

UAE is up to the Global Challenge

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ABU DHABI - The President, His Highness Shaikh Khalifa bin Zayed Al Nahyan, has said that the impact of the current global financial crisis on the national economy of the United Arab Emirates has been misunderstood and exaggerated.

He has expressed confidence in the ability of the UAE's financial and economic institutions to address the issues and safeguard the country's status and reputation as a centre for investment, both regional and international.

Shaikh Khalifa has made these remarks in an interview to an Abu Dhabi-based business daily in Arabic, *Al Roya*, which goes online and into print today. The first issue will contain the detailed interview. It can also be viewed on its website: www.alroya.com.

"Our national institutions will be able to counter any temporary burdens resulting from the global financial crisis, thanks to their accumulated experience, respect and credibility in the markets they operate in, as well as to the keen interest of the government in providing support to them to counter such burdens," he has said.

He has added that the UAE is dealing responsibly with the international community and the efforts being made to face the impact of the global economic crisis are in accordance with its capability as a developing nation.

He has said that the UAE is working with the international community to find the best available solutions. "We (have) worked within the Gulf Cooperation Council (GCC) towards shaping a collective position on the crisis. The Kingdom of Saudi Arabia had been delegated to express this position at the G20 Summit in Washington in December 2008," he added.

The President has said that the international financial crisis has exposed the structural shortcomings in the world financial order, which, in turn, requires the world's major economic powerhouses to act swiftly to remedy these ills so that the world can chalk out the right path to containing its consequences.

The President has categorically denied rumours about the depth of the crisis Dubai is facing and that the Government of Abu Dhabi seeks to acquire a number of Dubai government-owned companies. He has said that the relationship between members of the UAE Federation has been misrepresented.

"We are ... one strong, coherent body. As for the measures taken (at) the federal or local level, to address the crisis, they were declared and (made) clear-cut. There was no need to unleash predictions in this respect," he has said.

Shaikh Khalifa has further said, "Any economic measure should maintain high standards of transparency and this is what we are doing in handling the current financial crisis."

The President emphasised that the stature the UAE is occupying on the map of global economy was not casual or temporary or born out of a certain economic condition, rather it was a fruition of tireless efforts at both federal and local levels.

On oil prices, Shaikh Khalifa has said that the surge in revenues generated during the boom in world oil prices in 2008, though relatively short, has been reflected in the public spending and salaries. "The federal budget has seen a remarkable increase and maintained balance despite the rise in expenditure."

Furthermore, these resources have contributed to increasing investments, which backs the drive for a diversification of source of income.

The President has called for creating a mechanism to control the world oil market and prevent harmful speculation. "There is also need to introduce criteria concerning tax imposed on oil." It adds up to a burden heavier than the original price of oil, he has concluded.

Following is the full text of the interview

Within a very short span of time, the UAE has transformed into a modern and progressive state with one of the world's best economies. It has even moved to become the second largest Arab economy.

Does the current slowdown in global economy ring a bell about a slump in the domestic economic growth?

We are part of the global economy that affects and get affected by it. No doubt the recent economic developments in the world have impacted our national economy. However, we are trying our level best to contain those impacts and to overcome them, benefitting from the relative resilience of our economy that enables it to adapt and to address the crisis in a way that is aligned with the strategic vision and with the aspirations and hopes of the citizens. Adjusting some of the priorities as part of the adaptation process does not mean that the whole process is prone to slowdown and threats.

The UAE economy is protected by sound and stable financial and economic institutions. I am confident that the concerned financial and economic authorities are capable of coming up with a remedy that will maintain UAE's regional and international image and render its position in the global map as a highly credible oasis for investments.

Your Highness; during the opening of IDEX 2009, you have sent clear messages that your strategic plans include enhancing the country's reputation as a global economic hub. How do you view the challenges posed by the global crisis. Do these challenges carry 'burdens' or 'opportunities' for the national economy?

Turning into a global economic hub is not done by a mere decision. It is a culmination of years of efforts and planning. These efforts are not limited to economic building, but they include infrastructure, improving services and social development that includes development of human resources through education and training, as well as improving the legislative and regulatory environment. The position attained by the UAE was neither temporary nor a result of certain circumstances. It is in fact a fruit of a hard work at the federal and local levels. That hard work translated into a reality through hundreds of institutions which run different productive, services, financial and economic sectors.

We are aware of the challenges, but our institutions are not fragile. They are capable of overcoming any difficulties, based on their previous experiences which helped them consolidate their operations, improve their performance and address any gaps. We are confident that our national institutions will be able to confront any challenges, thanks to their track record that earned them respect and credibility in the different markets, and thanks to the government support. These institutions will not miss any opportunity that may come their way when this crisis is over.

Of late, we have seen the federal government stepping in to strengthen local banks and companies' financial position. What are your directions on this, and what kind of reassurance do you want give?

The government does not work separately from the private sector's banking, services and commercial entities. The country's economic philosophy is based on encouraging individual initiative and the free market.

The government is committed to provide the economic environment where the private sector can play a vital role in the development process. Therefore, it is natural that the government will rise to assist the national private sector when needed to enable it play its role as a key driver for development.

This approach is not new. It has always been an integral part of the government's mandate since the inception of the federal state, when the government, through its contribution in financial institutions and public shareholding companies, participated in developing capabilities of the private sector, enabled it to carry out mega projects, to increase its competitive levels within the region and to even join international investments. This shows that the support given by federal and local authorities to some banks and companies is not a new development. It could be new in terms of size and time, but these are related more to the expansion witnessed in the operations of national banks and companies and to the nature of the global financial crisis.

We have recently seen a series of layoffs of workers in the UAE private sector, a development that has prompted the government to step in through the Ministry of Labour to set regulations for preventing such actions against UAE nationals.

How do you view the interaction of companies with this crisis and what are your directives in this respect?

I don't think the said dismissals have reached the level of a phenomenon. However, the government is following up the situation in virtue of the provisions of the law in a way that serves interests of all concerned parties. I would like to point out here that legal measures have two courses : On one hand, they protect the employee from arbitrary, unlawful sacking. On the other hand, they award companies the right to hold the employee accountable in terms of performance and productivity. My view is that it is not in the interest of the private sector firms to fire the punctual and productive employee.

Should there any cases of layoffs because of slackening of work in some firms, there are also alternative job opportunities in other firms or government establishments and companies which are keen to provide decent employment to UAE nationals through absorbing them in public companies or spurring private companies to tap their national energies.

Impacts of inflation have in recent years weighed on the UAE in general and Abu Dhabi in particular. What are the adequate methods to curb inflation? What efforts taken by the federal government or by the government of Abu Dhabi in this regard?

Inflation was one of scores of woes economies of many countries faced during 2007 and 2008. Bulk of that inflation was a reverberation of what was happening on some international markets which we have financial and commercial dealings with. Fluctuation of foreign exchange rates, slump on interest rates on assets and speculations on financial markets have contributed to deepening the problem.

The government and monetary authorities have taken a series of measures at that time to mitigate the impact of that inflationary condition. Most prominent among these steps were the hike in salaries in order to allow employees face the high increase in prices and control of the rents market through regulating the landlord-tenant relationship with the aim of arresting the continuing surge in rents of residential units, the sector hit most by the inflation. These measures were confined to the federal level only, but they also covered the local level.

The current international financial crisis have raised a lot of questions and rumours especially on its fall out on the Emirate of Dubai and the past and present role of Abu Dhabi in this regards.

What is kind of bond between the UAE people? Is it true that Abu Dhabi is seeking to acquire many companies owned by the government of Dubai?

We are monitoring reports on this issue and I think there were misunderstanding and exaggeration in assessing the impact of the crisis on us. There were also misinterpretations of the relationship that binds member emirates of the UAE Federation. We are members in one entity and parts in one strong, coherent body. As for the measures taken on the federal level or by each individual emirate to address the crisis, they were declared and clear-crystal and there were no need to unleash predictions in this respect. You might have followed the measures adopted for merging some companies as part of a restructuring process to boost their capacities to address impact of the financial crisis. I would like to confirm here that any sound economic measure should maintain high standard of transparency and this is exactly what we are doing in handling the current financial crisis and in our efforts to assist our public and private firms to weather the storm.

What is the message Your Highness give the people of UAE and the businessmen , particularly those, in whom the global economic crisis sparks certain fears about the situations they are going to face in the coming weeks and months on various fronts.

At the outset, I would like to assert that we are not isolated from our people, and our doors and hearts always remain open for them. Our interaction with their hopes and concerns continue without break. So I don't feel the need to convey any message to them as the interaction with them is direct. Whatever quivers their hearts; we feel it and interact with it. Having said this, if it is imperative to address a message to them, then the message is the assertion of our well-established commitment to ensure and guarantee all the means of noble and dignified life for the citizens, to solve the hardships that threaten their lives and to remove the challenges hindering their stability. This commitment is part of our faith that our human resource is our most valuable wealth and we have to use all our resources and energy to protect it. We are fully confident that the people of UAE, which ever segment they belong to and whatever position they fill, are capable enough to face the challenges, irrespective of their magnitude and are capable to face them with national responsibility and dignity. The government will spare no effort to overcome all difficulties facing it as it is the aim of development and its balance.

How can UAE contribute to measures for finding solutions for the economic crisis that storms the world? What are its tools and capabilities in this regard?

We don't exaggerate in assessing our size; at the same time, we behave with responsibility in a way that suit our capabilities as a developing nation. In the economic interpretations given to the global financial crisis, we consider ourselves as its victims, who pay its prices. Yet we worked with the international community to help the nations affected by the crisis. We also participated, within the framework of the group of states making up the GCC, in evolving a collective stance towards it. We believe that the global financial crisis uncovered the defects in the structure of the global financial system. The major world economic powers should perceive it without delay and should work for reforming it so that we can formulate the right methods to treat the crisis and contain its repercussions.

Into which extent the UAE benefitted from boom in oil prices that was witnessed in 2008. What are the directives from Your Highness to maximize this benefit and avert the possible damages brought about by the fall in prices?

The boom in prices witnessed during last year is not the first time the oil revenue play a part in the process of development. Without doubt this wealth, which God gave us, has contributed in changing the picture of our life and provided with resources of noble life not only to the people of UAE but also for the people of many Arab sisterly and friendly countries who participated with us in the process of development and building. We thank God for he gave us a prudent leadership represented by our founding leader, the Late Shaikh Zayed Bin Sultan Al Nahyan, who taught us how can we use this wealth in the service of our nation and for the well being of our people. Talking about the boom of 2008, though it was for a relatively short period of time, the revenues it generated were reflected in the level of government spending and salaries. The size of the federal budget also grew substantially achieving a balance despite the increase in the volume of expenditure. The improvement in the revenue also contributed to a betterment in individual incomes, which naturally reflected in the local market in the form of giant projects in services and property sectors. In addition to this, the improved revenues also contributed to an increase in investments in the sectors that support diversification of economy. Now, as far as the fall in oil prices are concerned, we hope that the prices will restore their stability and will return to reasonable levels. We perceive that, in addition to our diversified base of revenues, we also possess rich experience in dealing with the fluctuations in the oil prices, and this allows us to adjust ourselves with the current slump without letting it affect our development plans and projects.

Most of the countries today tend to impose a state control by full or partial 'nationalisation' of private firms and by implementing legislations that limit the private sector's movement.

One of the most notable fallouts of the crisis is the emergence of 'protectionism' that contradicts with the principles of free trade. To what extent could these measures harm the cooperation and integration process among the GCC countries?

As I said before, we believe in economic freedom and in the role of the private sector as a key component of national economy. The idea of nationalisation and confiscation is totally rejected, but if there is a need for the government interference to correct performance of some struggling firms, we will not hesitate. We did that in the late seventies when some of the banks faced difficulties. The government then pumped cash into those banks and merged the others which led to strengthening their financial position and benefitted their shareholders. Moreover, the concept of Public-Private Partnership (PPP) has been here long before the crisis. There are many companies in which the federal and local governments have shares side by side with private investors. As for the restrictive legislations, we should differentiate between the acceptable ones that aim at providing a healthy environment for the private sector, to safeguard shareholders rights and to guarantee maximum transparency - and the unacceptable legislations that cripple the private sector with administrative restrictions and tax burdens. If the question alludes to government's intention to imitate some of the countries affected by the crisis in imposing new laws and tightening control on banks and investment firms' top managements, the answer is: the situation is different here. We do not face what these countries are currently facing. We do not suffer from legal and legislative loopholes that led to collapse in certain markets.

As for protectionism, I believe we in the GCC have overcome such fears due to the fact that the intra-GCC trade has come a long way during the past years. The demand levels are so high that there is no point for any form or level of protectionism. Moreover, the GCC markets have witnessed an unprecedented opening to many international markets. This helped improve demand on GCC products that are no longer reliant on local and regional markets.

Do you think it is too late now to set up the GCC common market, and subsequently, the Arab common market?

The economic cooperation among the GCC countries has taken several steps since signing of the economic agreement and ratification of legislations for the GCC citizenship for member countries. Such achievements could be below the aspirations of the GCC citizens but what has been achieved could form a foundation that drives the unified action among the GCC countries.

As for the implementation of the GCC common market, the process is going well, especially after agreeing on custom union and the unified customs tariff that represents the cornerstone for the common market. We do hope that the setting up of the GCC common market will speed up emergence of the Arab common market. An agreement to form an intra-Arab trade zone is already in place. Besides, several Arab countries have already joined the World Trade Organisation which requires opening markets among member countries, a step that will boost trade among different Arab states.

Is the GCC monetary union overdue? What are the major reasons hindering its emergence? Is the UAE taking a position that could delay the launch of the GCC single currency?

So far, steps towards creation of the GCC monetary union are on track as schedule. The GCC monetary authorities have gone along way in completing measures for unifying the currency. If there were divergent approaches towards this issue in terms of time-frame or required conditions before the launch of the currency, this didn't affect the core commitment of the GCC member states to have a single currency. We in the UAE have no any reservations, in principal, towards the GCC single currency. We are determined to push these efforts forward as quickly as possible.

What is the fair price of a barrel of oil in your view? What should the oil producers do to serve their common interests?

Our approach towards the fair price of oil is part of the vision of OPEC, which we are a founding and active member. OPEC's vision is based on an analytical reading of the oil market reality and alternative energy sources in addition to the global economic situation, foreign exchange rates and other economic and technical factors. As member of the OPEC and through realising the responsibility of oil producing countries towards the world economy, we have called for a joint cooperation between producing countries within and outside the OPEC and consuming countries for reaching stable prices, which in turn, sustain growth of the world economy and ensure a fair price to the producing countries, keeping in mind that oil remains the main source of income to majority of them. There is a need for creating a mechanism for controlling the world oil market to prevent harmful speculations by circles from outside of the oil equation and running only after quick profits regardless of the damage they inflict on producers and consumers.

There is also a need for introducing criteria concerning tax imposed on oil which is adding burden that has become more heavier than that of the original price of oil.

The UAE government has adopted, over the decades, a policy aimed at building friendships and boosting relations of cooperation with sisterly and friendly countries without exception.

It has distanced itself from tensions that severe relations between countries, especially Arab countries, from time to time. It also maintains a balanced foreign policy. How do you narrow the points of views between the sisterly rivals? How do you view the current state of discord among the Arabs?

Relations of the UAE with its regional and international arena are based on firm principles whose foundations were laid down by the late Shaikh Zayed bin Sultan Al Nahyan. These principles call for keeping away from the policy of axes, respecting the relationship of neighbourhood, and backing the right and justice in line with the international law and legitimacy. Thank God, we have, through these wise tenets, won the respect and trust of all even in cases where our options were not identical with options of some of them. Events and developments the Arab region has passed through have proven the soundness of this policy, a motive gives us more resolve to stick to it mainly in our bonds with all.

As we regret the state of divisions the Arab World is experiencing from time to time, we find the balanced foreign policy we are adopting gives us a spacious room for dialogue with all where we are capable of to utilise these relations to patch up ruptures between Arab sides and coordinate stances in order to arrive at common factors that lift the Arab rank from the current state of divergence.