

Mohamed Shakarchi: Man with the golden touch

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Oct 14, 2011



The founder of the Emirates Gold refinery in Dubai has proved that even the most daunting of professional setbacks can be overcome and long-held dreams can eventually be realised with hard work and a little help from your friends, Hadeel Al Sayegh reports

Mohamed Shakarchi can still remember when, as a boy in the 1940s, he would watch his father buying and selling gold at a street market in Beirut.

Traders from around the Levant would come to the Lebanese capital to deal in strips of gold, nicknamed "french fries", in coffee shops thick with smoke from nargile pipes.

"Some of the men would be holding rosary beads saying, 'I buy, I sell, I buy, I sell' with every flick of the bead," Mr Shakarchi recalls.

On one occasion, a friend of his father's placed a US\$500,000 (Dh1.8 million) order but failed to pay up. He was never allowed back into the trading group.

It was a valuable lesson for the young Mohamed. In all his dealing in the precious metal, he has always ensured every trade is backed up by orders from clients with ample reserves of the yellow metal or bank guarantees.

"You have to be the most secured person to yourself. I am secured 100 per cent, over the margin and a couple million dollars above it," he says, taking a long draw on a cigarette, one of about 100 he smokes daily. Years later, he would rely on this reputation for straight dealing to overcome a false accusation of money laundering.

Mr Shakarchi was born in 1939 in Mosul, northern Iraq, into a prominent merchant family. Mosul was a trading hub in the newly independent nation, which had broken away from Britain seven years earlier.

The family was literally defined by its trade in sugar: shakarchi means "sugar trader" in Arabic. Mr Shakarchi's father had expanded the family's sugar empire into other areas including land, cement and cotton.

With an eye on expanding into the gold trade, Mr Shakarchi senior moved the family to Beirut, then the undisputed gold capital of the region. His son left school at the age of 15, and joined the family business that by then served clients in the Gulf, particularly the UAE, Bahrain and Saudi Arabia, and Switzerland. When the socialist revolution swept Iraq in 1958, the Shakarchi assets were seized by the government, effectively cutting the family's ties to the home country. Mohamed Shakarchi has never returned.

When Beirut descended into civil war in 1975, father and son moved to Geneva to focus exclusively on the gold and currency trade. The business consisted of purchasing gold scraps from sources in the Middle East and selling them to Swiss finance houses, such as the Swiss Banking Corporation and United Bank of Switzerland, which then turned them into gold bullion.

When Mr Shakarchi senior died, his children from his two wives could not agree on how to divide up the business. Mohamed withdrew his capital from the family enterprise and founded his own company in Zurich, the Shakarchi Trading Company.

He traded gold and currencies with clients inherited from his father in Europe, the Middle East, Africa and North America. At its peak, the firm had three dozen traders with daily turnover ranging from 300 million to 400 million Swiss francs (Dh1.22 billion).

That all changed in the spring of 1988 when the US district attorney accused Mr Shakarchi's company of laundering \$1bn in drug money. The attorney alleged he had laundered profits from cocaine dealing by two Lebanese brothers, Barkev and Jean Magharian. The brothers were later convicted of money-laundering. Mr Shakarchi was exonerated and the case against him was dropped after just 21 days.

"The incriminations cost me my eyes. I don't know how I survived," he says. "I wasn't afraid because I knew I was innocent and was not involved in any wrongdoing."

However, his reputation was severely damaged. By 1988, the banks had cancelled his credit lines, his clients dropped him and in the space of three months his business collapsed.

"I never applied for bankruptcy and I never went bankrupt," Mr Shakarchi says. "I paid all my dues, salaries to the employees, costs and then shut down Shakarchi Trading Company."

In 1991, Mr Shakarchi moved to Dubai and found a plot in the Al Quoz industrial zone. There he fulfilled a long-held dream by establishing a gold refinery, Emirates Gold, and started producing 15 kilos of the yellow metal each week.

"It was very hard," Mr Shakarchi says, lighting up another cigarette.

"Business is a competition, and the market was already doing business with bars from UBS, Credit Suisse, Rothschild. [So] me coming, you know, to introduce my kilo bar ... I would say God was with us."

Ebrahim Al Yamani, the head of business development at Gold Standard, a gold dealer in Dubai, says his long-time friend struggled to establish himself in the emirate.

"After what happened, there was no choice for him [but] to move to Dubai," he says.

"And when he came it was not easy for him to sell his kilo bars because clients were wary because of his past.

We started providing him 100 kilos at one time, and then gradually that number increased to 500 as he proved his trustworthiness, worked hard and became successful," says Mr El Yamani.

The business eventually began to flourish, allowing Mr Shakarchi to move to more salubrious premises in Jumeirah Lakes Towers, from where he now operates one of the largest refineries in the Middle East.

The newly-built district, composed of dozens of towers surrounding an artificial lake, is a free zone that is home to several other gold refineries, and the headquarters of Dubai's commodity exchange.

Emirates Gold takes scrap metal and, in a laboratory at the single-storey refinery building, its purity is checked.

It is then heated and, once molten and bubbling, workers in blue overalls pour the liquid gold into bar moulds where it solidifies. Then, still glowing, the bars are then tipped on to cloth-covered trays and are stamped with the logo of Emirates Gold and the figure 999.9 attesting to their purity, before, once cool, they are buffed to a high polish.

On one of the walls of Mr Shakarchi's sparse office hangs a carpet stitched with a verse from the Koran. On his desk is a photograph of his son's graduation ceremony from Princeton University in the US.

The phone rings almost constantly. One such call comes from South Africa, from a man offering a 20 per cent discount on scrap gold for refining.

Mr Shakarchi turns down the offer and hangs up. "I get 15 to 20 of these phone calls a day, from everywhere," he says.

"It's a tough business and you have to know who and what you are dealing with," he adds, before lighting another cigarette.