

Dubai shrugs off credit fears

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Dubai: Short-term capital shortages and crunch in the international credit markets will not have any major impact on Dubai's long term investment plans and growth strategies, Saud Ba'Alawy, executive chairman of Dubai Group, told *Gulf News* on Monday.

Speaking about the impact of the global financial turmoil and the credit crunch on Dubai's government-led growth strategy and corporate investments Ba'Alawy said: "We are not overly worried about the current global financial situation. Dubai's strength is not merely a function of availability of capital alone. More than capital it is the leadership and capability of people that has built Dubai from almost nothing."

Describing the current shortage of credit as a short-term turbulence, he said such cyclical fluctuations in capital markets will not have any major impact on the long term strategies of Dubai.

"Yes, we will be impacted by the global economic slowdown. But we are smart enough to manoeuvre out of this. If you look at history, we have faced many crises such as a number of wars in the region and wild fluctuations in asset prices in the past. Our strength is our leadership and our ability to withstand such crises," he said.

While admitting scarcity of credit is a problem, Ba'Alawy said falling global interest rates, combined with the huge amounts of liquidity being pumped in to the financial system by governments all over the world would ease the crunch in the medium term.

"There is fear among governments that the world might slip into a deep recession. This fear has prompted governments to pump hundreds of billions into their financial systems. Thus I think the crunch in the credit markets is temporary phenomenon," he said.

According to him Western banks that have been holding spurious assets are fast restructuring their balancesheets and their troubles are eased through fresh capital infusion.

"Many of them are meeting their capital adequacy with or without government help and most of them should be back in the business within three to six months. Once they have done that, they have to do business and they will start lending. Banks can't sit on idle capital. They will go to the market in lookout for quality assets and life will continue," he said.

Commenting on the leverage levels of government entities and corporates in Dubai, Ba'Alawy said that it is a misnomer to assume that Dubai entities have overstretched in terms to debt.

"I think what Dubai has created a lot of value over the past 30 years. There are very few examples of this sort anywhere in the world in terms of value creation. Look at our companies such as Emirates airlines, Dubai Aluminium, Dubai Holding, DP World and Emaar. Most of these figure in top five in their respective industries on a global scale and remember, these have been created out of nothing."

Strategy

Commenting on Dubai Group's strategies under the current economic environment, he said the group is focussing on consolidating its balancesheets and position itself as a strong investment company.

Dubai Group, an investment company belonging to Dubai Holding, manages more than \$40 billion (Dh147.12 billion), has built up strategic stakes in more than 20 companies across the Middle East and has stakes in a similar number of companies across Asia, North America and Europe.

"I think there will be a lot of investment opportunities coming up in both Middle East and in the US. In these opportunities we have a better chance to be successful. In my opinion, the US will recover much faster than any other economy. That gives us the reason to consider acquisitions there. The valuations are cheap and potential are very good."