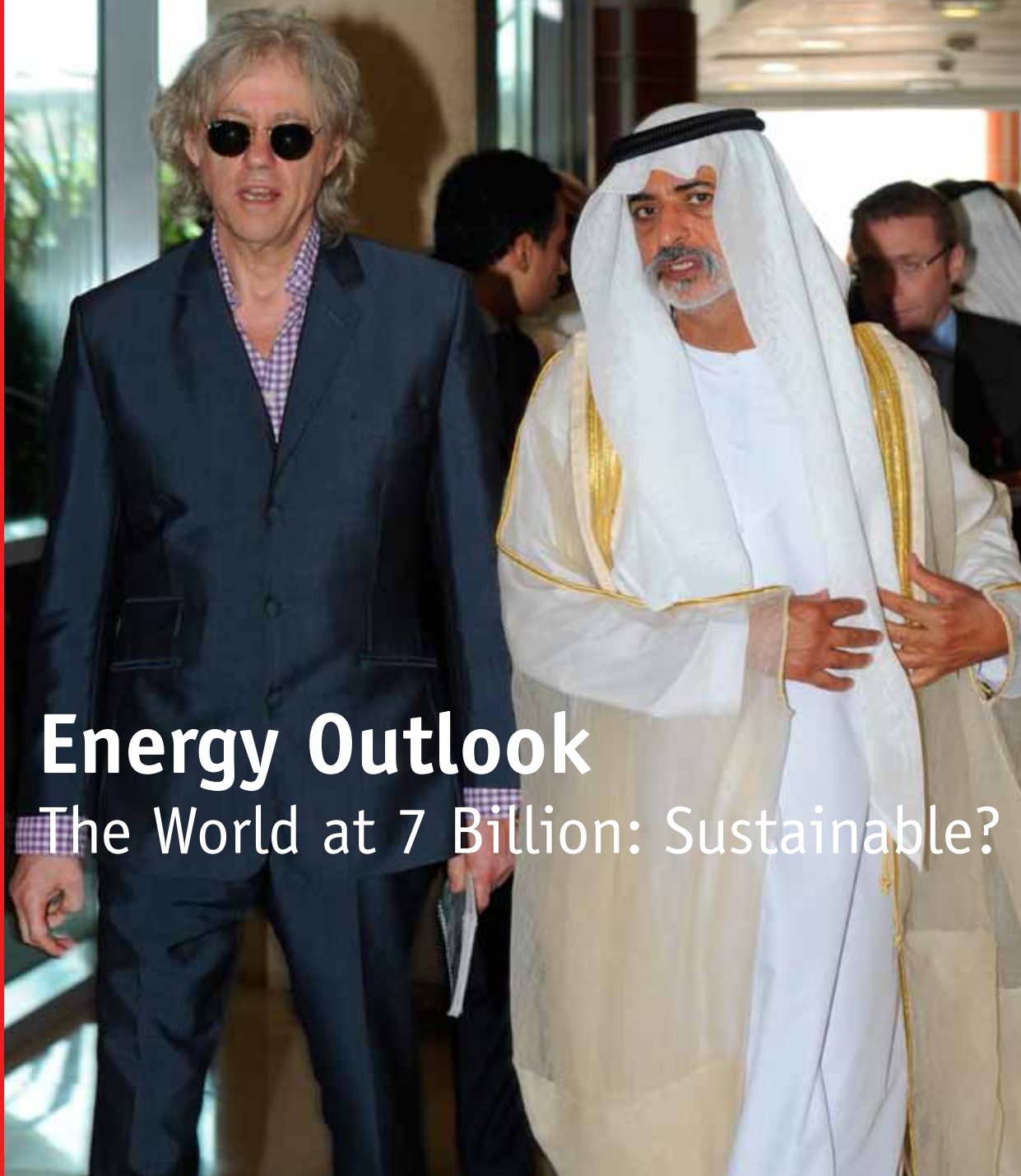


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Second Quarter 2012



Energy Outlook

The World at 7 Billion: Sustainable?



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- 3 Foreword**
by Sean Evers, Managing Partner, Gulf Intelligence

MOVING TO 9 BILLION: DECISION MAKERS NEED TO BE DECISIVE

- 4 The World Needs Luck, But Can't Wait Around for It**
by HE Sheikh Nahayan Mubarak Al Nahayan, UAE Minister for Higher Education and Scientific Research & Chancellor of the Higher Colleges of Technology
- 9 Dignity, Freedom, Justice and the Arab Spring**
by Fuad Siniora, former Prime Minister of Lebanon
- 13 Security: Energy & Food Makes Africa and the Middle East Natural Bedfellows**
by HE Yacoob Abba Omar, South African Ambassador to the UAE

RESOURCE WARS: FOOD, ENERGY, WATER

- 16 Overpopulation to Lead to Resource Wars**
by Sir Bob Geldof
- 20 Case Study: A Small Mushroom with a Big Impact**
Wintershall
- 22 Glass Half Full: Technology Offers Solutions**
by Dr Deborah Schlichting, Senior Agricultural Economist, Solvus Economics
- 24 The World Food Programme Applies for Redundancy**
by Ashraf Hamouda, Head of Partnerships MENA, Eastern Europe & Central Asia, UN World Food Programme

CHINA: THE SOLUTION?

- 26 A Hitchhiker's Guide to China - Patience & Perseverance**
by David Eldon, Chairman, HSBC Middle East
- 30 Energy Security a Top Priority for East and West**
by Andrew Sutherland, Vice President, Global Business & Marketing, Senergy
- 33 China's Changing, but it Remains Steady as She Goes**
by Bruce Alter, Head of Trade, HSBC China
- 36 Ethical Investment: End the Land Grab!**
by Jeffrey Culpepper, Chairman, Agrisecura
- 38 Manage Risk, Not Growth**
by Nick Levitt, Head of Commercial Banking, HSBC UAE

THE LAST WORD: "IN 1984, I SAID FEED THE WORLD. IT HAS GOT WORSE!"

- 41 Sir Bob Geldof Q&A with Sean Evers**
by Richard Dean, Gulf Intelligence



“Security of everything...”

THE WORD SECURITY appears to have arrived with the 21st century as the foremost word in our collective vocabulary, and certainly the most dominant posture on the global stage for the last decade. In essence it came in the aftermath of the tragic events of 9/11 and then filtered down through to every activity of daily life, from putting your shoes through an X-ray machine in airports, to a fingerprint device on your desk for accessing your computer.

The next ten years will see security enter even deeper into the common vernacular for the survival of life – Food Security, Water Security and Energy Security. They are destined to be parked firmly as dinner party subjects for the chattering classes -- out goes debates on 2-bedroom apartment prices in Shanghai or Palm Island and in will come arable land in remote Kenya, water storage capacity in the UAE or drilling at the North Pole.

The challenge for mankind is to take the appropriate action early enough to avoid a 7-Billion person stampede as some nations have already commenced the race to secure the energy, food and water that all citizens need – but Sir Bob Geldof argues in this publication that a “mine, mine, mine” posture will inevitably lead to resource wars this century.

Lebanon’s former Prime Minister Fuad Siniora argues in his article following that these significant challenges underpin the fuse that triggered the explosive Arab Spring, and along with the U.A.E. Minister of Higher Education and Scientific Research, His Excellency Sheikh Nahayan Mubarak Al- Nahayan, they both advocate that a window of time still remains but leaders must take decisive and collaborative action now!

Sean Evers
Managing Partner, Gulf Intelligence



THE GULF INTELLIGENCE

FOOD SECURITY FORUM



The World Needs Luck,
But Can't Wait Around for It

**HE Sheikh Nahayan Mubarak Al Nahayan,
UAE Minister of Higher Education and Scientific Research**

LET ME BEGIN by observing that the number of people reading the Gulf Intelligence Energy Outlook is infinitesimally small compared to the seven billion stakeholders who might have something to say about world population. In the five minutes it takes you to read this article, another 1,330 babies will be born, according to calculations by the Population Reference Bureau.

Our world and all of us in it need some good luck, but we cannot wait for it to come. The world continues to spin while we wait. Some people are still waiting for proof of global warming. While they waited, the earth changed. Bill McKibbin tells us in his book, *Earth: Making a Life on a Tough New Planet*: “The earth that we knew—the only earth that we ever knew—is gone.” Those are tough words about our planet, but plenty of evidence suggests their truth. Whatever the case, we must proceed with the world that we have and we must act quickly and decisively if we are to save that world for us and for our children.

“We must proceed with the world that we have and we must act quickly and decisively if we are to save that world for us and for our children

It is not entirely clear to me that the way to succeed is to stop having children. They are the future. To be sure, the world population has increased at an alarming rate over the past forty years, but Fred Pearce, for example, has presented a competent argument in *The Coming Population Crash and Our Planet's Surprising Future*. He used demographic statistics that indicates that the world's population will be declining by 2040. Whether or not he is correct, we have certainly seen dramatic reductions in birth rates in many countries. The United Nations Population Fund has been fully engaged in helping nations achieve sustainable birth rates. Some nations have even taken official actions in attempting to affect birth rates. In other nations, birth rates remain high. The matter of birth rates, like their companion rates for infant mortality and life expectancy, is unquestionably one of the key issues related to population growth, and the goal of this

publication is to highlight those key issues and to look at current solutions.

ENERGY, FOOD AND WATER

Those key issues inevitably include, for example, production, consumption, energy, food, water, pollution, deforestation, loss of biodiversity, urbanization, and disease. Identifying and taking wise and effective actions regarding those key issues we all see as absolutely daunting tasks, but we can usually take action without dealing with social mores, the rights of women, ethical conventions, religious beliefs, and national sovereignty regarding human reproduction. Indeed, the executive director of the United Nations Population Fund has said: “So instead of asking questions like, ‘Are we too many?’ we should be asking, ‘What can I do to make the world better?’ or ‘What can we do to transform our growing cities into forces for sustainability?’”

That approach naturally appeals to me because it is the one that The United Arab Emirates and Abu Dhabi are following. In its plans for the future, Abu Dhabi has seized its opportunities and become a truly global city. Not only a center for finance, business, education, technology, and culture, but also a nurturing source of innovation and creativity that promises to benefit the world. And, consistent with its historical record, Abu Dhabi is moving aggressively into a sustainable future.

Abu Dhabi and the United Arab Emirates are laying the foundation for a socially cohesive and economically sustainable community that preserves the country's unique cultural heritage while gathering power from its connections with other countries and other cultures. Indeed, our President, His Highness Sheikh Khalifa bin Zayed Al-Nahayan, is leading the United Arab Emirates toward that better future with wisdom and vision. Both the Vice President, His Highness Sheikh Mohammed bin Rashid Al-Maktoum, and the Crown Prince of Abu Dhabi, His Highness Sheikh Mohammed bin Zayed al-Nahayan, share and support the President's vision for a sustainable future.

Much of the world's growth and development during the last century has come at the expense of care for our natural environment. If the human assault upon our environment continues unabated, future generations will live in a time when rising ocean levels submerge coastal regions, agricultural patterns shift, drought conditions



HE Sheikh Nahayan Mubarak al Nahayan, meeting Sir Bob Geldof

increase and major outbreaks of diseases infect new regions of the world. We need to provide increased awareness of the serious – perhaps devastating – impact upon the human race if our global society does not become more concerned about growth, environmental quality, and sustainability.

EDUCATION AND LITERACY

Current patterns of global population growth will also have an impact on world peace and prosperity. A 2009 report by UNESCO states that 776 million adults around the world – two thirds of them women – lack even the most basic literacy skills and that 75 million children currently are not in school. We are also continually barraged with reports about the fragile condition of health among so many of the world's population. We need new ideas and policies, and the determination to help our global citizens achieve more productive and fulfilling lives.

Taking note of world population and sustainability, Thomas Friedman, the author and columnist for *The New York Times*, recently advanced this idea:

“There will be two billion more people here by 2050, and they will all want to live and drive just like us. And when they do, there is going to be one monster traffic jam and pollution cloud, unless we learn how to get more mobility, lighting, heating and cooling from less energy and with less waste — with so many more people. We can't let

the climate wars continue to derail efforts to have an energy policy that puts in place rising efficiency standards, for buildings, windows, traffic, housing, packaging and appliances, that will drive innovation — which is our strength — in what has to be the next great global industry: energy and resource efficiency.”

We in the United Arab Emirates intend to demonstrate to the rest of the world a dynamic leadership and wise vision in energy and resource efficiency. Issues of population growth, global climate change, waste management, recycling, potable water, and renewable energy sources are increasingly important to sustaining the quality of our environment. We have sound policies in all these areas. Our colleges and universities offer educational and research programs on the environment and our country values innovation and the development and use of new technologies. We also have increased cooperation with other nations to ensure the sustainability of our development efforts.

We know how difficult and costly it is to shift into a new way of life that will preserve our environment, maintain our culture, and bring a better life to our population. But our new earth demands pragmatic innovation, and I hope that the issues raised in this edition of *Energy Outlook* will inspire some creative ideas that in the long run will benefit us seven billion interested parties. Thank you for thinking hard about our world. ■



HE Sheikh Nahayan Mubarak Al Nahayan, UAE Minister for Higher Education and Scientific Research & Chancellor of the Higher Colleges of Technology

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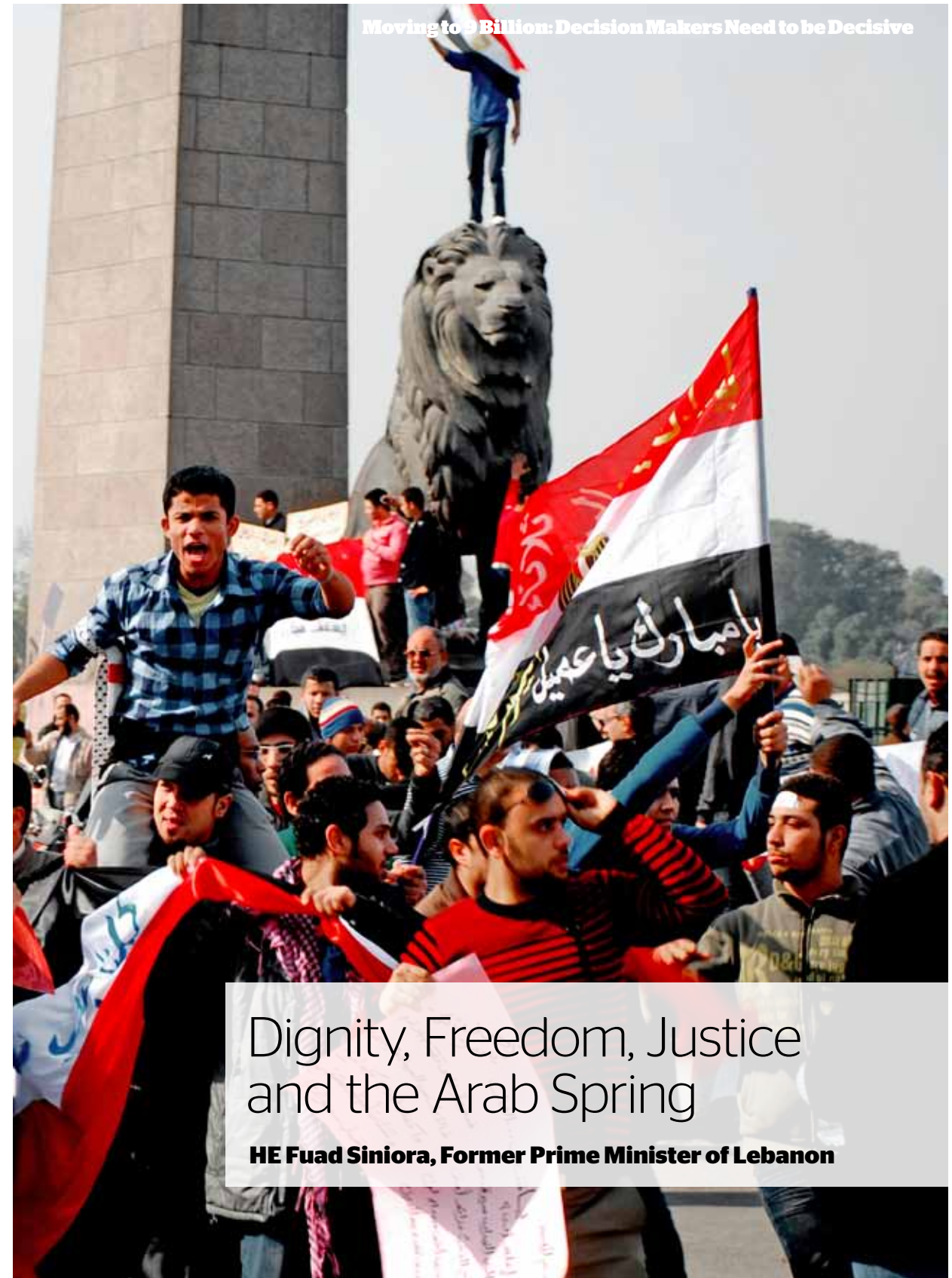
Senergy - working for good causes

After a recent visit to the Red Cross Hospital in Cape Town I made a personal commitment to help ABC – Action for Burns and Children www.abc2011challenge.com and The Phoenix Burns Project as much as possible. They work to promote burn prevention and improve the quality of life for child burns survivors in the Western Cape of South Africa.

Andrew Sutherland,
Vice President Energy Services



Values - we bring them to everything we do



Dignity, Freedom, Justice and the Arab Spring

HE Fuad Siniora, Former Prime Minister of Lebanon

MANY PEOPLE don't necessarily see the connection between food security and the Arab Spring. But let us remember that this revolutionary movement was first sparked by the self-immolation of a vegetable cart vendor; and that the demonstrations that followed were also objecting to the fast increase in foodstuff prices in Tunisia and Algeria.

Of course that is not to say that the issue of food security or even economic deprivation was at the forefront of the movements. The Arab Spring was and remains first and foremost about dignity, freedom, and justice – values that were often breached or sidelined in our part of the world. But economic factors have always been at the source of feelings of marginalization that fueled the demonstrations.

I will outline a Three Track Plan for addressing these macro socioeconomic issues – including food security in a world of 7 billion people – by focusing on the following areas: regional integration, structural reform and social safety nets. But before I do that, let us briefly consider the scale of the challenge.

“The irony is that in the years before the Arab Spring, some headline economic indicators in the region were actually improving

The irony is that in the years before the Arab Spring, some headline economic indicators in the region were actually improving. But while growth, fiscal deficit and exchange rates were often OK, most socioeconomic indicators such as unemployment rate, poverty levels and food security kept deteriorating, particularly in Egypt, Jordan, Lebanon, Morocco, Syria and Tunisia. An IMF paper illustrates that more than half of the working-age youth population is unemployed. While another study shows that food security has deteriorated in most countries in the region as a result of the global commodity price crises in 2007/2008 and in 2010/2011.

Figures from the International Food Policy Research Institute reveal that the GCC States face a low risk of food insecurity. Libya and Tunisia exhibit moderate risk of food insecurity, whereas all other countries show serious, alarming or extremely alarming levels of food insecurity risks.

To me these results are deeply discomforting at least for two reasons.

The first is that they reflect the fact that food security poses a clear and present impending danger in most countries undergoing a transition: Egypt, Yemen, and Syria as well as the countries where some political reforms are being undertaken like Jordan and Morocco.

The second reason is that the divergence on such matters, in a region that shares a common language, a common history, and a common cultural heritage, has dangerous implications not just for the specific concerned countries, but for the overall Arab world. Can we even imagine such wide divide existing between Western and Eastern Europe, or between the US and Central America?

And of course, let us not forget that the Arab Spring has in many ways exacerbated the food security concerns for a region that – at least partly due to its geography – remains a net importer of food. To give a specific example, the Arab countries are the largest net importer of cereals in the world, with a gap that totaled 58.2 Million Metric Tons in 2007. This high dependency on food imports creates the continuous need for foreign exchange for import-financing purposes – but the Arab Spring has led to sharp falls in tourism, Foreign Direct Investment (FDI) and remittances throughout most of the region, with the exception of the oil exporting countries.

This dependence on food imports is partly due to geographical issues such as water scarcity. But geography is not the only factor. The evidence shows that despite the fact that the share of the rural population exceeds 40% in the Arab world – and even exceeds 60% in countries such as Yemen or Sudan – relatively few of these people work in agriculture due to lack of opportunities and development in this sector. A recent study shows that the rural poor in the Arab world earn a large majority of their income from nonagricultural activities. They work instead in low-value added services or in the informal economy. Take Egypt for example: the poorest 20% of rural households earn only 18% of their income from agriculture, whereas the richest 20% of rural households earn 36% of their income from agriculture.

All of this brings me to my Plan with Three Tracks for the Arab World: integration, structural reform and safety nets. This Plan addresses the issue of food security not in isolation, but as part of a multi-dimensional approach to the broader socioeconomic challenges facing the region.

INTEGRATION

The first track is to design and implement a common Arab economic integration agenda that starts with the launching of cross border megaprojects in the key sectors of transport, power, energy and water. These projects should be financially viable and be attentive to the issue of cost-recovery so that institutional investors could actively participate. They should bring the Arab world closer and reduce the cost of production and distribution through efficiency gains. Shouldn't the cost of importing agricultural products from Sudan be lower than from Europe or South America? It can be, but only if we build routes and highways connecting agricultural areas of Sudan to Sudanese ports.

These megaprojects should be accompanied by tax breaks and other fiscal incentives, and by a more conducive business environment to encourage the private sector. This would create synergies, which would trickle down and help generate the jobs that are needed by our economies, and ultimately help lift people out of poverty.

Power generation illustrates the lack of integration today. The Arab World is home to more than 60 percent of the world's proven oil reserves and more than 40 percent of proven world reserves of gas. And yet we have a significant shortage of oil and gas pipelines, and not nearly enough cross-border electricity grids. As a consequence, large swathes of the population face a chronic shortage of energy, despite living in a region with abundant energy reserves.

STRUCTURAL REFORM

Before closer integration becomes a reality, a second track needs to be pursued in parallel by the governments of the countries that are undertaking a transition, and those who want to take part in the promises of tomorrow. It consists of pushing ahead with reforms at the institutional, legal, regulatory and judicial levels, while creating a robust investment climate and properly addressing governance issues.

In short, progress on the infrastructure front should be complemented by progress on the supra-structure front, something that Arab countries have always been weak at. These structural reforms will contribute to stronger investments in labor-intensive sectors such as manufacturing, and with time will lead to stronger investments in higher value-added services. These sectors will generate large scale employment, absorb



the educated youth into the economy and lift people out of poverty – hence fostering food security.

SAFETY NET

The third track is to rethink and implement a new approach to social safety nets. These must ease the transition process and protect the most vulnerable at these difficult times in our society. Today, much government spending in the Arab World is not effectively pro-poor. Research has consistently shown that the widespread and expensive system of food and fuel subsidies is inefficient. Take the example of two Arab spring countries: in Egypt and Syria, food and fuel subsidies (accounting for about 20% of public spending) are more than two-fold higher than spending on social protection programs and health combined.

We must learn from the experience of other countries, such as Brazil, on the optimal design of social safety nets. Brazil's Bolsa-Familia system makes welfare payments conditional on parents sending their children to school and getting them vaccinated. This has not just protected the poor from adverse economic conditions, but actually lifted masses out of poverty and contributed directly to higher growth and increased investment, by boosting the spending power of the emerging middle class. The World Bank has praised the system, saying it contributed to a 28 percent reduction in poverty in Brazil. ■



HE Fuad Siniora,
Former Prime Minister
of Lebanon



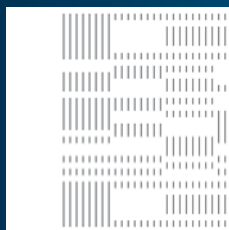
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Moving to 9 Billion: Decision Makers Need to be Decisive

Energy Security & Food Security Makes Africa and the Middle East Natural Bedfellows

**HE Yacoob Abba Omar,
South African Ambassador to the UAE**



THE WORLD HAS spent decades experimenting on how best to move forward on the issue of food security – looking for solutions so that we can avoid a future of dire famine, hunger and poverty. The options are varied and experience has shown that some ideas work better than others. I think that we must agree a common starting point and that, even for a lapsed socialist like me, is a market approach.

Today we have an opportunity to build win-win collaborations between Africa and the Gulf in the crucial areas of food and energy security.

The dynamics of market economics must develop food security strategies that reach far beyond ensuring the supermarket shelves are full for economically prosperous consumers. The system must deliver viable solutions that meet the basic needs of those who are not sure where their next day's meal is going to come from.

In every country there are internal solutions to strive for and in South Africa one

of our major strategies is centered on what is known as 'the land question'. There's been a long history of the majority of the people not having access to the land, and the whole question of land redistribution is part and parcel of addressing the kind of poverty and hunger that we are experiencing in South Africa.

Even for a middle-income level country, as defined by the IMF, we do have huge patches of poverty and hunger.

The key is to strive for a mixture of internal food security policies and to reach out into the world for win-win partnerships with other states. South Africa and the United Arab Emirates, Africa and the Gulf States, present the opportunity for such partnership.

In the Gulf there is a deprivation of food. It is not possible to grow food well enough or cheaply enough on the land that we have here – there is too much desert. Water is very expensive. Trying to grow all the food the Gulf consumes is impossible. It has been tried: for a while Saudi Arabia became one of the world's largest wheat producers, but at a huge cost.

So my suggestion is that we need to look at greater collaboration at a global level that defines solutions at a local level – the Gulf States have the unique combination of incentive and financial capability to partner with Africa in upgrading its food production capacity.

Some have moved ahead unilaterally and bought land in a speculative way, but for many in Africa that is not seen as a win-win way to proceed. We must collaborate on agri-businesses that meet the needs of the local population as well as create enough food production capacity for export.

Let's not fool ourselves. Building a cooperative model will not be easy. There are many challenges.

One of the biggest challenges in Africa – which isn't discussed nearly enough – is the issue of ancestral rights to that land. Many tribal groupings have been settled on land for many centuries; not only do they live off the land, but they have buried their dead on this land. Can you just sell this land to investors? Local knowledge is very important.

Other issues to consider include over-exploitation of agricultural land. It is in the interest of the whole world that the arable land of Africa is farmed responsibly so that it is not degraded or abused. Then there is the issue of food price inflation – an increasingly important challenge in recent years now that



“ We must collaborate on agri-businesses that meet the needs of the local population as well as create enough food production capacity for export

commodities are traded like an asset class on international markets.

And of course there are legal factors. Some countries around the world are responding to the threat of a 'land grab' for agricultural pastures by placing severe restrictions on foreign ownership of agricultural land. South Africa hasn't gone to that extreme. But if any government around the world gets a sense that foreign investors are behaving like speculators, protectionist legislation will follow and that will derail the necessary win-win approach the world needs.

Thankfully all of these challenges can be managed.

International investors must accept that their duty of obligation extends beyond their

customers; it should first extend to the people and the land where they are investing.

We see examples emerging of this positive, collaborative, win-win approach. Qatar and Ghana are negotiating a Joint Venture to produce food for both countries. In Senegal large scale investors, instead of buying the land, are providing capital and technology to small landholders.

The World Bank has shown that notwithstanding the allure of efficiency brought about by large scale, commercial farming, small landholders can earn between 2 to 10 times the wage labor that employment would bring in.

With foresight and imagination, many more successes will follow. ■



HE Yacoob Abba Omar,
South African
Ambassador to the UAE



Overpopulation Will Lead to Resource Wars

Sir Bob Geldof



IT IS AN obvious and brutal fact that on this finite planet, human population will definitely stop at some point. There simply cannot be more people on earth than we can feed. And we are getting very close.

I think it is pretty much game up!

I've been doing this for three decades and I'm not sure I understand how we go beyond 10 billion people. The global population multiplied five times from the 1700s to 1960, but there was also an increase in arable crop land of five times during that period. From 1960, for the next three decades, the global population increased by 80% - but crop land only increased by 8%. And so in order to begin feeding this increasing population we began cutting down the rainforest and degrading the environment.

This perfect storm of population increase, climate change and sustainability comes to a head today! Not tomorrow, not yesterday, but no - today! This week there will be one and a half million new humans. By tomorrow there will be 250,000 thousand new people.



“Being brutal about this fact, we are undergoing a mass anthropogenic extinction event at the moment

There are people all over the world working hard trying to feed these people. They are always on a knife edge. I do know about technological advances and I do know about better farming methodologies. I don't believe it. I do know about Genetically Modified food and I support much of it, but I don't believe it.

I believe that the 'tipping point' could quite conceivably have already passed at this point. By 2050 there will be 10 billion people. That is less than 40 years away. This will require a 70 percent rise in agricultural production. I don't believe it. Seventy percent beyond the struggle today - I don't believe it. By 2100, global consumption will have increased by 1600%. How? We don't have enough now. Can we deliver 1600% over the next 90 years? I don't believe it.

So being brutal about this fact, we are undergoing a mass anthropogenic extinction event at the moment. Vast numbers of species

are being wiped off the face of the planet now. The logical conclusion to this is us. Why won't it happen? Why wouldn't it happen? I think it might.

Population increase in the Arab world is greater on average than in the rest of the world. Population increase in this region is 1.7%, while the global average is 1.2%. Since 1950 water availability to the people in this region has dropped 75%. By 2050 that will be halved again, yet the population increases. Most of this water is trans-border. What do you think is going to happen with that?

There has been a hidden crisis occurring throughout the last five years where the underwater base levels have been sucked out of the earth at unprecedented production levels. Why? For us!

There are probably too many of us.

And it is the great unspoken argument for obvious reasons: we are born to reproduce. That terrible genetic pull, that glorious genetic drive to have children is critical to us, as it is to every single living thing. To deprive a man and a woman of their children and family is inconceivable to us. It wouldn't work as policy.

So how do we talk about population control and, crucially, deal with it? And deal with it

we had better do now!

There are two ways of dealing with this. There is the humane way and there's the brutal way. And policymakers don't wish to talk about this because of powerful religious lobbies, powerful political and cultural concerns, and because of the failure in the past of over-enthusiastic population control remedies, as per in India in the 1960s. Certainly in China it has worked to an extent. But without an authoritarian state this will not apply to us. And any government that tried to impose it quite rightly we would get rid of.

So what do we do? Well, we know for a fact that when women are educated the population levels drop considerably. If we take India again, the average birth rate is 2.8 children. But in Kerala province, the most literate, it drops to 1.7. In Thailand it is 1.7. But in the Philippines, because of constraints from the Catholic Church, it is 3.3 children per woman.

So for an absolute fact - an absolute fact - when women are educated the population numbers drop.

When women have the vote, they drop further. And there are 200 million women in the world now who want - but have no access - to birth control contraception. If they

had contraception it would mean 80 million fewer births. That would stabilize population growth right now.

If we can get free contraception to these 200 million women, and culturally they are able to use them, it would stabilize because there would be 80 million less unwanted pregnancies. And I think we have to do that. And if those contraceptions are condoms, we also get rid largely of the AIDS problem.

Forget multilateralism - each country must have a highly developed population policy based on the ability of that country to live, to exist, because if they do not have it they will have too many people, not enough food, and they will die.

So what this thing is about is the very survival, not just of the region, but of the world. We cannot continue on a tiny little ball of possibility - this earth - with so many of us. That is not possible and it is no longer viable. The only possible way is to be serious, to plan, and to pray to God that we see sense, we rise above our emotional instincts, and we do give the possibility of life, not just to individual children hoping to mature into responsible adults, but we give the possibility of life to the human species. I'm not that optimistic. ■



Sir Bob Geldof,
Humanitarian, pop star,
broadcaster and
businessman

A Small Mushroom with a Big Impact

Wintershall

ABU DHABI FACES an exciting challenging in the coming years: make the most of the hydrocarbons lying beneath the land and the sea. After half a century of production, we all know that much of the easy oil and gas has already been harvested.

The opportunity for the energy industry is to come up with innovative solutions for the not-so-easy deposits. With Abu Dhabi's reserves measured in the equivalent of billions of barrels, even a small incremental improvement in recovery rates can deliver significant benefits for the emirate's economy. "Mature fields; small fields; complex fields – with the right technology, all of these can yield meaningful and even increased outputs. Intelligent solutions by incorporating new technologies will lead to successful and sustainable developments, especially in an era of relatively high energy demand and prices," Gerhard Haase, Chief Representative of the Wintershall Middle East office in Abu Dhabi, explained.

Wintershall is researching a new possibility: using polymer flooding in oil reservoirs.

Polymers play a ubiquitous role in everyday life. One of their key functions is to act as a thickening agent. They are used in toothpaste and cosmetics, for example, to make liquid substances pasty or gel-like. In crude oil production they thicken the water so that it can force more oil out of the pores.

How does it work? In many reservoirs the crude oil is much more viscous than the water, which means that the more mobile water can flow through the rock pores much more easily than the crude oil. Instead of pushing the oil ahead of it – as desired – the water gradually finds ways to squeeze through the oil drops, taking less and less oil with it as it does. Adding the biopolymer increases the viscosity of the water, which helps more crude oil to find its way to the surface.

Our research is focusing on the biopolymer Schizophyllan, which is made with the help of a common fungus ("mushroom"). In addition to the technical benefits, this polymer offers one other key advantage: the organic product Schizophyllan is extremely kind to the environment.

Schizophyllum commune can be found in all the forests of the earth on dead wood such as fallen timber. It essentially feeds off oxygen and various carbon sources, such as sugar, and generates the biopolymer it needs for developing its own cell walls while it grows.

Schizophyllan itself is not a new discovery: it's used in South America as a food supplement, while in Asia it's used

medicinally to strengthen the immune system. Using it in crude oil production remains unproven, but initial findings are positive. Wintershall and BASF are testing and enhancing the production of biopolymers at the BASF laboratory in Ludwigshafen.

A field test is beginning in Bockstedt in northern Germany. The first phase of the pilot project "Bockstedt polymer flooding" will continue until the middle of 2012 and will involve the preparations for the field test with the sinking of the wells and the construction of the surface facilities. In the second stage, the biopolymer will be added and its impact on production from the surrounding wells will be monitored for two years.

Our research suggests that Schizophyllan is a real winner in crude oil production: the recovery rate from reservoirs could be raised to up to 45 percent, depending on the

“We can set ourselves apart from the competition as a specialist in a technology we developed, and position our company on the market as an attractive partner, especially for national oil companies

deposit. The product remains effective in high temperatures and heavy salt concentration despite its biodegradability. And because it is so kind to the environment, this natural product can be used in highly sensitive ecological systems.

"Schizophyllan offers us a fantastic opportunity," says Foppe Visser, Director of EOR research at Wintershall. "We can set ourselves apart from the competition as a specialist in a technology we developed, and position our company on the market as an attractive partner, especially for national oil companies."

Of course, this is just one of the innovations Wintershall is working on, in this case with colleagues of our 100% shareholder, BASF. By bringing this level of research and development to the maturing hydrocarbon fields of the Middle East, international energy companies such as Wintershall can make a real and lasting contribution. ■



Dr Gerhard Haase,
Chief Representative,
Wintershall Middle East
GmbH – Abu Dhabi



Glass Half Full: Technology Offers Solutions

Dr Deborah Schlichting, Senior Agricultural Economist, Solvus Economics

FOOD SECURITY is, broadly, a stable, predictable and reliable supply of and access to food comprising both imported and domestically produced foods. However, the parameters of the food security problem in the arid countries of the Gulf are somewhat different from what many other countries face.

The six-member states of the Gulf Cooperation Council, which includes Saudi Arabia and the U.A.E., are almost entirely dependent on food imports for their consumption and therefore security of supply is a persistent problem despite substantial wealth. Although imports will likely always make up a very large proportion of the region's food supply, domestic production has an important role to play.

The dependency on imported food creates risks and vulnerabilities through external factors such as price shocks, supply chain disruption, and instability in the exporters' market. It is, therefore, important that domestic food production capabilities are effective, efficient, and reliable. This means that locally grown produce must be comparable to imported produce from a nutritional, price and quality perspective.

In the GCC the domestically produced component of the food security equation comprises three inextricably linked key elements: food, water, and energy -- food production is dependent upon large scale water supply, and large scale water supply is dependent upon great amounts of energy for water desalination.

Currently, domestic food production methods in the GCC are relatively water inefficient and the water is heavily subsidized.

Conventional open field agricultural (OFA) methods are wasteful of water and result in a costly product that cannot compete on the market without subsidies.

Using conventional OFA methods and pricing accurately for water, the cost of food production in the GCC is so high as to make imports cheaper. The burden on the state of needing to subsidise domestically produced food is compounded by imported food also being heavily subsidised by the governments in the country of origin.

However, this equation can be rebalanced through technology to make domestic food production of some foods in the GCC more cost efficient than importing the same foods from abroad.

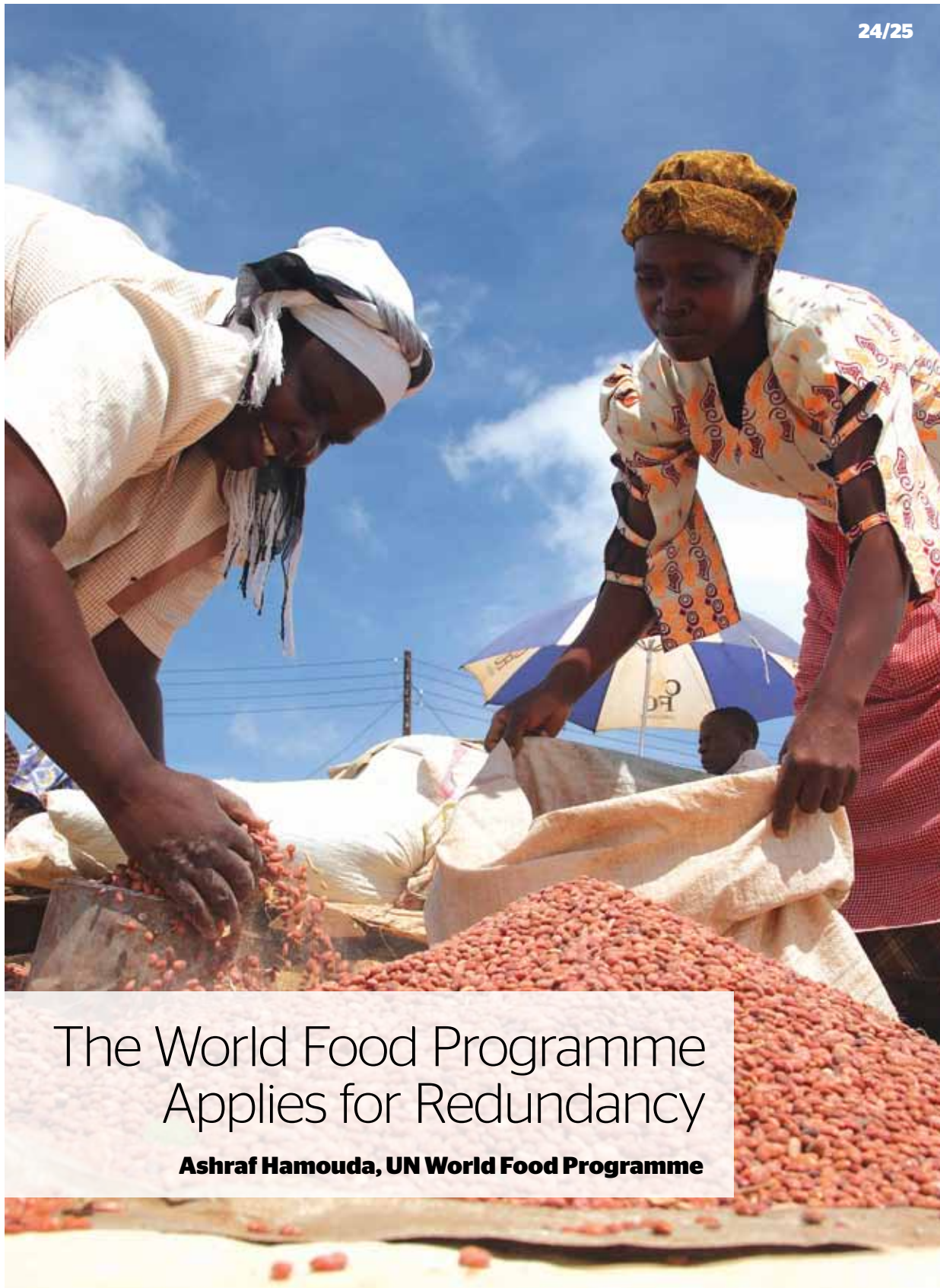
One solution to achieving reliable and efficient domestic production is to use controlled environment agriculture (CEA). These are non-field farming methods such as hydroponics, aquaponics, nutrient film techniques (NFT), aquaculture and greenhouses, which allow the GCC to produce large amounts of certain foods such as tomatoes, cucumbers, capsicums, salad crops and culinary herbs.

The primary advantage of CEA is that water usage is dramatically reduced -- it is estimated that hydroponically grown tomatoes use around 10% of the water that field grown tomatoes use. Similarly, NFT is estimated to use 90% less water and 80% less fertiliser to achieve a 50% higher crop yield than conventional farming.

CEA methods have the capacity to make a substantial contribution to both the regional food security and water security problems. ■



Dr Deborah Schlichting, Senior Agricultural Economist, Solvus Economics



The World Food Programme Applies for Redundancy

Ashraf Hamouda, UN World Food Programme

THE UN World Food Programme, the world's largest humanitarian organization addressing hunger worldwide, is moving from a strategy of food aid to one of food assistance.

One billion people go to sleep hungry every night, unsure if or when they'll have their next meal. We have heard the saying that 'a hungry man is an angry man'. It sparked the French Revolution back in the 18th century and more recently rising food prices were among the catalysts of the Arab Spring.

The world population has doubled over the last 45 years to reach 7 billion in 2012, and is set to add yet another 2 billion people by 2050. This rapid and accelerated population growth puts a strain on environmental, political and financial resources.

But the simple truth is that hunger is the world's biggest solvable problem. To achieve these solutions we need to ask the following questions: How can we forge new partnerships to combat global hunger through commercially viable food security projects? And how can these projects benefit all stakeholders: land owners, investors, governments and communities?

Solutions come in different shapes and sizes.

China has mandated a one child policy for a generation, while India is now offering cash payments for abstinence or sterilization. This approach raises ethical as well as economic concerns. Brazil is a telling example of what can be achieved by aggressively tackling the issue as the most populous country in South America has managed to reduce hunger by a third with the country's GDP tripling in the process.

The UN World Food Programme will always be there to help in times of crisis, to provide food aid in areas affected by famine – the all too common images of food being dropped from UN helicopters and airplanes will remain a feature of the nightly news until such time as long-term solutions aimed at anticipating and preventing famines in the first place are successful – that is what the WFP strives to achieve by moving from a strategy of Food Aid to Food Assistance.

The Partnerships Programme is one example of what needs to be done and what is being done by the WFP to build relationships with the private sector. For example, the WFP is working with Pepsi Co. to invest millions of dollars in

places such as Ethiopia. They are innovating products, building factories and working on education programmes.

And it's not just food companies. The WFP is also forging partnerships with Oil companies that are increasingly both environmentally responsible as well as socially conscious. More and more energy companies realize that there is a strong and evident link between energy security and food security.

At the moment private sector engagement with NGOs like the UN falls under a company's Corporate Social Responsibility (CSR) platform, but the aspiration of the WFP is to move these projects away from mere philanthropic idealism and develop partnerships that will be by definition and design profitable for the partners, while helping make the world a better place.

A recent study conducted by Nielsen has shown that consumers favor buying products or brands that are affiliated to a just cause, with 'eradicating hunger' ranking up amongst the most cherished causes.

WFP is also working on the ground with farmers through a project called the Purchase for Progress (P4P) initiative, which focuses not just on farming techniques but on how to leverage market forces and address some of the inefficiencies that exist e.g. the WFP buys from them and helps them with distribution. It's a market-based approach aimed at making these enterprises more profitable. P4P started as a pilot and is now active in 21 countries.

One can have no pretences about the magnitude of the challenge ahead. There will always be hungry people, climate change, conflicts and wars to disrupt the lives of millions. We will always need to be prepared to respond.

But a perfect storm of positive factors - innovative ideas, dedicated people, new found resources and political resolve - are taking root locally and globally, opening doors to new visions and sustainable solutions.

The world has the tools and the knowledge to ensure that every child has access to nutritious and secure food to reach his and her full potential and lead a healthy and productive life in a developed economy. It is the responsibility of all of us to help the planet realize this potential. ■



Ashraf Hamouda, Head of Partnerships MENA, Eastern Europe & Central Asia, UN World Food Programme



A Hitchhiker's Guide to China

David Eldon, Chairman, HSBC Middle East

MIDDLE EAST companies looking to do business in China may be well advised to think like a hitchhiker.

Global investors are very much like hitchhikers out on a highway. They want to try and catch a ride on China's fast growing economy but don't exactly know where the next lift will deposit them. And if they do, they almost certainly don't know what they should do when they arrive and they definitely don't know who they'll encounter along the way.

Hitchhiking, like doing business in China, can be full of uncertainty. That said, successful hitchhikers have refined a few successful tricks and techniques through years of trial and error.

Patience, for starters - standing on the hard lonely shoulder of a motorway while trying to flag down the right ride requires an enormous amount of patience, as well as quite a lot of luck. Similar sentiments apply to doing business in China.

“Hitchhiking, like doing business in China, can be full of uncertainty. That said, successful hitchhikers have refined a few successful tricks and techniques through years of trial and error.”

A positive attitude when hitchhiking also helps - smiling nicely to cars when they approach is a good start and always ensure that your face is fully visible as drivers rolling on down the highway have only a few seconds to determine that you are neither a freak nor a serial killer. A little local cultural understanding is helpful. Holding your thumb up may get you a ride in some Western countries but in many other parts of the world it can cause offense.

The best approach seasoned hitchhikers tell me is to hold up a sign saying where you want to go. As the owner or manager of a Middle East business looking to do business in China, begin with destination words “China” and “Profit”. It sounds simple but I've been doing business with China for six decades and nothing is straightforward.

FOUR QUESTIONS

Before setting out on their journey to China, Middle East executives should ask themselves four questions: When? What? Who? Where?

Let's look at them in a little more detail.

The first and the most obvious question, When? Is now a good time for a foreign company to be heading to China? A time when there is still considerable global economic uncertainty; a time when the World Bank has been suggesting that China's current growth model is unsustainable; a time when China could be facing a slowdown in infrastructure and real estate investment; a time when the era of 'Cheap China' may be drawing to a close, to quote The Economist.

The reality is that if your company is seeking a short-term impact on earnings, then China is not necessarily the best place to go. Like any emerging market, China is a place where a certain amount of patience is - and will continue to be - required. Still, China does offer considerable long-term opportunities, with its overarching growth trajectory and due to its expanding and increasingly affluent middle class bolstered by its importance in the global economy.

China's projected growth - in terms of GDP and global trade - is very good news for the Middle East given that expansion will need large amounts of energy. Of course, you would have to be completely naïve to assume that China will not encounter an occasional bump in the road as it continues to grow, to open and to develop. But in the long-term the opportunity is clearly established.

All of which leads to the second question, What are some of the things that foreign investors need to be mindful of when doing business in China? First and foremost, do not leave your common sense at the border. Over the years, I have witnessed more than one foreign company do just that, entering into logic-defying joint ventures with Chinese entities.

A classic example: a multinational soft drink company which entered into a joint venture with the local bureau of a Chinese government department which regulated the media. Not exactly an obvious synergy there, which is probably why the two sides ended up in a messy and protracted legal disagreement.

The point that I want to reinforce is that doing business in China, as in all emerging markets, requires not only patience but also considerable due diligence. To use a hitchhikerism - don't necessarily jump into the first car that comes along.

Another thing to be mindful of is the fact that China is and will continue to be a complex place to do business, in part because it's still evolving and in part because of its sheer size.



Too many foreign companies overlook the fact that China is a collection of complex markets, with emphasis on the plural -- some 700 cities spread across more than thirty different provinces, with some municipalities directly under government control and some not, alongside a few autonomous regions, as well as a couple of special administrative zones such as Hong Kong.

The third important question to ask is Who.

This raises the issue of guanxi, similar to the Arab concept of wasta. In the most simplistic of terms guanxi is defined as a system of relationships that facilitates business and other dealings. In the past many foreign companies entering the China market have tended to view guanxi from a rather narrow perspective.

Good guanxi meant just one thing and that was a good relationship with government, and in particular with influential government officials. Over the years I've watched as the heads of many foreign firms spent enormous amounts of time and money trying to build close relationships with senior Chinese leaders -- doing everything from supporting pet projects to cultivating personal ties with their offspring - with the apparent belief that all they needed to do was gain some sort of personal access to the most senior officials and everything would be fine.

History has shown that the results of this strategy were successful some of the time. Still, most eventually found out that even longstanding relationships do not insulate

your business in China from certain realities.

First and foremost, there is the reality that China is a rapidly changing and evolving country. Today you need guanxi with not only regulators and government officials, but also with your business partners and your suppliers and your employees and your customers. In other words, you can't be narrow-minded when it comes to the range of business relationships required to succeed in China.

The fourth and the final question to ask is Where.

For most of the last 30 years foreign companies have tended to focus most of their efforts on well-known Chinese cities, especially Beijing and Shanghai -- two cities which according to forecasts from McKinsey are destined to outrank Los Angeles and London in terms of GDP by 2025.

There is nothing inherently wrong in going for the obvious, but consider this: more and more foreign companies are now also going inland where cities like Chongqing are bringing in almost as much foreign capital as Shanghai. And if McKinsey is correct in its forecast, Chongqing, as well as the cities of Chengdu, Foshan, Guangzhou, Hangzhou, Nanjing, Shenyang, Shenzhen, Tianjin, Wuhan and Xi'an, will also all be in the world's top 50 cities by 2025.

My advice to foreign firms in this regard is simple: don't let yourself be geographically challenged when looking within China. Happy hitchhiking! ■



David Eldon, Chairman, HSBC Middle East

Energy Security a Top Priority for East and West

**Andrew Sutherland, Vice President,
Global Business & Marketing, Senergy**

THE WORLD'S oil companies are committed to Abu Dhabi. The emirate is preparing to review agreements that have stood for decades, so it's no surprise that supermajors, small independents and state energy firms are forming an orderly queue; securing access to long-term energy supplies is critical, economically and politically.

In many ways, the world has changed dramatically since Abu Dhabi awarded those early concessions. At the time of the first commercial discovery in the emirate – an offshore strike in 1958 – the global population stood at less than 3 billion. Today it is 7 billion.

Demand for oil has also changed dramatically. Passenger jet travel was born in 1958 when Boeing unveiled the 707, while the era of mass automobile ownership was only just beginning: Toyota sold its first car in the United States 1957, while in Britain the first Mini rolled off the production line in 1959.

An extra 4 billion people – a growing number of whom drive cars and fly in aeroplanes, especially from the emerging economies of India and China – means more demand for oil, still the dominant fuel for transportation.

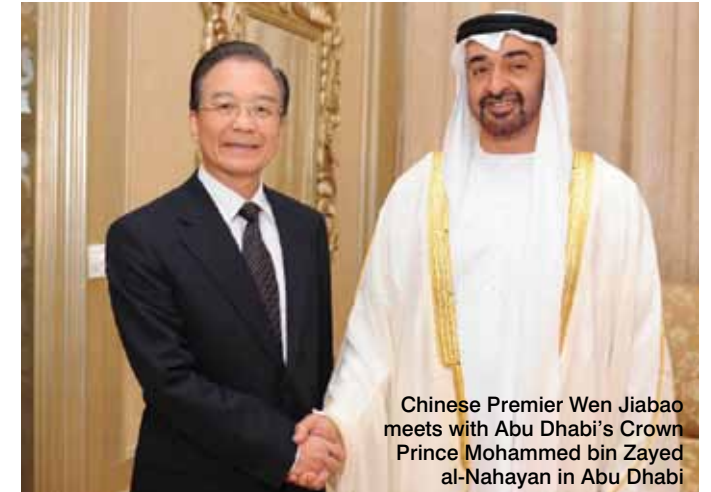
While the West was dominant politically and economically in the 1950s, Asia in particular is increasingly influential today. All of these factors are reflected in the roll call of players bidding for new concessions in Abu Dhabi. In simple terms, the main onshore concessions expire in 2014, with offshore concessions following in 2018. Already this year we've seen the growing influence of Asia in the process.

Under the headline "South Korea Oil Deal Makes Abu Dhabi History," The National newspaper on March 5th carried a photograph of Young-Won Kang, CEO of Korea National Oil Company (KNOC). He'd just signed a deal with Abu Dhabi giving KNOC exploration rights to some 10 percent of Abu Dhabi's landmass, albeit in speculative areas outside the four giant, established onshore fields.

Just a few weeks earlier, Gulf News carried pictures of Chinese premier Wen Jiabao on a state visit to the UAE. Abu Dhabi has agreed to supply 200,000 barrels of oil per day to China from 2014.

These Korean and Chinese deals are likely to mark the beginning, not the end, of new energy agreements between Gulf oil producers and the rising powers of the East.

Still, if we read our history books a little more



Chinese Premier Wen Jiabao meets with Abu Dhabi's Crown Prince Mohammed bin Zayed al-Nahayan in Abu Dhabi

closely, it's clear that while much has changed, much stays the same. Then, as now, energy security was crucially both economically and politically. The Second World War was still fresh in the memory of politicians and business leaders, and access to energy had played a pivotal role in the outcome.

The current Abu Dhabi onshore concession, which expires in just a couple of years, leaves us in little doubt about the winners of that conflict, even after half a century of mergers and takeovers. ExxonMobil (US) BP (UK) Shell (UK) Total (France) and Partex (Portugal) reflect the victorious powers in the 1939-1945 war (the Portuguese involvement actually tells us more about the power of personality that politics, but we'll save that story for another day).

The point is this. Some observers see the current scramble for concessions in Abu Dhabi in two distinct camps. Asian state oil companies driven by continuity of supply considerations, and private oil companies (mostly Western, including the supermajors) who wish to retain a strategic relationship in the region.

This distinction is too simplistic. Energy security has always been as much about politics as economics; this is as true today as it was back in the 1950s. What has changed is that Abu Dhabi has a far stronger hand in the negotiations. Back then it was home to a few speculative wells. Today it holds 7 percent of the world's proven oil reserves. Whatever the ambitions of international suitors, Abu Dhabi is sure to strike deals that place its own political and economic interests very much to the fore. ■



Andrew Sutherland, Vice President, Global Business & Marketing, Senergy

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China: The Solution?

China's Changing, but it Remains Steady as She Goes

Bruce Alter, Head of Trade, HSBC China

CHINA AND THE Middle East are two of the most important conduits for global trade today. China has the world's second largest economy and has surpassed Germany as the number one exporter. This makes it a natural fit with the Middle East, the world's largest hydrocarbon exporting region which has an historic tradition of commercial relationships with China and along the Silk Road.

To capitalize on the revival of this ancient trade route, Middle East companies must understand the evolving nature of the Chinese economy. The Chinese government is managing the country in such a way as to minimize sudden lurches in policy. Still, issues such as growth, inflation, trade flows and the currency are all evolving and transforming policies.

Middle East companies must get to grips with these shifting sands if they are to secure and build long-term trading partnerships in China.

Take growth. The Chinese government made headlines earlier this year by setting its annual GDP growth target at 7.5% as compared with the 10% average we've become accustomed to over the last decade. Some analysts see this development as a

“On trade, Chinese exporters have been resourceful, with the support of the government, on finding new markets

warning sign – perhaps a cuckoo in the coalmine moment -- particularly given the sluggish growth in many Western economies that have traditionally been the main markets for Chinese exports.

My view is that 7.5% or 8% would be a soft landing, if the word landing is even appropriate for such significant growth figures.

Look at what happened during the previous crisis in 2007, 2008 and 2009 -- the Chinese have been very adept at adjusting, whether through government stimulus to boost the economy or tightening bank lending rules to cool it down.

On trade, Chinese exporters have been resourceful, with the support of the government, on finding new markets. The



production of socks is a great example. A lot of sock production comes from the south of China and one of the biggest markets for socks is cold and wet northern Europe. Well with Europe going through a significant slowdown the Chinese sock manufacturers in Guangdong were forced back to the drawing board?

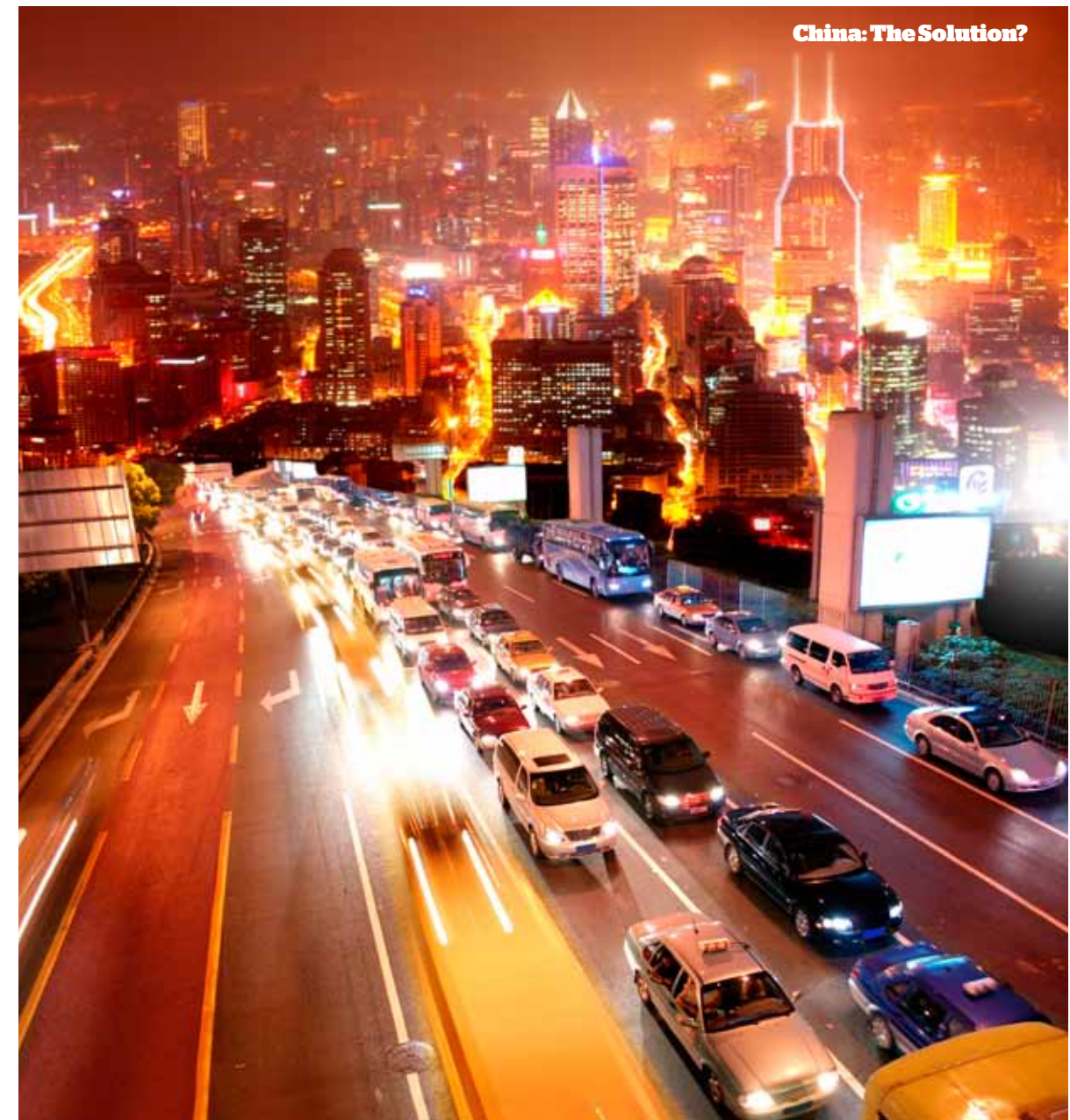
They're now selling their socks in Latin America -- Chile, Brazil and Mexico. There's a tremendous amount of entrepreneurial spirit and capability there.

Trade flows are becoming more balanced as we see an increase in domestic consumption of both Chinese goods and imports. This is an important shift.

In the past, the official view on trade was very much export, export, export -- That's now changing!

Inflation is something Middle East companies must watch. Production costs are rising in China, and we see off-shoring now to lower cost locations such as Indonesia, Bangladesh and Vietnam for some lower value-added manufacturing including textiles and footwear. At the same time, there is a movement to higher value production in China, and a desire to move into the higher value export sector. And you cannot ignore inflation from a social point of view. Rising costs and prices are something the government is looking at very closely.

When it comes to the currency, we should look at it two ways. First, the question mark about how much the Renminbi will appreciate -- our view is that it will continue to appreciate, but not at the rate that it was appreciating in the past few years -- our global research team has set its year-end 2012 forecast of USD-RMB to 6.18 translating to



China: The Solution?

less than 2% appreciation over the calendar year. That's one aspect.

The other consideration, which is very important, is Renminbi cross-border international trade settlement. The view from the Chinese leadership is very progressive, very forward-thinking and very international. Renminbi internationalization will go with that.

To date, most of this activity has taken place in Hong Kong and over the past 12 to

18 months we're starting to see diversification with Singapore stepping up and London is going to be the next. Dubai has the opportunity to be next on list of global transaction hubs for the Renminbi.

Looking forward, we don't expect any radical policy shift -- overall reforms will continue as always in a slow, steady and controlled style, with an eye firmly focused on ensuring a stable and sustainable economic growth and controlling the inflation. ■



Bruce Alter, Head of Trade, HSBC China

Ethical Investment: End the Land Grab!

Jeffrey Culpepper, Chairman, Agrisecura

THE TRAIN IS going to wreck! There are simply going to be too many mouths to feed.

Food is in places where the populations aren't. Think about it: there are only five food exporting countries in the world: the U.S., Canada, Argentina, Brazil, and Australia. If you have one year of drought or floods in Australia, that dramatically impacts China's access to food.

Last summer I was riding my motorbike across the midsection of the U.S. and Pennsylvania, as I do every summer. I stopped at a small diner and got talking to a bunch of Amish farmers. Usually at this time of year these guys are generally depressed because it is corn harvest time and the more they produce the further prices fall. But this year they seemed relatively happy. I said, "Well, what's different this year from years in the past?" They said, "Well, because China is buying every bushel of corn we can produce."

The key driver is the Chinese government policy to make China self-sufficient in pork by 2015, which is the largest source of protein in the world's most populous country. What they don't talk much about is that China must import food to feed the pigs. So, yes, you're gaining the political will of the Chinese people by declaring we are secure as we have more pork available, grown locally. But what they're not saying is that it makes you dependent on agricultural imports to feed the pigs.

China has prospered dramatically from industrialization over the last three decades, lifting some 400 million people out of poverty, but as a consequence it's gone from a position as recently as seven years ago when it was self-sufficient in food production to being dependent on other people to feed them.

There is a major shift underway in the world's population moving from rural areas to urban centers and the areas with capacity to produce food is all in the wrong places far from the large mega-cities.

What we're doing at Agrisecura is looking for opportunities to help address the imbalances this situation creates around the globe. As a matter of policy we do not invest in land acquisition as I am personally and philosophically against it. Arable Land should stay in the ownership of the people who are working it, and that's the farmers. We have seen abuses in the past, in places like Sudan, Ethiopia and Congo, where private individuals would buy up hundreds of thousands of hectares of land for the purpose of establishing them as their private estates. They may farm it, they may not.



And to this day, I can think of maybe half a dozen major land purchases in the last decade where not one of those parcels is being utilized for the production of food. They're just there as a land bank, a just-in-case safety net. To me that's morally reprehensible.

The status of farmers needs to change. Traditionally in developed economies we've guided our children to get an education, to be a lawyer, be a doctor, be a journalist or be an engineer, but whatever you do don't become a farmer or a tradesman. I grew up on a farm and I could not have run fast enough at age 18 to leave, because the last thing I ever wanted to do was farming.

Perhaps it's ironic that I'm now an investor in agriculture. But it's taken me about forty years working in banking to make that transition. Today we have to enlighten young people that they can prosper being a farmer. We have to send the message: 'you can build your family and you can educate your children!'

There is hope. I have seen it in parts of Africa with excellent companies like African Century or Tilda Rice. We're helping to provide the education and technology people need to be better farmers in such areas as water conservation, decreased chemical dependency and to help with better marketing.

The cell phone in the pocket of nearly every African is more powerful than just to talk to their girlfriend across the village – they are realizing it can be used to access tremendous amounts of data to decide on what to grow and where to sell it. ■



Jeffrey Culpepper,
Chairman, Agrisecura

“We have said time and time again that we continue to see strong connectivity between the Middle East and the Far East. China is a classic example of this. Trade corridors between China and the MENA region carry huge economic growth potential for businesses. China is currently the region's second largest trading corridor. The country is poised to become the world's largest trading nation by 2016 and will account for 12.3% of world trade by 2026.

Tim Reid, Regional Head of Commercial Banking, HSBC Middle East

Manage Risk, Not Growth

Nick Levitt, Head of Commercial Banking, HSBC UAE

THE MIDDLE EAST represents a significant opportunity for Chinese companies – one that many are clearly grasping, given the growing number of large and small Chinese firms setting up in the region. Yes, the last few years have been tough for the region, with the fallout from the Global Financial Crisis and the Arab Spring. Still, we must not lose sight of the scale of the government spending with oil at over \$100 a barrel.

HSBC research forecasts GDP in the Middle East and North Africa (MENA) will reach between \$2.6 trillion and \$2.7 trillion this year. That means MENA, as a region, will equate with the UK, and certainly exceed the GDP of France. The six members of the Gulf Cooperation Council (GCC) will account for more than half that economic output – a record high that will see GDP per capita 20 percent to 30 percent higher than much of the OECD. To put that in some kind of perspective, GCC economies will have quadrupled over the last decade.

Tapping into this market is not easy for foreign companies, including Chinese companies. Having worked with many Chinese companies doing business in the Middle East – some more successfully than others – we can learn from their experience.

First, I don't think there is any other region in the world that is so diverse in terms of the growth rates. If you take core markets and economies such as Saudi Arabia and Qatar, they are currently extremely buoyant. At the other end of the spectrum there are economies such as Bahrain and Syria where economic activity is stalled at the moment. If you look at other geographies – Europe, North America, Asia – the stories are more cohesive. And that makes it difficult for people to manage the risks associated with working in this region.

The second point is that margins in this part of the world are some of the most challenging. Typically, plain vanilla projects in this part of the world are being undertaken at margins of 6 percent or 7 percent. If your project is delayed – which can happen – that makes making money, even in buoyant economies such as Saudi Arabia and Qatar, unpredictable.

A related point is that there's no other part of the world that is so international. You have companies from Britain, Italy, Turkey, China, India, all competing for the same space.

Frankly, there's not really anything stopping anybody from coming here and playing in what is a very, very messy battlefield. So it's going to become increasingly difficult to drive those margins up as more and more people become interested in the MENA region.

There's also the issue of connectivity; where the food chain really starts. And it all starts with wealth being recycled through government. This is a little bit different from some other parts of the world, in that so much of the connectivity is as much political as it is economic.

These challenges are true for all foreign companies doing business in MENA. There are also some specific issues that Chinese companies in particular must address.

Certain sectors are more appealing to Chinese companies than others.

Telecommunications, construction, infrastructure and power are positive examples of industries where Chinese companies have already built a track record of success in MENA. But there are other areas where they have had less influence, such as Chinese retail brands.

Human resources present another challenge. A number of Chinese companies have talked about the language barrier and the challenge of understanding local cultural nuances. That said, if you look at the scale of growth that Chinese companies have achieved in this region in recent years, it's clearly not an insurmountable barrier.

Banking and finance is another potential bottleneck. In comparison to other export markets for Chinese companies, the Chinese banking influence in the Middle East is not so well developed. When Chinese companies started to expand into other parts of Asia such as Indonesia and Malaysia, they found quite strong banking support from Chinese banking institutions in those countries. Even though they would be competitors of ours, there is a need to build out that support over the forthcoming years in terms of a Chinese banking presence in the Middle East.

If Chinese companies take only one message from the experience of their peers in the Middle East, it is that success in MENA is as much about managing risk as it is about managing business growth.

Successful companies operating in emerging markets are the ones that manage their risk well. ■



Nick Levitt, Head Of Commercial Banking, HSBC UAE

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The Last Word:
*"In 1984 I said Feed the World:
It Has Got Worse"*

**Sir Bob Geldof Q&A with Sean Evers,
Managing Partner, Gulf Intelligence**

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“ Nearly all wars – in fact, all wars – are effectively resource wars. Think about Hitler and his nonsense of lebensraum, or living space; he appealed to the resource argument. It was ridiculous, but nonetheless. So population is about resources.

The Last Word: In 1984, I said Feed the World. It has Got Worse!

SEAN EVERS: *I'm from Ireland, where traditionally families have been very large, and my father had seven children. Is that unethical in a world with 7 billion people, and heading to 9 billion?*

SIR BOB GELDOLF: No, it's not unethical. Traditionally Ireland is a very poor country, and it was an agricultural-based economy, and you needed people to work the land because it was poor, there was no social security from the government. So you needed children to take care of you in your old age. As you get economic development, so the need to have more children diminishes – we have seen the birth rate in Ireland fall significantly in recent years as a result of its economic development.

The necessity for children comes down – but the compulsion, the human compulsion, the wonderful compulsion, to have a family exists. Unfortunately we need to intrude now on that personal space, which is almost Orwellian.

SEAN EVERS: *In such a diverse world, with wildly divergent fertility rates, cultural norms and economic conditions, how do you approach this from a global perspective?*

SIR BOB GELDOLF: That's why I say you have to have a country by country policy. I don't believe a multilateral one would work. You have to have it fixed to the cultural sensitivities of each country. How does this work for us? How do we couch it? How do we phrase it so that it works for us without it being imposed upon us?

The one way we know that will keep population at some sort of a sustainable level – and it is the brutal way of doing population control – is through the inevitable: famine, plague and war. It will happen. Nearly all wars – in fact, all wars – are effectively resource wars. Think about Hitler and his nonsense of lebensraum, or living space; he appealed to the resource argument. It was ridiculous, but nonetheless. So population is about resources. If this was a vast ball in space we could

have many billions more people. If there was endless water and land to grow food on, we could do it. Africa has between forty and sixty percent of the remaining arable land. There are people in the Arab World, including the UAE, who are investing in farming there. But even if you have 100% productivity, it's not enough.

SEAN EVERS: *Does that mean that we've got to move from the humane to the brutal in terms of strategy?*

SIR BOB GELDOLF: It's not up to us. There will be – there will be – unspeakable wars this century. There will be famine. And there will be plague. Because we're human, unfortunately. There never has not been.

SEAN EVERS: Jeffrey Sachs from Columbia University, a knowledge leader on this subject, has advocated in Nigeria that there should be a three-child limit...do you agree with that position?

SIR BOB GELDOLF: Well Jeffrey is my chairman at the UN. I've known him a long time, and he's very empirical and he does work things out. I would say that if we're serious about this, can we try to limit the amount of kids we have?

The State has a role to play here. If you're a farmer, a poor farmer, who needs children to work the land, and if you need children in your old age as per the Irish situation, then the State should provide benefits to help you work the land, and provide benefits in old age. But in order to do that, we have to develop the economy. This is what they're trying to do in Nigeria. Unfortunately, one of the great impediments in Nigeria is the seemingly imperishable corruption. If Nigeria doesn't make progress, it will have a population of 750 million by the end of this century, up from about 160 million today. It's not viable, guys, it's not. Unless we all start taking nutrition through pills like in your old rocket ship comic books. We have to be serious about this.



“70% percent of all water in the world is used for agricultural production

SEAN EVERS: *Water is another huge challenge?*

SIR BOB GELDOF: If we are talking about food for an increasing population, we're going to run out of water first. Because as we increase food production, 70% percent of all water in the world is used for agricultural production. So we increase agricultural production, the water levels drop. Sixty percent of the population of the world is in Asia. But they only have 30% of the water. I spoke to a Chinese general around four or five years ago, and the level of the Yangtze River was down 40 percent, and lot of the water in the rivers is polluted because of industrialization. I said, "What happens if the water runs out?" He said, "We take the Himalayas."

SEAN EVERS: *Brutal solutions to brutal problems...?*

SIR BOB GELDOF: Well, India might have something to say about that. And you've got two nuclear nations there. Let's just look at those two

nations in terms of their economic development in the last few years. Clearly they've made massive economic leaps forward, particularly in China. I think the great triumph of this century so far, the great triumph, is China lifting four hundred million people out of poverty. I think it's an exceptional feat.

What happens is that China's one child policy becomes less necessary to be forced upon people. Because as they get wealthy, by definition, the

population drops, as you've seen in Europe. So around Shanghai, [birth rates] have dropped, because people don't need to have as many children. On the coastal cities you don't need kids. You've got an apartment. You don't want seven of them banging around in a 3-bedroom apartment. But out in the sticks, the inland agricultural areas, they need free labor.

SEAN EVERS: *Not everyone agrees with your gloomy prediction. One member of our audience points out that the green revolution led to massive increases in agricultural productivity in India and other countries in the 1960s and 1970s, through the work of people such as the Nobel Laureate Norman Borlaug. How do you respond to that?*

BOB GELDOF: What about the water? Do we have enough technology to make water? I don't think so. Norman Borlaug said: "I'll give you a breathing space of forty years, and after that I can do nothing." That was 40 years ago. So he was with my camp! ■

2012 FERTILITY RATES (BIRTHS/WOMAN)

Rank	Country	Births/Woman
1	Niger	7.52
31	Yemen	4.45
84	World Average	2.47
105	Saudi Arabia	2.26
128	United States	2.06
133	Ireland	2.01
187	China	1.55
227	Singapore	0.78

Source: CIA World Factbook

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Upcoming Events 2012:

- **The 2nd Gulf Intelligence Energy Markets Forum** – 24th September 2012 (Dubai)
Special Guest – Hussain Ibrahim al-Shahristani, Iraqi Deputy Prime Minister for Energy
- **The 1st Gulf Intelligence CFO Energy Summit** – 13th November 2012 (Abu Dhabi)

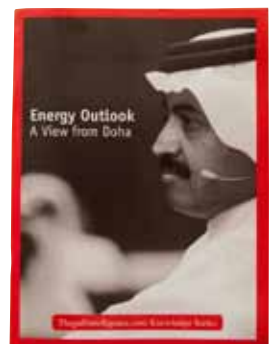
Upcoming Events 2013:

- **The 4th Gulf Intelligence UAE Energy Forum** – January 2013 (Abu Dhabi)
- **The 1st Oman Energy Forum** – February 2013 (Oman)
- **The 4th Gulf Intelligence Doha Energy Forum** – March 2013 (Doha, Qatar)
Special Guest – H.E. Dr. Mohammed Saleh Al-Sada, Qatar's Minister of Energy & Industry.
- **The 3rd Gulf Intelligence International Food Security Forum** – April 2013 (Abu Dhabi)
Special Guest – H.E. Sheikh Nahayan Mubarak Al Nahayan, U.A.E. Minister for Higher Education and Scientific Research, Chancellor of the Higher Colleges of Technology.
- **The 3rd Gulf Intelligence Levant Energy Forum** – June 2013 (Cyprus)
Special Guest – Demetris Christofias, President of the Republic of Cyprus

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