

Five predictions for 2010 Arab-Asian trade

KUWAIT: KCIC, an investment firm specializing in investments in Asia, hosted a closed discussion on the outlook for 2010 Arab-Asian trade relations with CEOs and analysts from leading financial institutions in Kuwait and Ben Simpfendorfer, author of the book 'The New Silk Road' and chief China Economist at the Royal Bank of Scotland.

Ben Simpfendorfer is an expert in the economic and social interaction between the Middle East and China. He joined the Royal Bank of Scotland in 2005, having previously been Senior China Economist at JPMorgan. He appears regularly on CNBC and Bloomberg and is quoted in major daily newspapers such as the Financial Times and the New York Times. Simpfendorfer speaks Arabic and Chinese and has lived in Beirut, Damascus, Beijing and Hong Kong. During the talk, Simpfendorfer delivered the following five projections for 2010 Arab-Asian relations:

Projections:- Trade flows will remain at the heart of the 'New Silk Road'. Trade and investments between the

Middle East and emerging Asia quadrupled in the last 10 years. In 2009, China overtook the USA as the largest exporter to the Middle East. This trend will continue, and more trade will be seen between the Middle East and emerging Asia.

● China's push into Africa will ensure that Dubai's troubles are only temporary. The volume of financial flows that China can bring into the African continent will help boost Dubai's position as an essential hub connecting Asia with Africa.

● Factory closures in the Middle East threaten to spoil China's relations with the Middle East. -Thanks to Chinese exports to the Middle East, low and middle income households can afford to purchase ordinary goods once considered unaffordable. However, 'made-in-China' competitive goods have threatened local factories and small businesses, such as textile manufacturing in Egypt and Syria.

● China's energy policy is at an inflexion point in the Middle East. -As China continues to grow, its demand for energy imports continue

KCIC hosts Ben Simpfendorfer, author of 'The New Silk Road'



to increase, pushing the country to pursue stronger ties with the Middle East. The Silk Road accounts for 48% of the World's oil production and Middle East producers are expected to sign medium term contracts with China.

● The flow of ideas is no longer only East-West. It's also East-East.- The traditional paradigm of East-West relations overlooks the growing internal flows within the Eastern hemisphere and, more specifically, the increasing relations between

the Middle and Far East. The Middle East and China share some of the same developmental challenges and are increasingly looking at each other for solutions. Simpfendorfer also posed on five questions to be considered in 2010:

Questions

Does Asia's growth model need to change in order to survive the crisis?

Can Asia's export-led growth model - that brought a dynamic momentum to its economy and ensured social stability by protecting jobs -

survive in the long term?

What is the role of Islam in the 'New Silk Road'?

China and Asia in general witnessed a rise in Islamic banking and investment related products over the last few years. Chinese investors are attracted by the straightforward design of Islamic wealth products, which are less volatile than conventional investments and offer a return based on performance.

Will the Arab world benefit from its demographic dividend?

Asia's demographic dividend spurs energy demand and Arab investments, but will it suffice? Will the Arab demographic dividend pay off in a similar way?

Why has intra-investment between China and the Middle East disappointed?

Intra-investment between China and the Middle East has not met expectations to date. Would 2010 be a turning point?

Can the Arab world's low-cost manufacturers succeed in a globalized world?

Would the Arab world's low-cost manufacturers be able to continue facing an increase in exports of Asian's

competitive goods? KCIC Chief Economist Alessandro Magnoli Bocchi said: "As Asia and the Middle East rediscover trade and investment opportunities on the New Silk Road, it was a great opportunity to host Ben Simpfendorfer. The depth and timing of the insights that he shared are invaluable to any student of the economies of emerging Asia. We thank him for responding to our invitation and look forward to hosting him again in the future".

KCIC was founded in 2005 with a capital of KD 80 million by an Emiree Decree with a mandate to develop investment opportunities in Asia towards building an Asia focused asset management company. The public company employs a team of Asian specialists and currently manages assets in excess of USD 450 million. Key shareholders include the Kuwait Investment Authority, the Sovereign Wealth Fund of Kuwait, National Investment Company, one of the leading investment banks in the Middle East, and Al Ghanim Industries, one of the largest conglomerates in the Middle East.