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MINISTRY OF FOREIGN TRADE



الإمارات العربية المتحدة
وزارة التجارة الخارجية

Speech by H.E. Sheikha Lubna Al Qasimi

UAE Minister of Foreign Trade

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Topic: UAE & India Business Opportunities



**Your Highness Sheikh Mohammed Bin Rashid Al
Maktoum**

Distinguished Guests

Ladies & Gentlemen

Thank you for the incredibly warm and positive reception that we have received on this visit to one of the UAE's key trading partners -- India -- which has been described alternatively as the Elephant economy to rival the Asian dragon and tiger countries.

India is one of the UAE's major bilateral trading partners and therefore the opportunity to address you all is one that I regard as being of utmost importance. It is widely anticipated that a non-oil trade between the UAE and India is more than 52 billion in 2006 -- and today, we stand together on a precipice of mutual economic growth and prosperity.

UNITED ARAB EMIRATES
MINISTRY OF FOREIGN TRADE



الإمارات العربية المتحدة
وزارة التجارة الخارجية

Robust oil prices have created capital that the Arab world is keen to invest, while India, a trading partner for centuries, is aiming to reach the \$10 billion tidemark in attracting foreign direct investment. According to Goldman Sachs, India's economy could be larger than Japan's by 2032.

If policy makers continue on the path of economic reform — with a focus on increasing demand and competition — the flow of foreign direct investment to India will certainly increase, helping it to harness the immense potential of its young and educated workforce.

In 2006, the UAE recorded nominal GDP growth figures of 23.4% over 2005, with an overall UAE GDP of AED 599 billion or USD 163 billion. The non-hydrocarbon sector contribution has been increasing steadily over the past few years, even with soaring international oil prices... up from 46% in 1990 to 62.5% in 2006. This is indicative of the successful economic diversification policy of government. The International Monetary Fund (IMF) estimates that net FDI inflows reached about \$11 billion in 2005.

I believe we have already shown evidence of this in the way we have built upon our traditional strengths, and particularly Dubai's role as a regional trading centre and entrepot. The UAE is blessed with great wealth from oil and our mission has been to exploit our commercial expertise to develop the economy. Today UAE has demonstrated

UNITED ARAB EMIRATES
MINISTRY OF FOREIGN TRADE



الإمارات العربية المتحدة
وزارة التجارة الخارجية

excellent development and growth in its non oil economy, especially in the services sector.

By judicious use of our oil wealth we have developed an excellent physical infrastructure, a competent administration and an educated population. We have adopted an open door policy to capital and skills. We continuously strive to update our legislation and policy to lower constraints. Also in our free zones, we have gone beyond the known to establish a stable, predictable regulatory and working environment for foreign companies operating there with full ownership, and it has proved a magnet for foreign direct investment.

Looking around us today, we can see the economic result of the UAE's tourism drive – more hotels, more leisure and retail-related activities on offer. It has made the UAE a major player in the global economy and allowed us to interact with other economic blocs. Eventually this helped in creation of new jobs and the exciting new job opportunities that we're seeing today as a result of the UAE's developing economy.

From an economic perspective perhaps our greatest achievement has been Dubai's renaissance as a service centre. In addition to developing its commercial and financial capabilities, Dubai has been phenomenally successful in building on the popularity of Emirates Airline to establish itself as a regional air transport hub which has spawned a thriving, world-class tourist industry. Today, the UAE is visited annually by close to double its resident population.

UNITED ARAB EMIRATES
MINISTRY OF FOREIGN TRADE



الإمارات العربية المتحدة
وزارة التجارة الخارجية

It is reassuring to witness the emergence of the business aviation sector because it gives a strong signal that other industries and the country generally is doing well. I would like to highlight the significant role in the country's current economic success with DP World, one of the largest marine terminal operators in the world with 42 terminals spanning 22 countries. In 2006 it was recognised as the prestigious Port Operator of the Year Award adding the to success of Port Rashid and Jebel Ali which been voted “Best Seaport in the Middle East” for 12 consecutive years.

In early 2006, DP World acquired P&O, including P&O Ports. The combined 2006 throughput of the company was around 42 million¹ TEU (twenty-foot equivalent container units) from the Americas to Asia, with global capacity of more than 48 million TEU. That capacity is set to increase significantly in coming years with a committed pipeline of expansion and development projects in key growth markets, including India, China and the Middle East. Capacity will rise to around 84 million TEU by 2016.

Real estate investment boom is another area that reflects our diversification policy.

The real estate sector includes a number of mega-residential and commercial developments in Dubai and Abu Dhabi and the other Emirates. Construction has

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**Gross throughput for all terminals as at 31 December 2006:*

UNITED ARAB EMIRATES
MINISTRY OF FOREIGN TRADE



الإمارات العربية المتحدة
وزارة التجارة الخارجية

increased by over a fifth and a sign of the boom is that we have 15% to 25% of the world's cranes currently present in the UAE while we have less than 0.1 per cent of the world's population. This means that the average resident of the UAE has around 150 to 250 "more cranes" than the average non-UAE resident!

Infrastructure development offers an obvious area for both countries' cooperation and points to the direction we need to take. India needs US\$150 billion dollars in the next seven to eight years to realize its ambition to provide the country with an adequate infrastructure. It needs all the FDI it can get while we need investment opportunities. Certainly, the flow of economic opportunity is not one-sided.

One of the under-represented industries which could benefit from increased collaboration is the construction sector. Labour from India has unquestionably played a critical role in the changing skylines of UAE, but there is a greater opportunity for Indian engineering know-how on some of the Emirates mega-projects and also for our investors to partner on the development of India's construction industry.

Healthcare is another cornerstone of the UAE economies, with new hospitals, medical schools and specialist clinics under construction. Again, we have benefited enormously from medical talent from India living and working in the Emirates but there is a greater opportunity for us to invest in India's emerging healthcare sector and to enjoy the reciprocity of India's know-how in this industry.

UNITED ARAB EMIRATES
MINISTRY OF FOREIGN TRADE



الإمارات العربية المتحدة
وزارة التجارة الخارجية

Finally, the UAE financial sector could play a leading role in India, particularly in Islamic banking. According to our sources, there are more than 150 million Indian muslims, which constitutes the largest Muslim minority in the world. The UAE has a regional niche in Islamic banking. Our banks can definitely play a significant role in this arena².

According to the 2005 World Investment Report of the United Nations, the UAE had 156 greenfield investments, which made it the regional leader and put it way ahead from our neighbors. Perhaps this is partly why the United Arab Emirates was placed in the 18th position on the 2005 World Economic Forum growth competitiveness index. We were ranked just behind Germany and New Zealand and a couple of places ahead of Austria and Portugal. Another confirmation that the UAE is consolidating its 'liberal' credentials came most recently with the 2006 Growth Competitiveness Index published by the Geneva based World Economic Forum. Ranked second among Middle East and North African countries, the UAE moved up to 32nd place internationally.

In 2006, India-based companies created an unprecedented level of business opportunities in the UAE. Even the Dubai Airport, which sees hundreds of thousands of travelers

² RBI contemplating offering Islamic banking products.

<http://news.webindia123.com/news/index.html> February 18, 2006. Excerpts of the article include the following statement..." Minister of State for Finance Palami Manickam today said the Reserve Bank of India (RBI) is negotiating with subsidiaries of Indian banks to "offer Islamic banking products to meet the emerging competition" in this area." "

UNITED ARAB EMIRATES
MINISTRY OF FOREIGN TRADE



الإمارات العربية المتحدة
وزارة التجارة الخارجية

between India and the UAE every year, has India's Punj Lloyd working on its expansion as part of a US \$15 million contract. This is less than 1% from the total investment on UAE airports which is 20 Billion Dollars.

Some other successful venture between the both countries in 2006:

- In the manufacturing sector, RAK Pioneer cement industry initiated a 400 million dirham factory with 1 million ton capacity per annum at Ras Al Khaimah.
- Hinduja Group also signed a MOU with the RAK Investment Authority to create bus and vehicle assembly plants under the Ashok Leyland brand. The work already started.
- In utilities, the KEC Company secured a contract worth US \$ 300 million for tower power transmission and lines.
- The energy and gas sector saw its share of action between Gulf and Indian companies, with LNT (Larsen Turbo for power & oil pitching a contract worth \$100 million US \$ from local oil companies in UAE.
- EIL (Engineers India limited) obtaining a US \$ 5.5 million contract for engineering and designing for connecting oil pipelines.

UNITED ARAB EMIRATES
MINISTRY OF FOREIGN TRADE



الإمارات العربية المتحدة
وزارة التجارة الخارجية

- PSL Company securing a contract worth \$17 million to meet the requirement of a high-pressure gas pipeline project from UAE.

Finally, UAE is working aggressively toward economic modernization, diversification into new oil and non-oil based manufacturing and service activities, and encouragement of the private sector. I would like to highlight the ambitions of the younger generation, who have pursued careers in professional services and other new fields through their own businesses. To drive and support young national entrepreneurs, we have the Mohammed bin Rashid Establishment for Young Business Leaders in Dubai. And we are seeking collaboration with your country in service industries that require a highly educated and dynamic workforce – financial services, accounting and legal services.

A major element that underpins all of these opportunities is the pending free trade agreement between the GCC and India. We fully appreciate the strategic relevance of this agreement in increasing the level of confidence among investors and entrepreneurs as they seek joint ventures across all of the industry sectors that I have mentioned. The UAE itself is fully committed to free and fair trade with India and advancing this agenda is a critical element of our visit here.

UNITED ARAB EMIRATES
MINISTRY OF FOREIGN TRADE



الإمارات العربية المتحدة
وزارة التجارة الخارجية

Let me conclude by quoting your great Nobel Prize-winning poet and philosopher, *Rabindranath Tagore*, who said, "I have become my own version of an optimist. If I can't make it through one door, I'll go through another door -- or I'll make a door." Investors and entrepreneurs in India and the UAE are finding and making their own doors to each other's economies and with the correct regulatory framework and investment opportunities, new doors to joint prosperity will continue to emerge.

Thank you.

-End-