"The World Economy - On the Edge"
Key Note Remarks by

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to

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The World Economy on the Edge

I - The World Economy

Are we out of the recession of 2001? Will the world recover by 2002?

II - The GCC Countries Economy

The dependence on oil and gas means a dependence on the world economy

III - The UAE Economy

- The success of diversification

- The need to do more interns of private investment in manufacturing, development of SMEs and promotion of exports

I - The World Economy

signs of recession were obvious before 11 September. Credible indications that a recovery is under way, in the USA: expected growth for 2002: 2.5-3.5%, consumer spending is up.

Reasons of success in the USA

- Tax cuts and
- Interest rate cuts and expansionary monetary policy

But continental Europe and Japan are lagging behind.

Growth prospects for Germany for 2002: 1.5%

Japan may expect even a negative growth.

The reasons are structural
Continental Europe: labor rigidities, agricultural subsidies, costly and unsustainable welfare systems....

Japan:

Non-Performing bank loans

Problems of corporate governance

The failure of Germany and continental Europe to recover will limit world growth prospects as high-income countries have a predominant position in the world.

Diversification still has a long way to go.

III. The UAE Economy
The oil and gas sector is limited to 25-34% of GDP (it depends on oil prices).

But it is also worth-noting, that even when oil prices declined in 1998, leading to a drop in the oil sector by 31%, non-oil GDP in the UAE managed to increase by 4.7%, in nominal terms. Fiscal policy played a crucial role in this performance. According to the Consolidated Government Financial Account, Government revenues from oil and gas declined by AED 15.6 billion in 1998. But Government expenditures grew by AED 7.2 billion, which helped compensate for the negative impact of oil activities. The widening gap between revenues and expenditures was financed from the income on government investments abroad.

The diversification policy has also succeeded to a large extent, especially compared to other GCC member countries. The main beneficiaries of this policy are manufacturing, shopping and transport and storage activities.

Emphasis on SMEs
- They are the engin of growth in developed and developing countries alike

- Labor intensive, they create more jobs

- They help develop local entrepreneurship base

- Flexible to adjust to external changes

- Better used capacity compared to large units

- Thet need and deserve a special help (training on how to create and manage a start-up).

Abu Dhabi and Dubai programs could be ---- to the other emirates

- The UAE economy is the more diversified among GCC countries (year 2000 figures):

Share of manufacturing: UAE(11.9%), Kuwait (10.5%), Saudi Arabia (9.2%)

Share of Trade Tourism: UAE (11.2%), Kuwait (5.7%), Saudi Arabia (6.2%)

Share of Transport and Storage: UAE (6.6%), Kuwait (4.7%), Saudi Arabia (4.7%)

Need to support SMEs
Training programs for the establishment and management of small business

- Need to promote exports

Need to create an Export Promotion Center, privately managed.

Need to create Trading Companies, (like in South Korea and Hong Kong). They are sources of information for local producers and they are entrusted with the task to export.

- Total imports and exports in % of GDP in 2000 = 118%

Conclusion: we need the rest of the world as much as they needs.