



Event : **iAdvisory Seminar on “Doing Business in the Middle East”**

Date / Time : **24 Oct 2008 [9.00 am to 5.30 pm]**

Venue : **Intercontinental Hotel Ballroom**

Dress Code : **Lounge Suit**

Document : **Talk by Mr. Teng Theng Dar, Chief Executive Officer of Singapore Business Federation**

Distinguished Guests and Speakers

Ladies and Gentleman

1. It gives me great pleasure to be here to speak to all of you this morning and it is heartening to see so many here today supporting the event. As we strive to build up the business linkages between the MENA and Singapore, your presence and the strong turnout attest to the growing interests in MENA region.

Economic Developments in MENA

2. Let me start first by providing you with some background and updates on the economic development in the MENA region.
3. Driven by high oil and gas prices and investments in non-hydro-carbon sectors such as infrastructure, petrochemicals and services sector, the Middle East and North Africa region has grown rapidly in the last 5 years.

4. It now boasts of a combined regional GDP of over US\$2.25 trillions, comprising of a population of some 313 million people which our businesses can tap on.
5. The MENA region alone accounted for 3% of 2006 world output of \$58.60 trillions, much of these are driven by the recent high oil and gas prices.
6. However, many of the leaders in MENA countries had realised the importance of non-hydrocarbon sectors and the danger of over dependence on oil and gas. As a result, literally every MENA country¹ has a diversification strategy in place in order to attain sustainable growth from non-oil and gas sectors.
7. The massive direct investments into infrastructure and other areas to develop the manufacturing and services sector will in turn speed up industrialisation and urbanisation process of many the economies in the regions.
8. Shocked by the inflation caused by the recent year's increase in food prices, we have also seen some Middle Eastern countries, such as Saudi Arabia and UAE relooking into the

¹ Excluding non-oil or gas rich countries like Jordan, Lebanon and Tunisia

investment of the agriculture and agro-food sector², both domestically or overseas. The aim was to maintain social stability through stable food prices.

Bilateral Trade Between Singapore & MENA

9. The MENA region has been our historical trading partners since the founding of Singapore. Currently, our total trade with the GCC countries totalled an S\$42 billions³ with the Kingdom of Saudi Arabia and United Arab Emirates being our top two partners in the GCC. On the North Africa front, Egypt and Morocco are two top partners with total trade amounting to \$1.62 billions.

Progress of reform and impact on business environment

10. In line with their diversification strategies, governments in this region had also introduced pro-business reforms in order to attract new investments and expertises into their respective countries. Progress in reforms varies between countries to countries, with more open economies leading the way.

² Source: Reuters: The agriculture investments include purchasing farm land in Sudan for both countries for basic commodities. Apart from Africa, also looking at countries like Pakistan

11. The transitional economies, this, I refer to the countries moving from socialist to free markets, such as Egypt, Libya and Algeria are also improving, though reforms had to be made at an incremental pace to minimise social disruptions.
12. What seem evident is that the push to make the business environment friendlier to companies had started in the region; we expect this momentum to be sustained by the many new political leaders that took leading positions in the last few years. Many of them are forward looking and very eager to see sustainable development.
13. Many of you would be pleased to know that Saudi Arabia, once regarded as one of the more challenging countries to do business in, is now ranked No.16 in the world and the No.1 reformer in the MENA region in terms of the ease of business regulation according to the 2009: Doing business report by World Bank⁴.
14. As the top reformer in the region, Saudi Arabia made it easier to start a business by continuing to simplify formalities

³ Source from IE Singapore

for commercial registration and reducing registration fees by 80%. As a result, the time to start a business fell by 3 days.

15. The kingdom has also strengthened protections for minority shareholders through new provisions that prohibit interested parties from voting on the approval of related-party transactions and increase sanctions against directors for misconduct.

16. It also sped the registration of property with a comprehensive electronic system for registering title deeds. Such is a fine example of the testament to the political will in driving reform in the region.

Global Financial Crisis Impacts on MENA region

17. I am sure all of you present today are aware of the recent developments in the world economy. The global financial crisis has profound impact on the world. Over the past year, we have experienced massive inflation, reduced credit availability. Now, we are gearing up for lower demand for our goods and services as the USA and Europe starts to slow down.

⁴ Doing Business 2009, World Bank, the global guide for measuring business regulation. Saudi Arabia is the top reformer and implemented major reforms, Egypt was former top reformer.

18. Most major economies in the world are affected by this crisis, some more than the others. The MENA region is also affected, but less so than the others. The impact on this region is lower growth rates, as opposed to recession.
19. One of the main reasons why this region is buffered from the rest is the tremendous amount of liquidity from the windfall gains during the peak of the oil price. In addition, the region is also benefiting from a more diversified economy and from heavy investments into the non-oil sector.
20. Therefore, the MENA region would become an even more attractive market for our business community as it is now one of the few remaining regions in the world that can offer business growth opportunities to companies who act and get themselves connected to the region.

MEBG Engagement with MENA countries

21. SBF, as the Apex business chamber, have responded to these business opportunities in MENA by establishing the MEBG, a Middle East and North Africa centric business to business platform. With MEBG as the national front for the Singapore business community, we have since worked in close

partnership with our colleagues in IE Singapore to help the Singapore business community penetrate this region.

22. I will now proceed to share with you some of the experiences we have gained through our engagement with the MENA region.

Libya

23. IES and SBF jointly led a business mission to Libya, in conjunction with SM Goh's visit. Through this visit, we found Libya currently in its initial phases of transforming its socialist economy to a market oriented one.

24. While Libya is still a very new country to Singapore, we can draw from our experiences in China and Vietnam, to understand the numerous opportunities present in such an economy. Although Libya has a population of less than 7 million, it is ranked no.9 in terms of oil reserves and possess substantial gas reserves.

25. What was impressed upon us from the Libyan government is their seriousness in modernising the economy to make post sanction Libya, a more attractive place to do business.
26. In fact, the Libyan government created a new investment promotion body which is modelled after our EDB. In addition, we have also received a 15 men delegation from Libya yesterday to understand how to promote SMEs in their country.
27. Our take following that meeting is that their SMEs are seriously in need of partners to work with in order to start new businesses in the country. Therefore, there is a lot of scope for partnership for other business activities beyond the infrastructure, oil & gas, real estate and tourism sector.
28. SBF has concluded a co-operation agreement with Libyan Businessman Council during the trip and we are currently exploring how we can utilise this partnership to help businesses from both sides reach out to each other.

Oman

29. Oman is one of the MENA countries that IE Singapore and SBF have been actively engaging with since 2004 at both government-government level and chamber-chamber level.

30. It is currently embarking on a major diversification programme they call vision 2020. Through this programme, the government aims to reduce its dependence on hydrocarbon to other sectors such as tourism, ICT, petrochemical, logistics and more.

31. As a result, there are numerous of opportunities for Singaporean companies to participate either directly, or to enter the market as a support business. For example, education and training for the hospitality and ICT sector.

32. The Omani approach towards its economical development is rather different from its neighbours; they have always taken a very steady approach and these have paid off; it is unlikely that Oman will have office and residential rental prices spiralling like that in some GCC countries.

33. Combined with the Omani government's willingness to improve its business environment, a welcoming attitude for Singaporean companies, this make Oman a good place to explore opportunities in.
34. As a matter of fact, we are exploring the possibilities of putting together a business delegation to visit Oman next year.

Kingdom of Bahrain

35. The Kingdom of Bahrain was the original hub and gateway for the Middle East before the rise of Dubai. While Dubai has in some ways overshadowed Bahrain, the country still offers numerous advantages in comparison with Dubai, especially in terms of cost and connection to Saudi Arabia and Kuwait.
36. Singaporean companies can either consider starting their regional operations there, or directly participate in the opportunities present there in terms of hospitality & services sector, education, ICT and financial services.

37. We were honoured to have the crown prince of Bahrain in Singapore two weeks ago to officiate the launch of MEBG's knowledge partnership programme. He was also in Singapore one year ago to launch the MEBG.
38. During the close door dialogue session, one of our MEBG members raised a challenge he faced to the crown prince. This company was facing difficulty in identifying a suitable location for his investments. This issue was immediately resolved by the crown prince.
39. According to this MEBG member company, the Bahrain EDB was one of the easiest partners to work in terms of facilitation amongst those he had worked with in the region.
40. The crown prince represents the best of the new leadership in the region, pro-business, dynamic and visionary and had demonstrated so during our encounters.
41. We are currently initiating a collaboration model between the Bahrain EDB and their chamber of commerce, if this takes off, we would be able to help businesses better access the opportunities in Bahrain or the region through Bahrain.

42. I understand that many you would have specific questions regards the opportunities present in countries I mentioned or others. However, this session would not be appropriate to speak in length. The panel would be happy to respond your queries during the Q & A session.

43. On this note, it is now my pleasure to invite Dr Strohal to for his presentation.

44. Dr Strohal, please.