The Republic of Sumeria is a lower-middle-income country in the Indian Ocean. The population is approximately 21 million – relatively young (15-64 yrs make up 67% of the population) and growing at 0.93% per year. About 14% of the population live in urban areas and in capital city, Nibiru; about 8% of the population lives on less than $1 per day (extreme poverty line). Its natural resources are limited to limestone, graphite, mineral sands, gems, phosphates, clay and hydropower. It has a delicate environment balance risks of deforestation and soil erosion in case of excessive industrialization / urbanization. Freshwater resources are being polluted by industrial wastes and sewage runoff in the capital city Nibiru.

The Government has set very ambitious goals for economic development, aspiring for GDP growth rates exceeding 9%, and developing economic hubs in ports, aviation, commerce, knowledge and energy including very strong prospects in tourism and infrastructure. The Government has announced plans to transform Sumeria into a knowledge-based economy and to strengthen manufacturing, particularly in high-tech industries and activities. Part of progress should come from domestic business and part of it from FDI. The Government targets the latter as an important source of finance and technology.

Certain indicators of the knowledge-based economy can warrant the Government’s optimism for future development. The literacy rate is relatively high: 85%. About 70% of the population (of secondary age) is enrolled in secondary school; however only 5% of the population (of university age) enrols in university education. English is spoken by about 10% of the population. In higher education, there are several institutes that offer advanced education in ICT, medicine and research, business and management. The expenditure on education is about 2.1% of GDP (8% of government expenditure) but only 0.31% of the budget is for higher education. The base of skilled technical workers available in the country remains weak and has undermined efforts to industrialize.

The Government’s ambitious planes for development can still fail on the current weaknesses of the economy. The economic structure of the economy is far from being high-tech. Key areas of domestic production are: agriculture (15% of GDP) that employs 40% of labour; industry (manufacturing, construction, mining, apparels, chemicals, petroleum, and rubber products, very small electronics industry (25% of GDP) that employ 20% of labour; and services, particularly tourism (60% of GDP) that employs 40% of labour. Official unemployment is currently at 20%; in reality it is higher. Small and medium-sized firms represent 94% of all businesses. Most of them are micro enterprises. Many of them operate in the informal sector. Most microenterprise owners and employees have only elementary or junior school education, and about 30% have had no formal education. Many local enterprises (especially small ones) face challenges such as lack of access to affordable finance and modern technologies, and there is a shortage in technical skills (engineers, technologists, scientists), as well as highly educated and well trained managers to run enterprises. There is a strong brain drain with many of the most highly educated people migrating to neighbouring countries, and to Europe and the United States, in search of better paying jobs and better career prospects. There are thousands of Sumerian engineers, technologists and scientists living and working abroad.

High-technology goods account for only 1% of Sumeria's manufactured exports. The country has not been very successful in its industrial development strategy, particularly high technology industries. It aimed at replicating the industrial development success of other countries in the region but the economic crisis of 1997 did not help and with its recent membership of the WTO,
it may be limited in the policies that it can pursue to promote industrial development (performance requirements, subsidies, etc.).

*Foreign investors* are now keen on Sumeria particularly as there is relative peace and stability following a long period of civil war. However doing business still poses challenges despite a recent regulatory reforms getting rid of many unnecessary bureaucratic regulations and an effort to make the court system more reliable in the framework of a national plan of fighting corruption. Public sector corruption, including bribery of public officials, nevertheless remains a significant challenge for investors in Sumeria. While the country has generally adequate laws and regulations to combat corruption, enforcement is weak and inconsistent. Corruption has the greatest effect on investors in large projects and on those pursuing government procurement contracts. In Transparency International’s Corruption Perception Index for 2010 Sumeria ranks 91st with a score of 3.2 out of a possible 10 points. Corruption is also a persistent problem in customs clearance and enables wide smuggling of certain consumer items, to the detriment of legitimate manufacturers and importers. Foreign investors also face difficulties in clearing equipment and supplies through customs speedily and difficulty in obtaining a factory site. Legal challenges to environmentally sensitive projects have been burdensome, even when objections are unfounded. Slow and indecisive application of bureaucratic requirements has also obstructed investment.

In the Republic of Sumeria, major investments, such as infrastructure projects, usually require approval from the full cabinet, a process which is not transparent and which can politicize even the most urgently needed investments. In part to avoid delays, and to overcome land allocation problems, the Invest in Sumeria investment promotion agency encourages investors to locate their operations in special economic zones.

The Invest in Sumeria *investment promotion agency* (IPA) manages a number of export processing zones which feature business-friendly regulations and improved infrastructure for foreign investors. Invest in Sumeria is intended to provide one-stop service for foreign investors, with duties including approving projects, granting incentives, and arranging services such as water, power, waste treatment, and telecommunications. It also assists in obtaining resident visas for expatriate personnel, and facilitates import and export clearances. Invest in Sumeria’s incentives are attractive and real, but the agency is not the one stop shop it aspires to be. Although it is relatively effective in assisting investors who want to establish operations within its free zones, it is less effective in facilitating and servicing large investments outside these zones. Investors locating free zones also get access to relatively better infrastructure facilities such as reliable power, telecommunications and water supplies.

There are several incentives available to foreign investors in Sumeria: (1) companies acquiring existing companies in petroleum, power generation, transmission, development of highways, seaports, airports, railways, water services, any transport or auxiliary services, agriculture and agro processing and other infrastructure projects approved by Invest in Sumeria qualify for tax holidays ranging from 5 to 8 years; (2) a preferential tax of 15% will follow after the tax holiday period. These companies will also qualify for duty free imports of capital goods. A minimum investment of $12.5 million is required. (3) Investments that are over USD 25 million have tax holidays ranging from 3 to 10 years.

A national *Science and Technology* (S&T) policy was created in 1995, and Sumeria established a Ministry of Science and Technology (MOST) in 1997 in order to implement the S&T policy, promote R&D, build national research capacity and promote technological upgrading in Sumeria. The S&T policy has never actually been implemented because of the lack of real political support...
or leadership on technology, and a lack of financing for MOST and its activities. MOST has generally been a relatively weak ministry inside successive governments, and top level political support has been weak. The Ministry is in the process of updating the S&T policy, which is seen by many analysts and the private sector as outdated, especially as it does not even mention innovation, and concentrates largely on promoting scientific research. Neither S&T nor innovation have been integrated into the country's recent national development plans or strategies. The Ministry of Industry and Enterprise Development (MIED), and Ministry of Finance (MOF), are more powerful ministries with proper funding and high-level political support. MOF has viewed MOST as largely a cost item for the budget with little scope for generating government revenues. The MIED has offered little support to MOST because they perceive it as having little impact on improving industrial performance by improving innovation performance or supporting technology transfer to local companies. Indeed, the technological base in Sumeria has not improved much and most local companies have not been actively adopting or mastering new technologies. This has undermined industrial development and made it difficult for most local companies to undertake high-tech production activities.

The higher education and S&T institutions include the following:

- 9 universities and 8 vocational training institutions
- 20 R&D units across 7 universities and 10 public research institutes (including one on agriculture, one on food processing, one on electronics, and two new institutes on biotechnology and nanotechnology).
- 4 independent technology transfer and innovation centres, in different sectors and industries.
- A national patent office.