

After Dinner Speech at Mansion House for AIWF

**By Hamid D. Jafar, Executive Chairman, Dana Gas
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Madam Chairman, Your Excellencies, my Lords, Ladies & Gentlemen:

It's good to be here this evening in this glorious setting at the Mansion House, hosted by the Arab International Women's Forum, and with my good friend from Cambridge days, John Stuttard. I'm also flattered and honoured to have been invited to say a few words tonight about my observations as an oilman engaged in business across borders in one of the most strategic parts of the world, the Arabian Gulf region, where more than half of the world's oil and gas resources are located.

Fist of all, rest assured that I won't attempt to bore you with details about the oil and gas business. I'll just focus my remarks on a couple of high-level issues relevant to this gathering.

And believe me that I'm very conscious that it's after dinner!

We heard some very interesting points just now from Sheikah Hanadi on the important role being played by Arab women in entrepreneurship today, and her own inspiring example and personal experiences. My own background is also the private sector, having already spent 38 years in the oil and gas industry based in the UAE, but operating across the 5 major continents. I have witnessed many extraordinary changes in the global energy scene and the Middle East's economies, and I would just like to spend a few minutes describing two very important challenges that the Region is presented with, and their impact on our future well-being.

As we're all aware, there is enormous international focus these days in many aspects of the Middle East in general, and the Gulf Region in particular, with a great deal being written by political analysts and sociologists about such matters as terrorism, democracy, Islamic extremism, nuclear issues, etc. At the risk of massive over-simplification from a businessman's perspective, I'm going to say that from a socio-economic viewpoint, the Region is undergoing two quite separate yet inter-related challenges that will lead (in my opinion) to the greatest change to the Region that I will have seen in my life-time.

One major challenge is how to constructively and optimally deploy the hundreds of billions of dollars of windfall gain (really, a gift from the Almighty to the Region), occasioned by the recent paradigm shift in global energy prices.

This challenge (mainly to the Gulf producers) is how to optimally utilize these massive oil revenue windfalls without repeating the mistakes of the past. The good news, so far, is that our governments have in fact been a great deal more prudent in

managing and investing these revenues, with a healthy emphasis on capital formation and capacity-building at home, and significantly more intra-regional trade and investment than was seen in the past. Not to mention a huge growth in the size, depth and sophistication of the Region's capital markets, which have led to high capital deployment locally, and to a much larger number of corporate stakeholders across the Region. To be sustainable, however, this will entail healthy public sector-private sector collaboration and confidence building, the sort that we have in fact begun to witness already. So far so good. As just one example of this from my own personal experience, but an important one since it reached out across all the GCC, our company Dana Gas's regional IPO just over a year ago was oversubscribed by 144 times, raising US\$78 billion in barely ten days, and from 425,000 shareholders across the Region.

I talked about one major challenge.

However, the other major challenge staring the Region in the eye, is job creation. And if we're lucky, and the private sector flourishes and is encouraged to do so by the right governmental policies, then there's a very good chance that these two challenges that I have described will in fact turn out to be a synergistic blessing and not a curse.

Let me give you an idea about the daunting challenge of job creation. You see, unlike Europe or Japan which are faced with shrinking and ageing populations, the Middle East faces quite the opposite problem: growing and ever-younger populations, requiring the creation of hundreds of millions of jobs in the coming few decades, or else risking serious social instability and a massive strain on government budgets.

In Saudi Arabia alone, for example, there are over 200,000 new graduates annually, and the State Sector, until now the main employer, has been struggling to maintain its historic absorption of new jobs. Nor frankly would that be efficient economically, if it did. In total, the Arab world will have to create 100 million new jobs in the next 20 years alone – more than we have achieved during the whole of the last century! It is simply not sustainable, nor indeed desirable or efficient, for this increase in the labour force to be absorbed by the State Sector. The difference is all about being gainfully employed as opposed to being productively employed, the former amounting usually to no more than an unproductive hand-out, whereas the latter means a healthy economy that benefits everyone. Encouragement of a robust and growing private sector is therefore critical to the Region's socio-economic well-being, as well as its security, indeed the security of the whole world. *This is what Mr. Bush and Mr. Blair should be focusing on for the sake of global security, not chasing after bandits that they seem to be creating in the process!*

Within the context of healthy economic growth, and tackling our second challenge of productive job creation, there is the urgent need all across the Arab World for improvement in the standards of education, and providing opportunities for women

in particular. The drive has begun, but in some countries at too slow a pace that leaves a great deal to be desired. This is not just a matter of political correctness, but an economic imperative - - without addressing this vital issue, we are neglecting half of our population and potential economic output. Not to mention that, as the mothers of the next generation, the education and empowerment of the women of the Arab World is critical to the competitive effectiveness of tomorrow's professionals and workforce.

It is this policy driver for enhanced job creation more than any other, that has led to the growing encouragement across the Region for an increased role of the local private sector in practically all areas of the economy, including finally our energy sector. Economic reform, privatisation, and market liberalisation are the watch-words of the day all across the Region, from Algeria and Egypt to Jordan, Lebanon and Syria, and across to Saudi Arabia, the Gulf States, Iraq, and even Iran. Unlike political debates over democracy and the role of religion in politics, these economic initiatives have already met with significant acceptance and success in many parts of the Region. Indeed the debate is more over "how far and how fast", rather than "whether or not".

The challenges are great, almost daunting, but the trends are generally positive, and there has been a growing push from the highest political levels to encourage private sector growth, entrepreneurship, and economic diversification. There has also been a far higher level than before of intra-regional trade and investment – that is to say, companies from the Region investing across borders within the Middle East and collaborating with other companies of the Region. This is an important requirement for the creation of any successful regional economic bloc – all around the world, successful economies trade first and foremost with their neighbours, and these growing economic ties and interdependence is also in my view the key to peace and security in the Middle East.

I was asked by our host Haifa to illustrate the emergence of a healthy private sector business drive across borders in the Region, by talking briefly about Dana Gas, the company that I made a passing reference to earlier. There was obviously a business rationale for Dana Gas's genesis and birth, and that stemmed from the widespread belief that natural gas will be the defining energy source of the 21st Century, or at least the first part of it. Gas, of course, is not only the natural progression of fossil fuels, after coal and then oil, but it is likely to be the key to many of the renewable technologies we will require in the future. In the Gulf countries alone, natural gas demand has doubled over the past decade, with the average demand growth in many countries exceeding 10% a year or higher, driven by growing economies and populations, rapid urbanisation, and surging industrial development.

Within the context that I have described, we established this new entity – called Dana Gas – as the first truly regional private sector natural gas concern in the Gulf. Starting with a Core Founder group of 12 companies from across the Region, the Founders list of the Company was expanded to include over 300 important

shareholders from all across the GCC. We subsequently followed this with a regional IPO which attracted some 425,000 investors from all across the Region and over 100 nationalities in total, achieving both the depth and breadth of shareholding that assures for the Company both its political neutrality as well as the wide shareholder base that brings with it support from the Region's policy-makers.

The two defining characteristics of Dana Gas are that it is private sector, and that it is truly regional:

Unlike some other companies that were created from state company privatisations or as government initiatives, Dana Gas was in fact born from a purely private sector initiative and collaboration across the Gulf Region. It is regional in every sense – from its shareholder base, to its Board of Directors, who are from Saudi Arabia, Kuwait, Bahrain, Qatar, the UAE, Oman, Lebanon and Egypt, through to its management, made up of an experienced regional multinational team of gas sector professionals.

The point on standards of operation is important to us – besides the transparency required of a public company, Dana Gas has pioneered policies of corporate governance, HSE, and corporate social responsibility in the Region, with the World Bank Group's IFC acting as advisor. In addition, the Board of Directors is assisted by an International Advisory Board, made up of eminent international energy personalities who act as a strategic sounding board and help provide an international perspective and network of global relationships. It's all about the sort of collaborative networking that can only be brought about in a lasting fashion by the private sector: locally, regionally, and internationally.

Dana Gas is of course just one example of the exciting pan-regional private sector initiatives sprouting out all across the Middle East: in telecoms, real estate, financial services, logistics, and many other sectors of the economy.

I hope I have given you some interesting points to ponder over. Despite all the tension and conflicts you read about every day, I am gratified by the many positive trends taking place in the Region that are not usually highlighted by the media. With ever-more active participation of the Region's private sector and civil society organisations such as the AIWF, I believe we can establish the strong economic and social foundations that are essential to lasting peace and political stability in the Middle East.

Which is why I'm cautiously optimistic about the two challenges I outlined in my remarks, engaging positively for a better, more peaceful future for us all.

Thank you for your patience.
