

H.E. Sheikha Lubna Al Qasimi Minister of Economy	@ the 3rd Middle East Capital Markets Conference 20 September 2005
The 3rd Middle East Capital Markets Conference	



Distinguished Guests

Ladies and Gentlemen :

Let me welcome you to the Third Middle East Capital Markets Conference. The issues at hand are more complex and certainly require our undivided and devoted attention. The successful continuation of the status-quo makes it imperative on us to be forward-looking, innovative and brave in prescribing whatever remedial solutions such a success may demand.

It goes without saying, but better said, that no business cycle ever lingers on forever no matter how good it is, and regardless of how welcome that cycle is. It is bound to fizzle out and disappear . It is fashionable these days to write books on freak economics , or on the wisdom of the crowds over the scientific derivations of the specialists . I also believe that even when things are at their best , someone has to exit out of the cave where the action is and reenter to forewarn the cave inhabitants that there might be other lurking facts outside a true plutonian tradition, which I humbly intend to do now.

Of course, the current economic situation in the Gulf calls for deep satisfaction and self-congratulatory moods. Oil prices are at their ever most high , external and internal balances enjoy unprecedented surpluses, and the economies are recording growth rates rarely rivaled else where.

Statistics to underscore these facts are readily available . Special attention should be focused on the two leading sectors which have benefited most of this boom and whose robustness is impacting the other sectors of the Gulf economies . These two, as you

have correctly realized, are the “real estate” and the “financial intermediation” sectors.

What is more intriguing for the observers, is the fact that both sectors have developed, during their spiral growth, new common instruments and institutional arrangements which created synergy between them. The financial sector is providing the real estate sector with the financial packages, products and diversified instruments at an awe-striking speed and volume . Meanwhile, the division of labor and the product diversification in the real estate market is prompting the financial sector to react with the same vigor and tenacity . the resultant is what we see taking place in the capital markets. The ever changing width, depth and resiliency in the stock markets attest to the dynamism of what is happening in the real market.

The increase in the number of companies whose shares are traded is mostly linked to those two sectors, and the depth in any share is mostly manifested in these two sectors as well. For policy makers , these developments are not construed as danger signs when the boom cycle bids us farewell, but as an opportunity which must be harvested to achieve long-charished goals of the Gulf economies. These two aspired objectives are diversification and sustainability . The question that immediately poses itself is : How does a macro-policy maker do that without upsetting the apple cart? How can we maintain reconciliation between private sector interest and public sector pursuits ?

Ladies and Gentleman :

I am not a stranger to the outcries which call for keeping things as they are because things are good. Why would the government interfere in the economic process in a “laissez-faire” economy ? the reasons for government intervention are well-known, because it is the duty of governments to stabilize , create proactive environment for growth and to prevent abuse whenever there is a legal vacuum or loophole which can be utilized for the benefit of the few at the expense of the oblivious many . When the Central Bank in the UAE intervened to prevent open credit extension to potential subscribers of new IPO’s , it was motivated to check market over-exaggerations and misleading information. This measure was truly preventive and well-justified. The

stock exchange market became less erratic and less jittery , but did not lose its energy . it was a win-win situation.

However, other government policies were aimed at creating conducive environment for more diversification and greater market capacity. I have called for the amendment of the “Company’s Law” in areas where I thought it was detrimental to further expansion. So, I suggested that we amend the articles which make it almost impossible for successful family business to go public .

Thus, an amendment was introduced to change the stringent condition of offering 55% of the capital equity in the market before any family or private business can be incorporated. To allow 25% or 30% to be sold is a big leap of faith forward . Can you imagine how much good change would be effected if all notable family and private business go public? It will create the opportunity to dynamize the stock exchange , diversify the economy , create wider equity participation and produce the resiliency in the market which would make it much more attractive.

There are other amendments which we are calling for. Our full economic potential can be realized by securing our deserved place in the world economy, and by our inherent ability to interact with it. I have been globe-trotting in order to foster the economic relations with regional and international partners . We have, or we are about to, sign free trade agreements with many. Our competitiveness has been put to the test, and we have succeeded with flying colors even before the current oil price boom had begun. The current situation adds strength to that globalization trend.

Ladies and Gentlemen :

While we are gathered here, we are only few yards away from the Dubai Financial International Center which is soon to host the first regional capital market (the Dubai International Financial Exchange). We are proud of this achievement and we hope that DIFX will be the first step towards the globalization of Gulf stocks. Some commentators have attempted to dilute the positive impact of this step under the assumption that stock prices are already too high to be internationally accepted. To them I say that over-priced stocks will eventually have to pass the market test and be

subject to healthy corrections. Why not ? we are building solid institutions which transcend the short-term hick-ups.

Ladies and Gentlemen

Let me welcome you again to the country of Shaikh Khalifa Bin Zayed al Nahyan where change is a policy as long as it has a purpose, and where the insistent search for the better is ceaseless . we are not afraid of growing under the pretext that it may create some problems , nor are we afraid of facing the problems on the claim that they may negatively influence growth. What this country has to offer it a lot, and both public and private policies are working hand-in-hand for the realization of our objectives.

I thank you all and wish you very successful deliberations

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