

## What do foreign companies need to know before entering Qatar?

**Qatari entrepreneur Zeyad Al Jaidah discusses the regulatory framework foreign companies, seeking to enter Qatar's market should be aware of in order to lessen their chances of failure.**

There is great buoyancy and a sense of enthusiasm among the business community in Qatar, and as a local business owner, lately I have been receiving an increasing number of requests through various channels from foreign companies seeking local sponsorship opportunities.

For international businesses wanting to establish a business in Qatar, probably the major hindrance is the requirement that foreign companies must have a local partner, and that the foreign share in the ownership structure cannot exceed 49 percent.

Qatar's market, like any other market in the world, has its own guidelines and requirements concerning foreign companies operating in this country. I seek to summarise the major obstacles firms should be aware of, a set of criteria for sponsor selection, and what to expect from a local partner in order to establish a competitive business operation in Qatar. These need to be discussed because we are witnessing many major international companies establishing businesses in Qatar and failing miserably, resulting in closure of their business accompanied by a negative experience on both sides.

The first step should be to conduct a feasibility study about your product's or service's probability to succeed in the Qatari market. This study should be based on factors such as the existing competition, market channels and consumer tastes. An industry sector analysis can form a solid starting point for a viable feasibility study.

### Selecting a reliable sponsor

The next step is to thoroughly inspect prospective Qatari businesses and determine which local companies would be best to work with.

Selecting a reliable and committed local partner can mean all the difference between success and failure in Qatar. The most important criterion in selecting the

right local sponsor would be to evaluate how valuable your business would be in comparison to the rest of the businesses your local partner owns. If your business is going to represent one percent of your local sponsor's business portfolio, then the probability of the foreign company succeeding is not likely to be very high. The sponsor's attention and efforts will be directed toward the big money generators and the new foreign business would end up being just a brand name amongst many other businesses in his portfolio. Foreign companies should search for a local sponsor who is as keen to set up the same type of business and determined to succeed within the same industry.

In case of equity partnership between the local sponsor and the foreign business entity, the turnover of the joint business should be significant in order to make it worth their while. If the agreement is based on the foreign company putting down all the investment and know-how, the local partner should at least be able to contribute by managing the local logistics in terms of trade licences, import licences, and visas for staff etcetera. These could prove to be cumbersome tasks even for the biggest international businesses coming to Qatar.

If the foreign entity is merely selling a franchise in Qatar, the franchisor needs to ensure that the right amount of time is spent to provide relevant training to the local franchisee's staff in order to maintain the signature attributes of the brand along with the proper level of quality in products and services being offered.

There are two types of local business sponsorships depending on the nature of the business operation which will be taking place in Qatar. If the foreign business is intending to simply operate as an exporter of products to Qatar, a commercial agent or sponsor is required to act only as a local distributor.

However, foreign companies, whose business operation is based on services provision or project execution, require a service agent type of sponsorship, in which the role of the sponsor would be to obtain all the relevant permits and documentation.

**“A reliable, committed local partner can mean all the difference between success and failure for a foreign company in Qatar.”**

### Get it in writing

Before signing any type of a contract, foreign companies ought to be prepared for worst-case scenarios. Before making any commitments, make sure that the agreement is put down on paper to ensure compliance by all parties involved.

Surprisingly, many large international companies fail to assess all the risks involved and hope the worst might not happen. A contract, taken at cost with hopes of profit being generated from variations, is one of the biggest causes of foreign business failing in Qatar's market. One must read the contract very carefully, paying special attention to the variation clause if they are counting on generating profit from that prospect.

As trivial as this may sound, we have witnessed more than a few big international players fail at taking the necessary steps and precautions to ensure a successful presence in Qatar's business market. **e**



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