



Asia House

# Insights

Comment and analysis on the Middle East ahead of the Asia House conference in Dubai:

**The New Global Trade Order**

**Sunday, 22 April 2018**



# Asia House

The Centre of Expertise on Asia

Asia House is the Centre of Expertise on Asia. Based in London, we drive political and economic engagement between Europe and Asia through our programme of events featuring thought leaders and opinion formers; through our research activity; and through our corporate advisory services.

## Driving engagement

We invite senior government representatives, business leaders and analysts to give briefings to corporate members on issues that matter to them, all given off the record to encourage free and frank discussion.

Asia House also organises major conferences on highly relevant themes aimed at moving the global debate on trade and investment forward.

## Research and advisory services

As the Centre of Expertise on Asia, we are well placed to provide research and advisory services to European businesses with interests in Asia, or Asian businesses seeking to engage with Europe.

Working to briefs provided by clients, we tailor bespoke products on specific issues, from analysis on individual markets to advisory activities.

## Corporate membership services

Corporate members at Asia House benefit from a wide range of services aimed at supporting their activities, and to equip them with the knowledge to make informed decisions.

Corporate members gain access to exclusive Asia House briefings, as well as our roundtables, conferences and speeches. We also provide ongoing research and advisory support to our corporate members.

Find out more at [asiahouse.org](http://asiahouse.org)





Asia House will produce a major conference in Dubai on April 22 in partnership with DMCC.

The New Global Trade Order will bring together government ministers, senior business leaders and officials from the WTO to discuss the current dramatic shifts in the global trading landscape, consider possible policy changes and look ahead to their impact on trade flows. China's Belt and Road Initiative and the role of the Middle East in that ambitious plan will also be on the agenda, as will new technology and the digitalisation of trade.

The New Global Trade Order conference is part of the Asia House Middle East Programme - a series of events and research activity exploring the Middle East's changing role in the global economy and its relationships with the rest of Asia and the West.

Ahead of the conference, we are sharing new analysis and expert comment on these important issues. I hope you find it a useful contribution to the global trade debate.

I look forward to seeing you in Dubai.

Michael Lawrence  
Chief Executive  
Asia House





# The Middle East's Asian Pivot

## Trade Growth and Opportunities

**Middle Eastern trade with Asia has risen sharply since the turn of the century, Asia House research has revealed. And it shows no sign of slowing.**

One of the themes that will be discussed at Asia House's conference in Dubai this month is the Middle East's trade relationship with the rest of Asia, and the opportunities that are emerging as this relationship grows. It is an issue explored by Asia House in a new research report, which examined shifts in Middle Eastern trade since 2000.

The findings of the report, titled 'The Middle East's Asian Pivot: Trade Growth and Opportunities,' tell a compelling story. Between 2000 and 2016, emerging Asian economies saw a 12 per cent increase in their share of trade with the Gulf Cooperation Council nations (GCC). During the same period, GCC's trade with established markets in the OECD - which includes the most advanced Western economies - declined by 21 per cent, from 63 per cent to 42 per cent.

These emerging economies were growing, of course, from a much lower base than the established Western markets – which still account for the majority of trade with the Middle East. However, Asia House's research also shows that the annual rate of trade growth between Asian economies and the Middle East was markedly higher than those of established markets. China's annualised trade growth with the GCC, for example, stood at 13.5 per cent between 2000 and 2016, compared to the US's rate of 4.4 per cent. India's annualised trade growth with the GCC over the same period was 14.7 per cent compared to the EU's rate of 5.5 per cent.

The research also looked at trade with Iran and Iraq, which told a similar story. Iraq's trade growth with India was 20 per cent, with the Philippines 17.6 per cent, and with China 12.2 per cent. This contrasts with negative growth with the US, at – 0.8 per cent, and with the EU, at – 0.4 per cent. The sanctions placed on Iran during 2010-2015 coincided with the country's strongest period of trade growth with China, which is currently worth US\$18 billion, the research found.

"The report reflects a growing focus from the Middle East on emerging economies in Asia," Michael Lawrence, Chief Executive of Asia House, said. "This research points to a clear direction of travel in which Asia is acquiring a growing share of Middle Eastern trade." The Middle East's Asian pivot, it seems, is well underway.

## A trend set to continue

Given that real GDP growth rates throughout the Middle East continue to be high, it is likely that the region as a whole will maintain its status as a prime destination for Asian capital investment. This will drive further financial integration and trade engagement, according to the Asia House report. We have already seen the strengthening of diplomatic ties between the two regions in recent years; Indian Prime Minister Narendra Modi's trip to the UAE in February, for example, marked the fourth high-level visit between the two countries in just three years. And in January, China's Foreign Minister Wang Yi hosted the UAE Minister of State, Sultan Ahmed Al Jaber, in Beijing, where the Belt and Road Initiative was on the agenda. An official statement read: 'China has always regarded the UAE as one of the priority directions for its diplomacy in the Middle East.' This diplomatic intensification between emerging Asia and the Middle East can be seen across the region.

These factors indicate a continuing trend of increasing Asia-Middle East trade, the report concludes.

## Opportunities

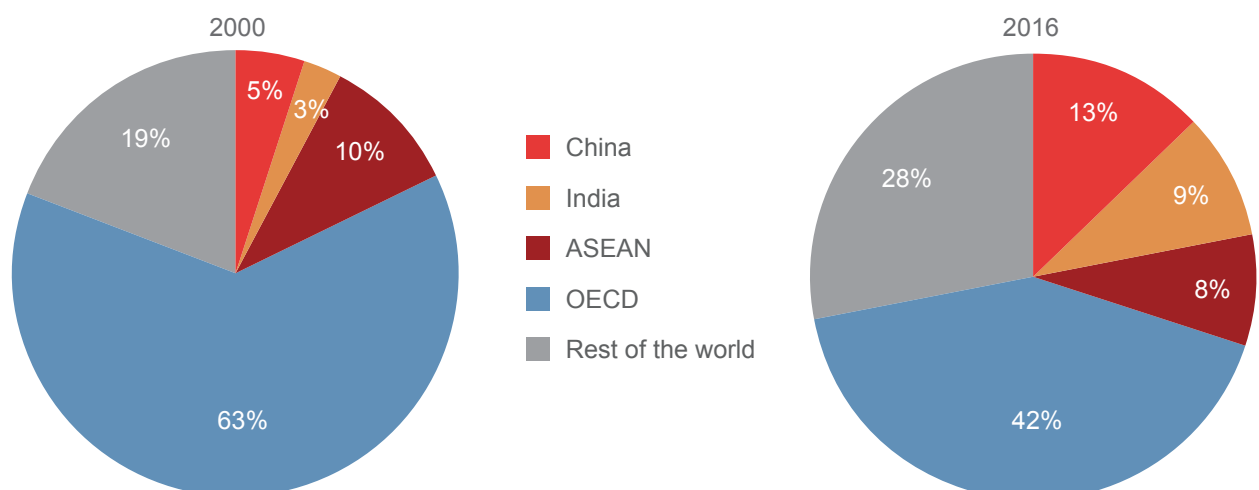
So what will the key opportunities be as this trade relationship grows?

There are several big-ticket items that should provide opportunities for multinationals already operating in the region, and those looking to expand into new markets. Perhaps the biggest of them all is the Belt and Road Initiative (BRI) – China's landmark infrastructure programme. This web of ports, logistics centres, railway developments and highways will comprise the largest infrastructure project in world history, spanning three continents.

The BRI has the potential to improve the trade networks of more than 60 countries, with a combined population of more than four billion, and one-third of the world's GDP. The project seeks to alleviate the infrastructure gap between East, South and Central Asia – a gap that impedes continued high growth rates – as well as balancing out excess capacity in China's steel, cement and construction industries.

Due to the huge scale of the project, there will be a number of opportunities for multinationals engaged with or surrounding the BRI's six main economic corridors. While the infrastructure investments needed to realise BRI are likely to continue to be led by Chinese SOEs and local firms, there will be opportunities for multinationals to enter joint ventures and other strategic partnerships with regional governments or Chinese firms – particularly in areas such as clean energy and sustainable projects, in which China has already sought international expertise.

**GCC share of trade with selected countries, 2000 vs. 2016**



Source: UNCTAD statistics; author's calculations.

This creates an opening for Western professional services firms in consultancy, accounting, banking and insurance to implement good governance and transparency, enhancing the impact of BRI. The project will also open new consumer markets along the trade routes that run through the Middle East.

Another area of opportunity is the Saudi 'Vision 2030' which aims to reduce Saudi Arabia's dependence on oil, to diversify its economy, and to develop public service sectors, such as health, education, infrastructure, recreation and tourism. To develop public service sectors and diversify the economy, Saudi Arabia will seek international expertise, along with FDI, which is key to diversifying the economy and providing jobs for younger generations. Saudi Arabia's desire to exploit its strategic location at the crossroads of Asia, Europe and Africa will result in increased investment in trade infrastructure, as well as harmonisation of regulatory regimes.

Similarly, the UAE's Vision 2021 brings opportunities across six national priorities that the UAE has identified in order to maintain economic competitiveness and improve public services. The UAE seeks international expertise and FDI to achieve these goals. Aside from this, the plan is likely to enhance the UAE's role as a reexport hub, which will facilitate its increase in trade with the rest of Asia, as well as creating further opportunities in trade infrastructure development and trade financing.

Reconstruction efforts in Iraq have surged since Islamic State was driven from most of its territory at the beginning of 2018. This has led to a variety of sources pledging amounts of capital investment, including US\$5 billion from Turkey, US\$3 billion from Iran, US\$2 billion from Kuwait, US\$500 million from the Islamic Development Bank and US\$510 million from the World Bank. In total, US\$30 billion was raised in February 2018 – but this falls short of the US\$88.2 billion Baghdad is aiming for, and the Government must now seek the remaining investment from other sources. Approximately one-third of the country is within the area for reconstruction, with opportunities emerging across both economic reconstruction and infrastructure projects.

**You can read more about The Middle East's Asian Pivot, and access the full report, at [asiahouse.org](http://asiahouse.org)**

## Growth sectors

### Insurance

In 2016, the combined value of the GCC's insurance market stood at US\$26.2 billion. Due to the GCC's focus on certain types of insurance (90.4 per cent of the insurance market is projected to be dominated by motor, health and property insurance by 2021), it is set to witness significant growth in professional services in general as domestic populations increase and large-scale construction projects near completion within the next five years.

### Plastics

In 2016, 27.1 million tons of plastic polymers were produced in the GCC, a 5 per cent increase on the previous year. This steady rate of growth is expected to continue, with a predicted export size of 34.5 million tons by 2022. In the coming five-year period, 70 per cent of all supply growth is likely to come from commodities polymers, in which the GCC is increasingly gaining a foothold.

### Renewable energy

The GCC's collective economy is heavily based on the export of energy resources, with a notable focus on oil and gas reserves. With increased global competition in these areas, and the uncertain future of worldwide fossil fuel consumption and pricing, many leaders in the region are turning towards alternative, more sustainable forms of energy. As regional demographics and industrial output continue to grow (thus fuelling demand for domestic energy consumption), a growing need is developing to recalibrate the domestic energy market towards renewables.





# Asia House Middle East Programme

*Michael Lawrence, Chief Executive of Asia House (left) and Lord Green, Chairman of Asia House (centre) speak to Alistair Burt MP, UK Minister for the Middle East at the Foreign and Commonwealth Office, who launched the Asia House Middle East Programme in March 2018.*

## The aim of the Asia House Middle East Programme is to drive European and Asian engagement with the region.

The Asia House Middle East Programme, launched on 1 March 2018, consists of a series of events and research activity aimed at exploring the region's role in the global economy and its relationships with Asia and the West.

There is an opportunity for the Middle East to enjoy major growth as Asian economies rise, owing to its strategic position between Europe and Asia and its long-established trade relationships with both. This is therefore a pertinent time to launch the Asia House Middle East Programme.



### Briefings

Asia House regularly invites senior policy makers and business leaders to address an audience of 20-30 corporate representatives.

### Conferences

The Asia House Middle East Programme includes at least one major conference in the region each year.

### Research

Asia House, as the Centre of Expertise on Asia, conducts research to provide new insights and analysis to inform business and policy decisions.

### Public events

The Asia House Middle East Programme also features public events to engage a wider audience in this important dialogue.

To find out more, please contact Charlie Humphreys, Director of Corporate Affairs, at: [charlie.humphreys@asiahouse.co.uk](mailto:charlie.humphreys@asiahouse.co.uk)

# The New Global Trade Order

*An Asia House conference in Dubai in partnership with DMCC*

Almas Conference Centre, Almas Tower,  
Jumeirah Lakes Tower, Dubai  
Sunday, 22 April 2018

Asia House invites you to our major conference in Dubai on 22 April. Held in partnership with DMCC, the conference will feature some of the world's leading thinkers on global trade and investment and will provide insights and analysis to help business leaders and policy makers better understand – and capitalise on – the emerging global trade order.

## Speakers



**His Excellency Abdulla Al Saleh**, Undersecretary for Foreign Trade, Ministry of Economy, United Arab Emirates



**Ahmed bin Sulayem**, Executive Chairman, DMCC



**Anthony Gardner**, Senior Counsel, Sidley Austin LLP and former US Ambassador to the European Union



**Kapil Chadda**, Vice Chairman, Global Banking, Middle East and North Africa & Turkey, HSBC Bank Middle East



**Lord Stephen Green**, Chairman, Asia House



**Neil Cuthbert**, Partner, Dentons



**Anthony Butler**, Chief Technology Officer for IBM's blockchain practice in the Middle East and Africa



**Yonov Agah**, Deputy Director General, World Trade Organization



**Anne Ruth Herkes**, Former State Secretary at the German Federal Ministry for Economic Affairs and Energy



**Wolfgang Ischinger**, Chairman of the Munich Security Conference and former German Ambassador to the US and UK



**Doug Lippoldt**, Chief Trade Economist, HSBC Global Research



**Xitong Wang**, Gulf Regional Manager, China Energy Engineering Corporation



**Ravi Suri**, Global Head of Infrastructure Finance, KPMG



**Kaiser Naseem**, Head of Banking & Digital Finance Advisory Service MENA, IFC



**Michael Lawrence**, Chief Executive, Asia House

Principal Sponsor



Find out more at [asiahouse.org](http://asiahouse.org)



**Sunday 22 April**  
**08:00-14:00**

## Programme

(This agenda is subject to change)

### Registration

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#### Welcome address

Michael Lawrence, Chief Executive, Asia House

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#### Opening speeches

Lord Green of Hurstpierpoint, Chairman, Asia House

Ahmed bin Sulayem – Executive Chairman, DMCC

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#### Keynote speeches on the New Global Trade Order

His Excellency Abdulla Al Saleh, Undersecretary for Foreign Trade, Ministry of Economy of the United Arab Emirates

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#### Panel 1: The Future of Trade

Taking a broad view of the key trends emerging in the global economy, this discussion will explore the challenges and opportunities arising for businesses operating between Europe and the Middle East and the rest of Asia. This panel will offer predictive analysis on both the shifting politics as well as market developments across the global economy. Of particular interest will be the emergence of new trade hubs to service the shifting trade order, and the geographies likely to benefit.

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#### Speech: Yonov Agah, Deputy Director General, World Trade Organization

'Embracing Bilateral and Regional Trade Agreements into the Multilateral Trading System'

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#### Refreshments break

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#### Panel 2: The Belt and Road Initiative

With a specific focus on China's new approach to infrastructure development beyond their borders through the Belt and Road Initiative, this panel will take stock of the initiative's progress to date and analyse the associated commercial opportunities and economic impact of the initiative to the Middle East, and Asia more widely.

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#### Panel 3: The Digitalisation of Global Trade

This discussion will highlight the impact of emerging technologies as they enable new forms of connectivity between economies, especially among emerging markets, regional blocs and trade hubs across Asia. Analysis from a range of experts, business leaders and policymakers will identify associated policy challenges and commercial opportunities.

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#### Closing remarks

Michael Lawrence, Chief Executive, Asia House

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#### Networking lunch

To register, please email Vidul Vithlani: [vidul.vithlani@asiahouse.co.uk](mailto:vidul.vithlani@asiahouse.co.uk)

# The Middle East's 'Asian Pivot' will transform the region

**Asia's share of trade with the Middle East is growing. With it grows the prospect of social change and stable, more broadly-based prosperity, writes Lord Green, Chairman of Asia House.**



For two centuries - from Napoleon's expedition to Egypt in 1798 onwards - the Middle East has captivated Westerners animated by a mixture of commercial, cultural and strategic interests. This saw an economic relationship emerge that was heavily based on hydrocarbons, and which brought with it the politics of oil, which bedeviled the region well into the post-war period. This troubled history has coincided with instability and social challenges that oil prosperity has not succeeded in eroding; non-oil exports from the entire MENA region total less than the exports of Belgium.

Yet change is afoot in the Middle East, and we are in danger of overlooking one of the most important driving forces of that change - the growing economic links with Asia, which will in time transform the Middle East, perhaps as radically as anything we have seen yet.

The Middle East's geographic position, at the interface between Asia and the West, means it has already begun capitalising on Asia's economic rise. Research by Asia House published this month shows a clear trend. Asian economies are dominating trade growth with the Middle East, at the expense of its established partners in the West. Oil exports to Asia have of course risen rapidly as economies like China have expanded. But it is striking that non-oil exports from the region have diversified sharply in the direction of Asia too. Twenty years ago, almost 60 per cent of those exports went to the EU; in recent years that has dropped to less than 40 per cent, whilst the Asian share has risen from 20 per cent to over 35 per cent.

These trade links will only get stronger as Asia's influence grows. A tangible example of this influence is China's Belt and Road Initiative (BRI) - the cornerstone of its long term foreign policy goals. The Middle East is of immense importance to the BRI. First, China accounts for the majority of oil exported from both Iran and Saudi Arabia. Second, the region is critical to the Maritime Silk Road, the sea lanes of which pass through the Indian Ocean into the Red Sea. A peaceful, stable Middle East is therefore of primary interest to China if it is to achieve energy security and see the BRI flourish.

We are already seeing Beijing flex its geopolitical muscle to achieve this stability. It has built its first overseas military base in Djibouti. Last year it struck deals with Iran and Saudi Arabia to keep both endowed with generous levels of Chinese investment. All this gives new influence to a Beijing which has an obvious interest in constraining the deep-seated rivalry between the Middle East's two main regional powers.

The investment and infrastructure that will come with BRI, combined with the Middle East's growing trade with Asia, is a potent mix which could unleash the region's full potential. It could see new trade hubs rise, generating new jobs, greater connectivity, and, crucially, further urbanisation. And it is this that will bring profound social change.

Urbanisation, accelerated by trade with Asia, will just as surely change the Middle East in the coming decades as it changed Europe in the nineteenth century. The region's urbanisation story is already as dramatic as anywhere in the world. The urban percentage of the population has risen from 35 per cent in 1960 to 65 per cent today, and is still rising rapidly - at a rate faster than anywhere else in the world except



Sub Saharan Africa. The new Asian relationship will drive this process even faster.

History shows us that urbanisation fosters social change. All children - but especially girls - are much more likely to get at least some education if they live in urban societies. And education creates connections with the wider world. The Middle East has some way to go - even in the prosperous Gulf countries, and certainly in the rest of the region. But the direction of travel is clear, and is impossible to reverse.

New winds of change are blowing from the East. And they are reshaping the region. The fundamentals of a new Middle East are being laid now.

*Lord Green is the Chairman of Asia House, and the former Chairman of HSBC. He was UK Minister of State for Trade and Investment, 2011-2013.*



*Urbanisation and connectivity are increasing rapidly in the Middle East*



# The Middle East's pull factors

DMCC, the Dubai-based free zone for commodities trade and enterprise, recently published a report exploring the impact of Brexit on UK businesses. According to the report, there was a 29 per cent increase in the number of UK companies setting up in the DMCC free zone since the Brexit result - a figure that exceeds that of other European based-companies. This is just one example that indicates how the Middle East is becoming an increasingly attractive destination for businesses seeking new markets. Charlie Humphreys, Director of Corporate Affairs at Asia House – which has recently launched a Middle East Programme – unpacks some of the factors behind the region's pull factor.



## 1 - Geographic situation

“The Middle East lies on key shipping routes between Europe, Asia and Africa. It is therefore a natural centre for trade in goods, with cities like Dubai already emerging as global trade hubs. As these centres develop to serve the fast-growing economies in Asia, there will be significant investment opportunities in the region, from infrastructure projects to emerging sectors that will arise as Middle Eastern markets continue diversify away from oil and upgrade their physical and digital infrastructures.”

“The region also represents a key section of the maritime element of China’s Belt and Road Initiative (BRI). Although the BRI is still at an early stage, and yet to be proven as a game-changing development, it has already received considerable international support from government and private sector organisations. If Middle East countries are able to work effectively with China and partners along Belt and Road geographies to foster commercial opportunities for the private sector, there is considerable scope for economic growth in the region.”

## 2 - Established trade relationships

“The Middle East is particularly attractive to Asian economies because it has long-established trade relationships with Europe and the US, mainly as a legacy of its hydrocarbons trade,” Charlie says. “The region can therefore act as an interface between Asian and Western markets, capturing a new dynamic in global patterns – that of countries traditionally thought of as ‘emerging markets’ playing a more comprehensive role in production and cross border trade.”

## 3 - Business environment

“Falling oil prices have impacted on government revenues, which has led to an acceleration of diversification efforts in the region. I think we will see markets in the Middle East move to make themselves more attractive places to do business. Dubai, for example, has established a robust regulatory environment, and a legal system based on English law which has been successful in attracting more than 4,000 UK firms to the city.”

## 4 - Challenges

“The key challenge for the Middle East, much as with the rest of Asia, is associated with the persistence of open trade and investment systems and agreements. In the light of the changing trade policies of some of the major economies, many of the opportunities for the Middle East, especially the development of advanced trade hubs, will be dependent on stability within the global rules-based order governing trade and investment.”

**These issues will be discussed at the New Global Trade Order conference, held in Dubai on Sunday 22 April.**

# ACCA policy views

ACCA is delighted to support the Asia House conference: The New Global Trade Order Dubai, 22 April 2018

## The future of trade: The Belt and Road Initiative

As a global professional accountancy organization ACCA has always been in touch with the global forces that are transforming the way international trade is being forged, especially at a time when all countries recognize the growing economic importance of Asia to leading global economic revival.

In 2014 ACCA was one of the first international accounting bodies to recognize the ramifications of BRI. ACCA operates in 22 countries along the BRI trade routes where a total of 65 countries are envisaged to be directly impacted by the initiative. Being talked of as a 'game changer' not only for China but also for global trade, the predicted increase of national GDPs will present long, medium and short term risk management needs as well as strategic planning opportunities and challenges, to both the businesses and their finance leadership. ACCA believes that finance teams must be fit for the future and ready to lead the C-suite dialogue on international trade, BRI and how technology can be harnessed to grow businesses.

The Belt and Road Initiative does call out to other countries, including those of the Middle East, to be a part of the Silk Road

Economic Belt and the 21st-century Maritime Silk Road. Countries who see potential in BRI should plan and execute their own infrastructure development to connect to the BRI as well as take steps to be part of the new order capital and financial ecosystem that China and other Asian economies are collaborating on. These include the Silk Road Fund, The Asian Infrastructure Investment Bank, the new development bank (BRICS) and Shanghai Cooperation Development Bank. All of these present Asia with potential alternatives to the old world order of the world Bank and IMF, and also lays down the tracks for making the Chinese currency the Renminbi an official reserve asset.

To prepare its members and other stakeholders ACCA launched an internal BRI project to provide direction and steer to a series of ACCA initiatives on BRI and to make sure that its members and stakeholders could take advantage of the benefits as and when early and late harvest BRI projects begin to come online and also are better positioned to manage risk and plan ahead.

**The ACCA series of thought leadership publications on BRI are available through [www.accaglobal.com/insights](http://www.accaglobal.com/insights)**



## The digitalization of global trade

The other major theme of the Asia House Conference, that deeply resonates with the 21st century accounting profession, is technology. The speed of technological innovations present challenges and opportunities for the CFO and the finance function. Harnessed correctly, technology can support business growth and help it to remain sustainable and compliant.

The opportunities for business are well documented with newer markets opening up as a result of e-commerce and digital payment options that can move payments and capital across borders with ease.

This presents the finance leaders with challenges managing complexity, uncertainty arising from diverse markets, coping with disruption through innovation but most of all how to manage big data and make sense of it to communicate in a meaningful way. This describes the so called VUCA world that leaders are now confronted with.

**The ACCA series of thought leadership publications on the impact of technology and finance are available through [www.accaglobal.com/theraceforrelevance](http://www.accaglobal.com/theraceforrelevance)**

**ACCA** Think Ahead





Asia Trade in the New Global Order

# Singapore

November 2018



**Asia House is holding its signature Asia conference in Singapore this November.**

'Asia Trade in the New Global Order' will assemble leading figures from business and policy to share analysis and insights on emerging trends in the trading landscape. The conference will focus on future developments across policy making and tech, and how these will shape global trade.

The Singapore conference follows Asia House's highly successful conference in Hong Kong in 2017, which brought together more than 260 delegates from more than 150 organisations, and speakers which included current and former representatives from seven governments. Carrie Lam, Chief Executive, Hong Kong SAR, gave a keynote speech.



"My thanks to Asia House for bringing this prestigious event to Hong Kong. I am sure Asia House, with its expertise on Asia, and as the leading pan-Asian organisation in the United Kingdom, will continue to provide a forum for decision makers, business leaders, and opinion formers to engage in high level discussions that direct business and political strategies."  
**Carrie Lam, Chief Executive, Hong Kong SAR, speaking at Asia House's conference in Hong Kong in 2017**

**Asia Trade in the New Global Order 2018 will take place in Singapore this November.**

For more information, and to register interest in sponsorship and partnership opportunities, please contact Anthea Ow, Content Producer: [anthea.ow@asiahouse.co.uk](mailto:anthea.ow@asiahouse.co.uk)



**DMCC**

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