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H. Gamble:

Good afternoon, everyone, I want to welcome you once again, of course, to the St. Petersburg International Economic Forum, and I do want to remind you that this is going to be televised on CNBC News, and if you have your ringers on your phone on, if you could just switch those to silent, that would be fantastic.

I want to kick off, of course, by introducing our panel of guests today: His Excellency Tarek Kabil, the Minister of Trade and Industry in Egypt; His Excellency Dr. Alaa Nassif, the CEO of the Royal Commission at Yanbu; Dimitris Tsitsiragos, VP of Global Client Services, International Finance Corporation; and as well, Arnauld Breuillac, the President of Exploration and Production for Total in the Middle East. Welcome, gentlemen, thank you so much for joining us.

Now, today, as Russia begins to reassert itself as a major international power broker inside the Middle East, I want to talk a little bit today with our guests about what that means in terms of the economic implications. I also want to talk about the possibility that the GCC countries could be working with Russia in the future in terms of stabilizing the oil market, what kind of opportunities there could be from the Suez Canal zone to the Eastern Province of Saudi Arabia for investment, and also what these countries can do to work together to keep us all safe as the threat of global terrorism continues.

I want to kick off with a broader discussion with the panellists, and feel free, gentlemen, to weigh in here. It is undeniable that there are so many economic opportunities, so many business opportunities in the region right now, but, of course, the hotspots that we see, it turns investors away. What is the biggest challenge right now to doing investment in the region?

Arnauld, do you want to kick off?

A. Breuillac:

Thank you. Let me first thank the organizers of the St. Petersburg Economic Forum. It is always a very important event in the annual events in Russia and a good opportunity for foreign companies and governments to meet with the Russian Government, and I must say, this year is particularly well-organized in this new conference centre, so it is very good to be in St. Petersburg.

I am particularly pleased to speak about the Middle East in my capacity as President of Exploration and Production for Total Group globally, around the world, because my former job was actually to be in charge of the Middle East, so I have a special bias towards the region.

And actually Total Group was born in the Middle East, nearly 100 years ago, and we are the only major oil company which has grown into being a major without home-based production, which probably puts us in a special situation, and particularly when it comes to the Middle East, which is what we consider to be our roots. We have about a quarter of our production today coming out of the region, and clearly we see, of course, challenges, but many, many opportunities, even in today’s environment with the gap in the oil price. The region, of course, is in a particularly difficult time with regard to a very important crisis, a humanitarian crisis in some countries. Some countries are more affected than others by the oil price environment. But what we would like to think is that first of all, it is clear that the Middle East region owns, of course, the largest oil reserves on the planet, so when we think about the sustainability of the energy supply to the markets, the Middle East is absolutely central.

At the same time, we have seen in the last, I would say, year, year and a half, that events in the region that would have in other circumstances pushed the oil price to the sky have not had this effect this time. You probably all have in mind the situation of tension between Iran and Saudi Arabia not so long ago on a given Monday when actually, we saw the oil price come up USD 2 in the morning, and in the afternoon, just because there was some negative information on China’s economy, it came USD 2 down again. In other circumstances, you would have imagined maybe it would have gone up USD 20 or more.

So we have this situation where the Middle East still remains undoubtedly a very important resource base for the supply of oil in the future, also because this is where you have low-cost production, which of course is capable of competing with the much higher-cost production globally.

And so the challenge for a company like Total is, first, to maintain the commitment to the region, maintain the investment, for as long as we can maintain the cost down: that is to say, to maintain our activities in what is the competitive advantage of the region, low-cost production; and indeed also to have some margins, because we have seen – and I could be more specific if you wish – that in some countries, some contracts were awarded under certain circumstances with very low margins, and we see today that these contracts are not delivering the value either to the country or to the oil investors.

So there has got to be, in our view, a good balance between the reward and the investment, so that we can maintain the investment in the mid to long term.

I will complete my introductory topic here: what we have seen is in the last year, and this year in 2016, there is currently a shortage of investment in the oil and gas industry which is very significant. We speak about coming down from USD 700 billion in 2014 to about USD 400 billion this year. We know this is not sustainable. We know that the projects that have not been launched last year and this year will create a situation of a very severe shortage in three or four years from now.

So this is something that is not sustainable, and clearly, we believe in Total that the Middle East has the resources, has the project potential, to give opportunity for new investment.

H. Gamble:

Your Excellency, following on to that with the situation in Egypt, for example, obviously you are caught in the middle here, because lower oil prices are very good for what President Sisi is trying to do in terms of cutting those subsidies, but at the same point, in terms of loans and other money that you receive from Gulf countries, particularly Saudi Arabia, that has hit home. Talk to me a little bit about the risk–reward there.

T. Kabil:

Yes, oil prices went down, which is helping the budget, but there is also a break-even point, and I think you will be able to even mention that, because the reason for the lower investment that is happening in the Middle East in general, with the USD 700 billion, is the low oil prices.

So there is a sweet spot where it would help the budget, but it will also encourage companies like Total and many others to invest. So we believe that 50, 55 will be the right target.

In terms of what we are trying to do in general in Egypt, if you look at Egypt, we had two revolutions in the last five years, which had a significant impact on the economy, on stability, on spending and on infrastructure as well.

Last year, despite all that, our GDP grew 4.2%, which is not bad, considering what has been happening in the last five years. Our target next year will be 5% plus. If you look at the budget, the government mandate is to improve the GDP by 1.5%, reduce unemployment by 1.5%, which is key, and reduce the budget deficit by 1.5%.

Since President Sisi came on board, within the last couple of years we have invested massively in infrastructure, just because we have not invested during the revolution time in infrastructure to keep investment going. So, if you look at what is happening, we have dug the Suez Canal, we are building the biggest industrial and logistics hub around the Suez Canal and, again, it will be managed as a separate economic zone, which is outside the government and has its own laws, so that will be one of the biggest logistics hubs in the world around that particular area.

We are building three new ports and upgrading another three ports. We are building three new cities. One of them is an administration city, which we have started building the infrastructure of, as we speak. We have built 5,000 km of roads, we still have a way to go. We have increased our power generation by 40% in the last couple of years through traditional power stations as well as renewable. Our target is to almost reach 20% of our power generation by 2022.

So, there is massive infrastructure spending, which is again putting pressure on the budget deficit, but it has to be done in order to continue to promote investment, be it local investment or FDIs.

We have also focused a lot on legislation and the ease of doing business. So, again, within the last six months alone, we have issued so many new pieces of legislation to help attract investment. I will give you a few examples: industrial licensing, the Cabinet has already approved a new law that almost 80% of industry will have its licences through notification, this is a break-through in that particular area; we have issued a law to formulate a new food agency; we have approved a VAT, which will help to not only reduce the budget deficit, but also move the informal sector into the formal sector; we are also working on a new labour law which will have a proper balance between employer rights and employee rights.

So, we are working on two sides: one, infrastructure, which is, again, extremely important for investment, local and outside; as well as improving the proper investment climate for people to grow business.

If you look at industry, for example, industry is growing about 8%. Today it is about 17% of the GDP, we are looking to 22%, so the major focus has been within industry.

H. Gamble:

So, a lot of massive projects, and I think everyone has been surprised by the speed with which President Sisi has been able to direct those major projects and really bring things online as quickly as he has.

But one of the big questions, of course, for many in the Egyptian street, and for the 90 million people in the largest Arab country, is how soon is all of this going to trickle down to someone’s pocket? This is also a question that many folks in Saudi Arabia today are also talking about. We are talking about a National Transformation Plan. The Deputy Crown Prince, Mohammad bin Salman, is working very diligently to bring this economy forward and diversify away from dependence on oil.

Dr. Nassif, talk us through a little bit about the opportunities, particularly in your area, in the Yanbu Province. Where are the opportunities there for investment?

A. bin Abdullah Nassif:

First of all, I would like to thank you for the good organization we have here in St. Petersburg, the beautiful city.

As you mentioned, the transformation that was launched by His Royal Highness Prince Mohammad bin Salman was at the right time for the country to move forward. And I would urge everyone to look at the website for Division2030.gov.sa. It has detailed information about that vision.

The Royal Commission of Jubail and Yanbu is one of the organizations that the government is using as a tool in order to achieve the targets we are looking for. In our cities, we have specialized industrial cities, where major industrial investments are taking place. In both cities, we have investments of over USD 250 billion in Jubail and Yanbu, and those cities are specialized in hydrocarbon and downstream industries.

Right now, we are working on major projects in different sectors, including hydrocarbons, renewable energy, spare parts, plus the logistics that these industrial cities would need, either through the sea or the port in Jubail.

So, we have major projects: despite the discussions taking place worldwide on the price of oil, these major projects are taking place now. The country is still in an era of prosperity, where projects are being financed by the government, but with this transformation, we have left a bigger space for the private sector to participate, rather than the smaller share it had in previous times.

So, yes, we do have major projects taking place in Jubail and Yanbu and other parts of the country.

H. Gamble:

So, a lot of exciting opportunities, big mega-projects taking place in the region.

Dimitris, talk to us a little bit about the possibilities here, because at the same time, there are major challenges that the region is facing, and that could, of course, deter investors.

D. Tsitsiragos:

To start with, thank you to the organizers for the invitation. It is a pleasure to be back here again and participating in this Forum.

I think when we look at MENA, as you rightly said, there are a lot of opportunities, but also a lot of challenges. I think the biggest challenge today, the way we look at it, is confidence. And confidence for investors.

I think if you look at the FDI numbers in the region, FDI has gone down significantly since 2010, 2011. This is a reflection of investors' aversion to coming to MENA.

At the same time, I think it is very good that I follow His Excellency the Minister and Dr. Nassif, because they have both talked about something that is happening in the region, and it is going to take some time to see the results, but there are a number of structural reforms underway. These structural reforms have the objective to move the economy from a state-driven one to one where the private sector plays a much more active role.

The private sector is the engine of growth, and the private sector is going to be the creator of jobs, and the one that is putting money at risk, and we are seeing this starting in Egypt, which is a good example.

If you look across the region, in the last year, pretty much every country has passed laws that are trying to simplify the way that people start businesses and to make it easier for investors to go about their business on a day-to-day basis. At the same time, you have the big programmes and changes in Saudi Arabia. I think this is a strong message, and I think one can look at the low oil price environment as an opportunity to introduce structural reforms. It is also an opportunity to ease the burden on government budgets by subsidies. I think Egypt, again, has taken these steps; I can think of countries such as Jordan, for example, or the UAE, who have followed, who have done the same.

I think these are the positives that have come out of the region.
At the same time, as we have heard, the opportunities are there, and the opportunities are there in the areas of infrastructure – which is a big need in this region – and infrastructure in many ways will also lead to job creation in this region. I think in this region we see today that the biggest employer of choice is the government, and that has to change. It is going to be a change that takes some time, because a lot of it is cultural change, but if you look around the world, the private sector is the one that creates the jobs. Nine out of ten jobs in the rest of the world are created by the private sector. So you need a strong and healthy private sector in MENA to just get the growth rates – as we heard from His Excellency the Minister – that the region needs.
I think that is the opportunity. I think the other opportunity in what we see in the region is that there are regional flows of money. I would say that what we are trying to do and what we are trying to support, and I think it is also a reflection of what is happening in the region, is the GCC and a lot of the companies in the GCC can be investors in the rest of MENA in some way: in the oil importers, as we see somewhat happening in Egypt today.
You can have what I would call regional champions: companies that start in the GCC and establish a presence across the region. I think that is an opportunity to bring the region together and also an opportunity to generate investment and create jobs. This is a time when what the region needs is jobs. I think this is the biggest social challenge around us.

H. Gamble:
Absolutely, and whether or not these populations are going to wait long enough for these big infrastructure projects to really kick in. In Egypt, for example, you have so many people, so many young people. The question, of course, going forward will be, are those jobs going to be available to them?

T. Kabil:

I mean, if you look at the infrastructure which I just mentioned, some of them are long-term, some of them medium, some of them very short-term.

H. Gamble:
Do you worry at all that President Sisi, for example, will not have time to get enough done quickly?

T. Kabil:
I would not worry. I mean, he is pushing us very fast, and I think the level of execution so far is unheard of. Again, if I look at the infrastructure, doubling the Suez is long-term. That would be linked to the overall world trade. The Suez Canal corridor is immediate; we are marketing as we speak. The roads are immediate. The cities, some are immediate, because we have population growth which is quite high – in Egypt over 2.5% – we need to build more houses. We are building almost one million units of social housing, which is again immediate.
Commenting on your point, I agree, in Egypt there are almost two million people working on the infrastructure projects. But we have also opened the infrastructure to the private sector. Today, the private sector is building power stations, water treatment plants, roads. We have to do both. The private sector is a fundamental part of economic growth, so without the private sector, we will never achieve what we need.
So there is a balance of both.

H. Gamble:
Talk to me a little bit about the aspect of pragmatism or realpolitik that we have seen over the last couple of years, particularly when it comes to Syria, for example. Both Moscow and Riyadh have really refused to let the disagreements over what to do about the situation in Syria deflect them from economic opportunities.

Arnauld, weigh in here: do you think that given the positive notes we saw after the OPEC meeting just a couple of weeks ago now that we could see, for example, Russia and the GCC countries, particularly Saudi Arabia, working together much more closely in terms of stability in the markets going forward?

A. Breuillac:
A comment that has been made by a number of observers of the industry is on whether OPEC is still active and capable of influencing the oil price.

H. Gamble:
Because this has implications across all these different countries and the region.

A. Breuillac:
Yes. The way we look at it is that, indeed, OPEC is still very much alive. There have been in past historical periods very strong consensus and very proactive action that was successful in regulating the supply, in fact, to the market, which of course means that there is an oil price which has got to be a good balance between growth for the oil producer and for the oil consumers.
We are seeing something a bit new now because, clearly, with the crisis that we are facing in terms of a very sudden fall in the oil price with a clear consequence on investment, which as I said, is not sustainable, clearly we have to do something, and we can see that the origin, in fact, of this change was very much an unexpected and unplanned event, which was the unexpected growth of shale oil production in the US.
So we can see that it will probably take a bit more than OPEC to try to regulate the market, but at the same time, we should not forget – all of us in the industry but also politicians, people making policies – the fact that oil is a commodity, and in a commodities business, you have reactivity. It is inherent to the business of commodities that when the prices are high, there is a lot of

investment, and then at a certain point, supply exceeds demand and you have a fall in the price, and then you get lower investment and so on.

The role of OPEC is basically to regulate this, but today they probably need a wider consensus to reach that point, and we also know from history that it has to come at the right time. If actions come too soon, they are ineffective.

And so, what we see is clearly that the oil price has more or less rebounded by more than 50% in the last two or three months, due to a combination of events around the world. It is no longer so much the Middle East, by the way, that is leading on this, it is more Canada and Nigeria in this respect, but we can see that the global dimension, if I may say, of the oil market is perfectly clear today, and the idea that there has to be some consensus more internationally about trade in the market is important.

It is important because we need to have new investments if we want to have a level of production that fulfils the demand in the next few years, so that is quite important in our view.

H. Gamble:

Dr. Nassif, when we talk about what is happening, particularly in the Eastern Province of Saudi Arabia – serious directives from the government to put more investment into oil infrastructure and into petrochemicals and into all of the industries that surround that area – what is the trickle-down here? How soon are we going to see some positive results for the economy in terms of job growth, in terms of everything that Mohammad bin Salman really wants to see with his National Transformation Plan?

A. bin Abdullah Nassif:

With that plan, we have a clear vision of the major projects that the government have already accepted to start, starting this year, 2016, for 2020. So we will see growth coming in four years, with major projects in all areas of the country, east, west, north, south.

Mainly, it will be projects that the private sector are participating in more, with seed funds from the government, and the results of the revenues will be much higher than what was planned for in the previous decades, when the government used to spend more money.

So, yes, we have a very clear vision now, we know exactly the different projects directly related to oil and minerals or the petrochemical industry, and as you know, we have more than four specialized cities now for petrochemicals, minerals and chemicals, plus smaller cities around the country, probably over 40 smaller cities in different areas around the country for downstream industries.

So, we will see that starting this year, and the results will show in 2020.

H. Gamble:

Dimitris, talk me through a little bit in terms of the numbers, because I understand that, depending on which analysis you read, the GDP per capita for Saudi Arabia could decrease as much as 30%. How difficult will it be for Saudi Arabia to turn this around?

D. Tsitsiragos:

In Saudi Arabia, the opportunity is to diversify the economy, and I think Saudi Arabia has the financial resources to do that. This is the advantage, and they are taking steps, they are talking about opening up, they are talking about creating more opportunities for entrepreneurs there. They are also trying to diversify their economy away from oil.

I think it is going to take some time, but having the financial resources, I think that is a plus. And there is a vision, and there is a clear vision. I think the challenge is going to be the implementation. And that is going to be the opportunity.

But what we are seeing in Saudi Arabia is that small steps have been taken in recent years, but these small steps are starting to make a difference in the country. We are seeing more and more activity in areas that traditionally were not big factors in the economy, and I think that is a positive thing.

Also, when you look at it, Saudi Arabia is the largest country in the GCC, so in many ways, it is a driver. I think what I see in Saudi Arabia is interesting, and I also see it in the GCCs. On the one hand, there is the focus on oil, but if I look at power, at the same time, there is a big effort and a big push to go into renewables, and look at different sources of generating energy, taking advantage of the natural advantages of the country, which is solar.

So what you are seeing in the GCC happening in solar, what you are seeing in Saudi Arabia, I think that is a big plus.

There is also Saudi Arabia's big push towards gas rather than oil, so oil that has traditionally been the driver, the big energy fuel for them, has had a cost for Saudi Arabia. Now, using less oil, going towards a solar, that is going to generate savings, and at the same time, will also lower the cost of energy for Saudi Arabia and make Saudi Arabia a more competitive economy.

H. Gamble:

I want to talk a little bit about the role of the United States here, because this panel was really meant to focus on Russia's pivot east and Russia's interest in diversifying and really investing in the Middle East itself. But I do want to ask about the United States, because when we talk about security, when we talk about economic opportunity, when we talk about what used to be one of the major players in the region, many people have said that the United States has really retrenched, and that they have allowed for other players to enter into the market. When it comes to stability, the question for the United States, of course, is, does the road of the national security of the United States really still run through Moscow?

I want to ask you to all weigh in here in terms of the security situation, but also in terms of your own individual remits. How does this all play out? Because the United States is not as present as it used to be. You are looking for new partners, both economically and geo-strategically. Where does Russia play a role in the Middle East going forward, Your Excellency?

T. Kabil:
That is a tough one, and I just want to comment on the Middle East, because in some cases, we label the Middle East as one. And in some aspects, this is true: it is one. But then sometimes we have to look at it country by country, because the situations are quite different.
So, if you look at the overall threat from outside the Middle East, yes, security is an issue, in Syria and Iraq, in Yemen, in other places. So, then, in a way, this scares investors.
It also puts pressure on the budget of every country, because a lot of money is going into the military because of the current situation.
Yes, the US has in my view moved away from the region, for one reason or another; however, US companies are investing. So, again, I would look at the US in two parts: one, US businesses, companies; and US politics.
On the political side, yes, the US has gone away. I think they have started to come a bit closer, shyly; but US companies are there, they are investing, they are expanding – at least I can talk about Egypt, and I know that they are investing massively in the Gulf as well.
So, there is a difference between economically and politically.

H. Gamble:
And in terms of Russia?

T. Kabil:

Russia is coming even a lot closer. Again, I am talking from Egypt's side; in Saudi, it might be slightly different. If we look at the last couple of years, there is significantly strong political agreement and support between President Sisi and President Putin, so there is a political alignment and it is reflected in the economic side.

So if you look economically, for example, which is in the process of finalizing the contract for the biggest nuclear power station in Egypt, today we have reviewed the plan for the first Russian industrial area in the Suez Canal corridor that will include manufacturing of trucks, agricultural equipment, potentially petrochemicals, so there is a lot of push in that area. We are refurbishing steel factories in Egypt, building a plan to supply and build locally rail cars and so forth.

Russia is coming a lot closer economically. They understand the historical issue much better than anybody else. That is from Egypt. I think the Gulf might be slightly different.

H. Gamble:

Dr. Nassif:

A. bin Abdullah Nassif:

Yes, as has been said, the country is still receiving so many international or foreign investors. Actually we have one of the largest American companies, which is Dow Chemical, and they have a new project in Saudi Arabia which has just been launched. It is one of the world’s largest petrochemical projects. We have it in Jubail.

We also have the safety and security that an international investor will look for. We have examples of international investors that have been working in Saudi Arabia for the previous 40 years, and they are actually expanding, getting other investors from the same nation, whether American, European or whatever, so that gives you the sense that there is safety, there is security.

Yes, as His Excellency has mentioned, when we talk about the Middle East, yes, it is surrounded by areas of unrest, but when it comes to individual countries, we have a very safe country. Yes, we have trouble to the south of Saudi Arabia, and the north, but within the country, we still have a very good business environment, and very good, safe environment for any international investments to come.

H. Gamble:

Arnauld, we talked a bit about risk reward, and when we are talking about foreign direct investment, we are talking about dealing with these various governments in the Middle East, for example. There are always questions about transparency, about how long it takes to get $a+b=c$, how to get your money, and in terms of, even currencies have become a problem over the last several years, in particular. What is the biggest challenge to doing business in the region if we are talking about pan-regional, because, as you say, every country is different?

A. Breuillac:

Well, first, we are in an industry, and I am speaking about the oil industry, that is a long-term industry. So you do not make commitments for a few years; you speak about decades. There are no quick wins, but we have to have balance, and when there is no balance, it does not last. And that is not what we want, because it is the very essence of our industry.

Another comment I would like to make: I am not at all qualified to speak about foreign policies, but what I would like to say is that the more foreign investment you have in countries and the fact that the US is still continuing to invest – I would say – quite heavily in the region, and likewise other European companies, and the debate about Russian investment in the region is very important, because at the end of the day, it helps to bridge political crises when you have real interest in getting peaceful solutions rather than having conflict and crisis. We truly believe in that.

And finally, one comment about diversification and the vision. We are very much engaged alongside many of the states in the region on their vision, because clearly there is an issue of over-dependency on oil, at least for a number of countries in the region, and clearly when there are times of low oil prices, which is bound to happen because, again, it is a commodities business, so the volatility is back and that is quite normal, when you look at the last 40 years, volatility has been the norm – this issue of over-dependency is being addressed, I believe, by integration down the value chain.

So, it is clear that there are a lot of initiatives to try to diversify out of oil altogether, and clearly those initiatives have to be encouraged, but one of the assets of the region – at least for a number of countries – is to be comparatively rich in terms of oil and gas sources.

The way in which the value chain is integrated is very important, because the reason why, for instance, a company like Total can still weather a significant storm like the one we are experiencing just now is because in the downstream we recover some of the value we lose in the upstream. And when we see the massive investment that has been made in Saudi Arabia – in fact, we invested in Jubail alongside Saudi Aramco in one of the largest and most modern refineries, a 400,000 bpd refinery – it is a way to recover value down the value chain, which means it creates jobs, of course, because it is an investment country, it is taking advantage of the assets of the country, which is of course large oil resources, but going a bit further, because it is transforming this crude oil into refined products and going into the markets. And in the instance of Saudi Arabia, we can see that a lot of the economics were based on exporting to Asia, and in actual fact, thanks to the growth of the local market, the margins are even better, because you do not have to ship your products so far away, but you have the local market.

So there are clearly some internal dynamics inside the region which are very encouraging, and also this dimension of diversifying down the value chain in oil and gas.

H. Gamble:

Dimitris, you are based in the UAE, I want to talk about the big picture with you a little. When you look at the United States right now, it is in the middle of an election season; there is a lot of political rhetoric flying around, one of the main

candidates in the US presidential race, Donald Trump, the Republican presumptive nominee, in fact, has said a lot of things about banning Muslims from the United States, for example, and obviously that has repercussions in the region, and certainly weighs on the opinions of folks there as well.
Where are the opportunities for countries like Russia and others to capitalize on what is happening, particularly in the United States, when it comes to getting more business?

D. Tsitsiragos:
I think there is room for everybody in the region. I think in the election campaign, a lot has been said, but eventually pragmatism and reality set in.
I think as Russia has had a historical presence in the region, I think Russia had some strong links with a number of countries, Egypt being one of them. You see opportunities, the commodity sector is one area where there is an opportunity. At the same time, I think one can look for opportunities in the infrastructure space, for Russia and, I think, for other countries.
I would say that when I look at this region, I think a lot of the growth, a lot of the investment can be generated first and foremost within the region. I think this in a way the least-integrated region in the world, or probably one of the least, and the opportunity is to find ways to bring the region together, because that, we think, is going to be to the benefit of the region.
That is the big plus. So I would say that the first and the largest potential beneficiaries in the region are going to be the locals. The thing is, when you have companies from the GCC or companies from a number of other countries that have a regional footprint, they are the best-placed to go out and just take advantage of the opportunities that the region represents. They understand the language and the culture, and that is a big plus.
So, to start with, that is one thing. I think the second thing in the region is that if there is political stability, if there is a level of confidence, if people see growth rates going up again, I think you are going to get quite a lot of FDI from the rest of the world.

I think that has been the case for many years in the past: FDI has gone down now, but it is going to go up again. And what you will also see is FDI coming from different parts of the world. Traditionally, it has been North America and Western Europe: I think today Asia is a potential major source for FDI in this region. I think Russia, Europe can be there, but they have the links. I think Asia is the big opportunity.

I think China has a stronger link to this region than before, and you also have a lot of countries in Southeast Asia that are also looking at this region and seeing potential for opportunities. We see quite a lot of activity. I think one of the examples is the interest that, say, Egypt gets from countries in Asia, and again Saudi Arabia gets a lot of interest from Asia. We can also look at the UAE: in a way, it is also a source of investment within the region and also outside the region.

I think what we have seen in this region, in UAE you have established companies that have a global footprint. I think one can think of the airlines, you can think about Dubai Ports: these are companies that are not only limited to the GCC, to MENA; they are in Africa, they are in Asia, they are in North America.

That is the advantage and that is the engine in this region.

I also want to go back to something you said earlier, when you talked about transparency. I would say transparency is one thing. The other challenge here and the other opportunity is a level playing field. Because the perception in many ways in this region – and it is not only a perception, I think to a large extent it is a reality – is that there are a lot of good laws in place, a lot of good regulations. The question is how they are implemented and who benefits from them. I think if you have a level playing field, you can create more opportunities for entrepreneurs, and this region needs entrepreneurship.

H. Gamble:

Your Excellency, talk to me a little bit about integration, in terms of one country's private sector really beginning to invest in another. Obviously, many in the business community in the UAE are investing in Egypt, Saudi is also, of course, investing in Egypt, and has been for quite some time. But really, what is holding the region back? Is it politics?

T. Kabil:

First of all, let me comment on one point in terms of diversification of resources in the GCC. I would agree totally that this is a very important solution. If you look at the country UAE, and in particular Dubai, the way it was, 20% of the GDP was from non-oil business and 80% oil. Two years ago: exactly the opposite. Today, it is 80% non-oil and 20% oil. So, it can be done; it has been done over 12 to 13 years. And Saudi Arabia is more than capable of doing that. They have the financial resources and they have the human resources to do this.

I would support your point. If you read the 2030 Vision, it is in exactly the right direction.

To come back to integration, I also agree that integration is the biggest opportunity within the Middle East. If you look at the trade balance between each country, it is pathetic in comparison to other regions, despite having the right language, the right culture, the right background and even being close in terms of distances.

However, if you look at some of the few steps which have been happening recently, there is a shift in the right direction. Saudi Arabia, for example, announced an investment of SAR 30 billion in Egypt, UAE is also investing USD 3 billion in Egypt soon. Building the bridge between Saudi Arabia and Egypt will automatically help investment and trade between the two countries.

So, it is just a start. I agree it is a bit late, but it is never too late when it comes to that.

There is also a lot of bilateral talk between different countries in terms of investment. Egyptian investment in Saudi Arabia is over USD 3 billion. So it is not just one-way. Investment goes where the opportunity is. Margins in general in the Middle East are quite high. This is why existing companies, be they

American or others, are expanding. I think the biggest opportunity is attracting new companies into the region, for all the reasons you gave. But whoever is there, they are investing and expanding.
Those are the facts.

H. Gamble:

I do want to pick up on one point before we hand it over to the audience for some questions. I want to talk a little bit about stability and terrorism, because when we are talking about foreign direct investment, we are talking about investor confidence. There is something that is weighing on every mind today, whether they be in Europe, the United States, the region, and that is the stability of these countries, and the security situation.
I want to ask Dr. Nassif to weigh in here, because Saudi Arabia has had a very strong response to acts of terror over the last ten years, specifically certainly since 9/11, at home and in the Eastern Province as well. What is your sense of the openness the Saudi Government has towards others, whether they be in Europe, whether they be here in Russia. What is the information share there? Because investors, of course, always have that fear on their minds.

A. bin Abdullah Nassif:

Again, the country is open for international investment, foreign investments. The stability, as I mentioned earlier, yes, around us it is not stable, there are areas of unrest, but within the country, stability is there, and the proof is that we still have huge international projects taking place in Saudi Arabia, in different parts of the country. We have new refineries being launched a couple of weeks ago, or months ago, and these investments are huge. If it was not stable, if it was not safe, they would not have come, let us face it.
Such a project would cost over USD 100 billion. They will not just invest it and leave it, unless they are sure that it is a safe place, the environment is suitable for business, the environment is accepting having international investors within the country.

So, I am definite that stability and safety is there for all international investors.

H. Gamble:

I do want to take an opportunity to address that specifically. The Deputy Foreign Minister was supposed to be joining us today, and unfortunately we are told that he was called away by the President, and of course that is an invitation that he cannot really refuse. And our other Russian colleagues who were supposed to be joining us also had last-minute cancellations, so I do apologize for that.

Could we take another question?

S. Al Aroud.

Good evening. I have two questions, actually. To Mr. Tsitsiragos, I am the Chair of the Russian Business Council in Dubai and the United Arab Emirates, my name is Saleh Al Aroud. Do you not think that the Arab countries in the last 15 years have gone too far in investing in real estate business, which is easy money, we can say, rather than investing in industry, tourism and other sectors? And we see an impact of the real estate business of slowing the circle of the economy due to growing money liquidity from the middle class.

The second question, to His Excellency Mr. Nassif: recently we have heard about a lot of investment between the UAE, for example, and Russia: USD 5 billion for infrastructure, we have heard about a USD 1 billion fund between Russia and Saudi Arabia, but we are not seeing real projects on the ground in reality. Is that due to political non-encouragement? Thank you.

D. Tsitsiragos:

Let me take up the question on real estate. I think I would not necessarily agree that too much money has gone into real estate, and I would say this because, again, you have to break down the region into the various countries.

There are many countries in the region that have a large housing challenge, in particular an affordable housing challenge. Egypt comes to mind, and if you go further west in the region, Algeria has the same situation; Morocco has the same situation. I think Saudi Arabia also has a housing challenge.

So, not so much money has gone into it. In other parts, closer to the Gulf, to the GCC, and probably you are referring to the UAE: then again, a lot of money has gone into housing. There was a downturn, and now the market has rebounded, and there is demand for housing out there.

At the same time, I think it is the overall housing infrastructure, property infrastructure, in many of the countries. If you want good quality and high quality office space, putting aside some of the countries in the UAE, the rest of MENA has a challenge when it comes to office space. That in some ways is an opportunity.

So I would say it is not that so much has gone into this. I think a lot of money has gone into tourism; I think you have high-end tourism in many destinations, so that is a plus, and the potential for tourism in this region is still quite high.

And I would say, what I would like to see is a lot more opportunities in other sectors. Property in many ways creates opportunities in the services sector, and the services sector can generate a lot of jobs in this region. One has to look at improving the quality of the services and providing the right training to create opportunities in the services sector.

I would also say education is an opportunity; health is an opportunity; and last but not least, and something that people do not pick up on in this region, technology is an opportunity. And technology has quite a lot of potential in MENA.

H. Gamble:

One more question from the audience.

<From the audience>:

Здравствуйте. Я представляю Русско-арабский культурный центр в Санкт-Петербурге. У меня две ремарки и вопрос, если позволите. Первая ремарка: в зале на момент начала заседания присутствовал министр финансов Ливанской республики и с ним большая делегация, а также присутствовал посол Сирийской арабской республики. Они оба покинули зал по причинам, о которых я догадываюсь. Вторая ремарка: помимо господина Богданова, которого вызвал Президент, был заявлен президент Фонда прямых инвестиций, крупнейшей инвестиционной компании России. Его тоже вызвал Президент? Думаю, что нет.

Теперь вопрос. Я здесь услышал красивую историю любви

- любовного треугольника нефти, нефтедобывающих компаний и стран Персидского залива. Мой вопрос не адресован господин министру из Египта, ведь он единственный напомнил нам, что у бизнеса есть какое-то человеческое лицо. Он говорил нам о том, как в Египте строятся квартиры и дороги. Вопрос в том, могут ли господа, так много говорившие об этом любовном треугольнике, рассказать нам о том, что собираются делать с таким большим количеством финансов в вопросах восстановления разрушенных экономик Сирии, Ирака, Ливии.

Спасибо.

H. Gamble:

Who would like to take that one?

T. Kabil:

I can comment on a few points. In my view, rebuilding Iraq – and Syria, hopefully – is not just the region's problem. It is a world problem. Today, four to five million people from Syria have created a significant issue in Europe. If you look at how big the other countries are, they are massive, in terms of numbers. It is a problem, of course, for the region, but in my view, it is a problem for the world. Rebuilding Iraq and rebuilding Syria is a joint effort, not just the region's problem.

When that time comes, once all the political instability is over, I think the right players from the region who can afford to do that in addition to the big institutions, in addition to the United Nations, must sit together and put together a plan in terms of how to fast-track the development of those countries.

Because, again, if you really look back at what is the cause of terrorism in the area, in my view, it is the economy, the economy and the economy, and the distribution of that economy. Those are the main two reasons why it is happening. So terrorism happens around the world, but those are the main two core issues.

Today, Egypt, for example – at least I can talk about Egypt – is coming out of two revolutions. We have a lot to build in order to make sure that we provide a reasonable quality of life for the Egyptian people living in the country.

I am not sure I have answered all of your questions, but at least that is my point of view.

H. Gamble:

Your Excellency? Arnauld?

A. Breuillac:

I just want to react to the way the point was put forward. I do not think it is a question of nice or not nice; I think it is exactly a question of economy. We all know that if there is investment, if there is trust, and stability, there will be investments, wherever that is in the world, and when there is lack of trust, when there is imbalance in the development in a country, then you have problems. This is not specific to the Middle East or to any other country in the world; it is everywhere.

So I think the role of companies is to make sure that we do invest in countries where, first, we have a relative guarantee of security for our people, and that means all of the people working on our projects and, second, where have a reasonable return on our investment.

Countries know that this is the sort of prerequisite that we put in place when we want to invest.

And, of course, oil is not the only industry, and there are many others, but it is clear that in the region, it is an important one, and I think that if issues were put much more on the ground of the economy – a strong basis on which the most successful country on the planet has built their success – I think things may be a bit better.
And again, it is not a question of nice or not nice.

H. Gamble:
Dimitris, did you want to weigh in?

D. Tsitsiragos:
I wanted to build on this, and also what the Minister said.
I think when you look at the challenges of the Middle East today and you look at the challenges of the Middle East, say, six years ago, before the Arab Spring, things have not changed much. I think what the Middle East needs is growth; what the Middle East needs is jobs. That is how you will deal with some of the challenges.
I like the way the Minister put it: it is about distribution of wealth, in many respects. I think that is one of the challenges that has to be addressed. At the same time, it is also about how you are going to create employment.
The region has some of the youngest populations in the world, and high levels of unemployment, so to me, the rebuilding does not start only from the hard assets. I think the rebuilding must also start from the soft assets.
A lot of it goes back to education. I think it is building, developing, educating people so that they are going to be able to be employable as they join the market, and so they can have opportunities there.
I think that is a challenge in the Middle East, and it is also an opportunity, and is something that we all have to work on.
I also share the assessment that some good things are happening in Iraq in the reconstruction: I think you can look at it in terms of pockets. In north and south Iraq, a lot of investment is taking place. Syria is going to be very much a

global issue, to be dealt with. We talk today about migration from Syria being an issue, and that is put at the forefront, but that can also be an opportunity, and I think we are all going to have to sit together, all the world, to try to see to it that we rebuild this part of the world.

H. Gamble:
Gentlemen, that wraps up our special edition of this St. Petersburg International Economic Forum panel on the region and investment in the Middle East. Thank you so much for joining us.

From the audience:
There was an unanswered question, the second question.

A. bin Abdullah Nassif:
Actually, it is not one project you are talking about. I know that it is more than one project, it is two projects: one is industrial and the other one is real estate, and I know that it is in the final stages, especially the industrial project. So it is not one project. Thank you.

H. Gamble:
Thank you, gentlemen.