the region. The availability, quality, local influence and negotiation power of the local intermediaries can influence not only the market entry method but also the future development of the company if it wants to expand its activity into neighbouring countries through the piggybacking method.

The research has provided evidences that the combination of the above mentioned factors influence deeply the market entry method for each one of the companies. When deciding which is the best method to enter the market these factors cannot be evaluated independently because they are all inter-related and the combination of these is what makes a successful market entry method strategy.

According to the study there are opportunities to all the three companies to embrace the challenge of expanding their activities to the Middle East region, Dubai in particular, and reach their internationalization main objective which is Foreign Market Growth. The internationalization path to the Middle East doesn't come without many challenges but with the right strategy if companies manage to be successful the earnings can be very attractive.

Although the three companies share similar internationalization objectives the research has provided findings showing different market entry strategies and different gradual phased developments for each company as mentioned below.

For its first approach to the market, Gelpeixe will continue with its exporting strategy and only after it reaches a more mature stage it will start developing the strategy to expand its activity to neighbouring countries and if possible consolidate its presence in the region. To begin Gelpeixe will use the direct export method and reach an agreement with a local agent who will be responsible to negotiate and deliver Gelpeixe's products in the HoReCa distribution channel, since this channel has a bigger commercialization potential than the usual mass distribution channels. In a second stage, once it gets more involved with the local market and its products have been successfully accepted Gelpeixe will proceed to develop its presence in the neighbouring markets through direct export with new local agency agreements and partnerships or through piggybacking with some of its current clients in Dubai. If these two actions are successful, the demand is high and the market has a high potential to grow, Gelpeixe can go for a local physical presence in the region through direct investment in the form of a Green Field or Brown Field project. Having its own production facilities in one of the available free zones in Dubai, Gelpeixe could settle the basis to supply the entire region and even other markets more far way such as Asia.

Regarding Quidgest, its international strategy will start with direct investment by establishing a wholly owned branch through the business form of "Branch of a Foreign Company" in the Dubai Internet City free zone and only after it gets more involved in the local market, Quidgest can start thinking about developing new strategies to expand its activity and presence in the region.

By being present in Dubai Internet City, Quidgest will benefit from potential synergies with other software development companies located in the same free zone, 100 percent exemption for personal income tax for 50 years, 100 percent exemption from corporate taxes for 50 years, 100 percent foreign ownership, 100 percent repatriation of profits, dynamic international community, opportunities for business interaction and networking, opportunities for channel and market development, etc. The joint venture option was also considered for Quidgest and if it finds it strategically advantageous it can move to a joint venture agreement with a local partner. However, besides all the advantages and disadvantages attached to a joint venture, Quidgest needs to keep in mind that the joint venture company can only be settled outside a free zone meaning it would lose the benefits that only applies to companies inside a free zone.

In order to succeed, Quidgest needs to have local presence and invest in close relations with the current and potential clients. In addition, by being present locally, Quidgest can set the path to expand its activity to the neighbouring markets. Since Dubai is seen as a business hub for the entire region Quidgest should approach the neighbouring markets by sending project teams from Dubai to the client office/ country on a project basis only. Quidgest needs to attract and/ or retain its talented workforce therefore it must provide the best conditions possible (quality of life for expats and families, schools, restaurants, security, entertainment, tolerance towards western standards of life, etc.) to its staff and in all the entire region only Dubai is able to meet this expectation. For this reason, instead of developing local presence in neighbouring markets Quidgest should be based in Dubai and move its teams around on a project basis. Piggybacking is also an option to consider when trying to expand its activity to other markets, although this will depend on the relationship between Quidgest and its clients.

As for Knot, the proposed internationalization strategy is to start by investing in its own brand stores through a franchise agreement with a local partner and only after it gets more involved in the UAE market, it can start developing actions to expand its presence in the region. However, the perfect solution for Knot should be to reach an agreement with a franchisee who owns commercial spaces in the local major shopping malls so it is possible to set up its own branded stores, who owns department stores so Knot can have its products in multibrand department stores as well and who has operations in other countries so it can carry Knot products to those countries through the piggybacking method. Although Knot strategy is to invest in its own branded stores, by being present in multibrand department stores Knot would be diversifying and widening its exposure to potential clients at a lower level of investment. The franchise growth model is an aggressive and rigorous model that enables quick expansion and scalability therefore it can clearly contribute for a fast expansion of Knot into new foreign markets at an easy expense.

The thesis research allowed reaching to the conclusion that entering a new foreign market especially, with such a huge distance is never an easy task. Albeit all the potential business opportunities, companies should move gradually and with one step at the time. First companies start by experimenting the market through low commitment, low risk and low investment methods and only after if companies find themselves confortable and the market shows an interesting growth potential they should start to settle and expand their activities both locally and in the region.

The UAE is an unfamiliar market for most of the Portuguese companies and all the distance dimensions namely, cultural, administrative, geographic and economic affect the way of doing business. Before entering the market, companies need to do some due diligence about the local customs, do´s and don’ts, cultural and religious issues, networking and “wasta”, business community, etc., because the company may have the best product or service in the world but if it fails to adapt and integrate to the local way of doing business the chances of success can be seriously compromised.

The UAE is a work-in-progress economy and things can change, and often do, from one day to the other therefore, companies looking to invest in the UAE are advised to be constantly on top of anything that might affect their businesses such as changes in laws, procedures, requirements, new free zones, new tax benefits, new business forms, new tariff agreements, etc. Besides all this, the business opportunities in the Middle East region are infinite.

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9. ANNEXES

ANNEX A - Case Studies Questionnaire

Projecto de Mestrado

"Going International to the United Arab Emirates"

Questionário

O presente questionário tem como principal objectivo conhecer um pouco melhor a sua empresa e a sua experiência internacional. Para cada uma das questões apresentadas sugeria que apresentasse respostas o mais completas e extensivas possíveis por forma a assegurar que toda a informação relevante é comunicada.

No âmbito do presente mestrado é assegurada a total confidencialidade das respostas, sendo as mesmas para uso exclusivamente académico.

Muito Obrigado

Com os melhores cumprimentos,

Jorge Soares Albergaria

Setembro 2012

Nome da Empresa:

1. Pode por favor fazer uma breve descrição da sua empresa? (entre outras informações, indicar os principais motivos da internacionalização da actividade, quando começou o seu processo de internacionalização e qual o peso das exportações no volume total de facturação no último ano)

2. Quais os mercados internacionais onde tem presença actualmente?

3. Qual(ais) o(s) motivo(s) que levaram a sua empresa a escolher os mercados internacionais onde se encontra actualmente?

4. Quais os serviços/ produtos que exporta para cada um dos mercados e qual o tipo de clientes que tem em cada um dos mercados?

5. Os seus serviços/ produtos foram bem aceites nos diferentes mercados ou teve necessidade de adaptar os mesmos às necessidades e preferências dos clientes locais?

6. Pode descrever o perfil dos clientes dos seus serviços/ produtos, traçando se possível, dimensão das empresas, nível de exigência de qualidade e serviço pós-venda, etc.?

7. Como se deu o processo de internacionalização da empresa, isto é, entrou em vários mercados ao mesmo tempo, entrou num mercado de cada vez, etc.?

8. Pode descrever detalhadamente como funciona o processo de internacionalização (Exportação, Agentes, Distribuidor, etc.) em cada um dos mercados internacionais onde está presente?

9. Considera que a presença física da sua empresa (escritório, recursos humanos, etc.) nos diferentes mercados é essencial para o sucesso do seu processo de internacionalização?

10. Atendendo à imaterialidade do seu serviço considera viável desenvolver o mesmo longe dos seus clientes finais? (Apenas para Serviços)

11. Como classifica até ao momento a experiência de internacionalização da empresa? Quais as dificuldades que encontrou e quais os apoios de que beneficiou?

12. Como classifica a concorrência em cada um dos mercados onde está presente?

13. Sente dificuldades em vender os seus serviços/ produtos nos mercados internacionais?

14. Como classifica o grau de compromisso da sua empresa com um processo de internacionalização?

15. Quais são actualmente os objectivos de internacionalização da empresa?

16. A sua empresa tem preferência por algum modelo de internacionalização em específico? (exportação directa, joint-venture, licenciamento, subsidiária, etc.) Porquê?

17. Existe(m) algum(ns) factores em concreto no mercado dos Emirados Árabes Unidos e/ ou região do Médio Oriente que atraem a sua empresa?

18. A empresa possui os necessários recursos humanos e financeiros para um contínuo processo de internacionalização?

19. Como classifica os serviços da sua empresa em termos de **inovação** e **vantagem competitiva**?

20. Como classifica os serviços da sua empresa em termos de **necessidades de tecnologia**, **necessidades de manutenção** e **preço**?

21. Quais os factores críticos de sucesso dos seus serviços?

22. Considera o factor preço um factor determinante na venda dos seus serviços?

23. Tendo em conta a experiência internacional da sua empresa, se pudesse voltar atrás o que é que teria feito de forma diferente?

24. Tem mais alguma informação que considere relevante e que queira apresentar?

Muito obrigado pelo seu tempo e dedicação.

ANNEX B - UAE Free Zones

#	Name	Short-name	Sectors Targeted	Key Clients	Emirate	Website
1	Masdar City	Masdar City	Renewable Energy, Energy Production, Energy Storage, Cleantech and ICT, Marketing and Events and General (Service Providers and Consultancy)	Siemens, Mitsubishi Heavy Industries, General Electical, Schneider Electric, Bayer Material Science	Abu Dhabi	www.masdarcity.ae
2	TwoFour54	TwoFour54	A/V Production Firms, Broadcasting Firms, Publishing Houses, New Media Firms, Advertising or Marketing Services, Public Relations, Events, Print, Publishing, Mobile Content, Gaming, Web Publishing & Services, etc.	ADMC, Charisma, Sky News Arabia, Fox, Financial Times, CNN and Turner	Abu Dhabi	www.twofour54.com
3	Khalifa Industrial Zone	KIZAD	Vertically Integrated Clusters, Aluminium, Food, Steel, Petrochemicals & Chemicals, Pharmaceuticals & Healthcare Equipment, Paper, Printing & Packging, Trade & Logistics, Engineered Metal Products, etc.	In progress	Abu Dhabi	www.kizad.ae
4	Abu Dhabi Airport Free Zone	ADAFZ	Aviaton & Aerospace, Logistics, Cargo & Freight, Electronics & Electrical, Consultancy and Business Development, Computers, Internet and IT solutions, Telecommunications, etc.	In progress	Abu Dhabi	www.adafz.ae
5	Jebel Ali Free Zone	JAFZA	Licenses companies related to industrial, logistics, trading, services and other sectors	Unilever, P&G, Sony, LG, Shell, BP, 3M, ExxonMobil, Johnson & Johnson, Colgate-Palmolive, Xerox, Pepsi, Ford, Goodrich, and Goodyear	Dubai	www.jafza.ae
6	Dubai Maritime City	DMCA	Maritime services, maritime management, vessel and yatch registration, vessel and yatch ownership and charter,maritime tourism, etc.	Unitad Emirates Shipping Company Services, Emirates Shipping, APM Terminals, etc.	Dubai	www.dmca.ae
7	Dubai Cars and Automotive Z	DUCAMZ	Automotive trading, sales, insurance, banking, repair and maintenance of automobiles	--	Dubai	mktg@jafza.co.ae
8	Dubai TechnoPark	--	Technology, Telecommunications, Engineering, Health, Water, Logistics and Mobility, Energy	3M, Nestlé, Harsco, Baker Huges, Basf, Sika, SunEdison, Culligan, etc.	Dubai	--
9	Jumeirah Lake Towers Free Z	JLT	Commodities, Finance, Shipping, Recruitment, IT, Advertising, Fashion, etc.	Atwerp Diamond Bank, Clarksons DMCC, Dhamani, Emirates Gold, Harley Davidson, LVMH, Lukoil, Unilever, etc.	Dubai	www.dmcc.ae
10	Dubai Textile City	TEXMAS	Trading in textiles	Royal Traders, Kabul Textiles, Maladar Textiles, etc.	Dubai	www.texmas.com
11	Dragon Mart	DRAGONMART	Wholesale and retail trade of a variety of chinese products.	Chinamex Middle East Investment, Trade Promotion Centre, Auchan	Dubai	www.dragonmart.ae
12	Dubai International Financial	DIFC	Banking Services, Capital Markets, Asset Management, Insuranre, Islamic Banking, etc.	Standard Chartered Bank, Bloomberg, Dutche Bank, UBS, HSBC, AIG,Delloitte, Saxo Bank, Barclays, etc.	Dubai	www.difc.ae
13	Dubai Airport Free Zone	DAFZ	Aerospace, Aviation, Automobiles, Computers, IT solutions, Consultancy, Jewellery, Pharmaceutical, Plastic, Chemicals, Telecommunication, etc.	Airbus, Boeing, Rolls Royce,TNT, DHL, Hershey, Maserati, Ferrari, Estee Lauder, Chevron, Fossil, etc.	Dubai	www.dafz.ae
14	Dubai Silicon Oasis	DSOA	Mobile Technologies, Internet, Data Centre, etc.	Fujitsu, Siemens, Schneider, Wacker Chemie AG, Porsche and Western Digital	Dubai	www.dsoa.ae
15	Dubai Flower Centre	DFC	Floriculture, Horticulture, Fruits & Vegetables	--	Dubai	www.dafz.ae
16	Dubai Internet City	--	Software, Internet & Multimedia, Telecommunication, etc.	Microsoft, IBM, Google, Yahoo, Oracle, Cisco, HP, Canon, Dell, Nokia, AT&T, etc.	Dubai	www.dubaiinternetcity.ae
17	Dubai Outsource Zone	DOZ	Business Process Outsourcing, Accounting and Billing, Contact Centre, etc.	Nokia Siemens, Emirates Airlines, AXA Insurance, Du, Mashreq Bank, Al Futtaim, Jumeirah Group, etc.	Dubai	www.doz.ae
18	Dubai Media City	--	Advertising & Communication, Media & Marketing Services, New Media, Media Consultancy, etc.	CNN, BBC, MBC, Al-Arabia, Thomson Reuters, Lowe, Associated Press, etc.	Dubai	www.dubaimediacity.ae
19	Dubai Studio City	--	Broadcasting TV, Radio, Production (Film/ TV Radio), Music & Entertainment, etc.	MBC, Endemol, NBC Universal and Spacetoo	Dubai	www.dubaistudiocity.ae
20	International Media Producti	IMPZ	Printing Machinery and Printing, Printing Press, Graphic Arts, Support Services, etc.	ITP, Xerox and McGraw Hill	Dubai	www.impz.ae
21	Dubai Knowledge Village	DKV	HR Development, Executive Search, Content Development, R&D, Human Resources Consultancy, etc.	Gallup, Towers Watson, Hays, etc.	Dubai	www.kv.ae
22	Dubai International Academi	DIAC	Academic Service, Higher Education Providers, Online Universities, Freelancers, etc.	Michigan State University, Hult International Business School, Cambridge University, etc.	Dubai	www.diacedu.ae
23	Dubai Biotechnology and Res	DuBiotech	Therapeutics, Food, Agricultural, Forestry, Horticulture, Environment, etc.	Pfizer, Amgen, Maquet, etc.	Dubai	www.dubiotech.com
24	The Energy and Environment	ENPARK	Renewable Energy, Energy Generation, Energy Storage, Organic Products, Green Building, Transportation, etc.	Veolia, Averda, PTL Solar and Etap Lighting	Dubai	www.enpark.ae
25	Dubai Healthcare City	DHCC	Conventional Medical Services, Hospitals, Diagnostic Laboratories, etc.	AstraZeneca, Novartis, Sanofi Aventis, etc.	Dubai	www.dhcc.ae
26	International Humanitarian C	IHC	Aid distribution and storage by the international aid organizations and community	ACTED, Al-Islami, Child Foundation, etc.	Dubai	www.ihc.ae
27	Sharjah Airport International	SAIF-Zone	Trading, Manufacturing, Services and Aviation	Air Arabia, Sky Plan, Kmart Gulf, Asia Today, etc.	Sharjah	www.saif-zone.com
28	Hamriyah Free Zone	HFZA	Trading, Manufacturing, Logistics, Steel, Construction, Timber, Maritime, Perfume, etc.	Unger Steel, Metito, Mamutt, British Petroleum	Sharjah	www.hfza.ae
29	Ajman Free Zone	AFZA	Trading, Logistics, Services and Manufacturing	Meridian VAT Reclaim, Ranco Impex, United Bottling Company	Ajman	info@afza.gov.ae
30	Ahmed bin Rashid Free Zone	--	Manufacturing and Trading	--	Umm Al Quwain	abrpaftz@emirates.net.ae
31	Ras Al Khaimah Free Trade Zo	RAKFTZ	Services, Industry, Aviation, Technology, Media and Education	Oranci Steel, Brochot, Ramjet, Rak-German, etc.	Ras Al-Khaimah	www.rakftz.com
32	Rakia Industrial Park	RAK-IA	Plastics, Glass and Rubber products manufacturing, chemical products, food processing	Ashok Leyland LLC, Duscholux Emirates, Mitsui Japan, etc.	Ras Al-Khaimah	www.rak-ia.com
33	Fujairah Free Zone	--	Trading, Export and Import, Logistics, Manufacturing and Warehousing.	Enoc Bunkering, Atlantic Marina, Microsol International, etc.	Fujairah	www.furairahfreezone.com