Summary

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Unlocking the FDI Puzzle – Matching Investor Expectations **9 May**

Key points

- To attract foreign direct investment (FDI), a country must establish an ecosystem that supports private-sector involvement.
- The size and openness of its domestic and regional markets are further attractions for FDI.
- In the different elements of the FDI puzzle, the Gulf region has reached an important inflection point.
- Investors in the Gulf region are looking for a well-trained white-collar as well as blue-collar workforce.

Synopsis

Major investments, such as public-private partnerships (PPPs), rely on an ecosystem of laws, methodologies and understanding among officials. It takes time to develop such an ecosystem, particularly as some issues can only be discovered through experience and real-life testing. It is possible that some laws may need to be adapted to cope with the realities of PPPs.

GCC countries could improve their ecosystems to become more like countries that have greater experience of PPPs, Stuart Jones, Region President, Europe and Middle East, Bechtel, United States, said, adding, nevertheless, that GCC countries have a vision for closing that gap and there is momentum towards doing so.

H.E. Khalid Al Rumaihi, Chief Executive and Chairman, Bahrain Economic Development Board, Edamah, Bahrain, mentioned a case in which a foreign investor in the country litigated against the government and won the case. This is just one of many healthy indications that laws are applied predictably and fairly, he said.

To invest in the region, foreign investors are looking for a well-trained workforce. The Gulf region is strong in terms of education for white-collar managerial roles but there has been less focus on blue-collar technical roles. Part of unlocking the FDI puzzle is building capacity for positions such as project managers and hands-on workers for major infrastructure and industrial projects.

The size and openness of domestic and regional markets are further attractions for FDI. Bahrain has good links with its neighbours and these links are getting stronger. Bilateral agreements between pairs of Gulf states are a way to open up markets to a greater extent, and faster.

For example, a $90 million Mondelēz biscuit factory has recently opened in Bahrain and a very large proportion of its exports will go to Saudi Arabia. An important consideration in this investment decision was the simplicity of transporting biscuits across the causeway from Bahrain to Saudi Arabia. An existing bilateral agreement between the two countries facilitates the movement of goods with only light-touch checks.

The Gulf region has reached an important inflection point in terms of FDI. Governments are moving beyond silo thinking and are working on all the different elements of the puzzle. Risks remain, including geopolitical risks, but they are outweighed by the mass of projects that require private-sector participation.

A pipeline of hard infrastructure projects, such as roads and buildings, exists, which could amount to as much as $1 trillion. A host of soft infrastructure projects, such as education and training, are also being planned. Given the region’s youthful demographics, these soft projects are particularly ripe for FDI.

Session panellists
H.E. Khalid Al Rumaihi, Chief Executive and Chairman, Bahrain Economic Development Board, Edamah, Bahrain
Yusuff Ali, Chairman and Managing Director, Lulu Group, United Arab Emirates
Fadi Ghandour, Executive Chairman, Wamda Group and Founder, Aramex, United Arab Emirates
Stuart Jones, Region President, Europe and Middle East, Bechtel, United States
Anil Kumar, Group Chief Executive Officer, Ransat, United Kingdom

Moderator: **John Defterios**, Emerging Markets Editor, CNNMoney, United States

Disclosures
This summary was produced by the Bahrain Economic Development Board. The views expressed are those of certain participants in the discussion and do not necessarily reflect the views of all participants or of the Gateway Gulf Investor Forum.