

ENGINE OF GROWTH



WHY IS THE MENA REGION A KEY AREA OF COMMERCIAL FOCUS AND WHAT UNIQUE TREASURY MANAGEMENT CHALLENGES DOES IT POSE? SYED-KAMRAN ZAIDI EXPLAINS

Despite the ongoing political tension – especially in Libya, Bahrain, Syria and Iraq – the Middle East is a hotspot for international trade and infrastructure investment. Any concerns that a global economic slowdown could adversely impact the price of oil and future spending levels in the Middle East have proven unfounded. Governments in the region’s major economies – Saudi Arabia, Oman, Qatar, Kuwait and the United Arab Emirates (UAE) – have indicated long-term commitment to infrastructure and social development spend. This is helping to drive GDP and support regional and international trade.

Although the UAE is widely considered to be the region’s flagship economy – largely thanks to its political and fiscal stability, and swift bounce-back from the property crash of 2009 – it is by no means the only economic success story in the Middle East and North Africa (MENA). Saudi Arabia is a case in point – and indicative of broadening regional strength. The kingdom is not only home to one of the world’s largest petrochemical companies, but it is also working hard to improve its transport network and opening its doors to foreign investment, which is ramping up and encouraging greater

domestic investment. This latter point is largely due to the fact that joint venture partnerships with domestic companies are the norm for foreign entities looking to establish a presence in the Middle East.

The benefits of such collaboration are twofold: it promotes domestic growth while encouraging the adoption of a more international outlook and management style. As the region’s economies increasingly seek to diversify revenue sources, strengthen local private sectors and internationalise home-grown companies, such a change in outlook is crucial to future success.

Innovation in trade and treasury management

A more global outlook is also driving the Middle East’s rise to prominence as an international trade player. Of course, the region has long been defined and dominated by trade, but the trade emphasis is now shifting. While regional trade activities remain strong – chiefly fuelled by petrochemicals – new international trade corridors are emerging. Strengthening bilateral ties between Qatar and the Americas, Saudi Arabia and the US, and the UAE and India, provide examples of these new trade routes – and they are driving innovation in trade finance and cash management.

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Indeed, trade finance has moved into the spotlight over the past year in the Middle East, with local and regional banks increasingly offering the sophisticated, structured trade finance solutions that were once the domain of their foreign counterparts. As much as corporates value such solutions, however, it is effective cash management that is now their dominant concern.

While an uptick in trade flows and the opening of new corridors are undoubtedly good news for commercial growth, they are a major challenge from a treasury management perspective. Historical concerns for corporate treasurers – how to best mitigate risk, gain optimum visibility over cash positions and maximise working capital – are not eased by the risk and complexity that comes from new, distant counterparties and longer, more convoluted supply chains. Instead, treasurers are dealing with heightened

risk profiles, the need to manage new currencies, and the barriers to centralisation and efficiency optimisation presented by geographical spread (ie multiple time zones and differing regulations).

Given that such pressures come at a time when treasurers are tasked with performing a more strategic role with fewer resources, MENA corporates are taking an increased interest in automated treasury management systems, and seeking expert guidance accordingly. Technology is key to improving visibility, control and operational efficiency – and it can also help with compliance and governance. In addition, it offers the promise of innovation, which may be a key determinant of the success of Middle Eastern corporates in their attempts to compete on the global stage. Realising the scale of the challenge in front of them, many are turning to expert treasury management providers in an attempt to keep them one step ahead. ♦



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