

Dubai turnaround may be a quick one

Asa Fitch

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One of the world's most successful emerging markets investors, Mark Mobius sees better days ahead for Dubai. Jeffrey E Biteng / The National

Dubai's bid for greater transparency and disclosure will help the emirate maintain its place as the region's financial centre even as it deals with a US\$85 billion (Dh312.2bn) debt load, a leading emerging markets investor has said.

"We think Dubai will continue to lead the move toward greater disclosure, more transparency and a boom in tourism and knowledge industries," said Mark Mobius, the executive chairman of Franklin Templeton Investments, a US asset management firm with \$33bn under management.

"Of course there are hiccups and problems along the way, but I think the environment is very good for investors."

Franklin Templeton has 41 mutual funds, including a \$200m fund that invests in Middle East equities. It interpreted recent troubles touched off by the Dubai World announcement that it would seek a standstill on \$26bn of debt as an opportunity to buy. The news sent the Dubai Financial Market index down by more than 20 per cent, making stocks far cheaper.

"We were buying during this crisis because we felt that from a longer-range point of view there were good opportunities," Mr Mobius said. "I would say now is a good environment with prices coming down. And of course the negative views and the problems will not go away."

A turnaround in Dubai could come "very quickly", he said, thanks to bullishness among foreign investors and growth in the world money supply as central banks keep interest rates low. The newly printed money sloshing around the global economy from government stimulus programmes needs a destination, Mr Mobius said, and the Gulf will surely be one of the places it goes.

"The recent announcement by the Dubai Government changes the colour immediately," he said. "If you have this pressure of money supply building up, banks have to eventually start lending again and they must find places to lend. If the credit rating for Dubai and Dubai World improves on the back of the [Islamic bond] paying off, then you can have a very fast reversal."

Openness from the Government about its policies and plans was crucial to Dubai's recovery, he said. It should also adopt more liberal immigration policies akin to those in Hong Kong and Singapore to attract skilled workers to the country, he said, and take steps wherever possible to facilitate smoother flows of labour and capital.

"I think the only weakness may be in censorship of the media," Mr Mobius said. "It's got to become more open. The degree to which they become more liberal in that respect will help them in attracting people and attracting ideas and opening up the financial system."

