

IPS Corporate Associates' Lunch Dialogue Doing Business in the Middle East

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IPS CORPORATE ASSOCIATES were joined by Mr Shamsheer Zaman and Mr Ray Ferguson at a Lunch Dialogue on 7 September 2017 to share their experience of doing business in the Middle East.



Mr Zaman is the Managing Director of Linkers (Far East) Pte Ltd, a chemicals and polymers trading company with presence in Southeast Asia, South Asia, the Middle East and Africa. He also serves as Singapore's Non-Resident Ambassador to the Hashemite Kingdom of Jordan. Mr Ferguson is Chief Executive Officer (CEO) at Caber Partners Pte Ltd, and was previously CEO of Standard Chartered Bank in the United Arab Emirates from 2002–2006, and Group Chief Banking Officer at Bahrain's Arab Banking Corporation from 2014–2017. The dialogue was chaired by IPS Special Advisor, Professor Tommy Koh.

In his opening remarks, Professor Koh surveyed Singapore's recent trading relationships with the Middle East. He traced a prominent effort in establishing contact with the Middle East to the inaugural 2005 Asia-Middle East Dialogue. While the dialogue saw fruitful discussions, the Middle East has since experienced quite a lot of turbulence, from the Arab Spring to intensified tensions between the Sunnis and the Shiites. Nevertheless, Professor Koh believed that there were oases of peace in the Middle East for business.

Mr Zaman addressed the business climate. He defined the Middle East as a collection of 17 countries, and brought our attention to the large market size of its 410 million population. He highlighted the opportunities offered by the region's emerging middle class, its growing and young population of 120 million, and its large GDP of US\$3.6 trillion. Other favourable factors include the vast amount of natural resources in Saudi Arabia, the UAE, Qatar and Kuwait, and the absence of income and corporate taxes. However, he cautioned participants on the political landscape that is mostly dominated by regional conflicts, and the UAE's plan to impose VAT from next year, with Saudi Arabia likely to follow in 2018.

Mr Zaman said that this should not put off our businesses, as their economy's increasing diversification offers opportunities for Singapore. For instance, the region has largely been involved in gas and oil industries and is now also seeking to improve their infrastructure, healthcare and tourism sectors, amongst others. There is also interest in privatising state-owned assets. Saudi Arabia's national oil company Saudi Aramco is planning to sell 5 per cent of its stakes. Saudi Aramco's IPO is expected to be the largest IPO in the world, with an estimated value of US\$1 to US\$2 trillion.

Mr Zaman offered some advice on how best to navigate this culturally distinct environment. First, Middle Easterners prefer to communicate face to face. Their pace of negotiation is often slow, and patience is key to conducting business in the Middle East. Singapore businesses should invest time in building both formal and informal relationships, as there is not little divide between business and personal relationships there. Knowledge of formal Middle Eastern business practices does not guarantee success, for relationships and connections with the local government and private parties remain vital, as is having the right local partner. He also suggested taking legal advice from a local Middle Eastern lawyer, who would be more adept at practising law in the local context. Mr Zaman assured those present of the opportunities available, adding that one should identify a regional business strategy, rather than have a country-based approach.

Mr Ferguson shared with the audience his experience in working in the Middle East. He underlined the major role Islam plays in the business environment. Mr Ferguson provided the participants with a rundown of Islamic characteristics such as generosity, respect, modesty and hospitality. He also explained that familial relations underpin the Middle Eastern social structure. This structure leads them to see the duty of supporting family members throughout their careers as of utmost importance. Loyalty also has its place in the social structure, and he emphasised that trust-based loyalty is a prerequisite to advancing business procurements in the Middle East. Mr Ferguson revealed how the importance of familial ties and loyalty results in family members being appointed to various positions in organisations, and that one must be especially careful with their words so as not to

inadvertently offend others. To Mr Ferguson, one may only understand the business environment in the Middle East by first understanding certain Islamic concepts.

Agreeing with Mr Zaman, Mr Ferguson said that business success in the Middle East depends largely on positive relationships with locals. Legal complications can be surmounted by knowing the right people. He also highlighted a sense of vagueness in the way business relationships are handled by the locals. This was a deliberate way of communication, stemming from their culture, and that one should not be discouraged by a seeming lack of commitment in business discussions.

Mr Ferguson believed that a good grasp of knowledge on the Middle Eastern political landscape is essential to conduct business effectively. Admittedly, the political landscape had gotten more complicated in recent years. Mr Ferguson noted that the primacy of Egypt, Syria and Iran had shifted, with the unifying cause of Palestine failing to maintain the balance of tensions between these countries. Qatar further provoked unrest by funding the Muslim Brotherhood in Egypt. On a related note, China, not a player there 15 years ago, has emerged as a key trading partner to the Middle East. It is important to be alert to such shifting dynamics in the Middle East.

Question and Answer

A member of the audience asked about the Middle East's perspective on China's Road and Belt Initiative. Mr Ferguson said that he did not recall much discussion in the Middle East. Turkey is interested in the initiative, but the plan is generally not understood in the Middle East. Mr Zaman agreed, adding that Iran was probably one of the keenest watchers of the Chinese initiative; Iran has also expressed interest in participating in the China-Pakistan Economic Corridor (CPEC). Mr Ferguson observed that while China is recognised as a crucial investor, this does not necessarily lead to the Middle East's commitment towards China's ambitions.

Another participant asked if it was a challenge for women to conduct business there. Mr Ferguson asserted that businesspeople were not hindered by their gender. The key is to conform to social norms. Plenty of women executives from Singapore and the United States are successful in the Middle East. Of course, it is more difficult for women to break into certain economies, such as Saudi Arabia, where ladies follow a strict dress code. However, it is not an issue in other countries like Algeria and Egypt.

A participant was also interested in the tensions between the Sunnis and the Shiites, and wondered if a peaceful agreement between the two sects is possible in the near future. Professor Koh commented that this schism goes back to the founding of Islamism and is not easy to reconcile. He is disappointed in how some Sunni leaders have discredited Shiites as infidels, pointing to incidents closer to home, where some Shiites were reportedly prevented from worshipping in Shiite mosques in Malaysia. On a more positive note, Mr Zaman believed that a common ground is still possible, as Sunnis and Shiites in Singapore live together and even go to the same mosques.

As a last point of discussion, Professor Koh asked the speakers for the three easiest Middle Eastern countries in which to conduct business, as well as rosy industries. Mr Zaman recommended doing business in the Dubai-UAE, as it has some similarities to Singapore's economy. On the whole, it is easier to register as a business entity there and to purchase a property. He also discussed the potential of working in Saudi Arabia and Iran. Mr Zaman deemed Iran as an interesting economy with a well-connected business community and vast opportunities for Singapore companies. However, in the absence of payment mechanism (banking system) between the two countries, bilateral trade and investment is at standstill. Both Mr Zaman and Mr Ferguson agreed that Egypt is also a viable economy, with its large size, growing young and highly educated population, and low operation costs.

Ang Shen Yang was an intern at IPS from July to September 2017. He is currently studying at the King's College London, pursuing a Bachelor's Degree in History.

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