

# Strong fundamentals will help emerging economies

DUBAI **Mohamad Al Kady**

Strong fundamentals of emerging markets will help them recover from the financial crisis faster than the developed world, but they will not take the lead in the 21st century, according to senior economists.

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Meeting at the Dubai International Financial Centre Week, a wide range of experts agreed that emerging economies around the world, especially China and India, had strong and clear economic drivers to recover from the financial crisis very

quickly and their economies would maintain upward trend. "The demand by the middle class in China and India will drive the economies. There are clear drivers for the domestic demand for infrastructure, consumer spending, healthcare systems and welfare services," Kevin Lu, director of the Multilateral Investment Guarantee Agency at the World Bank Group, told a wide range of audience.

"For developed countries, the situation is much more complicated. Governments need to identify the demand in their markets and accordingly introduce packages to fulfil this demand. It is diffi-

cult because the population in developed countries is well advanced, for example, middle class families have their properties and cars. This is not the case in China where middle class people are strive to buy their homes and cars," he added.

Brij Raj Singh, CEO of Baer Capital Partners, added that the same story would be implemented in India because the story of growth there during the last decade depended on the demand from the middle class.

Roberto Teixeira da Costa, vice chairman of the Board of Directors, Banco Itau Financeira, considered inflation as unfair taxation on the

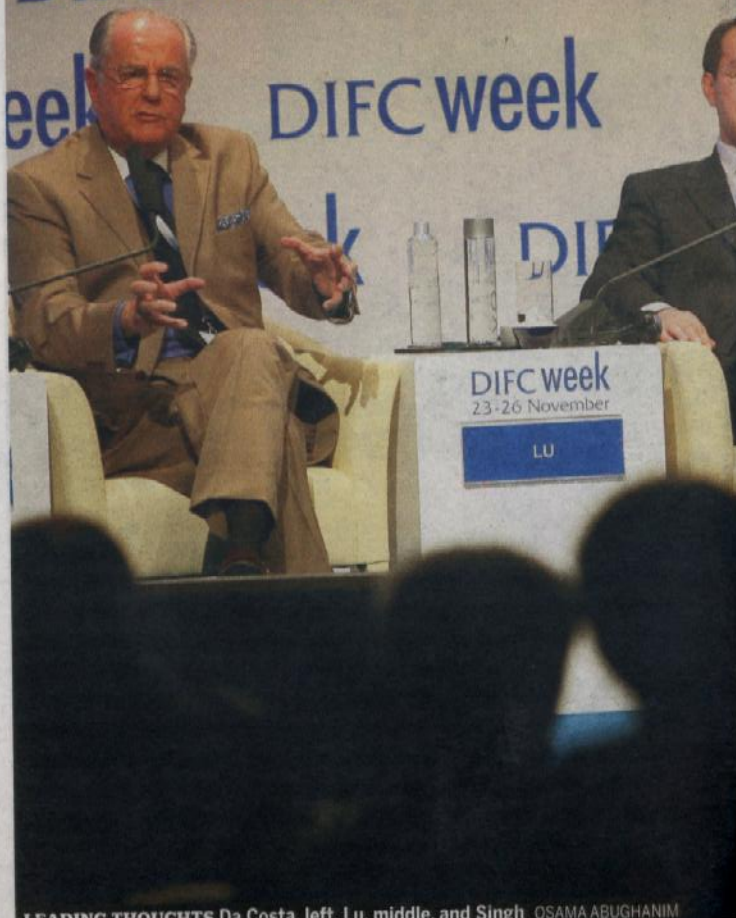
poor and expected the current financial crisis would end the wave of high inflations, which hit the world during the last few years.

He also highlighted the leading role of the United States in the global economy.

There was also a wide agreement that emerging economies will not replace current economic powers.

The first is that emerging economies have no desire to lead the world or take the place of developed countries, but they will have a more active role in the decision-making process.

The second thing is that the underlying resilience in the developed world.



**LEADING THOUGHTS** Da Costa, left, Lu, middle, and Singh OSAMA ABUGHANIM

# 'SWFs need to play a more active role in global arena'

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Sovereign wealth funds (SWFs) have a significant role to play at the global economic arena during the next few years thanks to their cash flows, said an official at the World Bank.

Kevin Lu, director of the Multilateral Investment Guarantee Agency at the World Bank Group, stressed that SWFs should play a more positive role in the global economy due to their huge liquidity that would help reduce the impact of the financial crisis.

"Everybody is expecting that SWFs will double their size during the next few

years and this will create a new aspect in the global economic arena because these funds will be a major stakeholder," he told **Emirates Business**.

However, Lu raised the issue on increasing conservative investment strategies among SWFs due to the financial crisis.

"SWFs have a large portion of cash flow and, for political reasons as they are accountable to their domestic population, they are holding this cash at the current stage. However at the micro level, they are also looking at opportunities in from the crisis, but there is no answer when they will take positive action to in-

vest in these opportunities."

"SWFs turned to take equity stakes in more investments but the current conservative trend should reach an end to accelerate their role in the global economy."

He said the GCC, along with the whole world, will face the pains of the global recession in the short term.

"The GCC is facing declining oil prices and their position will depend on the ability of their policies to meet the fall in revenues."

However, Lu stressed that the Middle East would emerge as a major stakeholder in the global economy and the region should decide its relation with the rest of the world.