

EXPERT VIEWPOINT

Is Apple the foreign owner of new stores in the U.A.E.?
Simon Thomson, C.E.O. of Retail International, shares his opinion.



“In February 2014, Apple C.E.O. Tim Cook visited Dubai and met Sheikh Mohammed bin Rashid, raising speculation that **Apple** planned to enter a market already home to high-end retailers and wealthy customers. In October 2015, Apple opened two new stores simultaneously in the U.A.E., both in Yas Mall (Abu Dhabi) and in Mall of the Emirates (Dubai). According to several media reporters like Bloomberg, Apple may be

excluded from previous U.A.E. rules concerning Foreign Direct Investments (F.D.I.). It could be allowed to have a 100% ownership of both stores. This report was later refuted by a senior official from the Ministry of Economy, but details of the ownership remain unclear. Companies in the U.A.E. are normally required to be at least 51% owned by U.A.E. citizens, apart from designed areas (Free Zones) where foreign control can be 100%.

Apple declined to disclose if there was a local partner for both stores. Neither site shows local partner information near the store entrance, a common practice for shops in the U.A.E. All requests for information were declined. The presence of Angela Ahrendts, Head of Apple Retail, at the opening of both stores heightening speculation, but she made no comment.

Laws governing F.D.I. in retail businesses in the Middle East seem to be easing. In Saudi Arabia, current laws permit 75% of FDI in the retail sector, with a minimum 25% of Saudi ownership. However, the Saudi Arabian General Investment Authority (SAGIA) has recently announced that it is considering accepting 100% foreign ownership of local branches, but only for key international retailers. That’s considered on a case-by-case basis and is subject to SAGIA’s approval. The results of the government review are due in early 2016.

However, most new entrants to the Middle East may prefer to stick to the well-established franchising route, where local partners assist with Arabic language (required for all government business) and financing. Full ownership may only be attractive for wealthy international retailers like Apple”. **Simon Thomson**