

Country Commercial Guide

REPUBLIC OF YEMEN

FISCAL YEAR 2004

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Chapter 1

Executive Summary

This Country Commercial Guide (CCG) presents a comprehensive look at the Republic of Yemen's commercial environment using economic, political, and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. embassies through the combined efforts of several U.S. government agencies.

The Republic of Yemen government (ROYG) held its first general presidential election in September 1999, electing the General People's Congress (GPC) party candidate, Ali Abdullah Saleh (the incumbent), as president for a five-year term (extended to seven years through a February 2001 constitutional amendment). His election, along with the parliamentary elections in April 1997 and April 2003 assured a solid parliamentary majority for the GPC and strengthened internal political stability.

Under President Saleh's leadership, Yemen has remained committed to the comprehensive economic reform program initiated in 1995 under the guidance of the International Monetary Fund (IMF) and the World Bank. The Yemeni government has floated and stabilized its currency, reduced inflation from 70% in 1994 to 12.2 percent in 2002, and eliminated government subsidies on basic commodities such as wheat, wheat flour, and gasoline, as well as reducing them on items such as diesel fuel and electricity. For example, in July 2001, the ROYG increased the price of diesel by 70 percent. The ROYG has not announced when the remaining subsidies will be lifted. Moreover, rising world oil prices have restored Yemen's foreign exchange reserves to a sixteen-month high of 4.6 billion dollars.

The Government of the Republic of Yemen committed itself to implement the projects and programs stated in the World Bank's Poverty Reduction Strategy Paper during fiscal years 2003-2005. The program will implement development and infrastructure projects; it will finance 70 percent of the projects and seek financing for the remaining 30 percent from the international community. The ROYG, with the assistance of the World Bank and the International Monetary Fund, joined the consultative group meeting, which took place in mid-October 2002 in Paris, France.

In 2001, Yemen resolved its debt issues with Kuwait and Saudi Arabia, thereby unblocking soft loans for infrastructure projects from these wealthy neighbors. In July 2002, Yemen rescheduled its debt owed to Japan and the United States, and in August 2002 rescheduled debt owed to Italy. The debt owed to China is expected to be finalized and rescheduled soon. Russia's accession to the Paris Club in September 1997 proved fortuitous for Yemen's total bilateral debt obligations. Eighty percent of its debt to Russia, (primarily former South Yemen's debt to the former Soviet Union for arms purchases), was forgiven outright. The remainder of the Russian debt, along with debt from other Paris Club members, was rescheduled on Naples terms. In June 2001, Yemen's stock of debt to Paris Club members was also rescheduled as donors provided an "exit treatment" that allows Yemen to reach a sustainable indebtedness level. Through a World Bank grant, most of Yemen's commercial debt has also been settled, leaving total external outstanding debt at \$5.07 billion or 48.7% of GDP as of March 2003.

[Successive phases of economic reform, which are being discussed within the negotiations with the IMF for a new three-year Poverty Reduction and Growth Facility (PRGF), will prove much tougher to implement than the macroeconomic stabilization Yemen achieved between 1995 and 2000.] The country still has an inefficient, overstaffed, and often corrupt bureaucracy that must be streamlined, appropriately compensated and adequately trained. The government needs to take action to stem the current annual population growth of 3.5 percent, which is consuming scarce renewable water resources at 140-150% of recharge rate. It must create a transparent legal environment that can objectively and independently resolve disputes, and a sound financial market. Finally, the government must find a way to extend its authority appropriately throughout the entire country. The Yemen public's tolerance for further economic hardship brought by reform is wearing thin, and handling these issues will require a deft political touch.

A lack of adequate infrastructure, coupled with an uncertain security environment, continues to impede foreign investment. Nevertheless, risk-tolerant investors can find attractive opportunities in Yemen. U.S., French and Korean oil companies, along with the Ministry of Oil and Mineral Resources, formed a liquefied natural gas (LNG) joint venture to process Yemen's 17 trillion cubic feet of proven natural gas reserves for export, and continue to seek a guaranteed buyer. In the port of Aden, a container terminal owned and operated by the Port of Singapore Authority opened for business in March 1999. In October 2003, the Yemen government cancelled the contract with the Port of Singapore Authority. In November 2003, Overseas Port Management (OPM), another Singaporean company, started managing the container terminal. The prospect of growing ship trade in Aden raises the prospect of establishing skilled ship maintenance and repair facilities.

The development of the associated Aden Free Zone also presents opportunities for manufacturing companies to process and ship products to the Gulf, the Indian subcontinent, and East Africa. Plentiful stocks of fish and shellfish provide opportunities for packing and export. Yemen's unique culture, history and geography offer attractive prospects for tourism development. Finally, the June 2000 Yemeni-Saudi border treaty has increased political stability and has paved the way for increased oil exploration in the northeast. An economic reform, which would have encouraged foreign investment -- the privatization of approximately 70 public sector enterprises -- has stalled, however, because in April 2001 the Yemeni Parliament rejected a World Bank credit to finance the program. The Yemeni government decided to finance the process of privatization without World Bank assistance as a commitment towards the reform program.

Although the government appears willing to allow private investors to expand Yemen's woefully inadequate electricity generation capacity, the first attempt at a build-own-operate power plant was not successful. Likewise, three years of negotiations with a U.S. company to build a 400 MW power facility in Marib broke off in May 2001; but by June 2003 the company submitted its final offer and is expecting an answer from the Council of Council Ministers on the Power Provider Agreement (PPA). Another U.S. consulting company was invited to do a feasibility study for another power plant in the Marib area. Other projects are currently in the planning stages, but government revenues are insufficient to guarantee commercial power purchase contracts. In addition to the electricity sector, the World Bank and other donors are financing road, water and sewage treatment projects.

Yemenis hold U.S. businesses and products in high regard. U.S. exports to Yemen increased in value from 185 million dollars in 2001 to 366 million dollars in 2002, despite the higher shipping costs of U.S. versus European or Asian products and the negative effect of September 11. U.S. manufacturers and contractors should continue to benefit from opportunities emerging in Yemen. The Embassy believes export potential exists for oil field equipment and services; irrigation and agricultural equipment; electricity generation, transmission, and distribution equipment; hotel and restaurant equipment; medical equipment, supplies, and pharmaceuticals; and telecommunications equipment and services.

Among agricultural products, wheat and wheat flour will continue to have long-term potential because of Yemen's rapidly growing population. Yemen's wheat flour imports were estimated around 286,000 metric tons (MT) in 2002, an increase from 2001 imports. Wheat imports, which were nearly stable during the same period, were estimated at 1.560 million MT in 2002. Demand for corn, rice, soybean meal, and grocery products is expected to grow steadily in the foreseeable future. Frozen chicken imports were 68,000 MT in 2002, which indicate a positive potential.

The Ambassador and Deputy Chief of Mission (DCM) are always willing to meet visiting representatives of U.S. businesses and take U.S. trade promotion seriously. Those interested in doing business in Yemen should contact the Embassy for the latest information on the country. Three Political/Economic Officers, a Yemeni commercial specialist, and a Yemeni agricultural trade specialist support the efforts of the Ambassador and DCM. The Embassy's Agricultural Trade Officer resides in Riyadh, Saudi Arabia.

Chapter 2 Economic Trends and Outlook

Major Trends and Outlook: Real GDP in 2002 declined to 3.9% from 4.6% in 2001. Non-oil GDP growth was also affected in 2002. During the 2001, growth in Yemen's economy declined slightly because of a reduction of world oil prices and also due to the effect of the events of September 11. The medium-term challenges are formidable. With no significant findings in the oil sector, most analysts expect real GDP growth to stay at about 3% for the next few years, barring a significant reversal in world oil prices. Agricultural production is expected to decline due to poor rainfall throughout most of the country.

With the government maintaining strong discipline in both its fiscal and monetary policies, the Yemeni rial (YR) has remained stable at 174-175YR/1USD ranges through October 2002. The rial fell to 182-183 YR/1USD by the end of 2002 and dropped to 184YR/1USD in late 2003, possibly spurred by the impact of the offshore terrorist attack on the French oil tanker M/V Limburg. Inflation (CPI) increased to 12.2% in 2002 from 11.9% in 2001. In 2002, Yemen enjoyed a budget surplus of over \$520 million (in contrast to a deficit in 1999 of \$27.5 million). Yemen's budget situation remains precarious, however, due to its high reliance (70%) on oil export revenues.

On the monetary side, money supply was 18% in 2002 compared with 18.7% in 2001. The Central Bank of Yemen maintained fairly stable benchmark interest rates in 2000, as inflation remained moderate. Treasury bill returns, which nearly track with the benchmark interest rates, despite being determined by the market at auction, remain nearly constant at around 13-15%, a dramatic drop from 23% in September 1999.

Private sector confidence in Yemen's economy had been weak throughout the 1990s due to civil unrest, rampant inflation, and an unstable currency. This began to change in 1995-1996 as the macroeconomic picture brightened, the rial stabilized, Yemen celebrated its tenth anniversary of unification, and the border dispute with Saudi Arabia was settled. Private construction activity, especially in Aden, is expanding, although at a cautious pace. The availability of foreign consumer products in major urban areas continues to increase, notably in foodstuffs and pharmaceuticals, but much is smuggled into Yemen from Saudi Arabia, the UAE and other neighboring states.

Confidence in the future prospects of Aden harbor strengthened when the Aden Container Terminal (ACT) officially opened for business in September of 1999. The Port of Singapore Authority (PSA), owner-operator of the ACT, has signed agreements with seven major shipping lines to handle their vessels in Aden. Cargo traffic remained steady despite the events of September 11 and the attack on the USS Cole. However, the October 2002 terrorist attack on the French oil tanker M/V Limburg significantly impacted Yemen's economy. Food prices rose and several investment projects were suspended. Initially, shipping insurance premiums rose 250%, and as a result ships were diverted to the ports of Djibouti, Jeddah, Saudi Arabia and Salalah, Oman. In the summer of 2003, the Yemeni government put up fifty million dollars as an insurance guarantee to the insurers, who will gradually reduce insurance premiums on shipping to Yemen.

The Aden International Airport, nearly destroyed during Yemen's 1994 civil war, was officially opened in May 2001, and has been completely renovated and modernized. Other prospects in Aden include the privatization of the Aden Oil Refinery Company and the "Aden District Park", an industrial and warehousing estate adjacent to the Container Terminal, launched in November 2002.

Principal Growth Sectors: Since the discovery of oil in commercial quantities in the Marib Governorate in 1984, the petroleum industry has led Yemen's economic growth. Production in U.S. owned Yemen Hunt Oil's Jannah and Marib fields and Total's East Shabwa field, output increases in Nexen's Masila block, and new discoveries by the Norwegian Oil Company DNO raised overall production to around 450,000 bpd by the end of June 2003. While output from the Marib concession is falling, the introduction of new technologies will minimize the decline in the near term. Only new discoveries, however, can sustain Yemen's output in the medium term. Cognizant of its oil dependency, Yemeni officials have worked to improve exploration and production contract terms. The ROYG entered into several new exploration agreements with Nexen and Occidental in 2000 and 2001. Five U.S. exploration firms are presently operating in Yemen and some recent wells have shown promise.

A long-term prospect for the petroleum industry in Yemen is a proposed liquefied natural gas project (Yemen LNG). Yemen has over 17 trillion cubic feet of proven associated and natural gas reserves. The ROYG negotiated a gas development agreement with Total in 1995, and, in June 2002, renewed the contract for another five years. The investment group includes Hunt Oil and Yukong of South Korea (the partners in the Yemen Exploration and Production Company - YEPC) as partners in the project. The government has since allotted 5% of the project from its share to Hyundai of South Korea. The project envisions a \$2.2 billion investment over 25 years, with two trains of 3.1 million tons producing approximately 6.2 million tons of LNG annually. The facility would be located at Bel Haf, on the Gulf of Aden, and would be connected to the Marib fields by a 320 km pipeline. A Bechtel-Technip joint venture conducted a preliminary engineering study. Early optimism for the LNG facility has slipped in light of the Asian financial crisis and protracted negotiations with India for the purchase contract. Nonetheless, Yemeni officials are still anxious to get this project off the ground.

Expanding Yemen's woefully inadequate infrastructure will be a major element of economic growth over the next ten years. The Ministry of Electricity has publicly announced its support for private power generation, and wants to add 1,100 megawatts of capacity over the next ten years. However, government resources are inadequate to guarantee power purchase contracts to supply the national grid. Because Yemen faces severe water shortages in the near term, the government is considering using private water and sewage utilities to manage this vital, scarce resource more efficiently. The expansion of infrastructure implies that the construction industry will grow with it. Currently, local factories, which produce construction materials, are running at 60% of capacity or better and are looking to expand. Several of Yemen's larger trading houses are conducting feasibility studies for establishing private cement plants.

A major component of economic reform includes the government's withdrawal from the production and service sectors of the economy, including privatization of most public sector enterprises. This long-term goal suffered a major setback in April 2001 when Yemen's Parliament refused to approve a World Bank credit to fund privatization efforts; but the government decided to go ahead with the process of privatization through a

liquidation committee with members from the concerned ministries. Studies have been completed for restructuring the Aden oil refinery and one national bank, but no action is expected in the near term.

In transportation, the government established a Free Zone in Aden and contracted private companies to develop a modern container port, airport facilities, and an industrial estate, the Aden District Park (ADP), had limited success and the contract with its former investor (Yeminvest) was cancelled in October of 2003. The Aden Free Zone Authority is now the contact point for the Aden Container Terminal (ACT). Half of the world's annual container trade and a large proportion of its oil shipments pass within four nautical miles of Aden.

Yemen's long coastline offers beautiful beaches and islands, while its interior provides unique cultural experiences, archeological sites, and historical perspectives. The tourism industry, which stalled in 1999 due mainly to a fatal kidnapping incident in December 1998, began to recover in the summer of 2000. The government began to enforce stiff new anti-kidnapping laws which, along with the Saudi-Yemeni border treaty signed in June 2000, has had a positive impact in deterring criminal activity. However, new terrorist incidents, including the 2000 bombing of the USS Cole in Aden Harbor, the kidnapping of a German student in May 2001, and the Limburg attack, continue to dampen growth in the tourism sector.

While consumer product manufacturers are facing difficult times, Yemen's rapidly growing population (approximately 3.5% annually) should eventually provide enough demand for industry to rebound.

Balance of Payments: Yemen ran a current account surplus in 2002 of \$520 million, a drop from the surplus of \$671 million in 2001 and the surplus of \$1.3 billion in 2000. The surplus fell as a result of the decline in world oil prices. Yemen's bilateral and multilateral debt picture continues to improve. Debt to Russia was reduced dramatically with Russia's accession to the Paris Club. Additionally, in 2000 the World Bank financed a commercial debt reduction program. In June 2001, the Paris Club members agreed to reschedule Yemen's stock of debt since Yemeni officials have committed to continuing the country's economic reform program. As a result, Yemen's outstanding debts after rescheduling are approximately \$5.07 billion, or approximately 48.7 % of GDP, a level considered sustainable by the international financial institutions.

Infrastructure: Yemen's infrastructure is inadequate for a country of 19.5 million people. Its maximum electricity capacity is 600 megawatts, but actual output is between 350 and 400 megawatts, and that reaches only 30 percent of the population. Water and sewage services are even less adequate. Most citizens of Taiz, Yemen's third largest city receive public water only twice every 30 days. In Sanaa, raw sewage runs onto major thoroughfares in some parts of the city, but projects are underway to build sewage systems in the remaining districts. The World Bank and other donors are financing projects to improve water and sewage services. In addition, in Sanaa, a joint U.S.-Yemeni water drainage and flood control project called the Sailah, was undertaken in 1996 and is estimated to be finished by 2006.

Airports and some port operations are steadily improving. In September 1999, the Aden Container Terminal (ACT) officially opened. In 2001, ACT handled 380,000 tons equivalent units (TEUs), a 52% rise over the 250,000 TEUs of 2000. The impressive

growth was achieved in spite of the effects of September 11, but the incoming containers dropped by 80 percent after the terrorist attack on the French oil tanker M/V Limburg in October 2002. The port mainly serves as a transshipment hub, but attempts are being made to increase the percentage of the local cargo through the development of the industrial and warehousing estate. Both the container terminal and industrial estate are run by the Port of Singapore. In its first phase of development, ACT planned to handle up to 1 million TEUs annually on its two-berth, 700m quay. A fifth quay crane was added in February 2002 bringing current capacity to 650,000 TEUs. The container yard of 35 hectares offers storage capacity for 10,000 boxes.

The industrial and warehousing estate called Aden District Park (ADP) was launched in November 2002. The first 30 hectares are ready for occupation, and there were plans to expand capacity, but there is no demand and the contract with ADP's investor, Yemeninvest, has been cancelled. Aden International Airport has been renovated, including its terminal, tower, navigational equipment and runway. Work on renovating the first phase of the Sanaa International Airport is progressing and work on the second phase will begin in 2004. This project is partially financed by a loan from the Arab Fund for Social and Economic Development. The Port of Hodeidah, Yemen's busiest domestic port, experiences delays in unloading grain and container vessels. The Port of Salif, which is 70 kilometers north of Hodeidah port, is also handling grain vessels and reducing congestions on Hodeidah port. Taiz International Airport has always operated without navigational equipment, despite experiencing the most violent thunderstorms in Yemen.

Decent, two-lane paved roads connect Sanaa to Aden, Hodeidah, Sa'dah, and Taiz, but the terrain is mountainous and difficult. It often takes 12 hours to haul a 40 ft container the 346 km from Aden to Sanaa or 6 hours for the 226 km from Hodeidah to the capital. The Arab fund for Social Development financed the project of the major road connecting the city of Mukalla in the Hadhramout governorate to the Omani border is now under construction. Nearly 30% of the project is completed. A direct link between Sanaa and Wadi Hadhramout and Mahara governorates was inaugurated in early 2002. A parallel new road linking the city of Amran, through Sanaa to Aden, is projected to minimize pressure on the existing old road.

Chapter 3 Political Environment

Nature of Political Relationship with the United States: Since their nadir during the 1991 Gulf War, relations between the United States and Yemen have been steadily improving. The Yemeni government appreciated the United States' pro-unity stance during the 1994 civil war, and the U.S. and Yemen have cooperated increasingly on regional issues, including counter- terrorism. The counter-terrorism effort in Yemen intensified in the wake of September 11. This effort came to the fore following the terrorist attack against the USS Cole in Aden Harbor on October 12, 2000, when the two countries cooperated extensively on the investigation into the attack. The USG has significantly increased anti-terrorism training and security assistance to the Yemeni government.

After a twenty-five year bilateral assistance program, the United States Agency for International Development (USAID) closed its office in Yemen in 1996. However, USAID continued to provide approximately \$2-4 million per year for limited activities in basic health and education and scholarships to American universities. The Office of the USAID Representative to Yemen reopened in the American Embassy in June 2003.

The USAID strategy focuses on the five remote, and very poor, rural governorates most at-risk of generating political, social, and economic instability (Al Jawf, Amran, Marib, Saada, and Shabwa). The USAID program addresses basic human issues including reproductive, maternal and child health; basic education and literacy; food security, and jobs in a predominantly agricultural economy. USAID will make selected investments at the national level to improve policy and expand options for longer-term sustainable development. In addition, USAID will work closely with key ministries at the national, governorate and district levels as they implement the government of Yemen's decentralization policy.

The USAID program is only one part of the United States government's economic development assistance in Yemen. USAID funding targets are \$10 million in fiscal year 2003 (October to September) and \$15 million in FY 2004. These USAID funds will be augmented by funding from the U.S. Department of State's Middle East Partnership Initiative (MEPI) for economic, education, and political reform and approximately \$20 million per year from the U.S. Department of Agriculture's 416B and PL 480 Food Aid programs for economic and social development in rural areas. The U.S. programs in MEPI small grants and humanitarian demining will fund additional development activities.

Major Political Issues Affecting the Business Climate: Bureaucratic corruption at all levels of government affects all aspects of business in Yemen. This corruption includes distorted judicial and administrative procedures, fiscal policy, security and slow progress in democracy efforts, a free market economy, and respect for human rights. Because practices such as illegal commissions, nepotism, and the collection of salaries from multiple government jobs are considered natural, administrative reform may be a long and difficult process. A World Bank-led effort to effect civil service and administrative reforms formally launched on August 25, 1998 is continuing.

Thanks to Yemen's June 2000 treaty agreement with Saudi Arabia, which resolved their 66 year-old border dispute, Yemen now enjoys internationally recognized land and marine borders with all of its neighbors, including Oman and Eritrea (although implementation of the traditional fishing rights sections of the international arbitration agreement remains contentious). While its international borders have stabilized, the country still suffers from political unruliness (usually from tribesmen in impoverished rural areas) that increases the risks and costs of doing business in Yemen. Tribal kidnappings of foreigners and thefts of foreign-owned vehicles continued periodically through 2001, but at sharply decreased levels, as tribesmen in isolated areas sought increased attention and support from the central government. The practice of kidnapping foreigners dates back to the 1970s, with victims hailing from at least 17 countries, including Great Britain, France, Italy, Germany, the U.S., the Netherlands, Poland, and Russia. Most victims of kidnapping in Yemen have been either tourists or oil company workers. They were generally released unharmed, although a botched rescue attempt during a June 2000 kidnapping of a Norwegian tourist resulted in his death. There have been no Westerners kidnapped since 2001.

On December 28, 1998, a group of 16 Western tourists from the U.K., Australia and the U.S. was kidnapped by international terrorists in Abyan governorate near Madiyah. The next day, in response to information that the lives of the hostages were in imminent danger, government forces attempted a rescue operation. Four of the hostages and three of the terrorists were killed, at least two of the tourists at the hands of the terrorists. Three surviving terrorists were charged with murder: The Yemeni leader was tried and executed and the two third-country nationals were sentenced to long prison terms. International consensus on the Abyan incident is that it was ideologically motivated and an aberration.

On August 3, 1998 the government began to take decisive measures against kidnapers and bandits. Law 24, issued by presidential decree, stipulates severe punishments against perpetrators up to, and including, capital punishment for the leaders of such crimes. Those charged as accessories to the crime of kidnapping or stealing public or private property by force face sentences of 10-20 years, subject to doubling if the instigators are military or security personnel. In late 1999, a special court and prosecutor were established to enforce the law, and by mid-2000 several kidnapers had been tried, convicted, and sentenced to lengthy prison terms. Since August 1998, the government has undertaken periodic crackdowns on weapons in Sanaa and other major cities. This act has noticeably reduced the prevalence of weapons. However, the prospect for controlling weapons altogether remains problematic due to opposition from tribal elements, including politically prominent individuals.

Brief Synopsis of the Political System: Yemen has two functioning political systems: an emerging modern democracy and an ancient tribal/feudal system. Yemen's government is divided into three branches: the executive, with the President appointing a cabinet headed by a Prime Minister; the bicameral legislature composed of a 301-member elected House of Representatives and a 111-member Presidentially-appointed Shura Council; and the judiciary, consisting of three levels of courts (magistrate, appellate, and supreme). Yemen held its first direct presidential elections in September 1999, electing President Ali Abdullah Saleh to a five-year term in what were generally considered free and fair elections. Yemen held its second multiparty parliamentary elections in April 1997 and its first local council elections in February 2001. The terms of office for both Parliamentarians and the President were extended in February 2001 by public

referendum. General and legislative elections took place in April 2003. The President's party, the General People's Congress (GPC), holds an absolute majority of 229 seats in the current Parliament. The main opposition party, the Yemeni Congregation for Reform (Islaah), holds 45 seats. Smaller parties and many independents also won seats.

The election of President Ali Abdullah Saleh consolidated the power of the GPC. Islaah is a tribal/Islamic party under the leadership of Speaker of Parliament Shaykh Abdullah Al-Ahmar, who is also the paramount shaykh of the Hashid tribal federation. Before the 1994 civil war, the Yemeni Socialist Party (YSP), which had ruled the former People's Democratic Republic of Yemen (PDRY) before its unification with the Yemen Arab Republic (YAR) in May 1990, was a partner in the government. Since the 1994 civil war, however, the YSP has been marginalized. Ideological infighting and disorganization have diminished what political power it once had. The YSP participated (and had a poor showing) in the February 2001 local elections, but it boycotted the 1997 parliamentary and 1999 presidential elections. The GPC is an "umbrella" organization with less emphasis on ideology and more on following the lead of President Saleh in governing the country. Islaah calls for implementation of Islamic legal principles. The parties have factions, quite strong ones in the Islaah party, less obvious in the GPC, and crippling in the YSP.

Chapter 4

Marketing U.S. Products and Services

Distribution and Sales Channels: Local agents/distributors use fairly modern distribution systems to get products to market. Most have contracted with local distributors and/or retailers in Yemen's major population centers, who receive discounts off the retail price. In general, primary agents/distributors are responsive to the guidelines and suggestions of the manufacturer.

Use of Agents and Distributors: The Embassy strongly recommends that U.S. exporters hire a local agent/distributor. Given the high degree of corruption in the society, the Embassy also strongly recommends that U.S. businesses interested in the Yemeni market consult the Embassy Commercial Section regarding potential agents/distributors. Yemen's mountainous terrain and weak transportation network suggest that, for many products, multiple agents/distributors may be more efficient. Sanaa, Aden, Taiz, Mukalla and Hodeidah are the country's primary commercial centers. At an exporter's request through a Department of Commerce Export Assistance Center, the Embassy's Commercial Section can research and draft International Partnership Service (IPS) and International Company Profile (ICP) reports on a fee basis.

Yemeni Law 23/1997 (amended) regulates the branches and agencies of foreign trading companies. All agent/distributor agreements with local companies must be registered with the Ministry of Industry and Trade. Since January 2003, the initial agency registration fee at the Ministry of Industry and Trade has been 6,500 Yemeni rials or in USD at the market rate. The annual renewable agency registration fee is 5,000 Yemeni rials or in USD at the market rate.

Franchising: Yemen's new Investment Code (Law 22 of 2002 amended, see Chapter 7) encourages franchising, and several businesses have opened. Pizza Hut opened its first restaurant in Aden in 1995 and has one outlet in Sanaa. Baskin Robbins opened an ice cream parlor in Sanaa in July 1999 and has another in Aden. Kentucky Fried Chicken opened a franchise in Sanaa in late 2002.

Direct Marketing: With the advent of Internet services in Yemen in late 1996, direct marketing has made an appearance but is used only by major companies. Noting that high-end consumers are Internet customers, some Yemeni companies have begun using e-mail to advertise their products/services. Two operators, TeleYemen, and the Public Telecommunication Corporation, provide local Internet services. Connections are generally adequate.

Joint Ventures/Licensing: Most joint ventures are regulated through the new Investment Code, Law 22 of 2002, implemented in October 2003

Steps to Establishing an Office: Law 23 of 1997, as amended, regulates the establishment of foreign companies. Following are the guidelines:

- Obtain a letter from a Yemeni bank indicating that the business has accounts in dollars and rials. The cost is free. (timeframe about 3 hours).
- Rent an office and obtain a copy of the agreement from the owner. (timeframe 1-3 days).

- Register the company with the Ministry of Industry and Trade (MOIT). On the relevant form, indicate the type of business (i.e. import-export, services, wholesaler, and retailer), stating the amount of capital, and whether it is a private or shareholding company. Once approved, the Ministry will assign a registration number. This company registration number must be presented if requested by any government agency. Since January 2003, the total fees for registration, permit and publication in the official gazette and announcement in the commercial register have been 67,000 Yemeni rials or in USD at the market rate. These fees are the initial payment for commercial registration at the ministry valid for five years. The annual renewable permit fee is 20,000 Yemeni rials or in USD at the market rate. (timeframe 2-3 days).
- Apply for membership with the local chamber of commerce, indicating the business. The cost is \$500 dollars, plus 10,000 rials per year for renewal. (timeframe about 2 hours)
- Apply to the municipality, indicating the type of business. The business will be given a permit with a number, which must be displayed in the business office. The cost is 50,000 rials including fees for the City of Sanaa Trust Office. (timeframe 2-3 days)
- Register with the relevant Yemeni government ministry, which has oversight responsibility for the type of business. The cost starts at 750 rials up to 50,000 rials, depending on the business. For example, if the business is a gas station or a transport company, the cost may be more. (timeframe 2-3 days)

Selling Factors/Techniques: Some producers will provide goods or stocks to retailers who guarantee to increase shelf allocation.

Advertising and Trade Promotion: Yemen has two television channels. Channel One, now known as Yemen Space Channel, transmits from Sanaa and can be seen locally and throughout the Arab world. Channel Two transmits from Aden for local viewers only. The programs are mainly in Arabic except for a 15-minute daily English news bulletin. Media advertisements are welcomed and can be produced locally or abroad.

The maximum ad rate on Channel One for imported brand products during afternoon hours (from 3:30 p.m. to 7:30 p.m.) is \$300 per 30 seconds between programs and \$390 per 30 seconds during programs. The maximum ad rate on Channel One for imported brand products during pre- or post-prime time (from 7:30 p.m. to 8:55 p.m. and from 11:30 p.m. to the end of the transmission) is \$335 per 30 seconds between programs and \$435 per 30 seconds during programs. The maximum ad rate on Channel One for imported brand products during prime time (from 8:55 p.m. to 11:30 p.m.) is \$500 per 30 seconds between programs and \$650 per 30 seconds during programs, plus a commercial agency commission.

The maximum ad rate on Channel Two for imported brand products during afternoon hours (from 3:30 p.m. to 7:30 p.m.) is \$150 per 30 seconds between programs and \$200 per 30 seconds during programs. The maximum ad rate on Channel Two for imported brand products during pre- or post-prime time (from 7:30 p.m. to 8:55 p.m. and from 11:30 p.m. to the end of the transmission) is \$170 per 30 seconds between programs and \$220 per 30 seconds during programs. The maximum ad rate on Channel Two for imported brand products during prime time (from 8:55 p.m. to 11:30 p.m.) is \$250 per 30

seconds between programs and \$325 per 30 seconds during programs, plus commercial agency commission. These TV advertisement rates will be effective until December 2003. (To advertise products on the two channels, U.S. companies may wish to contact Al-Khail for Advertisement and Information Services, Fax: 967-1-237-376, Telephone: 967-1-226-143, email: alkhail2000@y.net.ye. A list of local commercial agencies is also available from the Embassy's Commercial Section.)

Newspaper advertisement rates depend on page space, and rates vary between daily and weekly papers. The maximum rates in the daily official newspaper advertisement for foreign firms or products are: US \$2,000 - full-page, \$1,000 - half page and \$500 - quarter page. Rates for locally-manufactured products of a foreign company are YR 144,000 - full page, YR 72,000 - half page, and YR 36,500 - quarter page. The average rates for advertisement for foreign firms or products in the daily independent newspapers are: \$1,500 - full page, \$825 - half page, and \$454 - quarter page. The average rates for an advertisement for products in the two weekly English-language newspapers are: \$1,200-\$1,600 for full-page, \$594-\$850 for half page, and \$297-\$459 for quarter page. For color advertisement, the rates are double.

Following are contact addresses for Yemen's leading daily and weekly newspapers:

Al-Thawra (Arabic official daily)

P. O. Box 1475 or 2195, Sanaa, Republic of Yemen

Telephone: 967-1-321-528/ thru 533, Advertising: 967-1-274-038, Fax: 967-1-274-035

Fax: 967-1-274-035 or 967-1-332-505

E-mail: al-thawrah@y.net.ye; or editor@althawra.gov.ye

Website: www.althawra.gov.ye

Al-Gumhurriyah (Arabic official daily)

P. O. Box 6604, Taiz, Republic of Yemen

Telfax: 967-4-230-953

E-mail: algomhuryah-np@y.net.ye; Website: www.y.net.ye/al-gumhuryah

14th October (Arabic official daily)

P. O. Box 5487, Ma'alla, Aden, Republic of Yemen

Telephone: 967-2-242-660, Advertising: 967-2- 241-186/247-297

Telfax: 967-2-241-193/242-301/ 241-764

E-mail: 14oct.adn@y.net.ye ; Website: www.14october.com.ye

Al-Ayyam (Arabic Independent daily)

P. O. Box 648, Crater, Aden, Republic of Yemen

Telephone: 967-2-255-170/254-135 or 967-1-449-733;

Fax: 967-2-255-692 or 967-1-449-722

E-mail: editor@al-ayyam-yemen.com; Website: www.al-ayyam-yemen.com

26th September (weekly, issued by the Ministry of Defense)

P.O. Box 17, Sanaa, Republic of Yemen

Telephone: 967-1-262-626, 282-626; Fax: 967-1-274-139

E-mail: 26Sept@y.net.ye; Website: www.26september.com

Yemen Times (Independent English bi-weekly)
P. O. Box 2579, Sanaa, Republic of Yemen
Telephone: 967-1-268-661/2/3, Advertising 264-253; fax: 967-1-268-276
E-mail: yementimes@yementimes.com; Website: www.yementimes.com

Yemen Observer (Independent English weekly)
P. O. Box 19183, Sanaa, Republic of Yemen
Telephone: 967-1-203-393, Fax: 967-1-207-239
E-mail: editor@yobserver.com; or info@yobserver.com
Website: www.yobserver.com

Pricing Products: The government of Yemen removed subsidies for wheat and flour in 1999. Subsidies for diesel, electricity, water, and sewage services were reduced slightly in July 2001. Reductions for diesel, kerosene and cooking LPG subsidies are under discussion. The free market sets all other prices. When the rial appreciates and retail prices fall, distributors often demand immediate rebates on stocks they are holding; however, when the rial falls, they usually want to raise retail prices to capture windfall profits.

Sales Service/Customer Support: While strong customer service can provide a competitive advantage, when evaluating tenders, Yemenis usually take only price into consideration. Development of an effective sales/service team will require considerable training on the part of the business. If training must be conducted in the United States, early and close coordination with the Embassy's Consular Section on visa matters is strongly encouraged. Additionally, the use of promotional materials like bumper stickers, posters, and low value gifts associated with the product or company helps to engender goodwill in the community.

Selling to the Government: Yemeni government purchases are made through a tendering system managed by the Supreme Tender Committee, chaired by the Deputy Prime Minister, who is also the Minister of Finance. Law 3 of 1997, as amended, governs purchasing tenders valued at over 125 million rials or equivalent in foreign currency. Local agents can be a critically important factor in shepherding bids through the tender process. Tenders are announced in the local and foreign press. Tender conditions are based on standard international regulations used to evaluate tender offers. Price is usually the determining factor, although quality and nationality of the product play a role. Efforts to reform and streamline the tendering system are ongoing. The Embassy has advocated successfully on behalf of U.S. firms in public tender competitions.

Protecting Products from Intellectual Property Rights (IPR) Infringement: Yemen has an adequate copyright law (Law 19 of 1994), but a weak legal system. It is a member of the World Intellectual Property Organization (WIPO) but has not acceded to any international IPR conventions. It is in the process of revising its IPR laws under WIPO guidance to meet international standards. In July 1999, a major U.S. multinational corporation, with a small processing plant in Yemen, won a significant trademark infringement lawsuit in the local courts after a multiyear legal battle. However, enforcement of the judgment has not been effective and the case remains under appeal in the Supreme Court. In August 2003, the Supreme Court rejected the appeal of the company producing the infringed products and ordered it to cease production and delete the infringed trademark, but the Ministry of Industry and trade has not yet been ordered

to enforce the decision pending the further submission of further evidence for the defense. The World Trade Organization (WTO) General Council accepted Yemen's application to join the WTO in July 2000. As a next step in the accession process, Yemen presented to the WTO a memorandum of foreign trade regime on October 2002. By the end of 2003, Yemen was expected to respond to questions raised by members of the WTO. Within this framework, Yemen is working to ensure that its laws are TRIPS-compliant and will present an updated intellectual property law to Parliament this year.

Need for a Local Attorney: An updated list of attorneys is available from the Embassy Commercial Section. The Embassy advises the use of local counsel in the drafting of contracts to help prevent future disputes. Yemen's legal dispute resolution mechanisms are underdeveloped and many contracts specify that arbitration be conducted overseas. There is also a private arbitration center, the Yemeni Center for Conciliation and Arbitration, that was established in 1998 to resolve commercial disputes. It has gained a reputation as a viable alternative to the courts. Commercial disputes are very often resolved among Yemenis via extra-judicial means, usually through private arbitration.

Chapter 5

Leading Sectors for U.S. Exports and Investment

Best Prospects for Non-Agricultural Goods and Services.

The following sectors are identified as leading prospects based on discussions with Yemeni businessmen and government officials and where statistics are available, they are provided. However, Yemeni markets are shallow and can alter rapidly as the preferences of the general populace change.

Oil/Gas Field Machinery (OGM): Oil production in Yemen has been increasing very gradually over the past several years as small production fields come on line. Following the Yemeni-Saudi border treaty, exploration in the promising northeastern region will likely increase. Five U.S. and fifty international companies are currently engaged in exploration and production activities as of July 2003. An agreement was signed in December 2002 for a new private sector oil refinery to be built near the oil export terminal near Mukalla. Another oil refinery is to be built in Rass Issa, near the oil export terminal on the Red Sea. In July 2002, Yemen's Ministry of Oil signed a memorandum of understating with a Saudi-based company for the design and construction of pipelines for the export of Saudi crude oil and gas through a Yemeni port in the Arabian Sea. Yemen's LNG project may offer significant opportunities for exporters. The Yemeni government renewed the contract for another five years with the consortia in charge of the LNG project. As the downstream oil and LPG sectors are privatized, opportunities to supply retail and wholesale fuel and LPG production and distribution systems should materialize.

Electrical Power Systems (ELP): The Ministry of Electricity hopes to increase power capacity by 1.1-gigawatts over the next ten years. Currently, only 30% of the population is connected to the national grid and demand is expected to rise by over 10% annually. Furthermore, Yemen will need to strengthen its transmission and distribution systems. Rural Yemenis, who still comprise more than 75% of the population, continue to depend on private and village diesel generators for power rather than the national grid. The demand for small generators up to 2 MW is keen. In the middle of 2003 two tenders were announced for purchase and construction of two-400 Megawatt gas turbine power stations in Marib. One of which will be part of the Power Provider Agreement (PPA). Another U.S. consulting company won the tender to do the feasibility study for one of the power plants in Marib. Many of Yemen's rural areas are perfect for solar or wind generators. Yemen's Public Telecommunications Corporation, for instance, relies on solar cells to run its national microwave transmission grid.

Agricultural Machinery and Equipment (AGM): Including qat, a mild stimulant central to Yemeni social life, agriculture is Yemen's largest economic sector. Yemen is self-sufficient in vegetable and fruit production and has started exporting to countries in the region. However, Yemen faces a severe water supply crisis in the near term, so the price of this necessary agricultural input is expected to increase substantially in the next few years. Demand for efficient irrigation equipment, such as drip systems, should increase as water prices rise. Moreover, analysts expect that investment in modern agricultural projects will expand in the southern governorates, which, because of their flatter topography, are more amenable to mechanization. While qat is sold on the local market, it is not an exportable product. With the increase in Yemeni individual use of this stimulant, more agricultural land has been cultivated for qat rather than

exportable/consumable goods. In addition, qat requires an average of 30% more water for its cultivation than vegetable and fruit production, further taxing the country's water supply. Therefore, the increase in qat use has significantly hindered growth in Yemen's agricultural sector.

Water Resources Equipment (WRE): Clean drinking water supplies in Yemen's major cities and rural areas are plunging. With a rapidly increasing population, the government's water supply agencies cannot cope with rising demand. Water pumped from aquifers is depleting rapidly and generally is not suitable for drinking. To cope with growing demands, private sector companies have established clean water supply centers using water filtration equipment. Yemen has six major mineral water purifying and bottling companies and one is planned. Demand for good quality water pumps, filtration equipment, water supply and distribution systems, and desalination equipment is increasing rapidly.

Medical Instruments, Supplies, and Pharmaceuticals (MED): Yemen's Ministry of Public Health cannot cope with increasing demand for modern health services, so it has encouraged the private sector to establish hospitals and clinics. 2002 statistics indicate that Yemen has over 3,100 hospitals, health care and maternity centers; and over 2,278 drug stores, representing a significant market. Yemeni expatriates and businessmen are planning to invest in larger hospitals. More than 85 private companies are importing and trading in medical instruments, supplies, and pharmaceuticals. Yemen has one public pharmaceutical manufacturing company and four private pharmaceutical manufacturing companies with two more to be built, increasing demand for pharmaceutical raw materials. Still, these manufacturing companies only cover about eight percent of Yemen's market demand for pharmaceuticals.

Telecommunication Equipment (TEL): The demand is growing for telecommunication services in Yemen's major cities. Yemen's Public Telecommunications Corporation (PTC), which is in charge of providing domestic services, publishes tenders for the supply of fiber optic and aerial cables, microwave equipment and communications central switching equipment. The ROYG plans to expand telecommunication services in the next five years. The capacity of telephone stations increased from 540,434 in 2001 to 769,427 in 2002. Three private local companies with international partners began GSM service in February 2001 and mobile telephones increased from 147,838 in 2001 to 480,707 in 2002. Several local private companies have established over 15,000 pay telephone and Internet services in Yemen's major cities because the Public Telecommunication Corporation cannot cope with growing demand for telephone services. Yemen's Ministry of Communication announced a tender in August 2003 for an international telecommunications services operator to operate and manage the international telecommunications services and Internet services to replace TeleYemen formerly a joint venture with Britain's Cable & Wireless, whose contract expired at the end of in 2003. The French company France Telecom won the tender for the new contract, which is valid for five years, and started managing TeleYemen in January 2004. Demand for cellular, mobile communication and telephone sets among the business community continues to rise.

Best Prospects for Agricultural Goods and Services

Yemen's population is growing rapidly at 3.5% annually and the country will remain a net food importer for the foreseeable future. Wheat is the largest U.S. agricultural exports, but opportunities for other products are growing. At present, the poultry industry demands significant non-wheat products and services, but other livestock industries may modernize in the near future and increase demand. Additionally, U.S. processed foods appear to be competing effectively for consumers.

Wheat and Wheat Flour: The U.S. exported 533,120 metric tons (MT) of wheat and 286,132 MT of wheat flour to Yemen in 2002. An additional 30,000 MT of wheat flour, and 50,000 MT of wheat were exported during 2002 as part of USDA's 416(b) food aid program. The removal of government subsidies on wheat and wheat flour in the first half of 1999 did not have a significant negative impact on consumption. Wheat bread has become a staple in the Yemeni diet, and the Embassy believes the U.S. will continue to be a major supplier of wheat.

Corn: Corn is the main ingredient for animal feed, especially in the poultry industry. Major local traders import feed as cartels to resell to other poultry producers. The usual feed shipment size is 27,000 MT, with a composition of 70% corn and 30% soybean meal. The U.S. supplied 18,260 MT in 2002, out of 309,243 MT Yemeni total import. Long-term prospects for the poultry industry, and therefore U.S. corn exports, are positive.

Soybean Meal: Market prospects are also good for the other main ingredient of poultry feed, soybean meal. The U.S. is generally one of the main suppliers (as soybean meal is frequently imported and shipped with corn), supplying 5,195MT in 2002, out of 97,000MT total Yemeni import. Strong price competition by other suppliers, however, has limited the growth of U.S. soybean sales.

Foodstuffs: The urbanization of Yemen's growing population is creating a large demand for fresh and processed food products. Also, the Yemeni government has made significant progress recently in reducing barriers to trade and opening up the market (see chapter six). Thus, while the market remains small, U.S. exporters can expect to find a growing opportunity for selected foodstuffs. Total 2002 exports of foodstuff items from the U.S. to Yemen were valued at \$18.2 million. Presently, most U.S. food items are re-exported or smuggled from Saudi Arabia.

Honey: Honey is a traditional food product, but a significant amount is imported to supplement local production. Good quality U.S. honey can be shipped at competitive prices. U.S. exports of honey to Yemen totaled 560,060MT in 2002, up from 301MT in 2002.

Rice: The Yemeni government no longer subsidizes rice and it is a major commodity in the market, particularly in the southern and eastern regions. In 2002, Yemen imported 319,109MT of U.S. rice. American long grain rice is considered the best quality product in the northern regions, for which consumers seem willing to pay a premium. However, Thai and Pakistani rice dominates the southern and eastern markets.

Poultry Industry: Broiler production in Yemen has not recovered from levels reached in the early 1990s. Annual production is pegged at 60-70 million birds annually, a level 50-60% below current production capacity. Thus, this industry should be a major target for U.S. exporters. Yemen imported an estimated 800,000MT of feed and significant quantities of veterinary products in 2002.

Significant Investment Opportunities

Outside of hydrocarbon exploration and production, the best opportunities for investment in Yemen are health services, power generation, fisheries, tourism, ship repair and maintenance, and consumer products. Yemen offers investors the largest population on the Arabian Peninsula as a market, a productive work force, (if properly motivated and trained) and potential access to regional markets in the Gulf and Africa. However, for various reasons indicated elsewhere, investment in Yemen remains a high-risk endeavor, and significant obstacles to investment must still be overcome.

Chapter 6

Trade Regulations and Standards

Trade Barriers: The ROYG eliminated import licensing in 1996 on most products except for controlled materials and product such as alcohol and explosives, and cut tariff rates to four bands between 5% and 25% ad valorem. Unlike some countries in the region, Yemen imposes tariffs on raw materials that are not available locally. It instituted an excise tax on industrial inputs and a production tax on local manufacturers in a declared effort to create a level playing field between imports and local industrial products. The Yemeni government also streamlined customs procedures somewhat, but businessmen still consider them to be the primary trade barrier. In 1995, the government renounced the secondary and tertiary aspects of the Arab League boycott of Israel, but the primary aspect remains in force.

Customs Valuation: The Yemeni Customs Authority values imports at the rate of exchange set by the market. Law 37 of 1997, regulates the new tariff on imported goods. In April 2000, the Customs Authority started using the ASYCUDA system to process imports. In December 2001 the Gulf Cooperative Council (GCC) accepted Yemen to join some of its institutions and as a result Yemen plans to amend customs levies to levels closer to those adopted by the GCC.

Taxes: Law 70 of 1991 (as amended), regulates taxes on production, consumption and services still effective until December 2003. The proposed General Sales Tax Law number 19 of 2001, which was ratified and adopted by parliament in November 2001, would be effective on January 1, 2004. This proposed General Sales Tax Law will eliminate both consumption and production taxes.

Import Licenses: The government eliminated licensing in 1996, except on controlled products and materials such as alcohol and explosives.

Export Controls: The government requires licensing of exports for statistical purposes. The Ministry of Fish Wealth limits the export of certain categories of seafood products. Exports of antiques and archeological items exceeding \$100 in value are prohibited. Often, customs officials arbitrarily confiscate souvenirs at the airport without compensation. The government never taxes exports.

Import/Export Documentation: These documents are available from the Ministry of Industry and Trade and/or the relevant ministry governing a company's activities. A health certificate must be obtained to export animal and fisheries products.

Temporary Entry: Yemen allows temporary entry of equipment for projects, but the equipment must be re-exported once the project is completed. Generally speaking, foreign companies employ local agents to import the equipment so it can remain in the country for longer periods, reducing the cost of operations. Imported equipment will be taxed if sold or otherwise left in Yemen.

Labeling, Marking Requirements: Any foodstuffs or pharmaceutical products coming to Yemen must have production and expiration dates printed clearly on the package. Otherwise, GCC and international standards are followed.

Prohibited Imports: The ROYG prohibits or restricts the importation of about 20 items. While a definitive list of restrictions does not exist, pork and pork products, coffee, alcohol, narcotics, a very limited list of fresh fruits and vegetables during their local production season, weapons and explosives, and rhinoceros horn are prohibited.

Standards: Multiple organizations within the Yemeni government are responsible for standards and product quality control. Among them are: the Yemen Standardization, Meteorology, and Quality Control Organization of the Ministry of Industry; the Customs Authority; and the Environmental Department of the Ministry of Construction, Housing and Urban Planning. Yemen is a member of the International Standards Organization (ISO 9000), the World Meteorological Organization, and the Arab Standards Organization. The Yemen Standardization, Meteorology, and Quality Control Organization has the responsibility for testing imports and can order their removal from the market if they do not meet standards. The Yemeni Standardization, Meteorology, and Quality Control Organization has adopted 138 new specifications and updated others related to commodities and products. On August 16, 2002, the Prime Minister issued a decree to adopt the GCC standards and specifications on Yemeni and imported products.

Free Trade Zones/Warehouses: The Yemeni government passed its Free Trade Zone Law (Law 4 of 1993), and designated 170 sq. km. of land in Aden as the first free trade zone. In March 1996, it signed a contract with Yeminvest to develop a container port facility in part of the Aden Free Zone area. However, the contract with former investor (Yeminvest) was cancelled in October 2003. The Aden Free Zone Authority is now the contact point for managing the Aden Container Terminal (ACT). On March 19, 1999, phase one of the Aden Container Terminal opened under the operation and majority ownership of the Port of Singapore Authority. An industrial estate, the Aden District Park (ADP), had limited success and the contract with its former investor (Yeminvest), which was cancelled in October of 2003. A new tender will be released for the project in 2004. In addition, a study was completed in August 2001 for the future plans for the airport to include a duty free zone and cargo village to facilitate transit trade with the Aden Free Zone port facilities. The Aden Free Zone Authority is looking for a company to build and operate the cargo village in order to facilitate the transit of duty free goods between air and sea shipments.

Special Import Provisions: None.

Membership in Free Trade Arrangements: Provisions of the 1934 Taif Treaty with Saudi Arabia call for establishment of open markets, a single customs system for both countries, reciprocal most favored nation trading status, and unimpeded transit rights through both nations. The treaty was reaffirmed in the June 2000 Saudi-Yemeni border treaty (Jeddah Treaty). Yemen also is a founding member of the Indian Ocean Rim Association, has applied for membership in the British Commonwealth, and was granted observer status at the World Trade Organization (WTO) in April 1999. In July 2000 the General Council of the WTO accepted Yemen's application for accession. As a next step in the accession process, Yemen presented to the WTO a memorandum of foreign trade regime in October 2002 and by the end of 2003 Yemen was expected to respond to questions raised by members of the WTO.

Chapter 7

Investment Climate

A. 1. Openness to Foreign Investment

The Republic of Yemen Government (ROYG) is committed to attracting foreign investors by improving its overall investment climate. To this end, it adopted a new policy of uniform treatment for all investors, domestic and foreign in 1992. The lead ROYG agency is the General Investment Authority (GIA), established in March 1992, which has worked with the World Bank's Foreign Investment Advisory service to update Yemen's Investment Law 22 of 1991 (as amended). The alternative Investment Law number 22 of 2002 was adopted by parliament on June 2002 and signed by the president on July 20, 2002 and was implemented in October 2002.

As written, the new law will safeguard all exemptions and benefits called for in the previous investment law and shift the focus of the GIA from regulation to registration and promotion. The new law will eliminate intervention of the GIA and other government agencies in investment projects and gives wider freedom to investors in running their projects. The new law will cancel some legal provisions, which provided special exceptions for investors from obtaining import and export licenses from the Ministry of Industry and Trade and also from paying relevant stamp duties. The new law will encourage local production by reducing customs duties by 50 percent on imported raw materials and 100 percent on raw materials produced locally for agricultural and fisheries projects. Finally, the new law will cancel some tax categories. The new investment law falls under the government's financial, economic and administrative reform program, intended to encourage foreign investment.

Under the new, but unimplemented, Law 22 of 2002, the primary role of the GIA is limited to registration and promotion of investment opportunities for statistical reports only. The GIA provides potential investors with an information packet that includes a copy of the investment law, an investment guide summarizing GIA activities, and an application form with instructions. Packets may be obtained from the promotion section, General Investment Authority, P.O. Box 19022, Sanaa, Republic of Yemen (Telephone: 967-1-262-962/3 or 268-205; Fax: 967-1-262-964, E-mails: mohdhusein@yahoo.com; website is: www.giay.org)

The GIA welcomes investment in all projects with the exception of arms and explosive materials, industries that could cause environmental disasters, banking and money exchange activities, and wholesale and retail imports. Investments in the exploration and production of oil, gas and minerals are subject to special agreements (e.g., production sharing agreements) under the authority of the ministry of oil and mineral resources and do not fall within the purview of the GIA. Investment is open to Yemeni, Arab, or foreign investors acting solely or in partnership on any project.

The investment law revision is part of a large ROYG economic restructuring program, sponsored by the IMF and World Bank, begun in 1995. The broad objectives of the program have been to stabilize the economy and stimulate sustainable growth. By and large, it has been successful, and the ROYG will negotiate with the IMF after the April 2003 election for a new three-year poverty reduction and growth facility (PRGF) for 2003-2005. Macroeconomic stabilization has been achieved with the Yemeni rial stable and floating at market rates. (1 USD equaled approximately 174 YR until October

2002; and 183 YR from October 2002-until early 2003 and again depreciated to 184 YR/1 USD at the end of 2003. Inflation (as measured by the CPI) declined from 71% in 1994 to 11.8% in 2003, and foreign currency reserves now reached USD 4.8 billion, or 17.6 months of imports. Most bilateral debt has been rescheduled under the Paris Club and commercial debt has largely been eliminated through a World Bank grant program. As of March 2003, external debt is now about 48.7 percent of GDP.

Under the international financial institutions' reform programs, Yemen's trade environment has also improved, and basic elements of a social safety net have been implemented. A simplified and less protective tariff structure has been initiated with the elimination of nearly all import bans, export restrictions, and import licensing, and the adoption of a unified tariff. Under the new (investment) Law 22 of 2002, duties applied on raw materials not available locally will be exempted by 50 percent. There will also be a full exemption on imported materials included in agricultural and fisheries projects. As instructed by the Yemeni president, there should be a 100 percent exemption on lands in the southern and eastern provinces if the project cost, excluding land, is more than ten million dollars. A privatization program, begun in 1998 with sixteen enterprises in industry, tourism, and trade, came to a standstill in April 2001 when parliament refused to approve a World Bank credit to fund a larger, long-term privatization program. Financial sector reform has advanced with passage of a new law granting full independence to the Central Bank. Commercial banks have also been required to improve their accounting procedures and loan recovery rates. That said the bank system remains weak, with most commercial banks owned by families who have very low capitalization rates.

A.2. Conversion and Transfer Policies

The Yemeni rial is freely convertible at market rates. It has been stable at the 176-177YR/1USD range through October 2002. The rial went down to 182-183YR/1USD through the end of the of 2002, due partially to the impact of the attack on the oil tanker M/V Limburg off the coast of Yemen. The ROYG depreciated the rial to 184YR/1USD again in December 2003. To all other foreign currencies, especially U.S. dollars, are readily available and trade freely at market rates. Under Investment Law 22, investors may transfer funds in hard currency from abroad to Yemen for the purpose of investment and may re-export invested capital, whether in kind or in cash, upon liquidation or project disposal. Net profits resulting from investment of foreign funds may be transferred freely outside of Yemen.

A.3. Expropriation and Compensation

Yemen's proposed investment law stipulates that projects will not be nationalized or seized. Moreover, the funds will not be blocked, confiscated, frozen, withheld or sequestered by other than a court of law. Likewise, real estate may not be expropriated except in the national interest, according to the law and a court judgment, and against fair compensation based on its market price on the issuance date of the court judgment. Such compensation may be freely transferred abroad.

Since Yemen's unification in 1990, there have been no cases of property expropriation. The ROYG recognizes that expropriation (which existed in the socialist-led Peoples' Democratic Republic of Yemen, the former South Yemen, until 1990) is contrary to its economic reform aspirations. Much of the expropriated lands in the southern and eastern provinces have been returned to the rightful owners. Land registration, however, is in its infancy in Yemen, and disputes over both residential and commercial plots are frequent and nearly impossible to adjudicate legally.

A.4. Dispute Settlement

There have been no significant investment disputes involving U.S. investors over the past several years, although commercial disputes are common. Yemen signed the Convention on the Settlement of Investment Disputes in 1997, but has not yet ratified the New York Convention on Arbitration. In the interim, business disputes are generally handled by informal arbitration or within Yemen's court system. In 1998, a private arbitration center, the Yemeni Center for Conciliation and Arbitration, was created by a group of lawyers, bankers, and businessmen as an alternative to the courts. The center has settled a number of cases so far in the areas of trade, finance, construction and industry, and is gaining recognition as a viable alternative.

[The formal judicial system is widely regarded as inefficient and corrupt. While Yemen's investment-related laws are basically sound, enforcement remains problematic at best and nonexistent at worst.] The ROYG has special commercial courts to provide a mechanism for commercial dispute resolution, but they are generally considered ineffective. In 2003, the ROYG announced efforts to reform one commercial court in Sanaa and Aden as a pilot project. Bilateral and multilateral donors are actively encouraging the ROYG to press forward with more extensive judicial reforms. Most investors would be best served by establishing a partnership with a Yemeni who knows the system, and by including an International arbitration clause in their contracts. In cases involving interest, most judges use Shari'a (Islamic) law as the guideline, under which claims for interest payments due are almost always rejected. Local commercial banks are sensitive to this problem, and rarely lend to other than established, large trading houses for this reason.

A.5. Performance Requirements/Incentives

Yemen's investment law does not specify performance requirements as conditions for establishing, maintaining or expanding investment. Incentives permitted under the law include, but are not limited to: exemption from customs fees and taxes levied on fixed assets of the project; tax holiday on profits for a period of seven years, renewable for up to 18 years maximum; the right to purchase or rent land and buildings; and the right to import production inputs and export products without restrictions and registration in the import/export register.

Boycott issues: Yemen formally renounced observance of the secondary and tertiary aspects of the Arab League boycott of Israel in 1995. However, occasional reports of violations occur when some Yemeni companies use old purchase order forms that contain prohibited language. When these violations are brought to the attention of concerned officials, corrective action is taken. Yemen has stated that it will not renounce the primary aspect of the boycott absent an Arab League consensus.

A.6. Right to Private Ownership

While foreigners may own property, foreign companies and establishments generally may trade in Yemen only through a Yemeni agent. Law 23 of 1997 (amended) regulates agencies and branches of foreign companies and firms and outlines the requirements for establishing a Yemeni agent. Chapter 3 of law 23 permits foreign companies and firms to conduct business in Yemen by establishing foreign-owned and managed branches. Foreign establishments wishing to open branches in their own names must obtain a permit by decree from the Minister of Industry and Trade, subject to Law 23 and other laws in force at the time of application. However, as a practical matter, establishments should plan to engage a Yemeni partner. Regarding investment projects, under the proposed new investment law, foreigners can own 100 percent of the land and can execute projects without a Yemeni agent and without obtaining import/export license from the Ministry of Industry and Trade or implementing Law 23 of 1997. The investment law implemented in October 2003 has precedence over other laws.

Mortgage lending in Yemen is rare because of the aforementioned unwillingness of the court system to uphold the payment of interest. In addition, Yemen has a long history of incomplete or inaccurate land records and frequent land ownership disputes, which make using land or buildings as collateral difficult for lenders to manage. While the General Survey Authority is working to establish a just and legally defensible land registry system, it is some years off.

A.7. Protection of Property Rights

Yemen has a record of inadequate protection of intellectual property rights (IPR), including patents, trademarks, designs, and copyrights. It has not acceded to any international IPR conventions, and its IPR Law no. 19 of 1994 is not TRIPS compliant. Yemen's Ministry of Industry and Trade drafted three new projected laws known as the patents law; trademark law, and the designs and copyrights law, but then postponed implementation because of the planned Yemen's negotiation and accession process to the WTO. In March 1999, Yemen became a member of the World Intellectual Property Organization (WIPO) and is now revising its laws with WIPO guidance. Yemen's application to join the World Trade Organization (WTO) was approved in July 2000. As a next step in the accession process, Yemen presented to the WTO a memorandum of foreign trade regime in October 2002 and by the end of 2003 Yemen was expected to respond to questions raised by members of the WTO. As part of its accession requirements, Yemen will need to enact its revised IPR legislation and take concrete steps to enforce these laws adequately.

A large U.S.-based multinational firm litigated successfully a trademark infringement case in Yemen's courts in 1999. The ruling is now under appeal and the violator continues to infringe on the trademark despite the court ruling. A final resolution was expected by the end of 2000, but it is still pending in the Supreme Court. In a second case involving a U.S. Company's trademark, the Appeal Court handed down a final ruling in April 2001 to enforce the rights of the U.S. Company. In August 2003, the Supreme Court rejected the appeal of the company producing the infringed products and ordered it to cease production and delete the infringed trademark, but the Ministry of Industry and Trade has not yet been ordered to enforce the ruling because the Supreme

Court is awaiting further evidence from the defense. Both of these cases demonstrate the soundness of Yemen's basic IPR laws. However, enforcement of rulings remains weak.

A.8. Transparency of the Regulatory System

While Yemen has fundamentally sound investment laws, labor laws, customs tariff regulations and tax laws, implementation and enforcement are elusive and not transparent. The next steps required in Yemen's civil service and administrative reform process are to clarify procedures, create implementing regulations and build a mechanism by which to enforce these standards. Health and safety standards are rudimentary and not enforced.

A.9. Efficient Capital Markets and Portfolio Investment

In the 1990s, Yemen's financial sector consisted of a banking system that suffered from a large volume of non-performing loans, inadequate loan provisioning, low bank capitalization, and weak enforcement of prudential standards. Under a 1997 World Bank-sponsored financial sector reform program, the government took actions to address these problems. A bank reform law was passed in December 1998 to update, strengthen, and regulate the industry. By June 2000, the Central Bank of Yemen (CBY) had circulated strict regulations pertaining to credit risk management, liquidity, insider lending, foreign exchange exposure, financial leasing and external auditors. Banks are now required to reach a capital adequacy ratio of eight percent and meet new classification and provisioning standards for loan portfolios. Most banks are complying. That said, commercial banks still suffer from extremely low capitalization rates and are essentially owned by large trading families who establish the bank to service their own business needs.

Lending to the private sector is constrained by the lack of judicial recourse to recover bad loans. To correct this weakness, a steering committee produced a series of reform recommendations in mid-1999 that were approved by the government and sent to the Ministry of Justice for implementation. Among the recommendations was the establishment of special loan recovery courts, which began operations in 2000, the loan recovery courts have been unsuccessful.

The National Bank of Yemen was to be put up for sale pending a final audit report for 1999, but no action has been taken. The Yemen Bank for Reconstruction and Development is being restructured and will likely not be privatized. The two remaining specialized banks--housing and agriculture--are also being restructured.

In June 2000, the president signed the Central Bank Law no. 14, which grants greater independence to the CBY. Its mandate will now focus on price stability, limiting public sector financing to emergency loans, adopting its own monetary and exchange rate policies, and enforce greater commercial bank accountability. The CBY is now authorized to conduct inspections of all bank implementation provisioning and capital increase schedules, and it enforces penalties and corrective measures. In 2003, the Parliament passed a Money Laundering Law, which the CBY has begun to implement

and enforce. Inter-bank activities are limited, and there are no equity or bond markets. The ROYG is planning to establish a stock market in Yemen to promote the government's private sector-led growth strategy. However, the consensus of most Yemeni and foreign observers is that the country lacks the expertise to establish such a market at this time. It is also doubtful that there are sufficient numbers of Yemeni investors to sustain an active stock market.

The CBY began offering treasury bills in December 1995. Commercial banks purchased a large share of the bills, investing up to 30 percent of their assets in them. The interest rate on T-bills was gradually reduced from a high of 23 percent in 1999 to about 13-14 percent in April 2003 to encourage investment lending.

A.10. Political Violence

While there were no kidnappings in 2002, kidnappings of foreigners have occurred sporadically since the 1970s and receive wide international press coverage. Some tribal groups have used hostage taking to put pressure on the government to obtain projects or services, or to focus government attention on the redress of grievances. Victims have included foreign businessmen, diplomats, aid workers and tourists. Historically, most were treated well and released unharmed after two to three days, although some were held as long as four weeks. A botched rescue attempt during a May 2000 kidnapping of a Norwegian citizen resulted in his death. Tribal kidnappings of foreigners declined beginning in 1998, partly as a result of tough penalties enacted by the Yemeni government. No Westerner has been kidnapped in Yemen since November 2001. Yemen's president has spoken out strongly against kidnapping, terming it "terrorism." Many tribal leaders have given assurances to the ROYG that they will cooperate in hunting down kidnappers.

A significant exception to the usual pattern was the kidnapping in Abyan Governorate of 16 foreign tourists in December 1998. Four died during a rescue attempt, at least two of those at the hands of the kidnappers. Most observers, however, have concluded that this incident was the responsibility of Islamic extremists rather than tribal kidnappers. The perpetrators were tried, found guilty of murder, and sentenced. The Yemeni national who led the kidnapping was sentenced to death under the anti-kidnapping law of 1998 and executed in October 1999. The non-Yemeni nationals involved were given maximum prison sentences, and some were deported in early 2002. In late December 2002, three American doctors were killed near the city of Ibb. The perpetrator was convicted and sentenced to execution.

Some tribal elements hijack automobiles or other expensive equipment owned by foreign companies as another means to pressure the government to accede to their demands. Particularly where oil and mineral extraction are concerned, some tribes in the mineral-rich areas feel that they are not getting their share of the wealth. Investors in such ventures should be sensitive to the need to build community relations to preserve the peace. The provision of community-based buildings and services, such as in health care and education, can go a long way toward protecting investments in isolated areas.

The bombing of the USS Cole in Aden harbor in October 2000, in which 17 U.S. servicemen and women were killed, and the October 2002 bombing of a French oil tanker off the coast of Mukalla, are considered to be the acts of international terrorists. The Republic of Yemen Government and the United States are cooperating closely on counter-terrorism, including investigation and preventative measures.

A.11. Corruption

As one of the poorest countries in the world, with a hugely overstuffed (due in part to the unification of North and South Yemen) and underpaid civil service, Yemen has a significant and widely acknowledged corruption problem. If anticorruption laws exist on the books, they are not enforced. Illicit activities range from soliciting and paying bribes to facilitate or obstruct projects, to leveraging dispute settlements, skewing taxation and customs tariff augmentations, and engaging in family or tribal nepotism. The government recognizes that it must enact civil service and administrative reforms (better jobs, higher pay, removal of the worst offenders) to create new disincentives to corruption. In 2003, a new Minister of Civil Service was appointed and he is renewing efforts to reform the civil service. The Ministry of Civil Service has the lead on anticorruption issues and has set up an executive committee to address the issue. A national strategic plan to eliminate corruption is still not in place, however.

B - Bilateral Investment Agreements

The U.S. and Yemen are currently discussing a Bilateral Investment Treaty (BIT) and a Trade and Investment Framework Agreement (TIFA), but there is no bilateral tax treaty between the two governments. According to the General Investment Authority, Yemen signed in 2002 three new investment promotion and protection agreements, bringing the total bilateral treaties to 31, with five additional countries having initialed a tentative agreement. Yemen has bilateral investment treaties with Algeria, Austria, Bahrain, Belgium, Bulgaria, China, Djibouti, Egypt, Ethiopia, France, Federation of Russia, Germany, Indonesia, Iran, Jordan, Kuwait, Lebanon, Malaysia, Morocco, the Netherlands, Oman, Pakistan, Qatar, South Africa, Sweden, Syria, Tunisia, Turkey, the UAE, Ukraine, and the United Kingdom. Yemen has initialed agreements with Croatia, Hungary, India, Mongolia, and Romania.

C - OPIC and other Investment Insurance Programs

Yemen and the United States signed an investment guarantee agreement in 1972. As of October 1997, OPIC and EXIM Bank are on cover (or provide guarantees) for both private and public sector projects of short and medium term (up to seven years) duration. Yemen is a member of the Multilateral Investment Guarantee Agency (MIGA).

D - Labor

The Yemeni government generally adopts International Labor Organization (ILO) standards regarding labor and worker rights. In 1999, it ratified ILO conventions on the elimination of the worst forms of child labor and the minimum work age for employment. As in other areas, enforcement of the law is weak. Child labor has increased due to the negative impact of economic reforms. Most children work with their families in agriculture, although an increasing number are being sent out to work in shops and restaurants. To address this issue, the ROYG signed in June 2000 an agreement to

cooperate with the International Program on Elimination of Child Labor (IPEC). After ratification of the ILO, the ROYG established the Child Labor Unit at the Ministry of Labor to implement and enforce child labor laws and regulations. Investors may find the local pool of skilled labor for technology intensive ventures limited.

Yemen's overall illiteracy rate is approximately 47.2 percent (2002), 27.7 percent for men and 67.5 percent for women. Given the return of thousands of unskilled and semi-skilled Yemeni laborers from Saudi Arabia, Kuwait and other Gulf states during the 1990-1991 Gulf war, Yemen's unemployment rate now stands at about 35 percent. Those who complete secondary education and university studies in Yemen often do not possess the same professional standards as their counterparts hailing from Western educational institutions. University graduates also experience difficulty finding appropriate employment and are sometimes unwilling to accept lower skilled jobs. The government is beginning to focus considerable attention on increasing access to and improving the quality of vocational training as a means to develop a cadre of skilled laborers in high demand fields, including construction workers, electricians, plumbers and carpenters.

E - Foreign Trade Zones/Free Ports

The Yemen Free Zone Public Authority was established in 1991 to develop the Aden Free Zone. Yeminvest, a joint venture of the Port of Singapore Authority (PSA) and the Bin Mohfoud Group of Saudi Arabia, was awarded the concession to develop the area, but the contract with Yeminvest was cancelled in October 2003. The Aden Free Zone Public Authority is now the contact point for offers from International operators to manage the Aden Container Terminal (ACT). ACT was officially opened in September of 1999. Impressive growth was achieved in spite of the effects of the events of September 11. However, the October 2002 terrorist attack on the French oil tanker M/V Limburg significantly impacted Yemen's economy. Initially, shipping insurance premiums rose 250% and as a result, ships were diverted to the ports of Djibouti and Salalah in Oman. Since the summer of 2003, shipping insurance premiums have begun to drop. The port mainly serves as a transshipment hub, but attempts are being made to increase the percentage of the local cargo through the development of the industrial and warehousing estate. Both the container terminal and its infrastructure are now in place, managed by Overseas Port Management (OPM).

In its first phase of development, ACT planned to handle up to 1 million TEUs annually on its two-berth, 700m quay. Recently a fifth quay crane was added in February 2002 bringing current capacity to 650,000 TEUs. The container yard of 35 hectares offers storage capacity for 10,000 boxes.

The industrial and warehousing estate called Aden Distripark (ADP) was launched in November 2002. The Aden Container Terminal and the Aden Free Zone are promising areas for investment. Majority ownership and operation by PSA has assured technical excellence both in construction and management of the container port. Opportunities in light industry, repackaging and storage/distribution operations are welcome. Future plans include development of heavy industry and more extensive tourist facilities in the greater Aden area.

Free zone incentives include 100 percent foreign ownership, no personal income taxes for non-Yemenis, and corporate tax holiday for 15 years (renewable for 10 additional years), 100 percent repatriation of capital and profits, no currency restrictions, and no

restrictions on, or sponsoring required, for the employment of foreign staff. Aden's main selling point is its strategic location – nine days steaming from Europe and seven from Singapore. It is just four nautical miles off the main Far East - Europe sea route. During the management of the ACT, PSA's expertise and management guaranteed stability and efficiency to shipping lines calling at ACT and investors to the ADP. For further information, contact: Derhim Noman, Vice Chairman, Yemen Free Zone Public Authority (YFZPA) and Chairman of the Free Zones Public Authority (AFZPA), (Main Center) P.O. Box 5842 Khormaksar, Aden, Republic Of Yemen, Telephones: 967-2-234484/5/6, Fax: 967-2-235-637, e-mail: Adenfz@Y.Net.Ye; Website: www.Aden-Freezone.Com

In May 2001, a new terminal at Aden International Airport was officially opened. In addition, a study was completed in August 2001 for future plans for the airport to include a duty free zone and cargo village to facilitate transit trade with the Aden Free Zone port facilities. The Aden Free Zone Authority is looking for a company to build and operate the cargo village.

F - Foreign Direct Investment Statistics

Yemen produces no reliable statistics on foreign direct investment. Most U.S. investment in Yemen to date is in oil exploration, production and oil field services.

Chapter 8 Trade and Project Financing

Brief Description of Banking System: Twelve commercial banks (eight private and two public) and two public sector specialized banks (Agriculture and Housing) operate in Yemen under the oversight of the Central Bank of Yemen (CBY). Three Islamic banks opened since 1996 and are competing successfully in the market. The CBY has kept interest rates unchanged on rial deposits at 13% and is allowing commercial banks to determine the interest on foreign currency accounts. The change reflects a stable inflation rate and continued expectations of low inflation for the coming year.

Foreign Exchange Controls Affecting Trading: The Yemeni rial has been fully convertible since 1996, and the exchange rate was stable in the 174-175YR/1USD ranges until October 2002. The rial fell to 182-183 YR/1USD by the end of 2002 and dropped again to 184YR/1USD in late 2003. The Customs Authority values imports for tariff collection purposes at the prevailing market rate based on a monthly average exchange rate published by the Central Bank of Yemen.

General Financing Availability: International credit ratings of Yemen's commercial banks have been steadily improving, as indicated by international commercial banks' confirming of locally issued L/C's on less than 100% cover and lengthening their tenure from sight to 90-120 days. Local banks have sufficient stocks to lend to the private sector for most projects, but they will lend only to known customers because the Yemeni legal system will rarely support their claims against defaulters.

How to Finance Exports/Methods of Payment: Both OPIC and EXIM Bank have been "on cover" in Yemen since October 1997 for both private and public sector projects of up to seven years duration. The Embassy strongly recommends that all contracts require payment via confirmed irrevocable letter of credit or cash in advance.

Project Financing Available: The ROYG committed itself to implement the projects and programs stated in the World Bank's Poverty Reduction Strategy Paper managed by the Ministry of Planning and International Cooperation, www.mopic.gov. These projects cover areas of economic growth, human resources development, infrastructure, and social protection. These projects will be implemented during the period 2003-2005 and 70 percent of these projects will be self-financed through the budget. The government is seeking assistance from the international community to finance the remaining percentage, and for this purpose the government, with the assistance of the World Bank and the International Monetary Fund, joined the consultative group meeting which took place in mid-October 2002 in Paris, France. The International Finance Corporation (IFC) has indicated its interest in supporting appropriate private sector projects.

The U.S. Trade and Development Agency (TDA) has financed or partially financed feasibility studies for several infrastructure projects over the past six years, including a study for a private sector oil refinery north of the Red Sea port of Hodeidah, a cement plant in Bajil (Hodeidah Governorate), a private hospital in Sanaa, expansion of the Marib Oil Refinery and a study for the upgrade of Yemen's electricity grid.

List of Banks with Correspondent U.S. Banking Arrangements: Arab Bank, Credit Agricole Indosuez, International Bank of Yemen, National Bank of Yemen, Yemen Commercial Bank, Yemen Kuwait Bank for Trade and Investment, Al-Watani Bank, Yemen Gulf Bank, and Shamil Bank of Yemen and Bahrain (See the Appendix for addresses and contact information).

Chapter 9 Business Travel

Business Customs: Personal relationships are the key to improving business ties in Yemen. Although Yemeni law does not require an agent, businesses rarely succeed without a Yemeni working on their behalf. While Yemenis will agree to formal business meetings, most effective discussions occur at "qat chews" or social sessions after lunch. These events are held at businessmen's homes where guests sit on cushions on the floor. Chewing qat is not obligatory but your host will be gratified if you give it a try. Chemically related to amphetamines, qat is a "Class 4" controlled substance under U.S. law and may not be brought to the U.S. Individuals with heart problems, high blood pressure, insomnia, or gastro-intestinal problems should not chew.

Yemenis have been engaging in commerce for millennia and have refined the art of negotiation. Delay is a favorite tactic, but it can also be a polite refusal. The use of the phrase "Inshallah" (God willing) should not be interpreted as approval or agreement. Corruption and red tape within the government are endemic.

Most private sector business offices open in the mornings, close for lunch and qat, and reopen in the early evening. The Embassy's workweek is Saturday-Wednesday from 8:00 a.m. to 4:30 p.m., the Yemeni government workweek is Saturday-Wednesday (8:00 a.m.-3:00 p.m.), and the private sector workweek is Saturday-Wednesday (8:00 a.m.-1:00 p.m. and 4:30 p.m.-7:30 p.m.) and Thursday mornings (8:00 a.m.-1:00 p.m.) Bank hours vary from bank to bank, with all open in the mornings Saturday-Thursday (8:00 a.m.-1:00 p.m.) and some open in the evenings as well.

"Guide for Business Representatives" is available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, DC 20402, telephone: (202) 512-1800, fax: (202) 512-2250). Business travelers to Yemen seeking appointments with U.S. Embassy Sanaa officials should contact the Commercial Section in advance. The Commercial Section can be reached by telephone at 967-1-303-156 through 162, by fax at 967-1-303-183, or by email at khalealmh@state.gov for general inquiries or at sharafaldm@state.gov for agricultural trade.

Travel Advisory and Visas: Visas are required for U.S. citizens to travel to Yemen and can be obtained from its embassy in Washington, DC or from its UN Mission in New York City. All travelers must obtain a Yemeni entry visa prior to their arrival. No airport visas will be issued (though immigration authorities have announced a plan to issue airport visas to most nations starting on July 1, 2004). Please note: there should be no Israeli, Pakistani, Iranian or Afghan visas in your passport. Americans should read the State Department's Consular Information Sheet, available 24 hours per day at (202) 647-5225 or on the Internet at WWW.TRAVEL.STATE.GOV. The Embassy recommends that visitors take appropriate precautions before traveling north or east of Sanaa, primarily in the regions of Marib, Al-Jawf, Sa'adah, 'Shabwa and Abyan. Travelers should consult the latest travel information on Yemen from the Department of State (as above), which is updated frequently.

Holidays: Dates of Islamic holidays are dependent upon lunar observation and are approximately 11 days earlier each succeeding year due to the lunar calendar. The Embassy observes all American holidays. U.S. holidays that fall on a Monday are generally observed by the Embassy on the preceding Saturday.

Following are commercial holidays for 2004:

<u>Date</u>	<u>Holiday</u>
January 17	Martin Luther King's Birthday (U.S.) **
January 31 – Feb2	Eid Al-Adha (Y) ? ***
February 14	President's Day (U.S.) **
February 21	Islamic New Year (Y) ? ***
May 22	National Day (Y) ***
May 29	Memorial Day (U.S.) **
July 4	Independence Day (U.S.) **
September 4	Labor Day (U.S.) **
September 26	Revolution Day (Y) ***
October 9	Columbus Day (U.S.) **
November 10	Veteran's Day (U.S.) **
November 13-14-15	Eid Al-Fitr (Y) ? ***
November 24	Thanksgiving Day (U.S.) **
December 25	Christmas Day (U.S.) **
January 1	New Year's Day **

? Dates marked with an asterisk indicate a holiday determined by the lunar calendar. Exact dates for these holidays will be established shortly before the holiday and published locally and within Embassy. Please contact the Management Officer with any comments or questions.

* Yemeni government closed; U.S. Embassy maintains normal hours.

** Embassy closed; Yemeni government works normal hours.

*** Embassy and Yemeni government closed.

Business Infrastructure: Yemen has adequate road and air transportation, but delays often occur. Many businessmen and government officials speak English, but Arabic is the official language. Telephone, fax and e-mail communication exist. TeleYemen, which France Telecom began managing in January 2004, operates the country's international, fax and cellular telephone network, and opened Yemen's first Internet node in 1997. Yemen's Public Telecommunication Corporation also opened its own Internet node in 2002. In February 2001, three private sector companies started operating the GSM cellular telephone network. Yemen's large cities often experience rolling blackouts because of insufficient power capacity. Water supplies can also be irregular.

Rents have declined in recent years due to a housing surplus. Many businesses have located their offices in houses, but office buildings are available.

Yemen's medical system is inadequate. The Embassy strongly urges that no one visit Yemen without obtaining medical evacuation insurance. The greatest threat comes from automobile accidents, although Sanaa's altitude (over 7,200 ft.), dryness, and dust may aggravate allergies or cause respiratory problems. Malaria is prevalent in coastal areas, so visitors to Aden, Hodeidah, Mokha, or Mukalla should take preventive measures. Immunization requirements can be obtained through the Centers for Disease Control in Atlanta. website: www.cdc.gov.

In general, Sanaa's climate is pleasant year-round. Temperatures are warm during the day and cool at night. Sunny skies predominate, although the country experiences two annual rainy seasons in March-April and July-August. The coastal climate differs dramatically. Aden, Hodeidah and Mukalla experience temperatures above 100 degrees Fahrenheit for half of the year, usually accompanied by high humidity.

U.S. business travelers are encouraged to obtain a copy of the "Key Officers of Foreign Service Posts: Guide for Business Representatives" available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402; Telephone: (202) 512-1800; Fax: (202) 512-2250 or through the State Department website WWW.STATE.GOV. Business travelers to Yemen seeking appointments with U.S. Embassy Sanaa officials should contact the Commercial Section in advance. The Commercial Section can be reached by telephone from the U.S. at 00967-1-303-156 through 162, by fax at 00967-1-303-183, or by email at khalealmh@state.gov for general inquiries or at sharafaldm@state.gov for agricultural trade.

Chapter 10 Economic and Trade Statistics

A. Country Data

Population:	19.5 million (2002)
Population growth:	3.42% At this rate, Yemen's population is expected to double Within the next 18 years.
Religion:	99% Muslims, with some Jews, Christians, Hindus.
Government:	Republic.
Language:	Arabic. Many businessmen and government officials speak English.
Work week:	Saturday-Wednesday, 8:00 a.m. to 3:00 p.m. The U.S. Embassy is open Saturday-Wednesday, 8:00 a.m. to 4:30 p.m.

B. Domestic economy

	<u>2001</u>	<u>2002</u>	<u>2003 EST.</u>
Nominal GDP (million US\$)	\$9,289	\$9,800	\$11,100
Real GDP Growth (%)	4.6	3.9	3.8
Nominal GDP Per Capita (US\$)	\$491	\$502	\$552
Total Government Expenditures as a % of GDP	32.7	35.9	31.3
Inflation (%)	14.6	12.4	12.1
Unemployment (%)	35	36	37
Foreign Exchange Reserves (million US\$)	\$3,676	\$4,682	\$5.100
Average exchange rate Yemeni Rial per U.S. Dollar	173.27	179.01	184.94
Debt Service Ratio	6.3	4.6	3.8
U.S. Economic Assistance (million US\$)	22.2	20.0	20.0

C. Trade (Millions of U.S. dollars)

	<u>2001</u>	<u>2002</u>	<u>2003 EST</u>
Total exports*	3,373	3,275	3,602
Total imports*	2,465	2,777	3,054
U.S. imports**	202	245	270
U.S. exports**	185	336	370

Source: * Central Statistical Organization
 ** U.S. Department of Commerce

D. Investment Statistics: Not Available.

Chapter 11 U.S. and Yemen Contacts

U.S. Embassy Trade Personnel

Edmund J. Hull, Ambassador
Alan Misenheimer, Deputy Chief of Mission
Nicole Schmidt, Political/Economic Officer
Jill Hutchings, Political/Economic Officer
Constantine Saab, Political/Economic Officer
Mohamed Khaleal, Commercial Specialist
Mohamed Sharaf-Aldin, Agricultural Specialist
P. O. Box 22347, Sanaa, Republic of Yemen
Telephone: 967-1-303-156 through 162
Fax: 967-1-303-183 or 303-182

Washington-based U.S. Government Country Contacts

Department of State
Tracy Roberts, Yemen Desk Officer
2100 C Street
NEA/ARP, Room 4224
Washington, D.C. 20520
Telephone: (202) 647-6558; Fax: (202) 736-4459
Email: robertst@state.gov

Department of Commerce
14th and Constitution Avenues, NW
Washington, D.C. 20230
International Trade Administration
Tyler Hoffman, Yemen Desk Officer
Telephone: (202) 482-0879; Fax: (202) 482-0878
Email: Tyler_hoffman@ita.doc.gov

Advocacy Center, Department of Commerce
Christopher James, Senior Regional Manager
Middle East & North Africa
Telephone: (202) 482-3896; Fax: (202) 482-3508
Email: christopher_james@ita.doc.gov

TPCC Trade Information Center
Department of Commerce
Abdul Quadar Shaikh
Telephone: 1-800-USA-TRADE
Fax: 01-202-482-4473
Email: abdul_shaikh@ita.doc.gov

U.S. Trade and Development Agency (TDA)
Henry D. Steingass, Regional Director, Africa & Middle East
1000 Wilson Boulevard, Suite 1600
Arlington, VA 22209-3901
Telephone: (703) 875-4357; Fax: (703) 875-4009
Email: hsteingass@tda.gov ; or info@tda.gov
Website: www.tda.gov

Overseas Private Investment Corporation (OPIC)
Abed Tarbush, Investment Development Manager
1100 New York Avenue, NW
Washington, D.C. 20527
Telephone: (202) 336-8632; Fax: (202) 408-5145
Email: atarb@opic.gov
Website: www.opic.gov

Export-Import Bank of the United States (EXIM Bank)
Vernique M. Cavaillier, Officer for the Middle East
811 Vermont Avenue, NW
Washington, D.C. 20571
Telephone: (202) 565-3946 or (202) 566-8990; Fax: (202) 565-3380
Email: veronique.cavaillier@exim.gov
Website: www.exim.gov

U.S. Department of Agriculture (USDA)
Foreign Agricultural Service
Trade Assistance and Promotion Office
Telephone: (202) 720-7420
Fax: (202) 720-3799
Email: hoffman@fas.usda.gov
Website: www.fas.usda.gov

Yemen Chambers of Commerce
Sanaa Chamber of Commerce & Industry
Abdul Wahab Sinan Abu Lahom, Chairman
Abdul Salam Al-Samwai, General Manager
P.O. Box 195, Sanaa, Republic of Yemen
Telephone: 967-1-234-761/2/3/4 or 232-361/2; Fax: 967-1-232-412
Email sanaacomyemen@y.net.ye;
Website: www.chamber-yemen.com

Aden Chamber of Commerce & Industry
Mohamed Omer Bamashmous, Chairman
Ahmed Hadi Salem, General Manager
P.O. Box 473, Crater, Aden, Republic of Yemen
Telephone: 967-2-221-176 or 251-104 or 255-446; Fax: 967-2-255-660
Email: ccaden@y.net.ye;
Website: www.yemnet.com

Hodeidah Chamber of Commerce & Industry
Abdul Galil Thabet, Chairman
Nabil Al-Wajeih, General Manager
P.O. Box 3370 Hodeidah, Republic of Yemen
Telephone: 967-3-217-401/217-621; Fax: 967-3-211-528
Email: hodcci@y.net.ye

Hadhramout Chamber of Commerce and Industry (Mukalla)
P.O. Box 8302 Mukalla, Hadhramout, Republic of Yemen
Telephone: 967-5-353-258/307-674/308-044, Fax: 967-5-303-437
Email: HADRAMOUTCH@YEMEN.NET.YE; info@hcci.org.ye
Website: www.hcci.org.ye
Contact: Omer Abdul Rahman Bagersh, Chairman
Lutfi Salem Belfakeih, General Manager, ext. 103

Yemen Government Agencies

Ministry of Electricity
H.E. Abdul Rahman Mohamed Tarmoum, Minister
Eng. Ahmad al-Aini, Deputy Minister
Eng. Abdul Moti al-Junaid, Managing Director
Public Electricity Corporation
P.O. Box 11422, Sanaa, Republic of Yemen
Telephone: 967-1-326-193 or 326-191/6; Fax: 967-1-326-198 or 326-150/1
Email: yempec@y.net.ye

Ministry of Oil and Mineral Resources
H.E. Dr. Rashid Ba-Raba'a, Minister
Eng. Abdul Malik Mahab A'alama, Deputy Minister
P.O. Box 81, Sanaa, Republic of Yemen
Telephone: 967-1-202-309 through 13; Fax: 967-1-202-314
Email: momormastr@y.net.ye

Ministry of Communications and Information Technology
H.E. Eng. Abul-Malik Al-Mu'allimi, Minister
Yassin Mahmoud Ali, Deputy Minister
P.O. Box 17045, Sanaa, Republic of Yemen
Telephone: 967-1-331-460/1; Fax: 967-1-331-473

Ministry of Industry and Trade
H.E. Khaled Rageh Shaikh, Minister
Ali Al-Siaghi, Vice Minister
Iqbal Yassin Ba-hader, Deputy Minister (Trade Sector)
Hazem Baker, Deputy Minister (Industrial Sector)
P.O. Box 7296, Sanaa, Republic of Yemen
Telephone: 967-1-252-471/9-252-340; Fax: 967-1-251-570
Website: www.most.org.ye

Ministry of Planning and International Cooperation
H.E. Ahmad Muhammad Sufan, Minister
Hisham Sharaf Abdullah, Deputy Minister for International Cooperation
P.O. Box 175, Sanaa, Republic of Yemen
Telephone: 967-1-250-101 through 3; Fax: 967-1-250-665
Email: mpdminister@y.net.ye; alternate Email: shaiban@yahoo.com
Website: www.mopic.org

General Investment Authority
Abdul Karim Mutair, Chairman
Mohamed Abdul Aziz Abdul Ghani, General Manager
Mohamed Ahmed Hussein, Chief, Promotion Sector
P.O. Box 19022, Sanaa, Republic of Yemen
Telephone: 967-1-262-962/3 or 568-205; Fax: 967-1-262-964
E-mail: mohdhussein@yahoo.com;
Website is: www.giay.org

Commercial Banks (with U.S. correspondent banks)

Arab Bank PLC
Abdul Mahdi Allawi, Regional Manager (Tel: 276-582)
P.O. Box 1301 & 475, Sanaa, Republic of Yemen
Telephone: 967-1-276-585, 276-592/3; Fax: 967-1-276-583, 276-475
Email: arabbank@y.net.ye;
Website: www.Arabbank.com
(Arab Bank PLC, New York)

Credit Agricole Indosuez Yemen
Robin De Mouxy, General Manager
P.O. Box 651, Sanaa, Republic of Yemen
Telephone: 967-1-274-371/2/3 or 274-351; Fax: 967-1-274-501
Email: caindosuezye@y.net.ye
(Citi Bank of New York)

International Bank of Yemen
Mohamed Mokbil Al-Ameri, General Manager
P.O. Box 4444, Sanaa, Republic of Yemen
Telephone: 967-1-407-000 (17 lines); Fax: 967-1-407-020, 407-155
Email: a.t.alabsi@y.net.ye
Website: www.ibyemen.com
(Bank of New York, Citibank)

National Bank of Yemen
Abdul Rahman Mohamed Al-Kuhali, Chairman & General Manager
Queen Arwa Street, P.O. Box 5, Crater
Aden, Republic of Yemen
Telephone: 967-2-253-753, 252-403; Fax: 967-2-252-325 or 252-484
Email: nby.ho@y.net.ye
Website: www.natbankofyemen.com
(JP Morgan Chase Bank, Bank of New York, Citi Bank N.A. New York)

Yemen Bank for Reconstruction and Development
Hussein Fadhl Mohamed, General Manager
P.O. Box 541, Sanaa, Republic of Yemen
Telephone: 967-1-274-171 or 271-626 (GM), 270-483/1, 273-649
Fax: 967-1-271-630 or 271-684
Email: ybrdid@y.net.ye
Website: www.ybrd.y.net.com
(JP Morgan Chase Bank NA, NY, Doha Bank Ltd.,
NY, Bankers Trust Co., NY, Riggs Bank, Washington)

Yemen Commercial Bank YSCC
Sikander Mahmood, General Manager and Chief Executive Officer
P.O. Box 19485, or 160, Sanaa, Republic of Yemen
Telephone: 967-1-277-238, 277-324, 277-275, and 284-272/3
Fax: 967-1-284-656
Email: ycbho@y.net.ye
Website: www.ycbank.com
(Citi Bank New York, the Bank of New York-New York)

Yemen Kuwait Bank for Trade and Investment YSC
Hussain Mohamed al-Maswary, Chairman
P.O. Box 987, Sanaa, Republic of Yemen
Telephone: 967-1-200-005, 401-988, 209-451, Fax: 967-1-206-148, 401-989, 202-085
Email: ykb@y.net.ye
Website: www.yemenkuwaitbank.com
(Bank of New York, City Bank NA, New York)

Yemen Gulf Bank Y.S.C.
Mr. Mohamed H. Al-Zubeiri, Chairman
P.O. Box, 100, Sanaa, Republic of Yemen
Al-Shokani Street, Near the Police Academy
Telephone: 967-1-260-823, 260-825; Fax: 967-1-260-824
Email: ygbank@y.net.ye
Website: www.yg-bank.com
(Bank of New York)

Al-Watani Bank for Trade and Investments
Dr. Ahmed Ali Al-Hamdani, Chairman
P.O. Box 3058, Sanaa, Republic of Yemen
Telephone: 967-1-206-613, 212-981
Fax: 967-1-215-579, 205-706
Email: watanibank@y.net.ye
(Bank of New York, Citi Bank)

Shamil Bank of Yemen and Bahrain
Mohamed Nageeb General Manager
P.O. Box 19382, Sanaa, Republic of Yemen
Telephone: 967-1-264-699, 264-702, and 264-807
Fax: 967-1-264-703 & 503-350
Email: shamilbank@y.net.ye
(J.P.Morgan Bank, New York)

Multilateral Development Bank Offices:

The International Bank for Reconstruction and Development (World Bank)

Robert E. Rindle, Country Manager

P.O.Box: 18152, Street Number 40, off Damascus Road, Hadda Area

Sanaa, Republic of Yemen

Telephone: 967-1-418-731/2, or 418-166/7/8; Fax: 967-1-413-709 or 418-733

Website: www.worldbank.org

Chapter 12 Market Research

The following titles are available on the National Trade Data Bank:

"Private Arbitration Center Offers New Dispute Resolution Option"
"Stable Yemeni Rial Indicates Stronger Economy"
"Yemen Seeks Partners for Oil Refinery Development"
"Investment Opportunities in Aden's Free Zone and Industrial Park"

List of Yemeni Commercial Laws (* Available in English)
(A copy of any of the following laws can be obtained by contacting the Commercial Section at the U.S. Embassy (see Chapter 11).

Yemeni Commercial Laws 2003

Law 35 of 2003 Anti-Money Laundering Law
Decree 18 of 2003 Formation of two primary courts
Decree 16 of 2003 Formation of one or more primary commercial courts in Sanaa

Yemeni Commercial Laws 2002

Law 22 of 2002 Investment Law
Law 24 of 2002 Mines and Quarries
Decree 100 of 2002 To adopt Gulf Cooperative Council Standards and Specifications

Yemeni Commercial Laws 2001

Law 19 of 2001 General Sales Tax Law (Effective January 1, 2004)

Yemeni Commercial Laws 2000

Law 14 of 2000 Central Bank of Yemen
Decree 148 of 2000 Banning Imports of Used Equipment

Yemeni Commercial Laws 1999

Law 3 of 1999 Tourism Promotion
Law 12 of 1999 Amends some articles of the income tax law.
Law 14 of 1999 Amends article 5 of Law 31 of 1997 on commercial registration.
Law 15 of 1999 Amends article 245 of Law 22 of 1997 on commercial companies.
Law 16 of 1999 Deletes some articles of Law 23 of 1997 (Establishment of Foreign companies in Yemen).
Law 18 of 1999 Reorganizes the Chambers of Commerce.
Law 19 of 1999 Encourages competition/prohibits commercial fraud and monopoly.
Law 23 of 1999 Amends article 45 of Law 70 of 1991 on production, services and consumption tax.
Law 25 of 1999 Regulates use of insecticides and pesticides.
Law 32 of 1999 Regulates use of insecticides and pesticides.
Law 44 of 1999 Establishes Standardization, Meteorology and Quality Control.
Law 45 of 1999 Privatization Law.*
Rep. Decree 378 Establishes Commercial Courts
Law 50 of 1999 Amends the Financial Law of 1990.

Yemeni Commercial Laws 1998

Law 5 of 1998	Cancels Republican Decree 44/1991 imposing tax duty stamps.
Law 6 of 1998	Amends some articles of Republican Decree 32/1992 -
Law 35/1998	Cancels commission duties on preparing customs statements on goods.
Law 35 of 1998	Minister of Fish Wealth Decree on fish and marine exports.
Law 38 of 1998	Banking Law.
Law 119 of 1998	Establishes the Supreme Council for Agriculture and Fish Wealth.
Law 211 of 1998	Council of Ministers Decree on smuggling.*
Law 234 of 1998	Council of Ministers Decree reorganizes the Yemeni Oil & Gas Public Corporation.
Law 239 of 1998	Council of Ministers Decree establishing the National Committee for preparation and negotiation with the World Trade Organization.
Law 284 of 1998	Establishes the National Trustees Council for Information.

Yemeni Commercial Laws 1997

Law 3 of 1997	Government tenders, auctions and warehouses.
Law 4 of 1997	Amends Law 70 of 1991 concerning taxes on production, consumption and services.
Law 7 of 1997	Amends Law 5 of 1991 on public corporations and authorities.
Law 9 of 1997	Amends some articles of Law 37 of 1992 on control and supervision of insurance companies.
Law 22 of 1997	Commercial companies (amended).
Law 23 of 1997	Establishment of Foreign Companies in Yemen (amended)*
Law 25 of 1997	Amends some articles of Labor Law 5 of 1995.
Law 29 of 1997	Amends some articles of Investment Law 22 of 1995.
Law 35 of 1997	Amends some articles of Supply Law 24 of 1990.
Law 37 of 1997	Regulates new tariffs on imported goods.
Law 127 of 1997	Republican Decree establishing the Technical Office of the Supreme Export Council.

Yemeni Commercial Laws 1996

Law 2 of 1996	Customs duties.
Law 13 of 1996	Amends Law 31 of 1991 on income taxes.
Law 14 of 1996	Amends Law 70 of 1991 on production, consumption and services tax.
Law 15 of 1996	Amends Law 20 of 1995 on money changing operations.
Law 17 of 1996	Approves documents on the 21st conference of the Universal Postal Union in Seoul.
Law 78 of 1996	Ministerial Decree regulating activities of oil services companies

Yemeni Commercial Laws 1995

Law 1 of 1995	Concerns nationalization for the public interest.
Law 3 of 1995	Amends Law 31 of 1991 regarding income tax.
Law 4 of 1995	Amends Law 70 of 1991 on taxes on services and consumption.
Law 5 of 1995	Labor Law (amended). *
Law 26 of 1995	Environment Protection Law. *
Law 20 of 1995	Concerning money changing operations.
Law 133 of 1995	Council of Ministers Decree regarding fees for civil aviation services at Yemen's airports. *

Yemeni Commercial Laws 1994

Law 4 of 1994	Concerning the entry of foreigners and their residency in Yemen.
Law 15 of 1994	Law of the Sea.
Law 19 of 1994	Intellectual Property Rights
Law 22 of 1994	Tourism

Yemeni Commercial Laws 1993

Law 4 of 1993	Yemen Free Trade Zones. *
Law 11 of 1993	Protection of the marine environment from pollution.
Law 12 of 1993	Civil aviation regulations.

Yemeni Commercial Laws 1992

Law 1 of 1992	Foreign Trade.
Law 33 of 1992	Commercial Registration Law (amended) .
Law 22 of 1992	Arbitration.
Law 30 of 1992	Attorneys.
Law 31 of 1992	Legal accountants system.
Law 37 of 1992	Control and supervision of insurance companies.
Law 280 of 1992	Council of Minister's Decree regulating money changing operations.*

Yemeni Commercial Laws 1991

Law 2 of 1991	Organizes fishing and protection of marine life.
Law 28 of 1991	Weights and Measures.
Law 31 of 1991	Income Tax (amended).
Law 32 of 1991	Commercial Law.
Law 35 of 1991	Public Corporations and Authorities.
Law 36 of 1991	Commercial Banking.
Law 40 of 1991	Foreign Trade. *
Law 50 of 1991	Mines and Quarries. *
Law 70 of 1991	Taxes on production, consumption and services.
Law 28 of 1991	Measurements, standards and weights.
Law 97 of 1991	Ministerial Decree prohibiting imports of certain items. *

Yemeni Commercial Laws 1990

Law 8 of 1990	Financial Law.
Law 13 of 1990	Collecting Public Funds.
Law 15 of 1990	Customs Duties (amended).
Law 20 of 1990	Cancels duties on some goods.
Law 24 of 1990	Supply. *

Chapter 13 Trade Events Schedule

Date	Event	Organizer/location
Aug. 25-29, 2003	MEDIPHARM Yemen 2003 Int'l medical supplies and Hospital equipment, Medicines, Hospital furniture and Dental Products.	Apollo Exhibition, Sanaa
Oct. 4-7, 2003	NEFEXPO 2003 Int'l Trade Fair	Apollo Exhibition, Sanaa
Oct.20-Nov. 5, 2003	FOODEX 2003 All foodstuff, Related products and services, Clothing. Home and Office furniture, Gift Items and Confectionary products.	Apollo Exhibition, Sanaa
Feb.16-20, 2004	Auto Show 2004 Automobiles, Parts, Batteries, Oil, Tires and Accessories.	Apollo Exhibition, Sanaa
March 4-8, 2004	EWAC, Electricity, Water Agriculture & Construction, Industrial & Trade Exhibition.	Apollo Exhibition, Sanaa
Jul. 3-7, 2004	JITCOM 2004 Information Technology, Communications, Electronics Products and Services.	Apollo Exhibition, Sanaa
Jul. 16-25, 2004	SUMMER SHOW 2004 Consumer Electronics, Home & Office furniture, Clothing, Gift Items Cosmetics, Entertainment products.	Apollo Exhibition, Sanaa
Oct.10-25, 2004	FOODEX 2004 All foodstuff Related products and services. Clothing. Home and Office furniture, Gift Items and Confectionary products.	Apollo Exhibition, Sanaa

U.S. companies interested in participating in the above shows may contact:

APOLLO Sanaa Exhibition Center
 P. O. Box 15434, Sanaa, Republic of Yemen
 Telephone: 967-1-441-000, Fax: 967-1-448-086
 Email: APOLLO.EXB2@Y.NET.YE
 Website: www.exposanaa.com