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People matter

Human factors in the blazing sands of progress.

Dubai is on a roll.
So are Qatar, Abu Dhabi, Saudi Arabia… Every other country in the region wants in as well.

It's only the degree that differs. The ambition is the same.

While Dubai is racing ahead to join New York and London as one of the financial capitals of the World. The new mantra among bankers is Bombay, Shanghai, Dubai or Goodbye!

Major Western banks such as Lehman, Barclays and CitiGroup, among others, have sent some of their highest paid and producing investment bankers and deal-making sharks to Dubai, reflecting the reshaping of global opportunities for investment banks. Thanks to a surge in oil revenue, rapidly growing infrastructural needs and the emergence of aggressive Middle Eastern sovereign wealth funds at the head of global mergers-and-acquisitions activity, this looks like just the start of a long rollercoaster ride.

Rampant inflation, as if inspired by Dubai's soaring towers, is a very real threat.

OIL FUELS THE BOOM

As the price of oil crosses the US$130 mark, Gulf states are scrambling to build everything from roads and airports to spanking new cities. The once-somnolent but gas-rich Doha (Qatar) and the previously conservative Abu Dhabi are now buzzing with infectious, irreversible vigour. Oman has one of the best performing equity markets in the world followed by Jordan and Kuwait. Even Saudi Arabia with all its baggage, has caught the infrastructure investment fever. Nominal GDP across the Gulf is now US$900 billion and is expected to grow by almost 15 per cent this year. It looks like the only direction it is headed in is north.

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Does this mean that we are now witnessing a period of uninterrupted prosperity ahead for these vision-rich states with highly refined and developed project conception and implementation skills which are magically transforming their regions? What are the possible pitfalls ahead as they grapple with the challenge of sustaining this success, prosperity and sky high expectations from their people?

Already, this unstoppable rise in oil price has fuelled a boom that is taking a toll on the Gulf. Post-$130 oil is turning out to be both a boon and curse. Rising costs are hitting company profits and forcing foreign workers and expats to tighten their belts. Rampant inflation, as if inspired by the ever-rising Burj Dubai tower, is threatening to undermine the benefits of this rise in oil prices with demand for steel, diesel fuel et al pushing up costs like never before. In Saudi Arabia alone, inflation is at a 27-year high of 10.5 per cent in spite of it being the biggest beneficiary of rising oil prices.

While galloping costs are making living in the Gulf more challenging by the day, it is estimated that at least ninety million new jobs need to be created over the next 20 years to keep up with the region's young population. More than half of the Middle East's population is under 30 and with traditional emphasis on the state and public sector leading the way in employment creation, there is a huge crisis looming ahead.

CAUSE FOR CONCERN

Even in Saudi Arabia, the unemployment rate is around 12 per cent and rising. This is in part the result of an educational system that has not kept pace with changing times and the needs of the industry. In a country where people under 25 make up 60 per cent of the population, this is truly an issue that is undermining an already complex society.

Another area where employers have had issues with young employees in the region has been with regard to the work ethic and heightened expectations. Also, the limited opportunities available to talented and qualified women in many of these countries are causing a further drag on the already truncated workforce.

As the region further embraces the concepts of open economies and free trade, and as investment continues to pour into both traditional sectors and in the near future into sectors such as energy and real estates, where there are barriers at present, these economies will benefit from the resulting innovation, new jobs, inspired services and broader economic base.

And when all this happens, the big question will be – will there be local to make this happen and sustain this growth? The path to further progress is interlinked with the investments these states make in their young people in the next few years. is

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