



Gulf Roadshow

Stationers Hall

24 Sep 2010

The Rt Hon The Lord Mayor of London
Alderman Nick Anstee

Ladies and Gentlemen

I am delighted to be here for the Gulf Roadshow: thank you to UKTI for organising today and for all your support for the City and business. As Lord Mayor of the City of London I support and promote all UK-based financial services, that we call the City brand. The 'City' - whether in Edinburgh, Manchester or Liverpool, is internationally owned, staffed and managed, and we have a strong and long-lasting relationship with Gulf countries.

Visits to Gulf countries have been an important part of my year. I've been to the UAE, Qatar,

Bahrain and Saudi Arabia and early next month I look forward to visiting Kuwait and Oman. On every visit I've been joined by strong business teams who are already engaged in the Gulf, or realised that they must get engaged as soon as possible. And as I look round the room I can see many of them here today!

For those who accompany a Lord Mayor on one of his overseas visits, follow up is always necessary - not only for practitioners, but also for his office. It is as important for the current Lord Mayor to fulfil any promises he makes to those he meets as it is for past Lord Mayor's with experience in the Region to support the on-going work.

We are always very happy to welcome friends from government and business in the Gulf to the Mansion House, and to bring them together with business colleagues based here to talk about mutual opportunities.

I believe that the City and the UK is a strong friend and commercial partner for the Gulf. We have

some shared history, and many synergies in terms of what we do. For many from the Gulf London has become a second home. And the Gulf region is the UK's 7th largest export market. Bilateral trade with the Gulf is worth well over £10bn a year¹.

After the financial crisis, financial services worldwide suffered. But despite the crisis, by and large financial markets have continued to function effectively. Despite the crisis, London remains one of the world's leading international financial centres, with a strong skills base and diversity of markets - the business friendly gateway to Europe and beyond.

Let me give you a few examples of the City's strengths:

- A consistent politically neutral legal system that is widely used and understood globally, and confirms confidence in doing business with the UK.

¹ have done sums on UKTI report in annexe - exports of goods alone from UK to Gulf worth around £7.688bn, services would take it over £10bn, then we do have some reciprocal trade but not all itemised in reports

- A cluster of financial services that support one another, for example the largest insurance industry in Europe and third largest in the world.
- A strong reformed code of corporate governance and a reforming regulatory system; new codes of ethics are also being applied across the industry. *(eg in Insurance the Aldermanbury Declaration, in banking, Anthony Belchambers' principles which CISI is using).*

Now having travelled to some of the Gulf States earlier this year I would like to give an overview of some of the opportunities there.

As you will be aware the Gulf region is a fast growing area for the financial services sector and there is a significant opportunity for the UK to demonstrate its skills and share in that growth.

The one thing we hear from the Gulf is that the British are just not there, we would like to do business with them but where are they!? So the aim of today's event is to highlight key

opportunities in the Gulf region to you and to encourage you to 'go for it'.

For many years, the trade equation with the countries of the Arabian peninsular was simple and – arguably – rather unbalanced.

Gulf countries produced oil and gas which was sold to the rest of the world. City firms helped to channel and invest the resulting revenues and to provide other services to these oil-based economies.

We have all moved on. The challenges are greater – but so are the opportunities.

I think there are three key drivers – diversification, demographics and the eastward shift in the world economy.

Diversification shows how determined all the GCC states are to move away from dependence on hydrocarbon production – to create broad-based economies plugged in to the whole spectrum of

world trade. Oil and gas are of massive importance and will remain so for many years to come. I'm not going to venture into the 'peak oil' debate! – but I will say with confidence that it will be a *very* long time before hydrocarbons are replaced or supplanted as a major energy source.

But clearly there is no complacency in the GCC about this. But clearly there is no complacency in the GCC as evidenced by each of the four countries that I have already visited.

Dubai has clearly set the pace and is now recognising the need for well-trained practitioners with ETQ agreements with CIMA and ICAEW; it now recognises PPP as one way of maintaining the necessary growth in infrastructure whilst reducing its considerable deficit.

Abu Dhabi has already started on its ambitious long-term 'Project 2030' as well as strengthening its Regulatory strategy with an MOU signed between Barbara Ridpath of the ICFR and the Emirates Securities and Commodities Authority.

In Qatar [we met with the Emir, PM and other senior Ministers.] There is a move to focus on insurance and reinsurance and I much look forward to hosting His Highness at our State Banquet in late October thus strengthening the existing ties between our two countries.

Bahrain continues to be a main financial hub for the northern Gulf and looks to the CISI and other institutions and Universities to strengthen their financial services qualifications. The links with London regarding Islamic Finance are strengthened through the Bahrain-UK Islamic Finance Working Group and there have been a number of conferences that I and others have attended over the last 6 months to ensure that London remains pre-eminent in the West.

And there is Saudi Arabia with its proposed four or five Economic Cities where infrastructure build and education will be key to each and every initiative. I recently hosted an event that introduced a dozen or so top international banks to the Saudi Binladen

Group who are developing two projects worth US\$1Tn.

Mansion House was also involved in the recent inward visits of the Jeddah-based Islamic Development Bank and of the Saudi British Joint Business Council whose wide-ranging remits are to strengthen Saudi-UK business.

Next month I will be going to Oman to support the City's interests notably through the OBFA forum and to celebrate 40 years of enlightened leadership.

En route for the UK I will drop in on Kuwait where, I understand, there really is movement with regard to the long-overdue infrastructure projects. I particularly look forward to taking a strong contingent of PPP experts to ensure that the City is in the frame and looking for long-term contracts in support of this programme.

For decades, several Gulf States have established 'funds for the future' in order to provide a flow of

income for the day when oil no longer flows – however distant that might be. Some of those funds, like ADIA, the KIO and the QIA, are now among the largest players in world markets, and we welcome their choice of London as a major centre.

Much of their influence is quiet, discreet, understated. But from this Hall it is not far to Cheapside, the City's 'high street' where new developments have been partly financed and driven by the Kuwait Investment Office. Or we can look across the river at the 'Shard of Glass', owned by Qatar.

That spreading of financial risks has been joined by business diversification. GCC countries are tourist, cultural and educational centres – IT and processing centres – producers of petrochemicals – transport hubs – the list goes on. Abundant natural resources, ample capital, ingenuity and a place at the crossroads of East and West have helped – but it's taken resolution and far-sighted policy decisions as well.

This diversification creates opportunities for both sides of the trade equation. Gulf companies are international players; Gulf centres are global business hubs. London can flourish if it continues to be effective and competitive - in delivering business services, and mobilising capital for them and with them.

In parallel there are the demographics of the region. The figures are challenging, to say the least. In Saudi Arabia local citizens comprise around 73% of the population. 48% of that proportion – 35% overall – are under the age of nineteen. There is a broadly similar dynamic in other GCC states. Young minds, energetic young people – but people who need housing, water, power, transport and above all jobs. Not just now but way into the future as life expectancies rise.

And these jobs will be provided not just by large companies, let alone by the state. It will be essential to develop the culture of the small entrepreneur – a crowded and vibrant SME sector.

Public authorities can assist with workspace and procurement policies but advice and encouragement are needed as well.

This demonstrates the scope for British based training, higher education and professional qualifications.

These are already respected throughout the Gulf – as a Chartered Accountant myself I was honoured to present the Institute's first awards to local candidates who had trained and qualified in Dubai. But there is much more that can be done and it is clear that GCC governments, companies and professional bodies have a huge appetite for collaboration and the joint delivery of training and qualifications across the whole spectrum of business and public service.

Infrastructure development underlies both demographics and diversification. Again the ambition is awesome and the sums involved are massive. Power and water are the staples of growth, but ports and airports, roads and indeed

railways are the future as well. It's strange to think that in a few years time those proceeding sedately along the Sheikh Zayed Highway between Abu Dhabi and Dubai are likely to be overtaken by a fast train, delivering its passengers into the heart of each city.

Once again, I want to point to the scale of the opportunities for City business. These include mobilising capital and providing expertise through 'conventional' and Shariah-compliant routes, and through PPP and related methods. If we can offer expertise, competitive pricing, cultural awareness and staying power the scope is huge.

Lastly I want to underline the significance of the major shift in global economic influence that has taken place in recent years, partly but not exclusively as a result of the recent banking crisis. The GCC countries are no longer – if they ever were – simply sources of hydrocarbons and investment funds. They are not peripheral to the modern world economy – they are at the heart of it. It is a responsibility for them – and a challenge

for us. They are no longer just passive strategic investors – though that remains an element of their approach. They are also venture capitalists, deal-makers, suppliers of private equity to world business. The flow of capital and expertise is firmly two-way.

I was asked to touch on the challenges businesses will come up against doing business in the GCC countries. The Gulf countries are like any new market: will take a while to make contacts and get established. The City Corporation and Lord Mayor's overseas trips may help (and the next Lord Mayor will be travelling to the Gulf again next year - the programme for next year will be on the City of London Corporation website in a few weeks'²); UKTI will also support businesses looking to export or set up offices overseas; and a new membership-led financial services body called TheCityUK which the City Corporation is supporting, may also be able to help.

² www.cityoflondon.gov.uk/lordmayor

The City would like to be a good friend and a good business partner for the GCC countries. I hope that the conference today opens up some interesting opportunities.

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