

Gulf states urged to open oil markets for investment

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(MENAFN - Khaleej Times) US Treasury Secretary Henry Paulson has urged oil-producing countries to open their oil markets to foreign investment, which would support faster and more efficient growth in the region.

Addressing an open investment forum organised by the US-UAE Business Council in Abu Dhabi yesterday, he said opening up the Gulf economies to foreign investment and trade will make them more prosperous and stable.

"Remaining closed to investment will have the opposite effect, by inhibiting growth and magnifying domestic economic vulnerability," Paulson said.

Top government and private sector officials attended the forum.

Paulson is in the UAE capital Abu Dhabi on the third and last stop of a Gulf tour.

"There has been a threefold increase in foreign direct investment in over the past decade in the Gulf region, where US investment grew by 120 percent between 2001 and 2006," he said adding that this was in part due to liberalisation of investment policies in the Gulf.

Paulson further said the potential is much greater, and in many Gulf countries investment barriers persist in key sectors, such as energy and real estate.

US Treasury Secretary lauded Abu Dhabi for its new investments in upstream production and domestic refining capacity through partnerships with foreign companies. "More liberalisation along these lines would benefit all oil producing countries," he said.

He called for more international investment in both oil production and alternative fuels and said 'fuel subsidies' in many countries should be abandoned.

Small factor: Paulson said speculation and dollar weakness were not to blame for soaring oil prices and the only way to relieve oil market pressure is to maintain a balance in supply and demand.

"High oil prices are the result of supply and demand factors that are likely to persist for some time," he said.

"Supplies have been affected by low capacity expansion and declining yields, while demand has surged largely due to growth in emerging markets," he said.

"Speculation and the depreciation of the dollar are only small factors behind oil price increases," he claimed.

Oil price hike: Paulson also spoke of the pain now being experienced by Western economies from high fuel costs.

"Record high oil prices are putting a large burden on the world economy and creating hardships for families, households and industries everywhere. This threatens to exacerbate economic volatility in the Gulf and abroad," he said.

Tax on FDI: The US has no plan to reduce various taxes on foreign direct investment (FDI), he said.

"We can tackle this matter through bilateral treaties on avoidance of double taxation. The US is already a low tax regime," Paulson said.

SWFs growth: Regarding the US concerns over Sovereign Wealth Funds (SWFs), he said: "We welcome investment from everywhere. I think the foreign investment is the ultimate vote of confidence in any economy."

"We are looking for a tool or help to work to keep the market open for foreign investment," he said.

Speaking on IMF guidelines on SWFs to be released later this year, Paulson said the US is being misunderstood, as if we are trying to limit the scope of their activities.

ADIA role: Appreciating Abu Dhabi Investment Authority, the world's largest SWF, he thanked ADIA leaders for their constructive role.

He said SWFs have commercial objectives behind their investments, brushing aside any other motives.

He assured the investors that US will remain open to sovereign wealth funds. "As we seek to open new markets abroad, we will keep our markets open at home to investment from private firms and from sovereign wealth funds."

"We reject measures that would isolate us from the world economy," he said.