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**Italia-GCC Partnership  
for a  
New Global Economic Geography  
ABI-GCC Forum  
Rome, 27-28 October, 2008**

**Dr. Nasser Saidi  
Chief Economist  
Dubai International Financial Centre Authority**

# Agenda

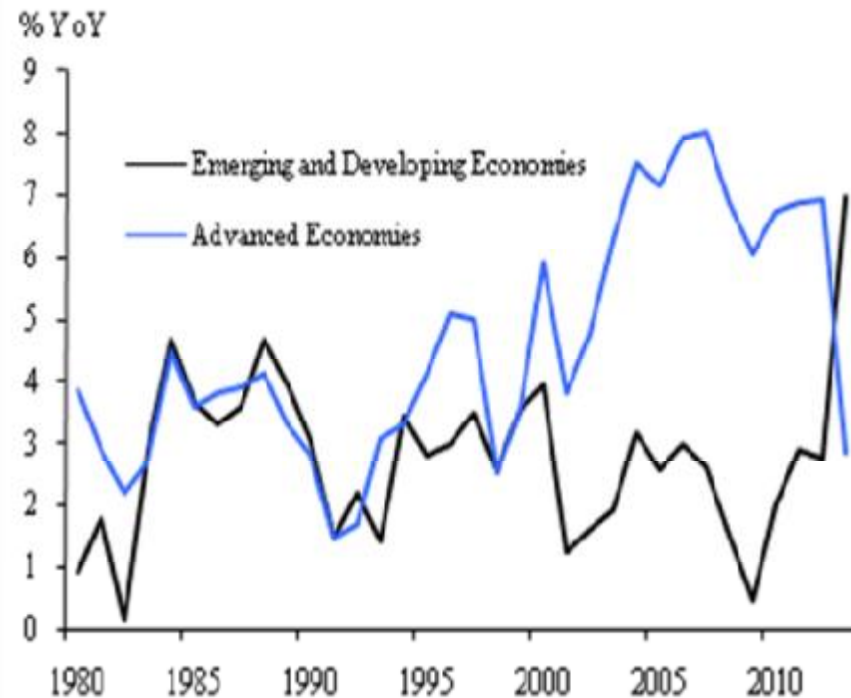
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- GCC Economic & Financial Prospects
- Capital Expenditure driving growth in the GCC
- Financial Markets and their role
- DIFC, DIFX and DME
- Capital Market Development Imperative
- Italia-GCC

# MENA - ahead of the global economy DIFC

- Emerging markets have contributed 2/3 of global growth since 2002.
- EM Major beneficiaries of 'Great Moderation' - the large decline in the volatility of inflation and real GDP - starting in the early 1980s .
- Increased evidence of 'de-coupling' from US/EU business cycles
- MENA countries have achieved above trend average real GDP growth (5.7% over 2004-2007).
- GCC have achieved average real GDP growth of 6.4% over 2004-2007 vs. 4.0% in 1998-2002, with increased diversification of economic activity, while in nominal terms growth has averaged over 25% p.a.

GDP growth shows evidence of decoupling



Source: World Economic Outlook, October 2008

- Continued high growth is forecast in 2008: MENA at (6.3%), GCC at (7.1%), oil exporters (6.4%) and Central Asia (7.7%).
- Growth is investment led with strong private sector participation and record FDI levels.
- Investment & infrastructure leading to an increase in productivity growth, economic diversification and absorptive capacity.

Source: EIU, IMF & DIFC Economics

# GCC : Strong Macroeconomic conditions



Real GDP Growth (in %)							
	Average				Est.	Proj.	Proj.
	2000–04	2004	2005	2006	2007	2008	2009
Bahrain	5.6	5.6	7.9	6.5	6.0	6.3	6.0
Kuwait	13.4	10.7	11.4	6.3	4.6	5.9	5.8
Oman	4.6	5.3	6.0	6.8	6.4	7.4	6.0
Qatar	8.9	17.7	9.2	15.0	15.9	16.8	21.4
Saudi Arabia	3.7	5.3	5.6	3.0	3.5	5.9	4.3
United Arab Emirates	7.7	9.7	8.2	9.4	7.4	7.0	6.0
<b>MENA</b>	5.2	5.7	5.5	5.7	5.8	6.3	5.0
<b>GCC</b>	5.9	7.5	7.0	5.6	5.5	7.1	6.0

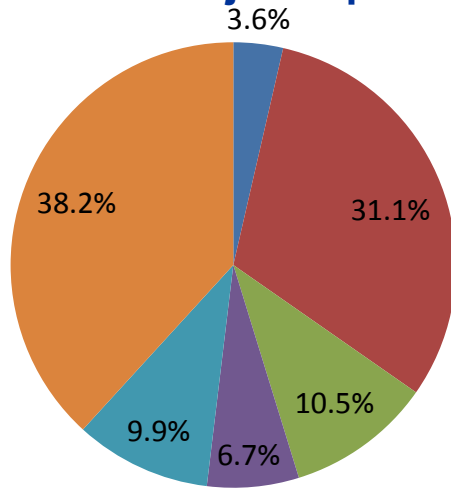
Consumer Price Inflation (in %)								Official Foreign Reserves (USD billion)							
	Average				Est.	Proj.	Proj.		Average				Est.	Proj.	Proj.
	2000–04	2004	2005	2006	2007	2008	2009		2000–04	2004	2005	2006	2007	2008	2009
Bahrain	0.3	2.3	2.6	2.2	3.4	4.5	6.0	Bahrain	1.4	1.6	1.9	1.0	4.1	5.5	6.5
Kuwait	1.2	1.3	4.1	3.1	5.5	9.0	7.5	Kuwait	7.9	7.3	8.1	12.6	15.9	21.1	23.8
Oman	-0.3	0.7	1.9	3.4	5.9	11.2	9.0	Oman	3.1	3.6	4.4	5.0	7.2	10.1	11.8
Qatar	2.5	6.8	8.8	11.8	13.8	15.0	13.0	Qatar	2.0	3.4	4.6	5.4	9.8	13.8	19.6
Saudi Arabia	-0.2	0.4	0.6	2.3	4.1	11.5	10.0	Saudi Arabia	21.8	27.5	26.8	225.2	305.3	413.5	505.4
United Arab Emirates	3.0	5.0	6.2	9.3	11.1	12.9	10.8	United Arab Emirates	15.4	18.7	21.3	28.0	77.9	53.7	58.1
<b>MENA</b>	5.2	7.0	5.9	6.9	9.2	14.4	12.7	<b>MENA</b>	179.4	247.2	302.6	589.8	830.8	1087.1	1321.0
<b>GCC</b>	0.6	1.7	2.6	4.3	6.3	11.5	10.0	<b>GCC</b>	51.6	62.1	67.0	277.2	420.1	517.7	625.2

Source: IMF Regional Economic Outlook – Middle East and Central Asia, October 2008

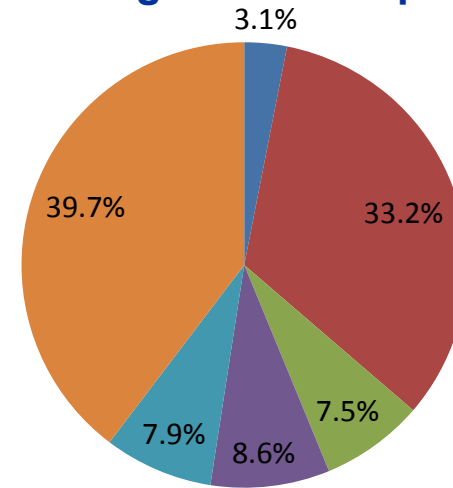
# Major Trading Partners of the GCC



**GCC's Major Export Partners – Asia's increasing share in exports**

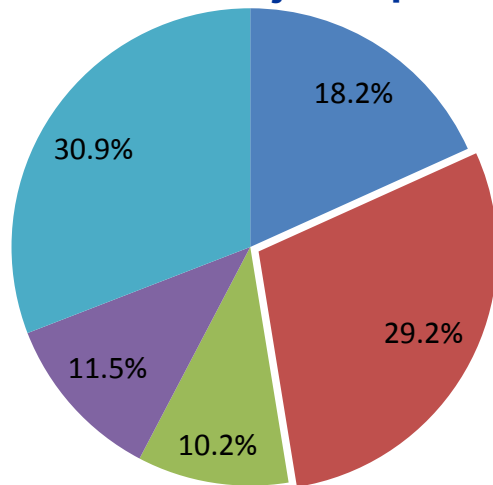


- Africa
- Asia
- EU
- Middle East
- US
- Other

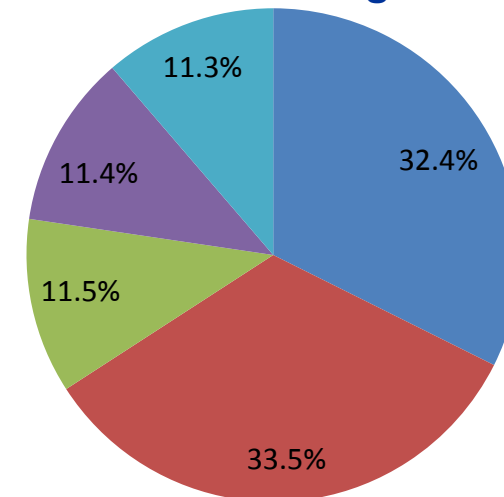


- Africa
- Asia
- EU
- Middle East
- US
- Other

**GCC's Major Import Partners – the EU and Asia's rising share**

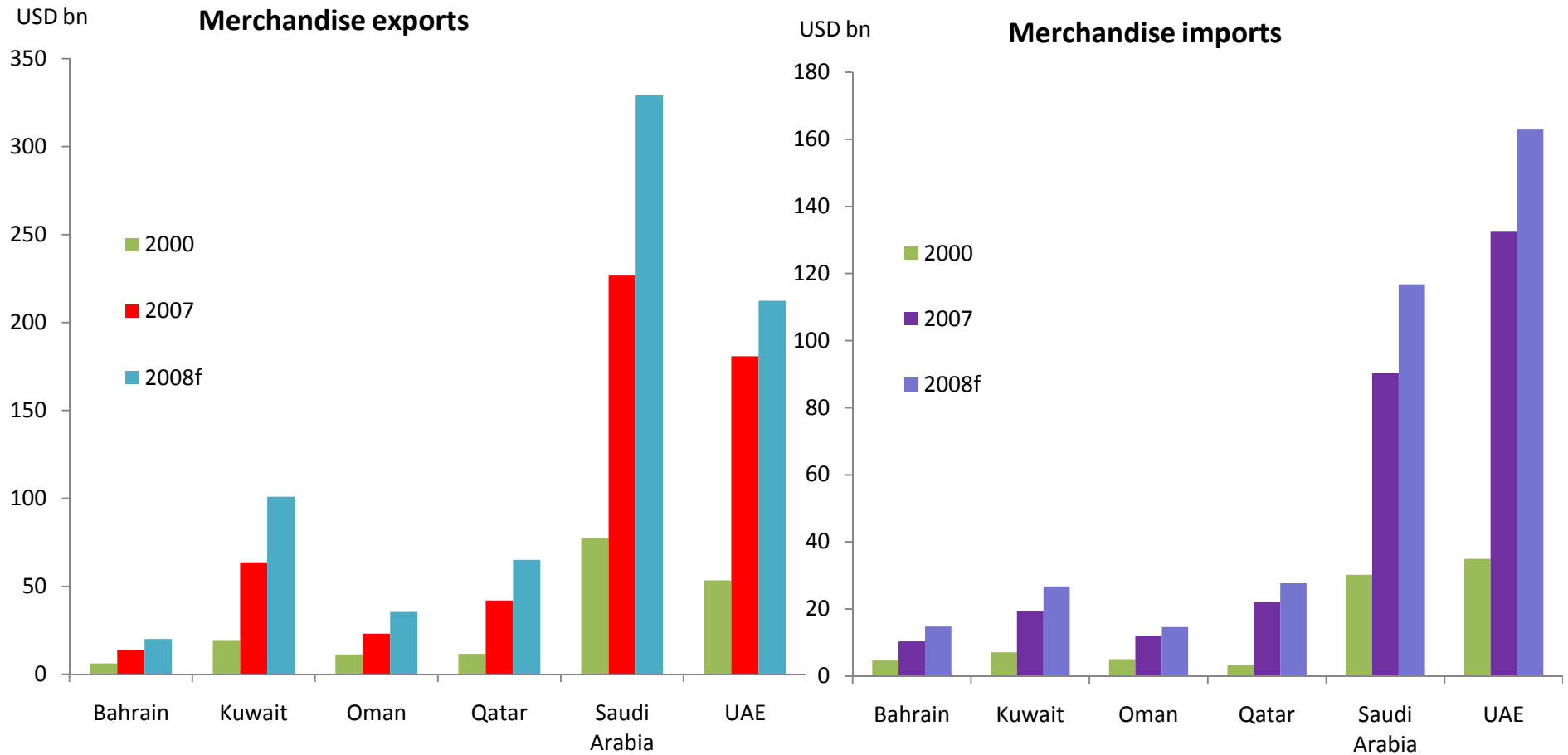


- Asia
- EU
- Middle East
- US
- Other



- Asia
- EU
- Middle East
- US
- Other

# Trade components across the GCC DIFC

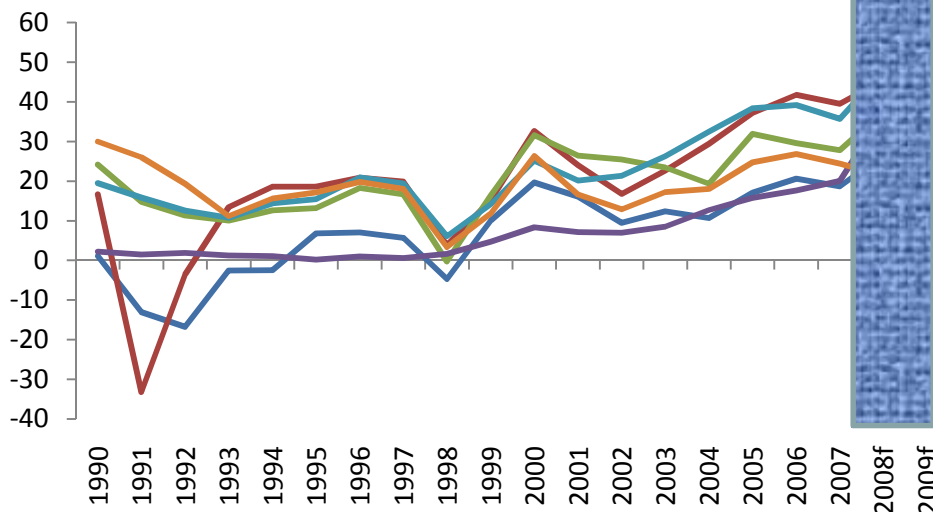


**Higher oil prices driving export growth**

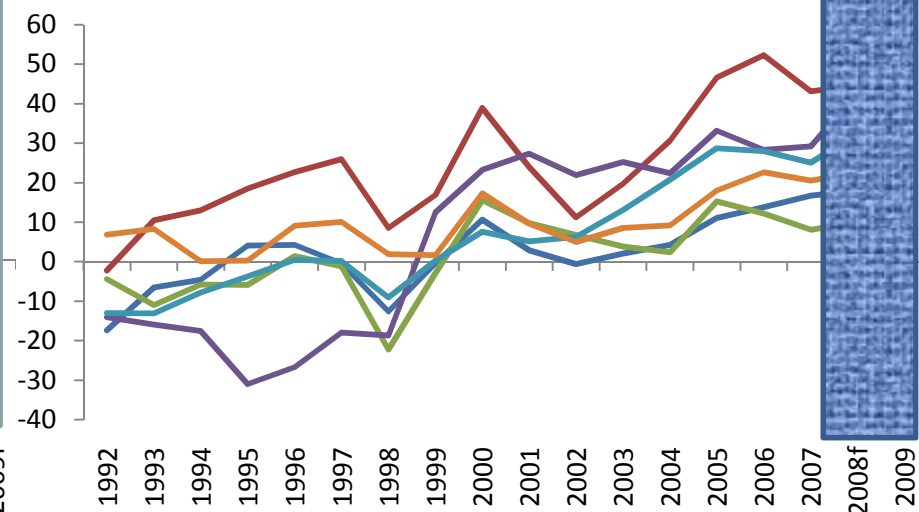
**Growth driving Imports across the GCC**

# External balances & Remittances DIFC

Trade balance as % of GDP

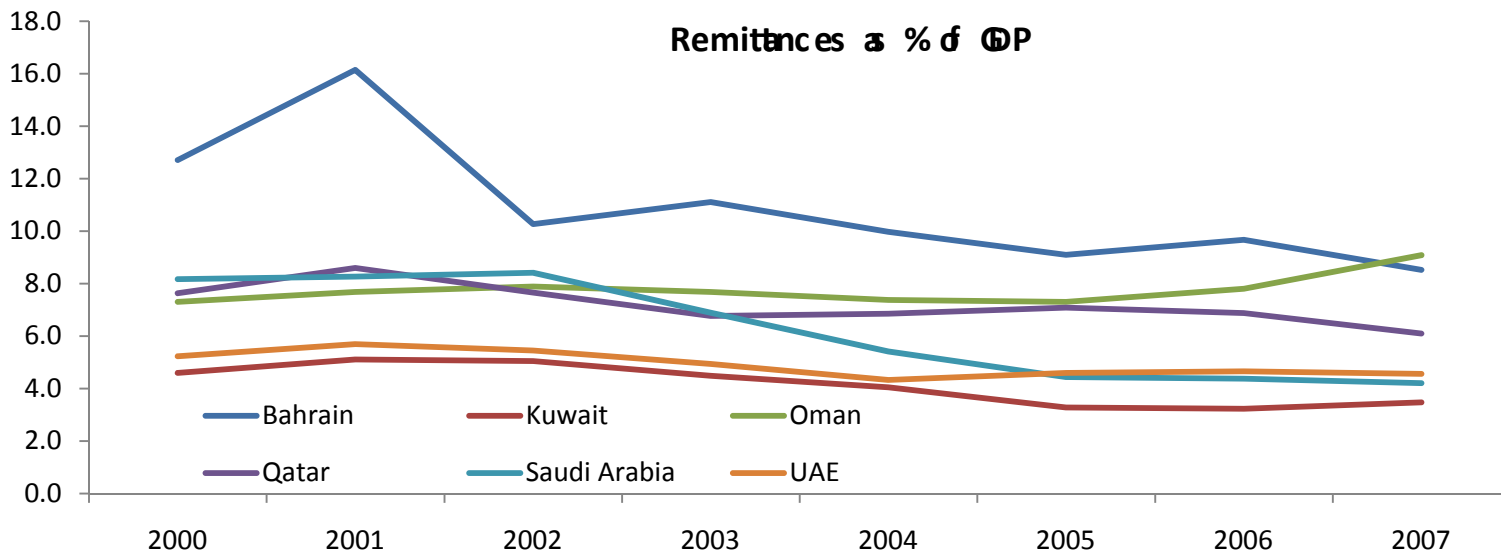


Current account balance as % of GDP

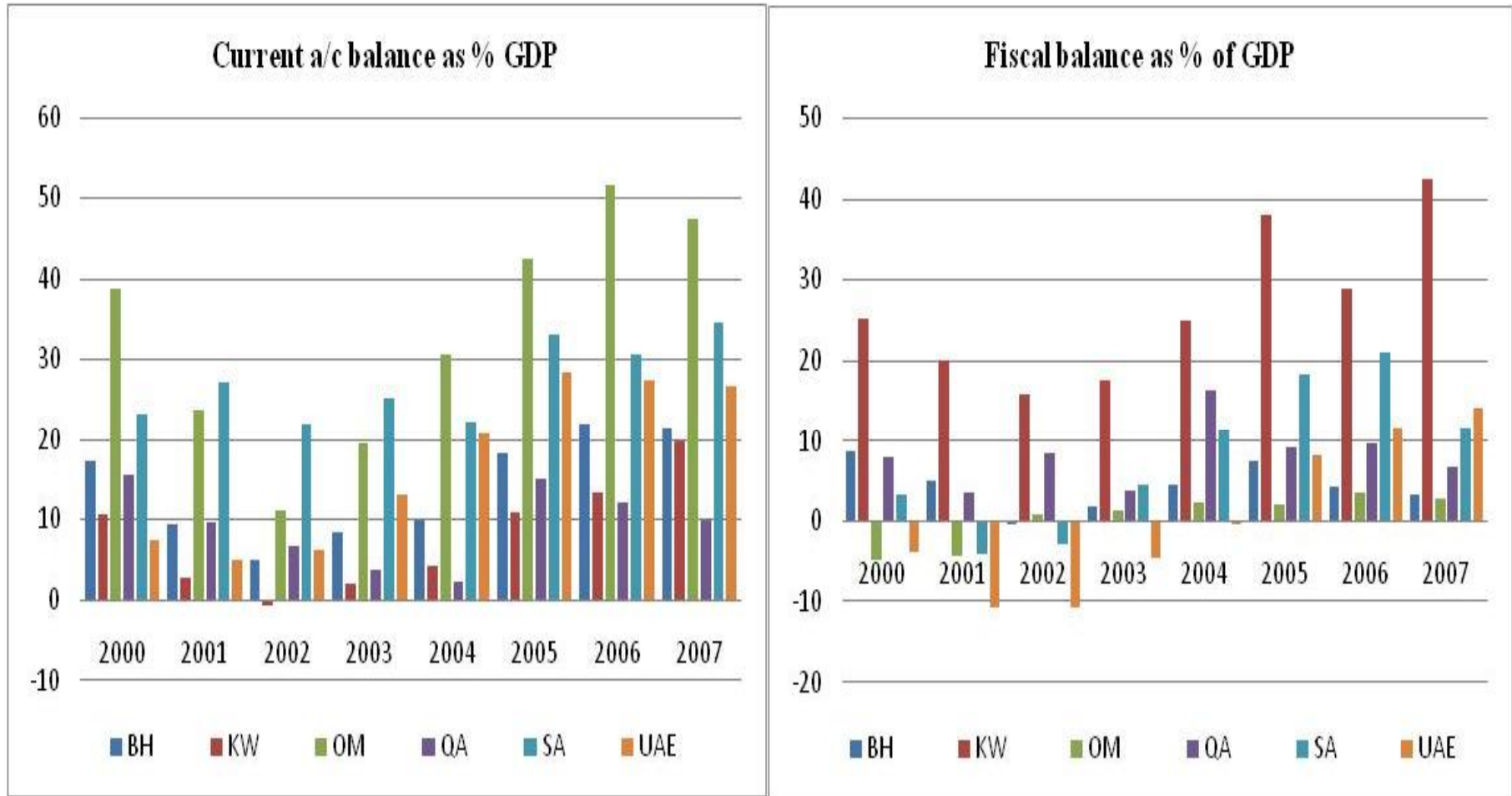


— Bahrain — Kuwait — Oman — Qatar — Saudi Arabia — UAE — Bahrain — Kuwait — Oman — Qatar — Saudi Arabia — UAE

Remittances as % of GDP



# Healthy Fiscal and Current Accounts



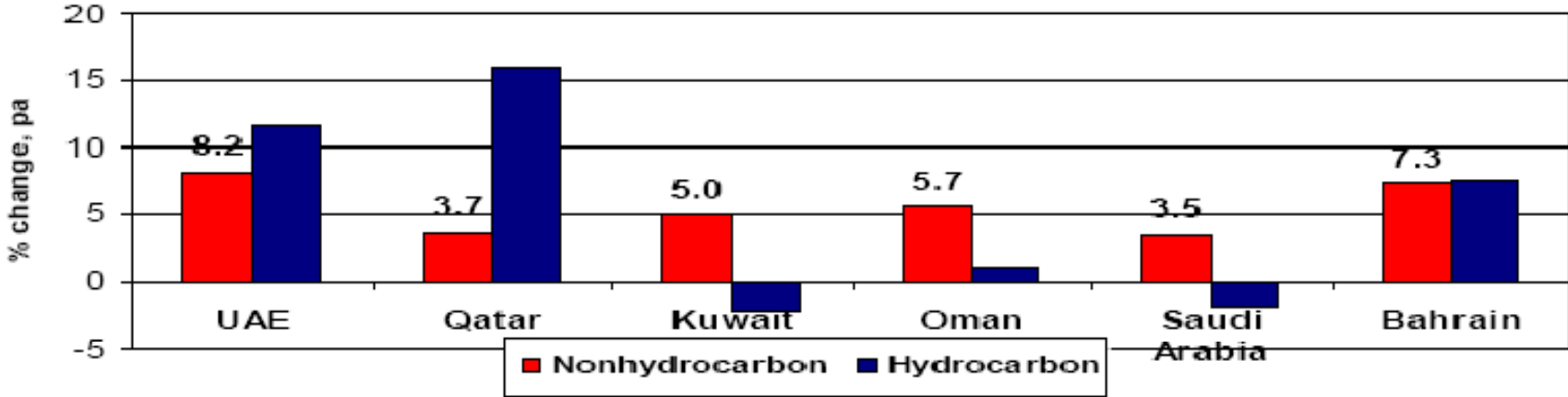
**Record high oil prices have contributed to the massive increase in external current account and fiscal surpluses across the GCC countries**



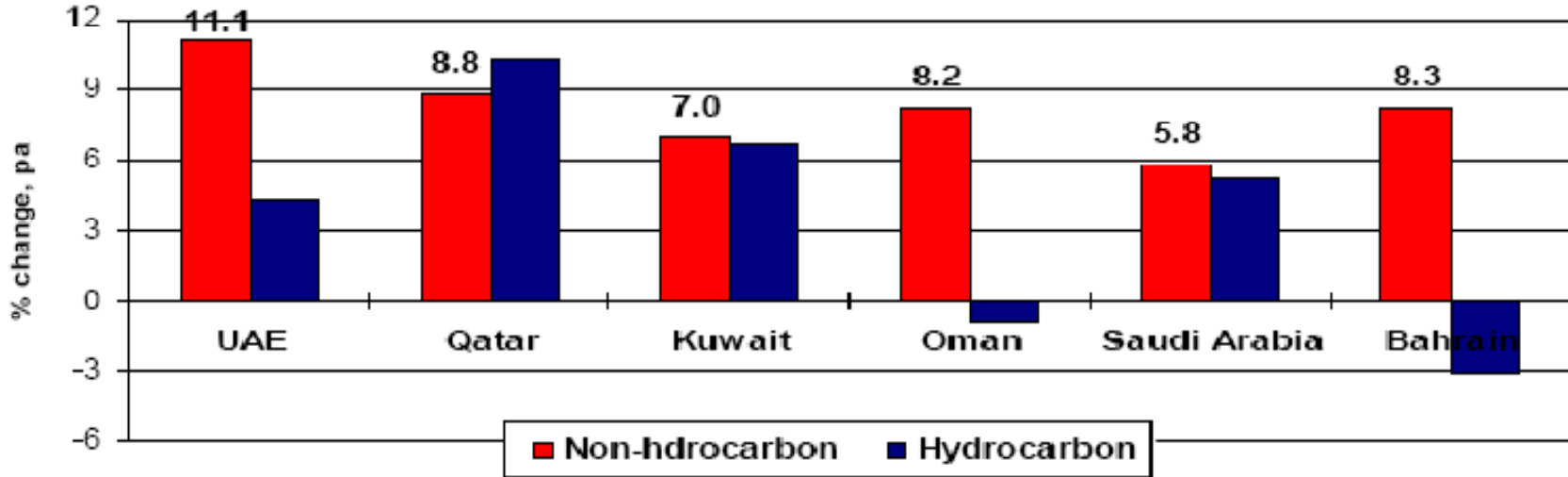
# GCC: Increasingly Diversified



Growth Components in the GCC, 1997-2002



Growth Components in the GCC, 2003-2008F



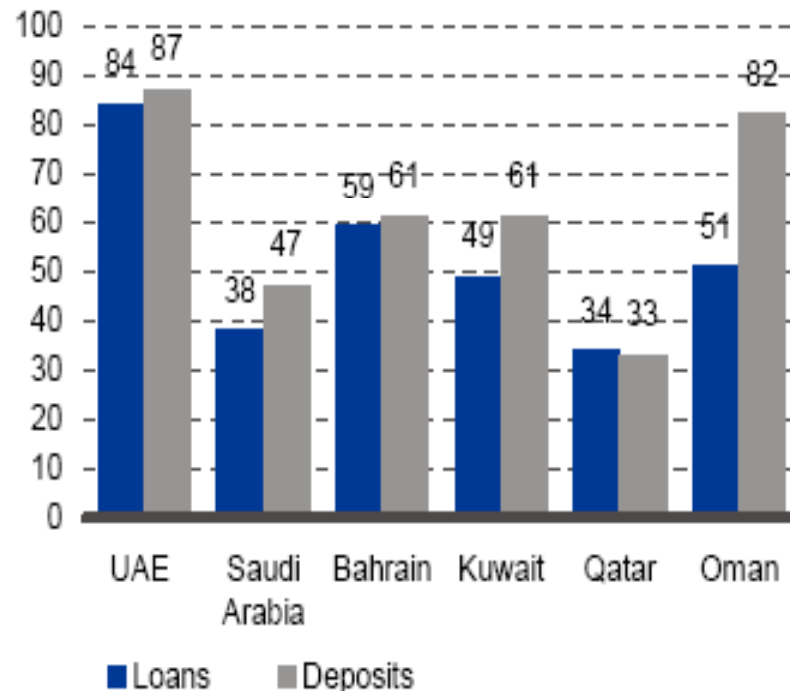
Source: EIU & DIFC Economics

# GCC - Banking sector

## GCC loans and deposits

Banking penetration is highest in the UAE

% of GDP, 2006

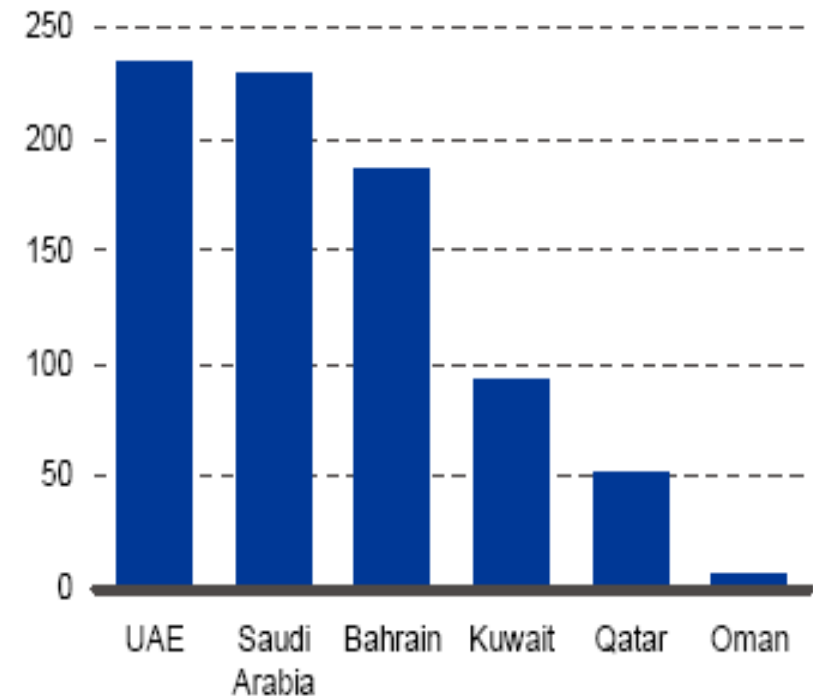


Source: GCC Central Banks and Damac

## GCC banking sector assets

UAE and Saudi Arabia leading

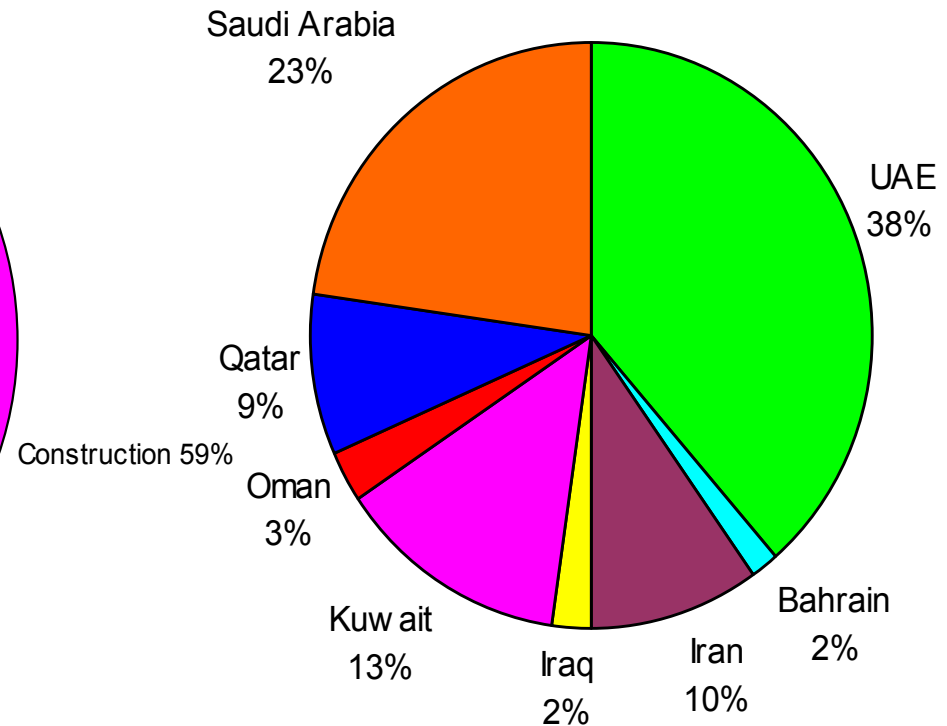
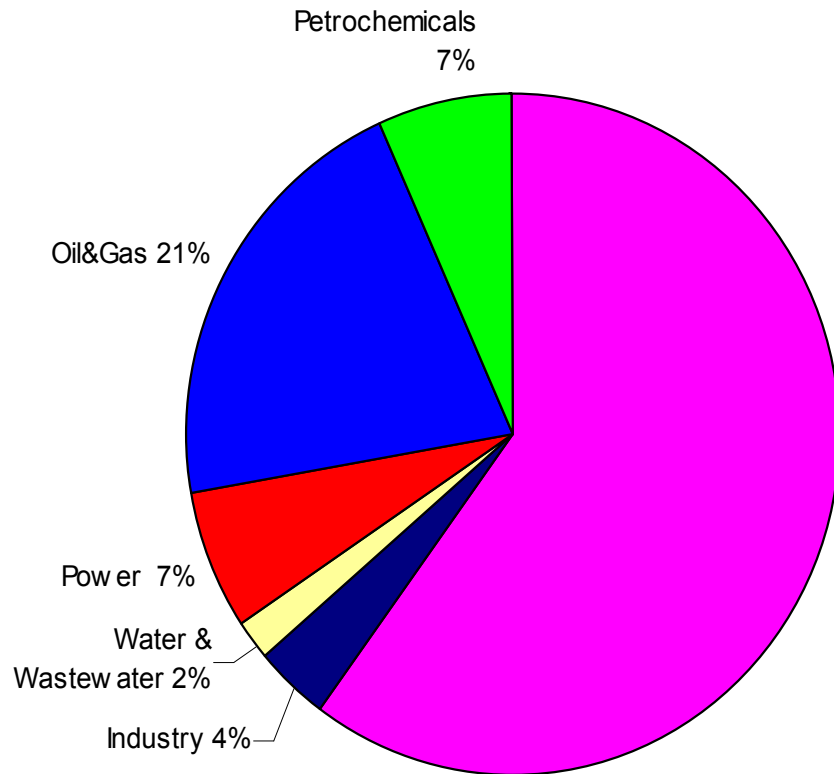
USD bn, 2006



Source: GCC Central Banks and Damac

# Gulf Projects by Sector & Country DIFC

The total value of projects planned or under development in the Gulf exceeds US\$2.4 trillion (MEED Project Tracker, 2008)

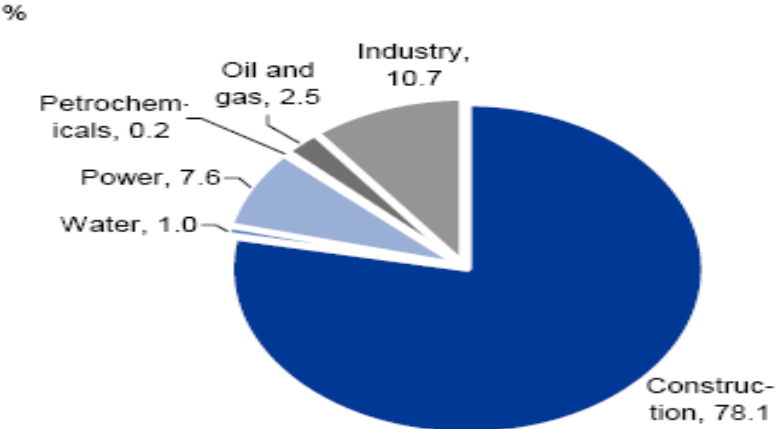


Source: MEED Project Tracker, 2008

# GCC Investment Projects, planned/underway

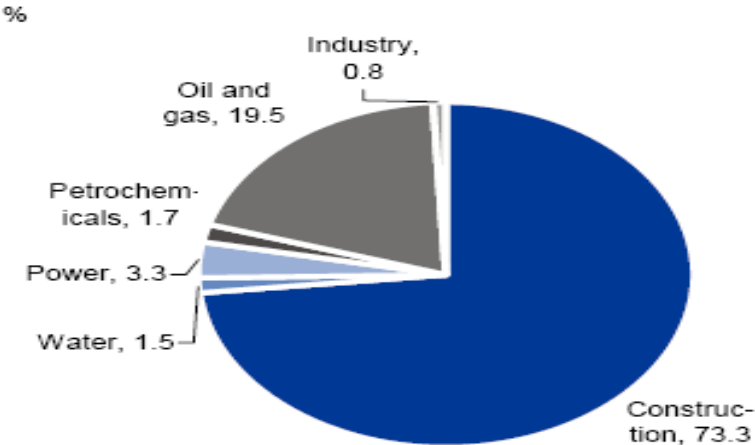


## Projects in Bahrain



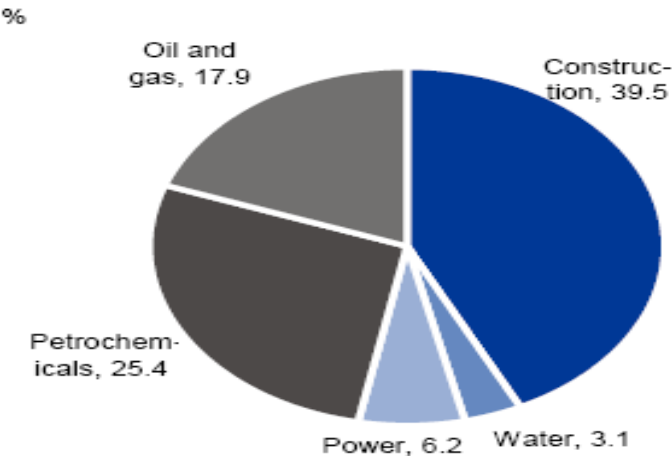
Source: MEED Projects

## Projects in Kuwait



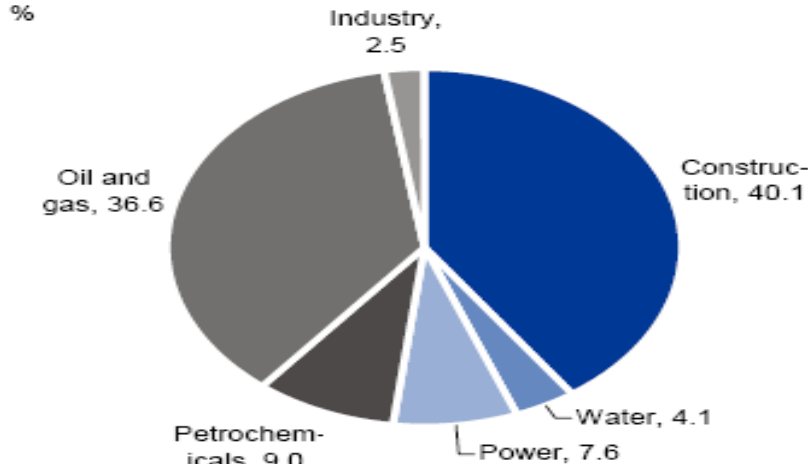
Source: MEED Projects

## Projects in Oman



Source: MEED Projects

## Projects in Qatar

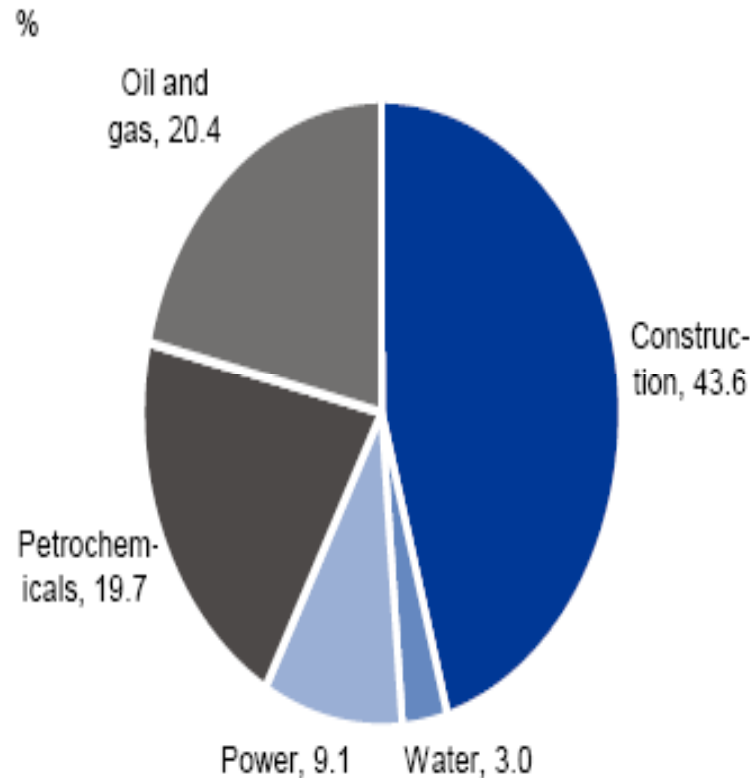


Source: MEED Projects

Source: Deutsche Bank GCC Chartbook. MEED Projects; DIFC Economics

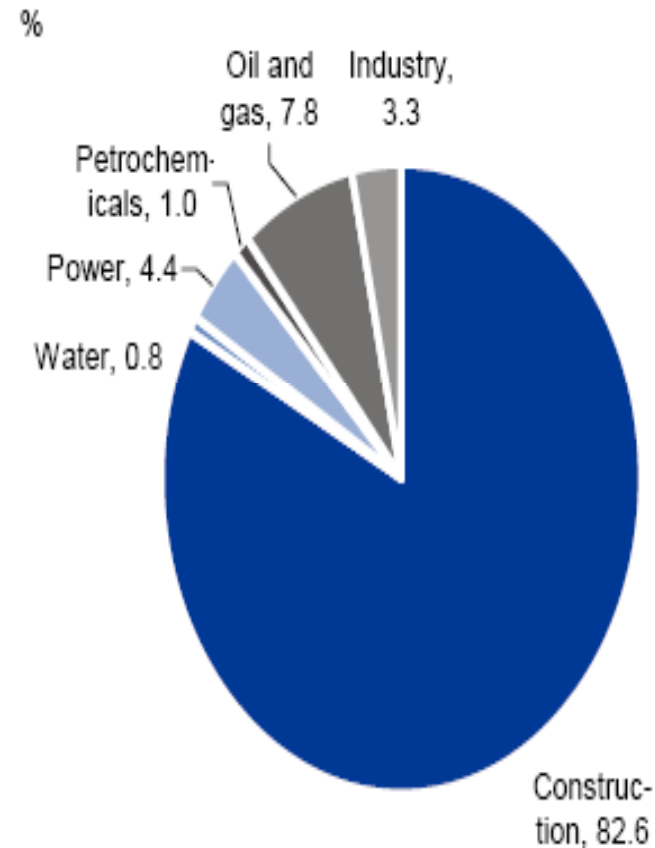
# GCC Investment Projects (contd.)

## Projects in Saudi Arabia



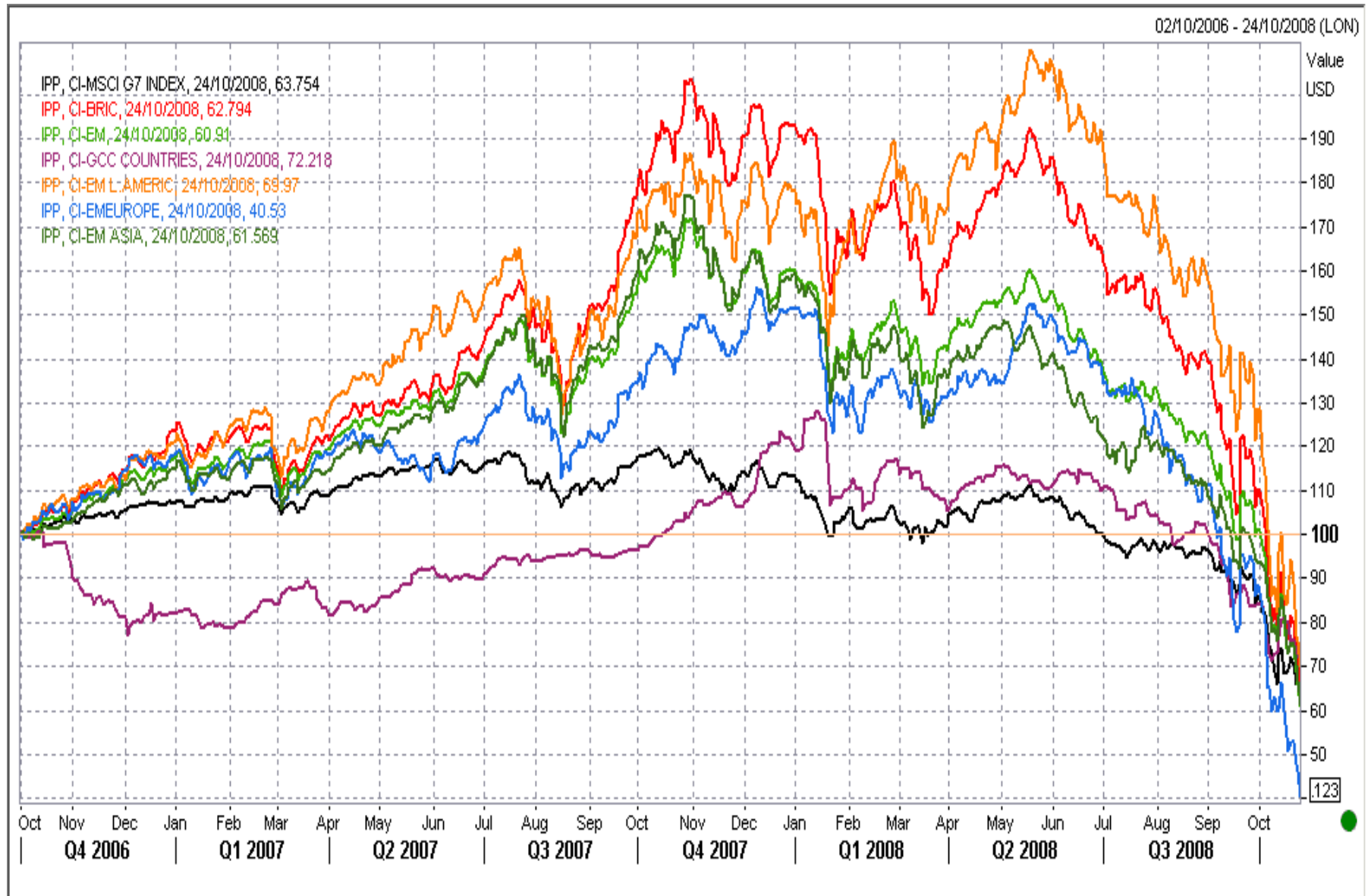
Source: MEED Projects

## Projects in UAE



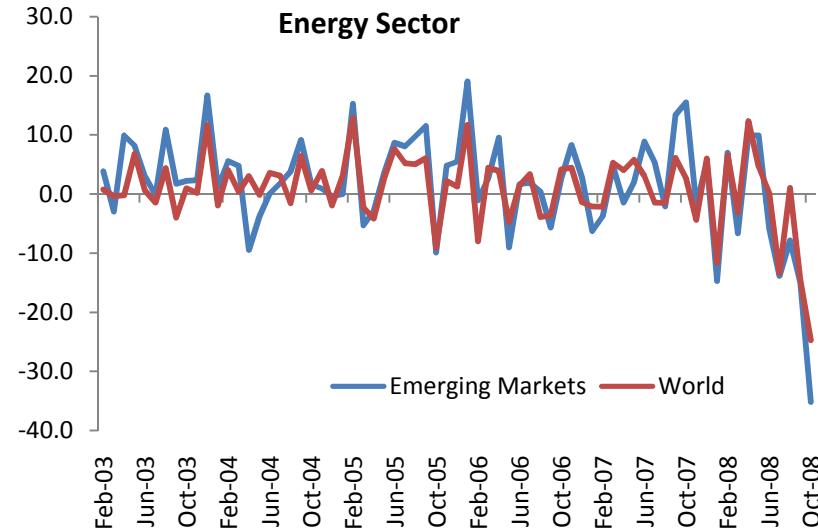
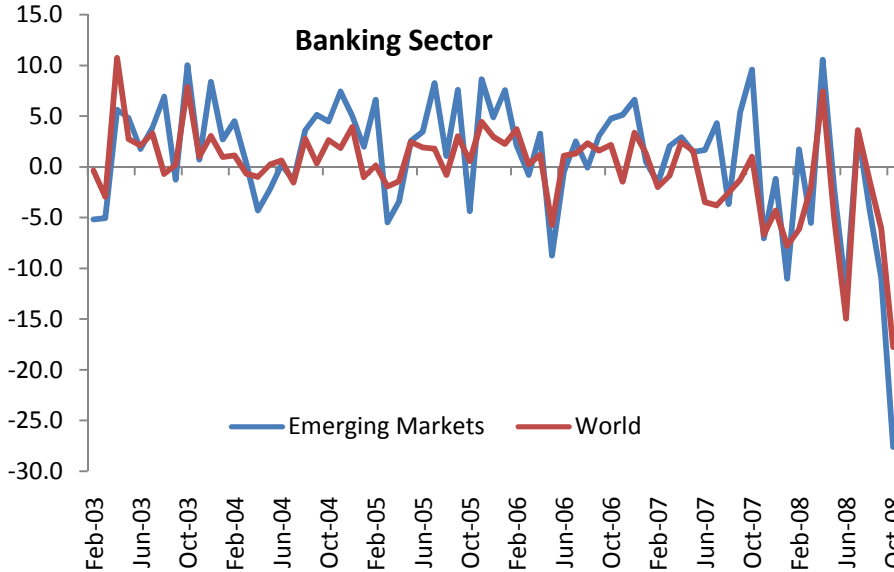
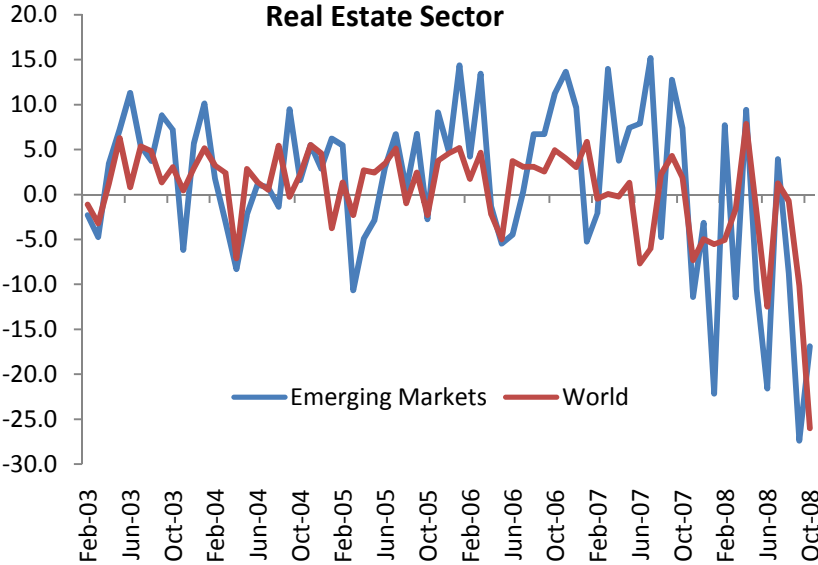
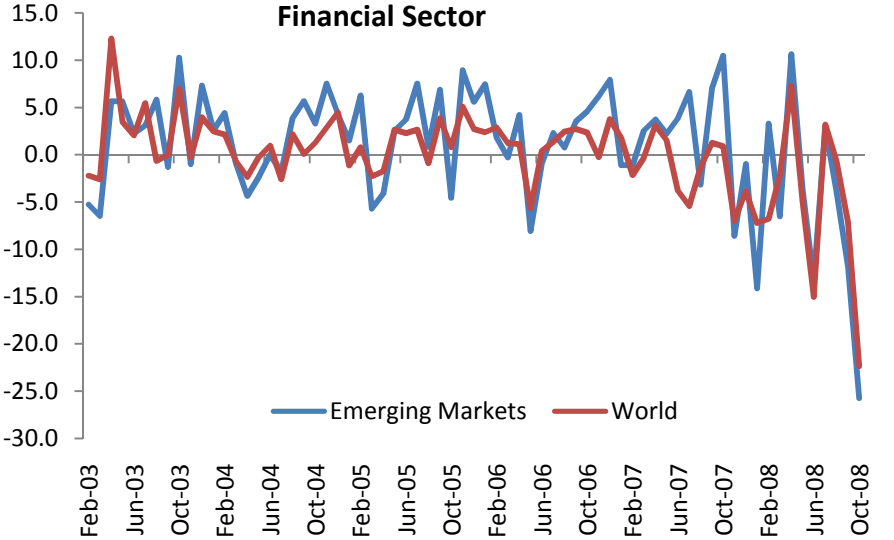
Source: MEED Projects

# Volatile Equity Markets: G7 & EMEs DIFC



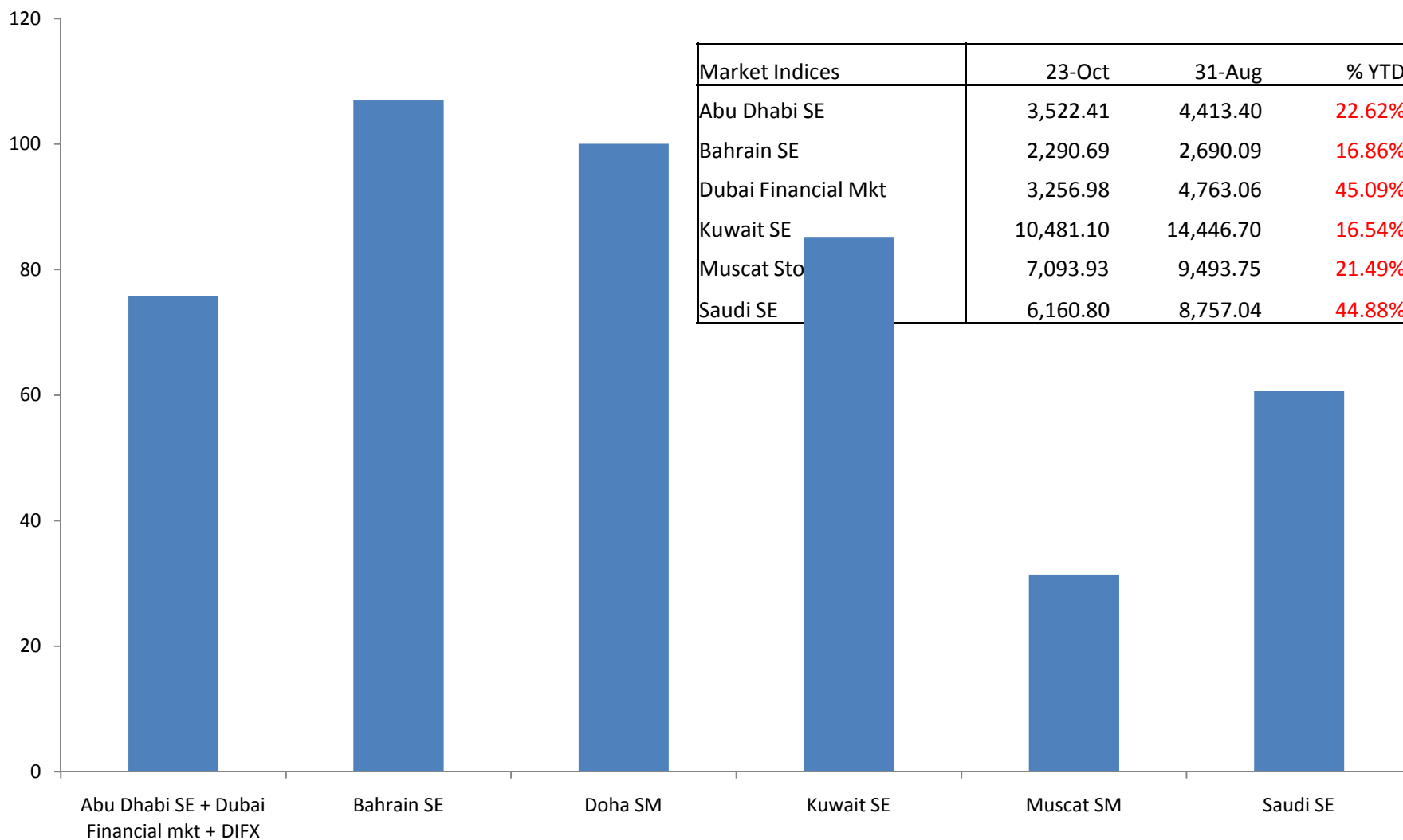
Source: Reuters 3000Xtra, DIFC Economics; Updated Oct 25th

# Banking, Financial & Real Estate in crisis mode across all countries



Source: Reuters 3000Xtra, DIFC Economics; Updated Oct 25th

# Market Capitalisation (% of GDP) of GCC stock markets DIFC



*Note: SE = Stock Exchange ; SM = Securities Market ; Source: Zawya*

**Updated Oct 25th**



# HSBC-DIFX Sukuk Indices



Source: DIFX website; updated Oct 24th

GCC: Strong & Sound Banking Sectors with limited exposure to global credit crisis



**Exposure to Current Financial Turmoil**

	Loan-Deposit Ratios		Gross Foreign Liabilities (\$ bn)	
	Dec 05	Jun 08	Dec 05	Jun 08
Saudi Arabia	0.96	0.93	17	34
Kuwait	0.96	1.07	8	26
Qatar	1.01	1.17	3	20
Oman	1.18	1.19	1	4
U.A.E.	1.08	1.21	23	88
GCC*	1.04	1.11	52	172

\*Excludes Bahrain

Source: Global Economic Monitor, IIF Report, October 21, 2008.

## **GCC had limited exposure to global crisis because** **DIFC**

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- Higher risk-adjusted returns on investments in EME than in traditional markets
- Regulatory and prudential rules which discouraged exposure to sub-investment grade investments or instruments
- The low prevalence of and exposure of the banking and financial systems to securitized or structured products with complex features embedded
- Limited expertise in assessing structured investment products and therefore reluctance to take exposure to these assets
- Growing importance of Islamic banking and finance, and compliance with Shari'a tenets in financial instruments that resulted in 'market segmentation' and lower substitution effects.

# GCC : source of capital but attracting FDI



*billions of U.S. dollars*

	2006	2007	2008e	2009f
Current account balance	210.6	206.1	377.4	368.8
Non resident flows	147.2	212.6	141.1	81.2
Equity investment, net	38.8	47.5	44.3	44.8
Direct investment, net	37.5	44.9	43.1	42.9
Portfolio investment, net	1.2	2.6	1.2	1.9
Debt flows, net	108.5	165.0	96.8	36.5
Official flows, net	-0.2	-0.6	1.9	0.4
Commercial banks, net	52.1	117.0	58.8	13.4
Other creditors, net	56.6	48.6	36.1	22.7
Resident flows	-275.0	-276.1	-353.3	-311.4
Equity investment, net	-139.4	-132.1	-191.0	-161.0
Direct investment, net	-35.9	-43.9	-42.9	-43.1
Portfolio investment, net	-103.6	-88.1	-148.1	-117.9
Resident lending/other, net <sup>1</sup>	-135.5	-144.0	-162.3	-150.4
Reserves (- = increase)	-82.9	-142.6	-165.3	-138.6

e = estimate, f = IIF forecast  
<sup>1</sup>Including net lending, monetary gold, and errors and omissions.

Source: Capital flows into Emerging Markets Report, IIF, October 12, 2008.

# UAE - Solid Economic Performance

- ❖ **Non-Oil sector's contribution to the GDP has been on the rise, enabling diversification of the economy.**
- ❖ **Inflation has accelerated in the past two years, as the surge in domestic demand led to price pressures, particularly in real estate and some services.**
- ❖ **UAE has strong Balance of Payments and Fiscal Surpluses and one of the highest Net Foreign Asset positions in the world**
- ❖ **Both the Dubai Financial Market and Abu- Dhabi Securities market have witnessed contagion effects, but economic & financial fundamentals will underlie recovery**

<b>Macro Indicators</b>				
	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008f</b>
Population (mil)	4.0	4.3	4.6	4.9
Real GDP growth (%)	11.9	9.7	8.2	9.4
Nominal GDP (US\$bn)	132.2	170.1	198.7	225.4
of which Financial Sector (%)	5.8	6.0	6.1	6.3
CPI Inflation (% change)	3.1	7.0	12.5	13.5
Total debt/ GDP	27.4	29.1	26.4	27.3
Budget balance (%GDP)	-4.5	-0.4	8.1	11.6
Public debt (%GDP)	17.3	18.2	17.7	19.8
Government consumption (%GDP)	14.3	12.6	11.1	9.3
Private consumption (%GDP)	49.6	51.4	48.1	43.5
Domestic demand (%GDP)	87.5	86.3	79.7	73.2
Domestic credit growth (%)	22.9	27.1	46.2	41.1
M2 (%pa)	15.5	23.8	30.5	23.2
Money market interest rate (%)	1.2	1.6	3.5	5.2
Trade balance (%GDP)	24.7	26.8	23.4	25.6
Current Account (%GDP)	18.3	22.0	21.6	27.5

Source: EIU, IMF & DIFC Economics

# Dubai Outlook



- **Dubai is a strategically located international trading hub with some of the world's best air and sea ports serving over 205 destinations.**
- **Dubai economy is well diversified and continues to grow at a rapid rate**
- **During 2000-2006, Dubai's GDP grew in real terms by 13% annually while the population expanded by 9% annually, with real per capita income rising by 4%.**
- **Oil has played a progressively diminishing role in Dubai's economy and by 2010 it is expected to account for less than 1 percent of Dubai's GDP.**
- **The service sector has been the key driver of economic growth with an annual growth rate of 21% since 2000.**

<b>Macro Indicators</b>					
	<b>2004</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>1Q08</b>
Population (mil)	1.07	1.32	1.42	1.53	1.55
GDP (mil) US\$	32269	38202	45989	n.a	n.a
<i>GDP (non-Oil Sector)</i>	30444	36166	43669	n.a	n.a
<i>GDP (Construction)</i>	3808	4486	5859	n.a	n.a
<i>GDP (Transport &amp; Communicatio</i>	4128	4960	5834	n.a	n.a
<i>GDP( Financial Sector)</i>	3148	3728	4677	n.a	n.a
<i>GDP ( Wholesale &amp; Retail Trade)</i>	7319	8525	9861	n.a	n.a
<i>GDP (Manufacturing)</i>	4570	6030	7213	n.a	n.a
Imports (Direct Trade)	40612	51882	59910	81126	26212
Export (Direct Trade)	2628	3059	4975	7376	2862
Re-Export (Direct Trade)	15542	21478	21338	27421	10151
Imports (Free Zone)	18743	27002	30254	42401	12012
Exports & Re-Exports (Free Zone	14329	21452	22512	26554	7242

*Source: Dubai Statistics Centre*

# Dubai Characteristics

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## Political and Economic stability

- ❖ Government policies aimed at fostering economic diversification and liberalization
- ❖ Rule of Law which provides safe and secure working and living environment

## Business Centric

- ❖ Well recognized and growing financial hub with a successful and credible track record
- ❖ 100% repatriation of capital and profit
- ❖ Diversely skilled, well educated, multi cultural & multi lingual workforce
- ❖ Modern infrastructure complying with the highest international standards. New infrastructure has led to better business environment, logistics and delivery of services
- ❖ Modern telecommunication networks, high internet penetration (28% in Dubai vs. 17% in the MENA region; 2.5 ml mobile users for a population of 1.5 ml)
- ❖ A destination of choice for FDI in the region: 18 companies out of top 50 in the Global Fortune 500 such as GE, Citigroup, J.P. Morgan Chase, Samsung Electronic, Honda, Nissan, Siemens, HSBC, Deutsche Bank, Goldman Sachs & IBM have substantial operations in Dubai

# Free Zones: Economic clusters

- The strategy for economic diversification hinges on the Free Zones, i.e. designated areas where firms operating in a **specific sector cluster and operate under a special legal and regulatory regime** which complies with international standards and best practices.
- **Free Zones are separated from the legal system of the country and offer a more business friendly environment to foreign investors**, for example in terms of ownership, administrative permits, employment laws, custom duties and taxation, with a zero rate for personal and corporate taxation
- In Dubai 18 Free Zones, including the DIFC, are already operational while more are in the pipeline.

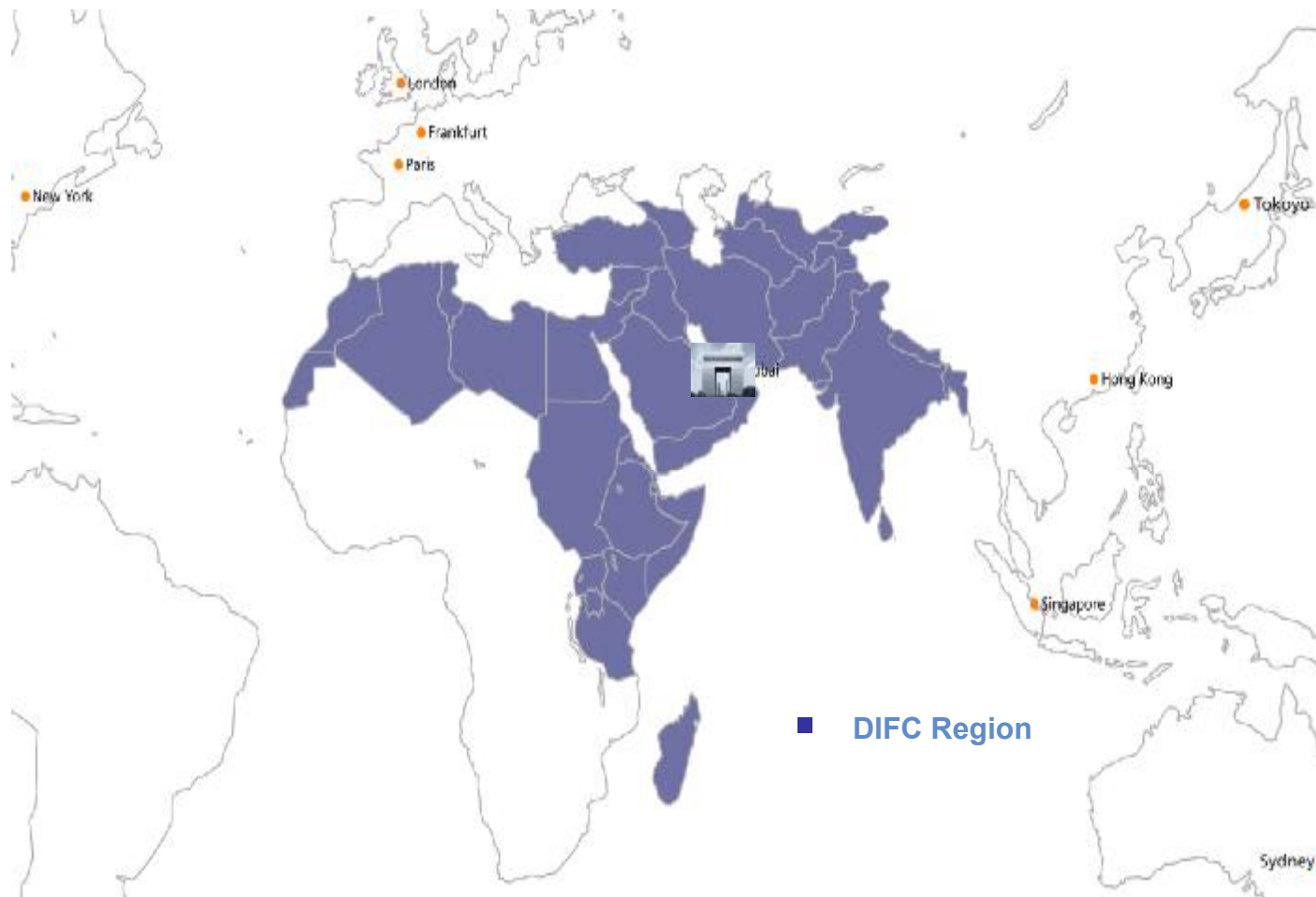


Dubai  
International  
Financial  
Centre



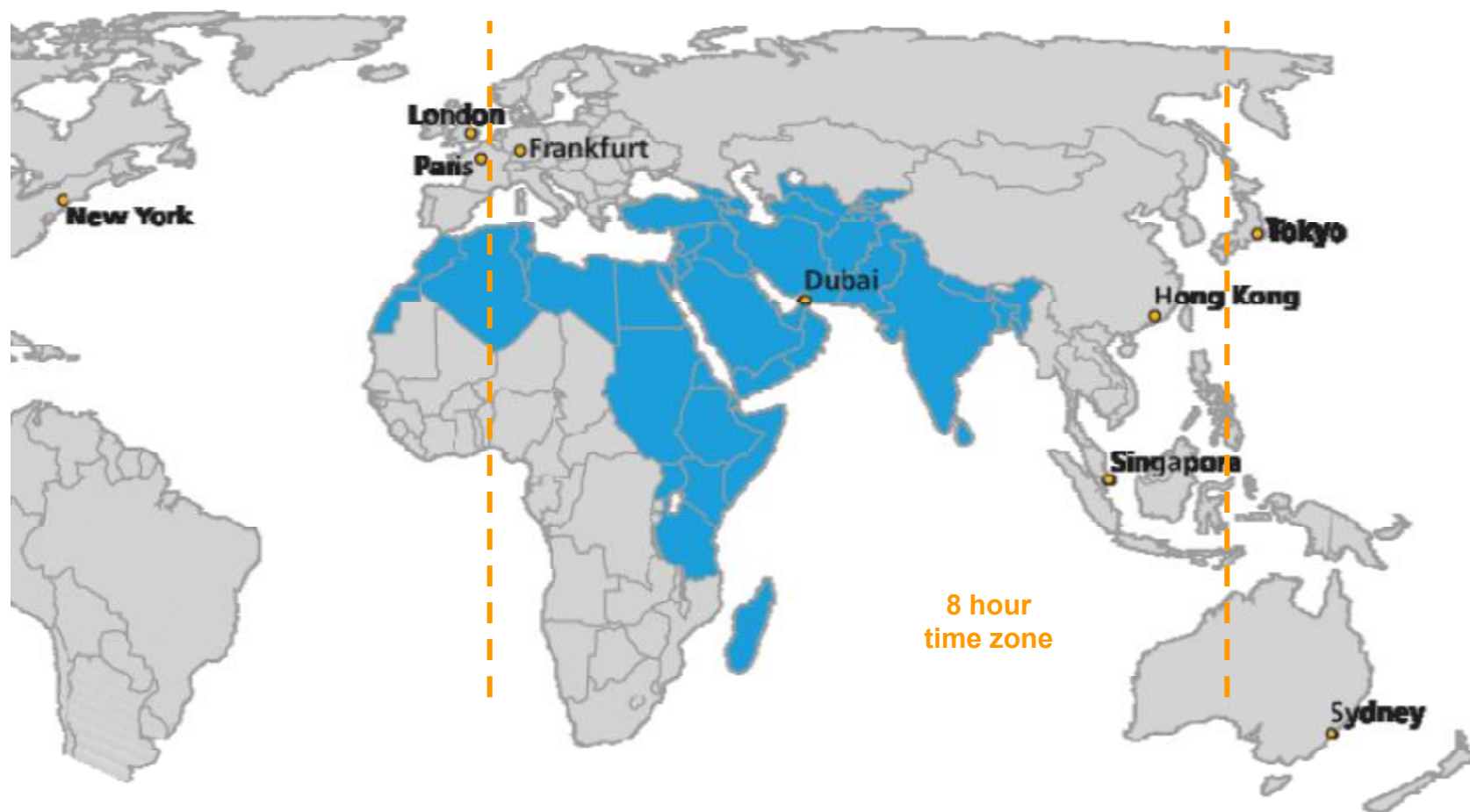


# DIFC: The Region's International Financial Centre DIFC



- Internationally-accepted common law framework
- A regulated financial centre with full transparency
- Independent Judicial Authority and Court System
- Platform to centralise regional wealth for economic growth & development
- Deployment channel for new wealth
- Link to the international markets

***The vision of the Dubai International Financial Centre (DIFC) is to shape tomorrow's financial map as a global gateway for capital and investment.***

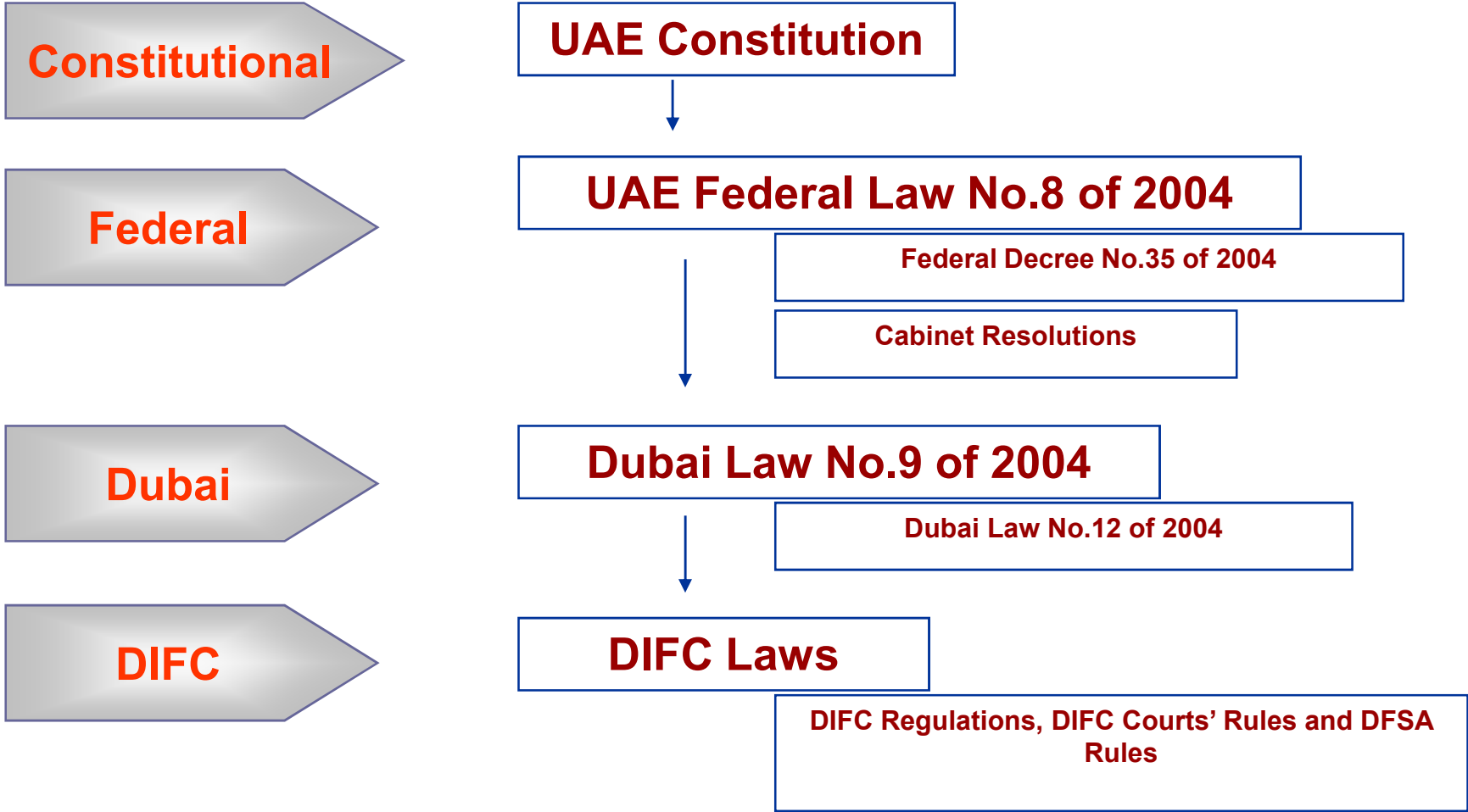


5pm Dubai = 9am New York

1pm Dubai = 9am London

9am Dubai = 1pm Hong Kong

# DIFC - Hierarchy of Laws



# DIFC - Regulatory/Legal Framework



- **Develop overall strategy and provide direction to the Centre**
- **Develop laws and regulations governing non-financial services activities**
- **Promote DIFC and attract licensees to operate in the Centre**
- **One stop shop service for visas, work permits etc**
- **Sole financial regulator within DIFC, AML co-regulation with UAE Central Bank**
- **Administrative and civil rule making and enforcement**
- **Bilateral MOUs with host of jurisdictions**
- **IOSCO (including multilateral MOU), IFSB, IAIS (Technical Committee) etc**
- **An independent court system responsible for administering and enforcing the civil and commercial matters at the Centre**
- **Based on Common Law-offering institutions and companies legal clarity and predictability**

# Characteristics of the DIFC



Onshore Capital Market / International Standards

Designated as a Financial Free Zone

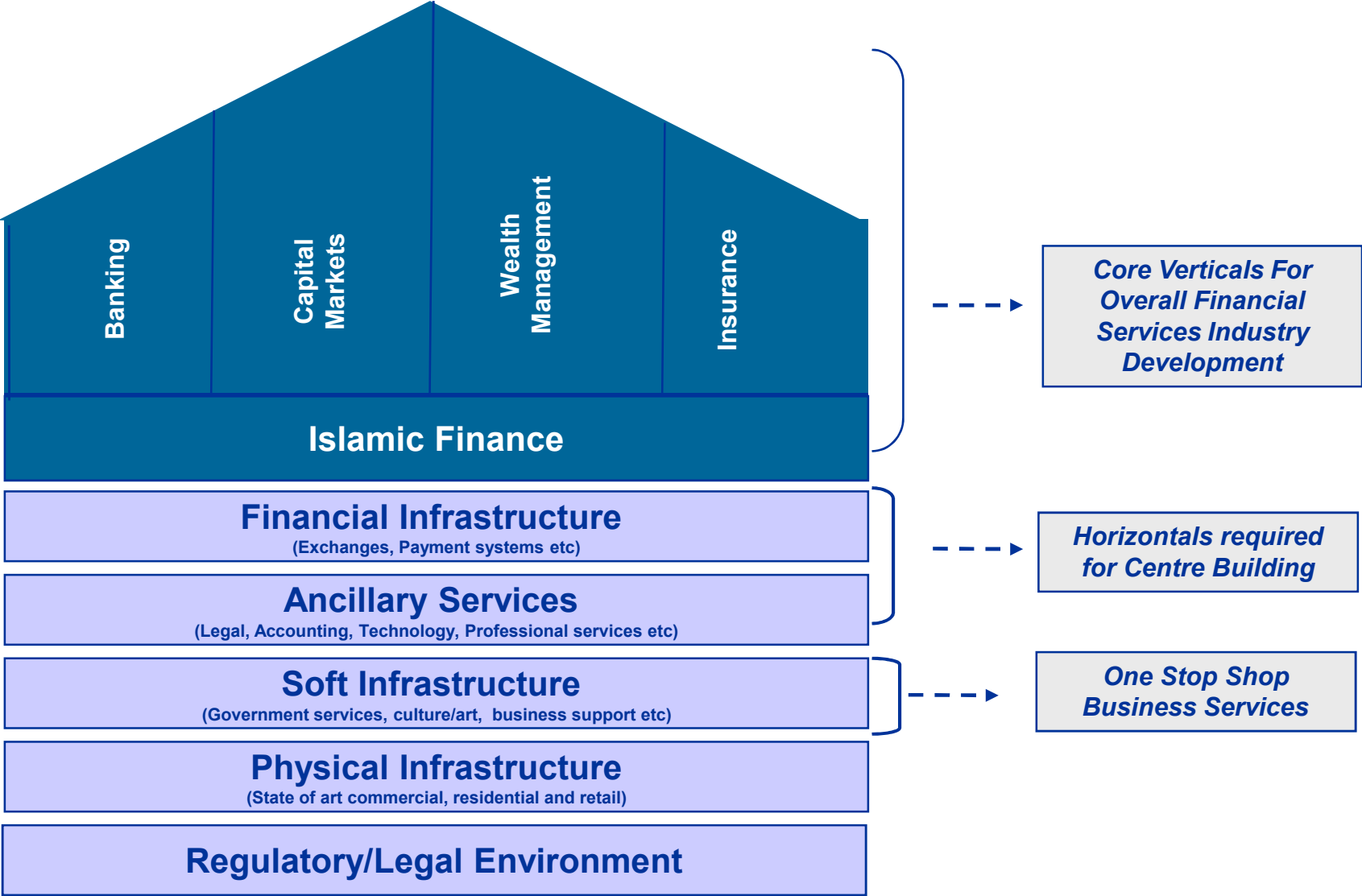
Foreign Currency Denominated / Zero Tax Rate\*

Civil and Commercial Laws of UAE not applied

Tailor made laws for the DIFC

No local partner requirements

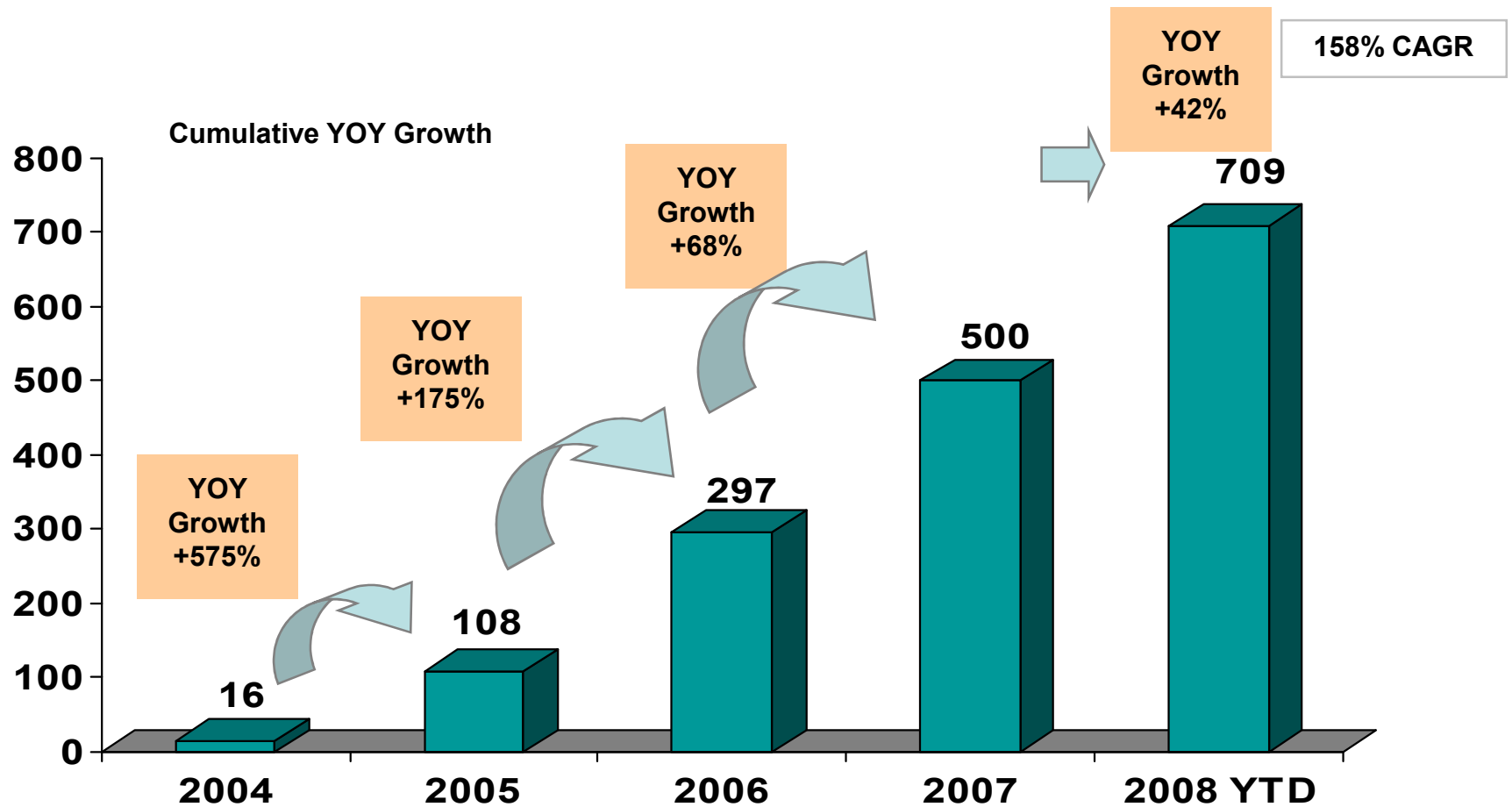
# DIFC - Ecosystem



# Development of DIFC as a Financial Hub

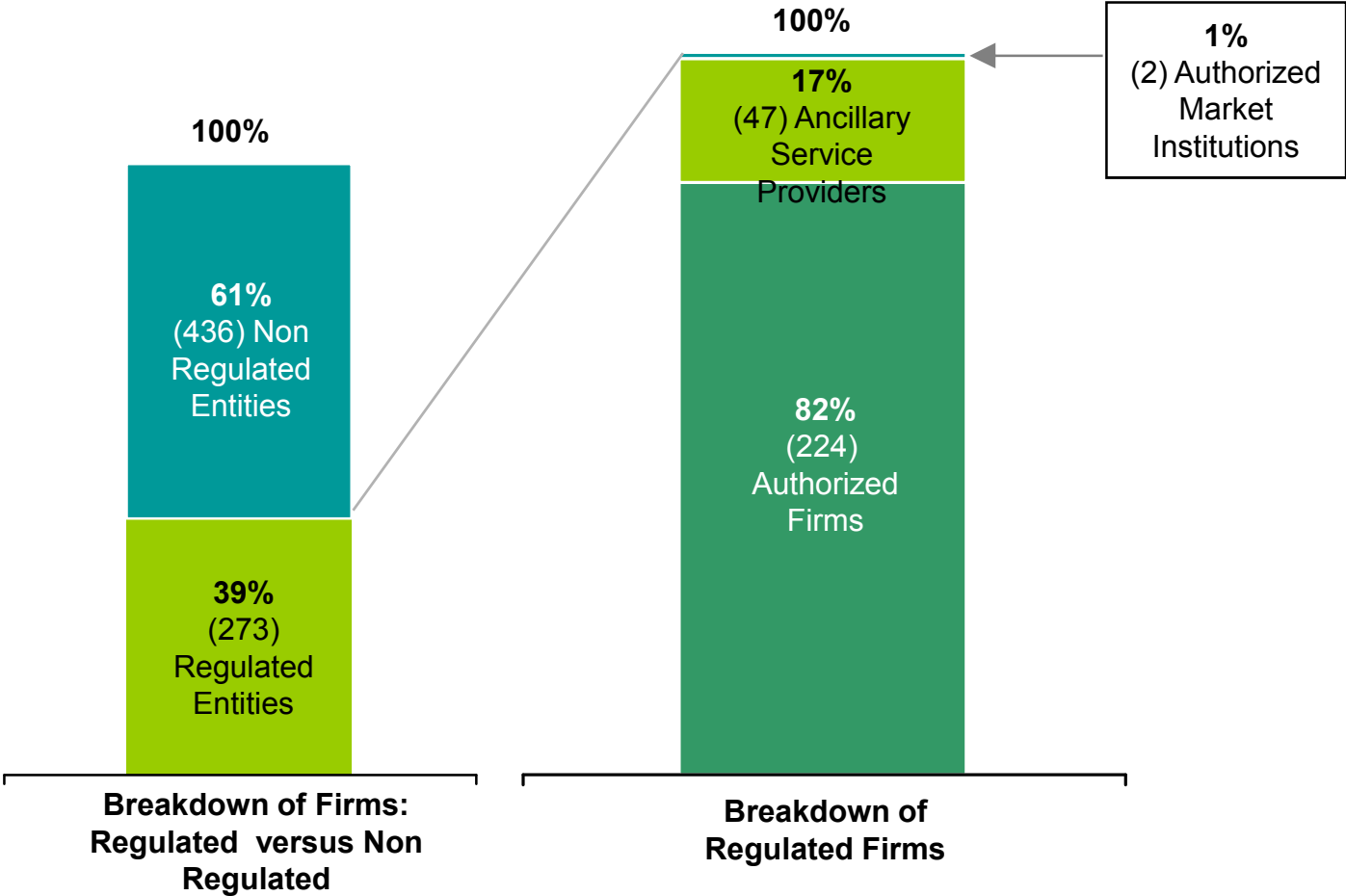


## Annual Growth in Number of DIFC Registered Companies



# DIFC Registered Companies

**As of September 30, 2008 there were 709 companies registered at the DIFC.**



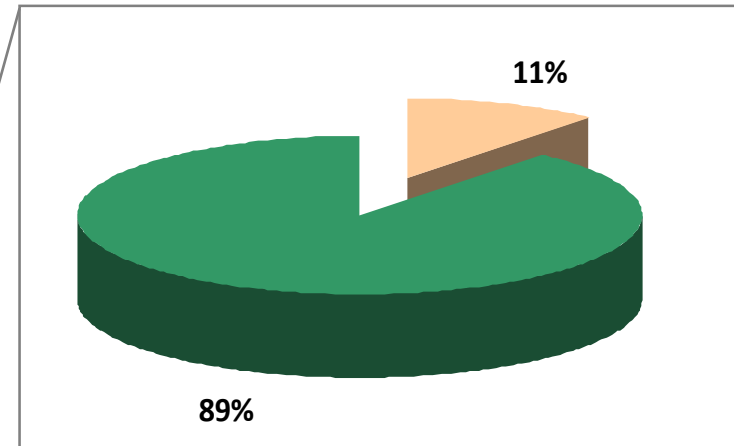
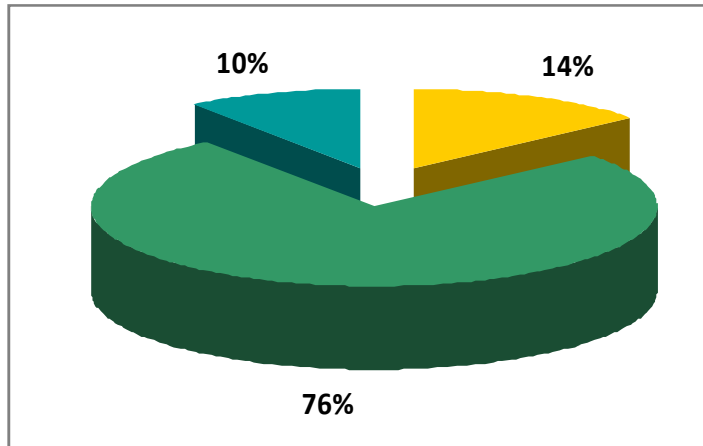
Data as of Sept 30, 2008; Source: ROC Data, DFSA Register



# DIFC Registered Companies



## Breakdown of Authorized Firms



Banks & Credit Providers*	31
Diversified Financials	170
Insurance	23
<b>Total Authorized Firms</b>	<b>224</b>

% of Firms with IF Business Endorsement 11%

Firms with IF Business Endorsement 23

Islamic Finance Institutions	11
Islamic Finance Windows	12

Data as of Sept 30, 2008

\*Banks & credit providers include firms licensed to carry out deposit taking and/or providing credit and/or dealing in investments as principal. Diversified financials includes all other excluded insurance related businesses.

Source: ROC Data, DFSA Register

# European Banks in DIFC



1. ABN AMRO Holding NV , Amsterdam , Netherlands
2. Banco Bilbao Vizcaya Argentaria SA , Madrid , Spain
3. Banco Santander Central Hispano SA , Santander , Spain
4. Bank of Scotland , Edinburgh , UK
5. Banque Fédérative du Crédit Mutuel , Strasbourg , France
6. Banque de Commerce et de Placements SA, Switzerland
7. Barclays PLC , London , UK
8. Bayerische Hypo-und Vereinsbank AG , Munich , Germany
9. Bayerische Landesbank , Munich , Germany
10. BNP Paribas SA , Paris , France
11. Caisse Nationale des Caisses d'Epargne et de Prévoyance , Paris , France
12. Calyon , Paris La Défense , France
13. Commerzbank AG , Frankfurt am Main , Germany
14. Crédit Agricole SA , Paris , France
15. Danske Bank A/S , Copenhagen , Denmark
16. Deutsche Bank AG , Frankfurt am Main , Germany
17. Dresdner Bank Group , Frankfurt am Main , Germany
18. DZ BANK AG Deutsche Zentral-Genossenschaftsbank , Frankfurt am Main , Germany
19. ES Bankers (Dubai) Limited – Portugal
20. FIMBank p.l.c., Malta
21. Fortis Bank NV/SA , Brussels , Belgium
22. HSBC Bank plc , London , UK
23. ING Bank NV , Amsterdam , Netherlands
24. Intesa Sanpaolo SpA , Milan , Italy
25. Kaupthing Bank Middle East – Iceland
26. Kreditanstalt für Wiederaufbau (KfW) Frankfurt am Main , Germany
27. Landesbank Baden-Württemberg , Stuttgart , Germany
28. Lloyds TSB Group plc , London , UK
29. National Westminster Bank Plc, London , UK
30. Natixis , Paris , France
31. Nordea Group , Stockholm , Sweden
32. Rabobank Nederland , Utrecht , Netherlands
33. Société Générale , Paris La Défense , France
34. The Royal Bank of Scotland Group plc , Edinburgh , UK
35. UBS AG , Switzerland
36. UniCredito Italiano SpA , Milan , Italy

***There are two Italian companies in the DIFC - Intesa Sanpaolo SpA and Assicurazioni Generali SpA Middle East Regional Office***

# Borse Dubai: DIFX and DFM

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- Borse Dubai is the holding company for Dubai Financial Market (DFM) and Dubai International Financial Exchange (DIFX).
  - The purpose to create Borse Dubai in 2007 was to consolidate the two stock exchanges in Dubai (DFM & DIFX) as well as current investments in other exchanges to expand Dubai's position as a capital market hub in the region.
  - NASDAQ has strategic shareholding in DIFX and partnering with Borse Dubai to link and integrate the region's financial markets
  - DIFX is a fully integrated electronic exchange and is now largest Bond/Sukuk Market in the ME
  - The number of companies under Borse Dubai (Oct 2008): DIFX (23) & DFM (63) => Total = (86)
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# Securities Allowed on DIFX

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1. Equity type Securities, on either a primary or secondary basis, including but not limited to ordinary Shares, preference Shares, rights issues and Warrants to subscribe for other Securities issued by the same issuer;
  2. Debentures, including but not limited to collateralised debt obligations, convertibles, Eurobonds, and floating rate, asset-backed, index linked, and medium term notes, whether issued by sovereign nations, supra-nationals or corporations;
  3. Certificates, including but not limited to depositary receipts and other instruments that confer rights over existing Securities issued by a third-party;
  4. Units issued by funds, including but not limited to investment funds, unit trusts, limited partnerships, umbrella funds, hedge funds and REITs;
  5. Indices and index products that are Securities;
  6. Islamic products that are Securities, including Sukuks and other Islamic bonds, funds, equities, indices and index products;
  7. Designated Investments; and
  8. structured products that are Securities, across all asset classes.
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# Listing Requirements at DIFX

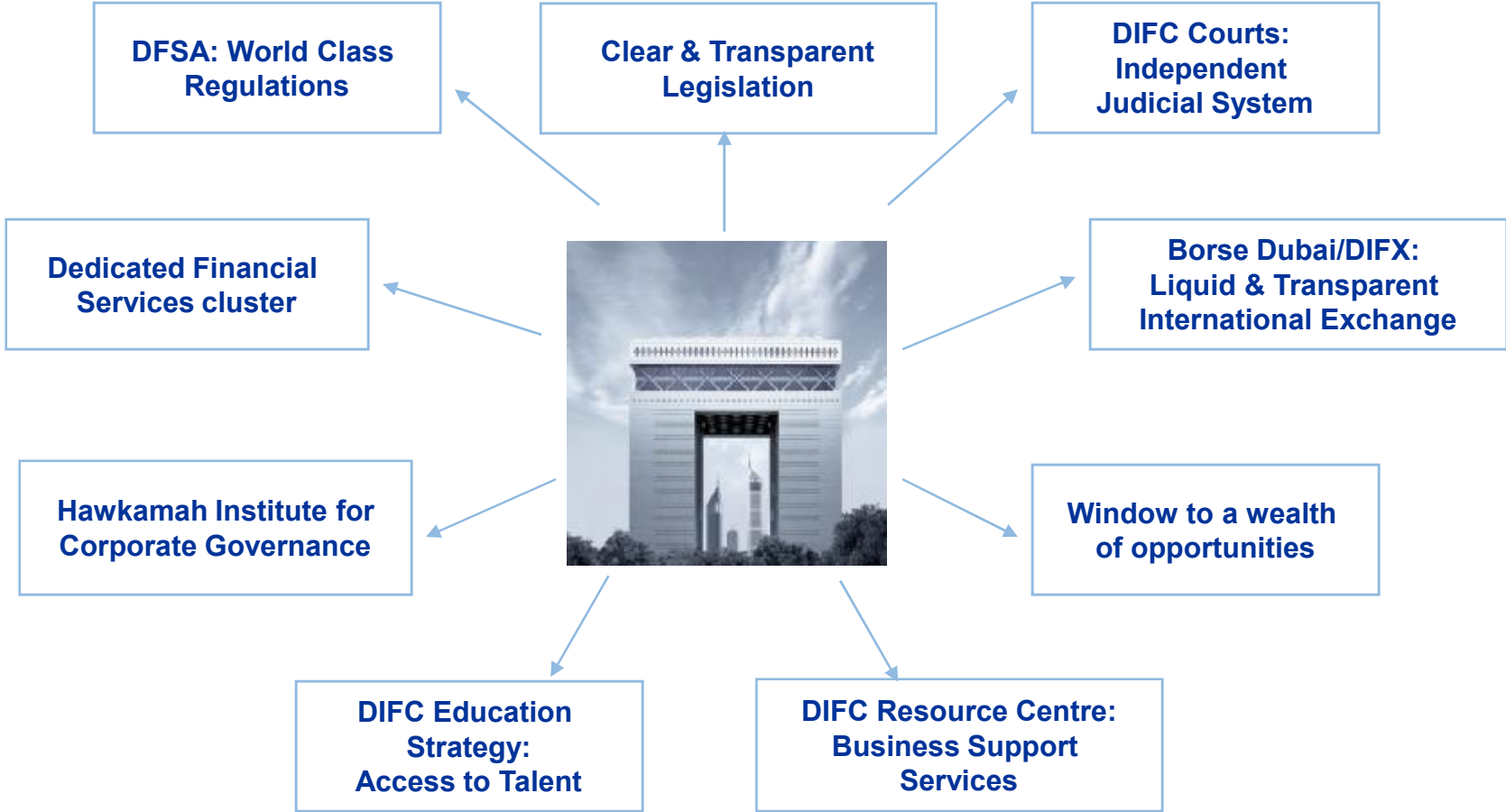
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- The DIFX must be of the view that there is (or is to be) an adequate and open market in the Securities for which Listing is sought. For the DIFX to be satisfied that there is an adequate and open market in the Securities, it generally requires that there is or will be a minimum free float of 25% of the Securities to be Listed.
  - A new Applicant must have published audited accounts which cover at least three years in accordance with the International Financial Reporting Standards or other standards acceptable to the DIFX
  - The Issuer must have an expected market capitalisation of at least US\$50 million.
  - The entity that has issued the underlying Securities must have approved of the issue of the Certificates (e.g. by sponsoring the issue) and must agree to sign an undertaking to the DIFX to comply with the continuing obligations
  - The Issuer must have net assets of at least US\$10 million.
  - The Issuer must be an International Financial Institution acceptable to the DIFX.
  - In the case of asset-backed Securities, a trustee or other independent representative must be appointed to represent the interests of the holders of the asset-backed Securities
  - The directors of the fund and/or the investment manager must have, in the opinion of the DIFX, adequate experience and expertise in the management of investment funds.
  - The fund must appoint an independent auditor to carry out the audit of its financial statements.
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- ❖ The Dubai Mercantile Exchange was launched on 1<sup>st</sup> June 2007. It is a joint venture between the Dubai Government, New York Mercantile Exchange and Oman Investment Fund.
- ❖ DME is authorised and regulated by the DFSA and all trades executed on the Exchange are cleared through, and guaranteed by, NYMEX's AA+ rated clearinghouse.
- ❖ The Exchange has emerged as the premier international energy futures and commodities exchange in the Middle East, providing price transparency and market liquidity for crude oil from the world's foremost oil producing and exporting region.
- ❖ The DME's new shareholding structure (from Oct08) will include Goldman Sachs, Morgan Stanley, JP Morgan, Vitol, Concord Energy, Casa Energy Trading, and a Shell Company.
- ❖ Currently, the Exchange lists the Oman Crude Oil Futures Contract, addressing the growing market need for price discovery of Middle East Sour Crude. Total Number of DME Oman Crude Oil Futures Contracts traded since launch: 451,913 (as of 25th October, 2008)
- ❖ DME has 69 members as of October 2008 and the number is expected to grow.

# DIFC - Value Proposition



## City of London's 2008 Global Financial Centre Index

- **Dubai is ranked as the 5th leading centre in the world outside America and Europe**, maintaining its status as the leading financial centre in the region between Zurich at one end and Singapore/Hong Kong at the other.
- **Dubai ranked # 1** again in the list of top 5 financial centres that might become significantly more important over the next two to three years.
- **Dubai ranked # 1** again on the list of financial centres where organisations may open new operations in the next 2 to 3 years.
- **Dubai (23)** continues to lead BRIC (Brazil, Russia, India China) and key 'emerging' centres Shanghai (34), Beijing (47), Mumbai (49), Sao Paulo (52) and Moscow (57).
- **Dubai is the clear leader in perceptions of potential growth as a financial centre.**

Competitiveness Factors	Rank
Availability of skilled personnel	1
Regulatory environment	2
Access to international financial markets	3
Availability of business infrastructure	4
Access to customers	5
A fair and just business environment	6
Government responsiveness	7
Corporate tax regime	8
Operational costs	9
Access to suppliers of professional services	10
Quality of life	11
Culture & language	12
Quality / availability of commercial property	13
Personal tax regime	14



- GCC have become ‘asset-based economies’ with income from assets becoming more important than oil & gas revenue
- DIFC’s role is to Invest, Manage and Control region’s financial wealth of \$2.6 trillion and growing as a result of high energy prices
- Financing Infrastructure & Regional Economic Integration
- Enable & support economic and financial reforms:
  - Enable separation of oil revenue management from fiscal policy & investment
  - Privatization and private sector participation in infrastructure
- GCC Common Currency will emerge as a global currency alongside US\$, Euro, Yen and Yuan
- DIFC building **payment system infrastructure**: RTGS for \$ and Euro

# Key Points on the GMU and the GCB

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- The Gulf Central Bank will be closely watched by international markets who therefore expect that it adopts a communication style and monetary policy regime that abides by the highest standards and is in line with the major and most respected central banks in the world.
- The effects of the monetary union in the Gulf will be widely felt in international markets. The creation of a new strong currency, whose stability is guaranteed by oil wealth and increasingly by financial wealth, will attract sizeable capital inflows from all over the world and provide a safe haven for investors when commodity prices spike or when security tensions arise.
- In the medium term, it might lead to the GCC common currency serving as a reserve asset for other countries, notably the Arab countries and oil importers. Similarly, the quotation of reference-oil prices might gradually be expressed in the new currency instead of US dollars. This will increase the seignorage revenues of the GCC countries, but more importantly it will raise the international profile of the GCC states as a whole.

# **GCC/Dubai-EU-Italy Areas for Cooperation**

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- **Global economic & financial geography is changing, there is a need for establishing and strengthening of links and channels for communication, transactions, trade, investment and mutually beneficial cooperation.**
- **The GCC and EU have an opportunity to develop institutional and working relationships between each other: Free Trade Agreement**
- **GCC-EU: Energy Security for Europe**
- **Co-Finance Euro-Mediterranean infrastructure and link to GCC: transport, energy/power pipelines and grids**
- **Promote Financial Market integration: linking stock exchanges**
- **Italian banks, financial institutions can establish presence in DIFC**
- **Listing of Italian securities on DIFC and GCC exchanges**
- **Italian companies participating in GCC infrastructure projects**

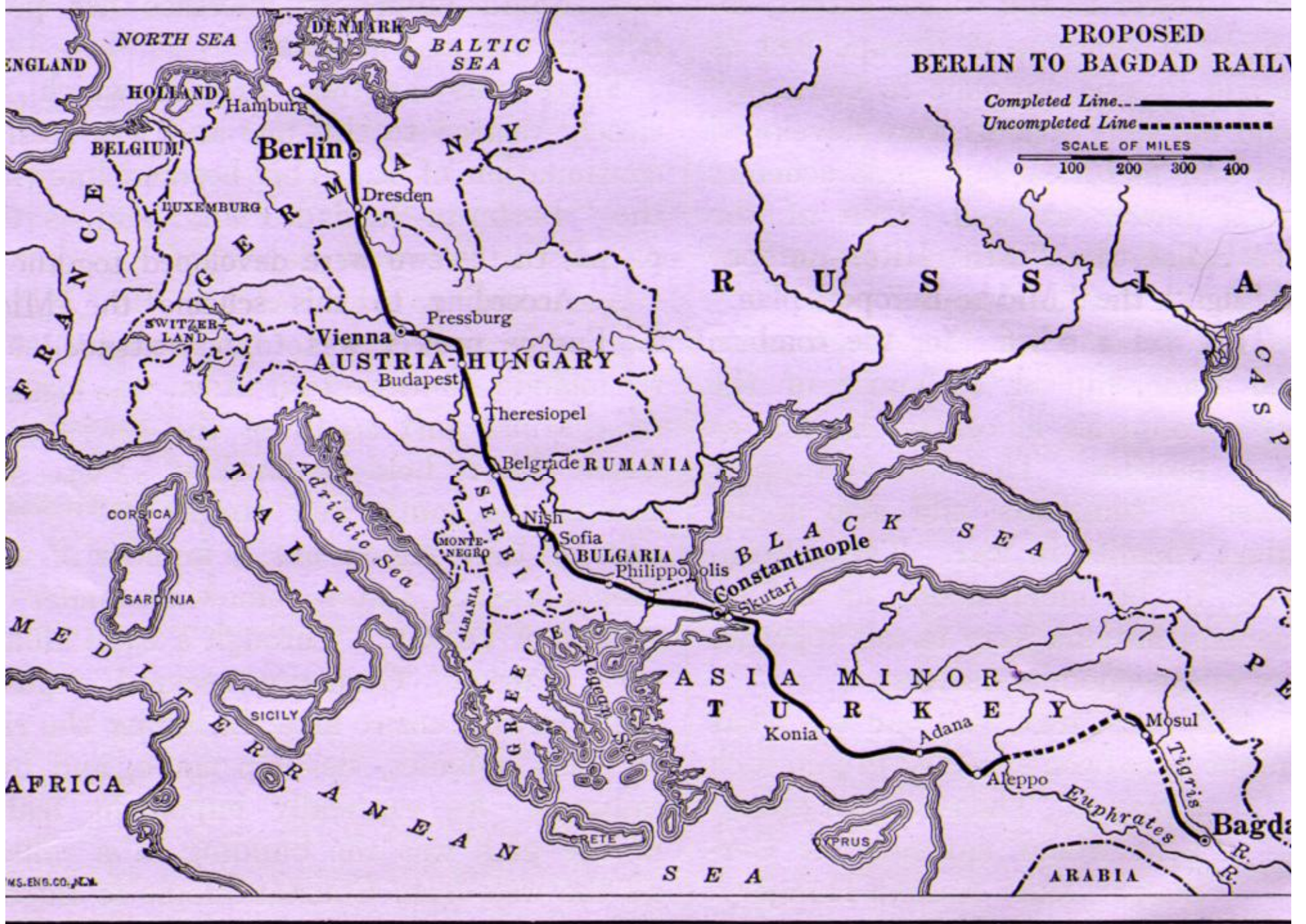


FIG. 5



# Euro-Med Gas projects: Extend to GCC



**Italia-GCC Partnership  
for a  
New Global Economic Geography**

***Thank you***

***Q & A***

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