



The Middle East as a business gateway

The Gulf Arab States are being touted by business media and economic commentators alike as a fast growing gateway for businesses in the subcontinent of India and the broad Middle East region, including North Africa, the Levant and Saudi Arabia, as well as to Europe. Managing partner of UHY Saxena - part of the UHY international accountancy and management consultancy network - **RAJIV SAXENA** offers insight to why this should be on the radar of global businesses.





THERE ARE rich pickings for all in Dubai. Early investors in the region where accused of operating on “a wing and a prayer”. Time has proved how wrong those critics were

convertible currency. Business and economic analysts believe this is attributable to the oil-fuelled economic boom in the Gulf that has created a surge in financial liquidity releasing the potential to transform the face of the region. The ramifications of which, they believe, could prove to be far reaching.

My own research into this trend clearly shows that emerging markets have become the focus of attention of capital market money flows – including The Middle East as well as countries such as Morocco, Egypt, Turkey, India, China and Singapore. Financial institutions have declared their keenness to capture this emerging market’s rapid growth. Barclays, for example, is boosting its Gulf retail arm.

International consultants, McKinsey, reinforced this opinion. It predicts cross-border capital flows between the six-member Gulf Co-operation Council and Asia will climb from an annual \$15bn today to \$300bn by 2020.

A maxim that I try to incorporate into my business decisions at UHY is that smart money follows smart opportunities. This in turn creates the need for cross border and, more significantly in terms of client relationships, cross cultural tax and business consultancy services.

There is a great deal of agile thinking and investment going on in this arena, not least by Dubai’s ruler, Sheikh Mohammed bin Rashid Al Maktoum, whose emirate has embarked on a building frenzy to secure its future as a tourist destination in the sand. With the likes of international footballer David Beckham expected to frequent Palm Jumeirah on its completion, His Highness’s ambition to attract ‘A list’ big spenders is being slickly executed.

The growing trade between the Middle East and Asia has even produced a new buzz-word: Chime (China, India and Middle East). There is also talk of the “New Silk Road” reflecting the fact that goods and services are once again flowing along the route that connected the Middle East and Asia until the 13th century.

My hope is that this New Silk Road relationship will scatter good fortune across business sectors on many levels. Indeed, as Asia’s biggest economies compete ferociously to secure energy imports to fuel their own

A PORTRAIT of the ruler of Dubai, Sheikh Mohammed Al Maktoum hangs in the Chill Out Lounge in the city, where nearly everything is made of ice

growth the hyperactive expansion of Dubai and the growing UAE/India trade and investment corridor and real estate boom continues unabated.

This dynamic is pushing economic development in the region down the Formula One fast lane. The MENA (Middle East and North Africa) region now ranks as the fastest growing economy behind China and India, having recently clocked up one of its best performances since the heyday boom time of the 1970s. A recent World Bank Report endorses this view.

The Middle East and North Africa Region, Economic Developments and Prospects 2007 states that the region “for the fourth year in a row enjoyed a robust pace of economic growth. Strong oil revenues, along with European recovery, a more dynamic private sector, and a shift toward more investment provided the momentum needed for another year of first rate economic performance. Real GDP increased by 6.3%, up from 4.6% in 2004.”

The Middle East – roughly defined as the area from the southeastern Mediterranean Sea to the Arabian Gulf – encompasses more than a dozen oil producing countries with distinct economic and social characteristics, but at least one thing in common: young, rapidly growing populations in need of employment. Only 4% of the population is over 65 as opposed to 12.5% in the US.

With governments aware that they can no longer provide full employment for their citizens, an enormous need for private-sector jobs for their young, rapidly growing populations is fundamental to their stra-

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AS THE LEADER of a management consultancy group based in the UAE, which is part of a global association of businesses, I am increasingly discovering evidence that highlights the economic value the Middle East has to commercial firms across the world who use it as a business gateway, reaching out to the East and the West.

It is clear that what attracts business to the Middle East is the dynamic and viable trading environment and the bridge it offers between time zones. In Dubai in particular, the creation of the Jebel Ali Free Zone draws private investors and commercial businesses from around the world, tempted by exemption from import, export and personal taxation; business laws allowing 100% foreign ownership; total repatriation of profits and the consistent and easily



tegic overall plan to attract foreign investment to the region. Their primary need is the technology required to create long-term economic opportunities for their citizens.

For anyone, like myself, tracking Dubai's development as an international hub and gateway for business exchange, it soon becomes apparent that there are attractive opportunities for sector interests across the board, particularly construction, telecommunications and financial services – not least to service the expatriate community. The British for example now make up a substantial 10% of the population. Less than 50% of the population is Arab with large groups of the community being Indian, Pakistani and South East Asian.

Dubai itself is billed as a “Global City under construction” by its ruler. His vision for his city is of a trade and financial centre. In his own words, “People think we're just building Dubai. But no, we're accommodating 1.5bn people in the central world between the East and West. When we say the West we think of Europe and America. When we say East we think of Japan and

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China. And we are part of Asia but are in the Middle East. And that's what I meant by the central world.”

Dubai undoubtedly cuts a dash as the emerging service capital of the Middle East. The city of Dubai has rapidly been transformed into a truly regional leader of business and commerce

In the past petrodollars tended to be deposited in international banks and left to accumulate without being actively managed. Today new Arab financial institutions, many of them based in Dubai, are doing the investing themselves. Government investment arms are also diversifying across asset classes and regions. Islamic investment is showing strong momentum.

The world's appetite for Shari'ah-compliant investment products that invest outside the Muslim world is increasing. Europe has been a frequent target along with Asia, particularly China and India.

Following closer examination of cross-border capital flow I find that a significant chunk is represented by Gulf money going to India and Indian trade going through the Gulf. The Middle East it seems has much stronger cultural ties with the Indian sub-continent than China.

The telecommunications sector is as an example of a sector opportunity arising in the region. With the decision by the UAE government to open its telecoms market to additional operators, every country in the region is heading towards market liberalisa-

DUBAI'S PALM Islands (L) has attracted A-list celebrities from around the globe. Meanwhile, the World, (R), a cluster of some 300 islands which resembles an aerial vision of the planet's nations, is due for completion towards the end of 2008

tion, generating massive opportunities for companies like UHY, operating in network development, satellite applications, and infrastructure solutions.

According to industry analysts Arab Advisors Group (AAG), despite the fact that penetration of fixed line, mobile and Internet is increasing throughout the Arab world, the region still lags behind the broadband Internet. However, this gap is expected to narrow, due in large part to significant levels of telecoms investment in the region. Regional telecoms operators raised a combined \$14.7bn from investors in the first four months of 2007 alone to support expansion and acquisition strategies.

Economic and business indicators point to a bright future as the region builds linkages that draw the countries within it further into the global economy. Cultural differences – including the blurring of state treasury and private finances, and top-down economic policy set by a closed ruling family or ruler – are being smoothed over by an expanding class of cosmopolitan facilitators with one common aim: prosperity and profit.

So far, it's a game in which all sides are winning. ■