

## INTERVIEW DR ANWAR GARGASH

**THE UAE AND BEYOND**

*With its oil wealth and increasingly influential role in the world, the United Arab Emirates (UAE) is moving towards the economic centre stage. Dr Anwar Gargash, the UAE's Minister of Foreign Affairs, talks with Andrew Scott, Professor of Economics at London Business School.*

**ANDREW SCOTT** *The world economy has become increasingly global in the last few decades. How does the UAE view the opportunities of globalisation and how are you pursuing them?*

**DR ANWAR GARGASH** Globalisation is a fact of life. For the UAE, it is not a question of whether it is positive or negative. Rather, we are working hard to maximise the benefits of globalisation in the interests of our people, the region and the world economy.

There are a number of key success factors that have helped us make great advances in the four decades since the UAE's founding:

- **Good Governance:** when people think of the Gulf, they mostly think of oil wealth. However, the UAE believes that sustainable growth requires a world class regulatory environment, and we are proud of our achievements, as reflected in the World Bank's 'Ease of Doing Business' rankings.
- **Human Capital:** our young population is highly educated and multilingual. The female participation rate in the workforce is high. Furthermore, we are able to attract the best workers from all around the world through a tolerant and open social model that embraces diversity and rewards individual performance.
- **Geographic Position:** the UAE is positioned at the crossroads between three continents, which puts us in a unique position as a trade hub, and location to serve a global customer base.

- **Access to Capital:** thanks to the UAE's energy endowment, the country does have the capital to make strategic investments in the long term development of the UAE's economy and national infrastructure.

Taking advantage of these success factors, the UAE has over the years systematically encouraged the development of a number of industries that serve customers around the world, such as airlines, air- and sea-borne logistics, financial services, and basic materials such as petrochemicals and metals.

**AS** *How has the UAE been impacted by the slowdown of the Western economies in the wake of the financial crisis?*

**AG** The financial crisis has been challenging for the UAE in a number of ways. But it has also demonstrated the country's commitment to the economic principles upon which our success is built. In this context, it can be quite instructive to look at the things that the UAE has not done during the crisis.

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The UAE has not turned towards protectionism. Instead, we have maintained our commitments to free trade and open markets. The UAE has not curtailed the free movement of capital: after an inflow of ‘hot money’ in the pre-crisis period, we have seen a significant outflow during the crisis. The UAE has not imposed direct or indirect capital controls, but rather has let market forces prevail while maintaining the stability of the currency.

Perhaps most importantly, the UAE has not imposed knee-jerk austerity. Rather, the country has continued to provide stimulus to the world economy, buying products and services around the world, while ensuring that domestic finances continued to be managed in a prudent and sustainable fashion.

**AS** *The centre of the world economy has shifted dramatically during the last 30 years. It has moved from a point in the Atlantic between the US and Western Europe to now lie around the Middle East. The Middle East is therefore perfectly placed to act as a bridge between the West and the East. How has this shift affected the UAE?*

**AG** The UAE has become a much more visible participant in the global economy in recent years. The changes have brought people from all over the world to the UAE. Such a shift can put significant strains on a society — in Europe, relatively small percentage increases in the number of foreigners living and working in a given country have fueled the rise of xenophobic rhetoric in some of these countries. For much of our history, foreigners with different cultural and religious backgrounds have actually outnumbered local citizens in the Emirates; yet we have maintained harmonious relations between all social groups. The UAE hopes to act as a bridge between people and cultures, and a model for tolerance and modernity in the Middle East.

**AS** *How is the Ministry of Foreign Affairs responding to these changes?*

**AG** With the UAE’s increased visibility has come increased responsibility. The UAE has embraced this role in a number of ways.

The UAE is playing an increasingly active role in ensuring stability in the region. The Ministry of Foreign Affairs is active in a number of



01

What do you think are the major challenges that the region faces in the years ahead?

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regional ‘contact groups’ like the ‘Friends of Yemen’, to ensure that countries in the region that are at risk of becoming failed states get the help they need. The UAE currently is one of the leading participants in the ‘Friends of Syria’ process. Another example is the leading role that the UAE is playing in coordinating policy responses to the problem of piracy in the Gulf of Aden, and on the high seas.

The UAE is also assuming more responsibility in addressing global problems. One such issue is climate change, where the UAE is hosting the International Renewable Energy Agency (IRENA), and is playing a very constructive role in the global debate. The UAE department of energy and climate change is part of the Ministry of Foreign Affairs.

Overall, the UAE has in recent years significantly increased the number of its foreign embassies,

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in creating jobs by promoting local entrepreneurship and bolstering a regulatory environment to attract investment, from both foreign and domestic sources. Regarding security, the single greatest risk the region faces is proliferation of nuclear and other weapons of mass destruction.

But when talking about challenges, let us not forget the very significant potential of the region: The Middle East is a huge and still underserved market. The population is young, growing and eager for consumer goods. Household sizes are still large: if young people find jobs, they start their own families, thus creating demand for housing, furnishings, cars, and more consumer goods. Infrastructure across much of the region is outdated, and governments will want to focus their investments in other areas, opening significant potential for public-private partnerships.

We have to be realistic about the risks associated, but I believe there are significant opportunities for smart investors that are willing to take controlled risks.

**AS** *Are you concerned that a slowdown in the world economy will lead to a resumption of protectionism and isolationism?*

**AG** That is a very real risk. The UAE has been a member of the WTO since 1996, and has been a champion of free trade throughout its history. As the pre-eminent trading hub in the region, the UAE has first-hand experience with the power of free trade to lift millions of people out of poverty.

Some of our industries are periodically subject to more or less veiled attempts at protectionism. Some of the UAE's critics claim that the UAE industries like aviation or metals are much too big for the small domestic market in the UAE, which makes this a market distortion in our critics' eyes. Frankly, that is a weak argument — very few of the world's leading companies would be viable if they exclusively served one domestic market.

**AS** *The UAE has been increasingly involved in G20 summits. What agenda do you think is most important for the G20 to address?*

**AG** The G20 has moved away from being a summit, and become more of

which has put a great strain on the Ministry of Foreign Affairs as an organisation. But we have risen to the challenge, increased our recruiting, and provided unparalleled growth opportunities to our diplomats.

**AS** *What do you think are the major challenges that the region faces in the years ahead?*

**AG** There is a range of political, economic and security challenges that the region faces. On the political front, governments will have to continue to pay great attention to meeting the demands of their people for good governance and accountability. Political frustration becomes especially dangerous when combined with government failure to provide economic opportunities for the people. Governments across the region will face enormous challenges

01 Vestas rep explaining windpower to students during the 2012 World Future Energy Summit

02 Dr Gargash attending the session entitled 'Rethinking the Balance of Power in the Middle East', World Economic Forum 2012

03 Facebook logo projected onto the wall during news conference announcing the opening of its office in Dubai

04 Economy Sultan bin Saeed al-Mansoori announcing economic growth of 4.2 per cent in 2011



a process. After the Lehman collapse, the G20 sent powerful signals to the markets that the world's leading economies were united in their determination to prevent a global economic meltdown. That spirit has given way to the particular interests of the members. If the G20 wants to remain relevant, it has to deliver solutions that are greater than the sum of the parts. The greatest danger at this time emanates from Europe, and G20's failure to address the European debt crisis in any meaningful way has greatly diminished the group's standing in the eyes of many.

**AS** *How successfully is the international architecture of the world economy responding to the growing importance of the non-Western world?*

**AG** The international architecture we have today has achieved great things since its inception at the end of World War II. The UAE continues to make significant investments into maintaining the system. But the shortcomings are widely visible; even symbolic concessions by the countries that still dominate the system could go a long way in addressing some of the non-Western world's present grievances with the system, such as the question of who should lead the IMF or the World Bank.

**AS** *What advice can you give to UAE companies about how they can prosper in the current world environment?*

**AG** The current environment is not for the faint-hearted. However, present conditions might be a once in a lifetime opportunity for a baptism of fire; who manages to come out on top under the current circumstances will have learned invaluable lessons. And companies should not be afraid to take a controlled risk and fail — as long as they learn from their failure, this might turn out an investment in future success. The UAE has a range of schemes to promote entrepreneurship, which help reduce the downside risk for start-ups. UAE companies should not simply try to emulate the business models of established Western companies. Rather, they should take advantage of opportunities that they understand better than Western competitors, such as emerging markets across the wider Middle East, and facilitating south-south trade between emerging countries.

**AS** *What advice can you give to Western companies keen to be more involved in the UAE?*

**AG** They should take advantage of the UAE's business friendly environment, and of the fact that this focus on attracting foreign firms is not a recent development: the UAE has been actively courting foreign investors for more than three decades. In the 2010 *Financial Times* ranking, the UAE finished as one of the top locations for Foreign Direct Investment globally, and the best location for FDI in the Middle East. The World Bank found it takes less than half as long to set up a business in the UAE as compared to the regional average, and that the costs of doing so are less than a third of the regional average. The World Bank also found that the UAE is number one in the Middle East and North Africa for ease of trading across borders and number two in the region for ease of access to credit. The benefits of establishing a business in the UAE include corporate tax holidays for most sectors, no personal taxes and the freedom to repatriate capital and profits. There are no currency restrictions.

As I outlined, the Middle East as a whole holds great potential for economic growth. Companies that want to benefit from this potential without making any concessions regarding the business environment they operate in should come to the UAE. There is no better location for doing business in the region. ■

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DRIVERLESS ELECTRIC POD CAR BY UAE GOVERNMENT-BACKED RENEWABLE ENERGY COMPANY, MASDAR