Olympic Park, Aerial view of the Olympic Park looking East showing the newly developed Parklands alongside the River Lee

Gulf funds prop up EU economies

With the global economic power centre shifting from West to East, there are sufficient indications that the Eurozone is leaning onto the Middle East and Asia for financial support.

HEBA HASHEM

The GCC nations were among the first hit by the global recession, but they were also the first to respond to the crisis. The region is known for having some of the fastest growing economies in the world, mostly due to the boom in oil and natural gas revenues along with investment growth backed by decades of saved petroleum revenues. In an effort to build an economic foundation before reserves run out, the UAE's investment arms, including Abu Dhabi Investment Authority, retain as much as $900 billion in assets. Other state-owned funds across the GCC also have several hundred billion dollars. These savings are now being used in buying British and European assets to generate long-term stable cash flows and to strengthen political ties.

RESCUING EUROPEAN ENTITIES

One of the most significant monetary injections was made by the Government of Abu Dhabi when it agreed to restore the historic palace of Fontainebleau by financing 10 million euros. The Chateau is the largest royal palace in France and holds an important position in the French heritage, due to its unique architecture, decorations and invaluable artifacts. As a gesture of gratitude, the palace's theatre was named after Sheikh Khalifa bin Zayed al-Nahyan—the UAE's president. Rather than being a long-term investment, the financing agreement reflected a long-term cultural cooperation aimed at boosting economic ties between the two countries. Indeed, not long after, the Government of Abu Dhabi and France signed a 30-year cultural accord for the creation of a 24,000 square-metre Louvre Abu Dhabi museum that is expected to open in 2012. Moreover, Abu Dhabi, along with Qatar, came to the rescue with $10 billion to help Barclays Bank avoid a government bailout. This was followed by then British Prime Minister Gordon Brown touring the Gulf region in 2008 to ask governments to use their wealth to support the fragile global economy and boost British business. In February this year, new premier David Cameron visited for the same purpose.

INVESTING IN EUROPEAN SHARES

Gulf investors continue to bid on mature assets and property developments across Europe. Abu Dhabi Investment

GETTY IMAGES/GULIVER PHOTOS/ ANTHONY CHARLTON

Authority (ADIA), a sovereign wealth fund owned by the emirate of Abu Dhabi, is preparing to bid on developed European energy infrastructure assets, a crucial resource of natural gas for the continent's energy consumption and security. The wealth fund has expressed particular investment interest in Gassled, a joint venture between several oil and gas firms and state-owned companies that serves as the official owner of the Norwegian gas transport infrastructure. Larger sovereign wealth funds are fond of infrastructure investments as an inflation hedge for their portfolio. A whopping investment of $850 million was also made by Abu Dhabi-based, Aabar Investments in Glencore International, making it the largest cornerstone investor in the Swiss commodity trader. Aabar, owned 86% by Abu Dhabi's International Petroleum Investment Company (IPIC), is also the largest shareholder in Germany-based Daimler, where it holds a 9.1% stake. The stake has already paid off handsomely, as Daimler reported a dramatic rise of 1.7 billion euros in its second-quarter profit—a 30 percent increase on the same period last year. In July, the IPIC—a wholly owned Abu Dhabi government fund—won EU approval to acquire 100% of the shares in Compania Espanoia de Petroleos (CESPA). IPIC has also undertaken to acquire French oil company TOTAL with 48.83 percent of shares for 3.7 billion euros, in addition to the remaining 4.104 percent free-floating shares.

KUWAIT SPENDS TO ATTRACT INVESTMENTS

Kuwait's sovereign wealth fund, Kuwait Investment Authority (KIA), is the second-largest shareholder in Daimler, holding a 5.3% stake in the German group. In December 2010, KIA boosted its stake in French nuclear giant Areva, injecting 900 million euros that would entitle it to a 4.8 percent stake. Areva, which is 93 percent owned by the French government, said its outlook for 2012 included revenue of 12 billion euros and a "double-digit operating margin". With such considerable acquisitions in European companies, Kuwait intends to attract foreign investments as part of its four-year development plan, which aims to transform the nation into a global financial hub, with France being a contributor in all fields. In the UK, work recently resumed on the tallest skyscraper in the City of London, after the project managers picked up pace to fill an expected shortage of office supply. The 64-tower Pinnacle in Bishopsgate is owned by Arab Investments, a group of investors from Saudi Arabia and Kuwait. The Gulf-based firm instructed Brookfield, a global property group, to begin construction last month. Development is expected to take more than three years to complete. The Pinnacle is amongst the short listed buildings being considered for a move of the London headquarters of Schroders, the asset management company. Discussions are still ongoing on the financing package, although a source told the Financial Times that the deal to provide debt by a consortium of banks had been lined up alongside an additional equity investment from its owners.

QATAR SPLURGES ON EUROPEAN ASSETS

Meanwhile, Qatar has been making massive acquisitions and buyouts throughout the UK and Europe. The gas-rich nation is expected to overtake top ranked Luxembourg in GDP (nominal) per capita next year for the world's top spot. Qatar Holding, which bought the landmark London department store Harrods for 1.5 billion pounds, is now considering whether to open a flagship Harrods outlet in Shanghai. "Conventional wisdom is that it would be unwise to open in Paris, New York or Madrid because people there are close enough to be drawn to London", a person familiar with the investment fund told the Financial Times. Replicating the success of Harrods abroad is one of the key areas being studied as part of Qatar Holding's three-month review of the business. As the main investor arm of Qatar Investment Authority (QIA), Qatar Holding trades on behalf of the Gulf state, managing the country's oil and gas-generated wealth. In terms of property investments, Qatari Diar and UK developer Canary

Harrods

Wharf Group were awarded a 300-million pounds deal in August to redevelop the Shell Centre in London. The companies will develop a 5.25-acre office and a residential and retail scheme around a 27-storey tower that contains Royal Dutch Shell's London headquarters and which the oil major will still own.

The Shell site is seen as a core part of redeveloping the area along the southern bank of the Thames, home to the London Eye Ferris Wheel. The South Bank is also attracting attention with the construction of the Shard—the city's tallest building—which is funded by Qatari Diar—a holder of nearly $60 billion of assets. The country's assets also include a 15.1 percent of the London Stock Exchange.

Most recently, Qatari Diar, arm of Qatar's sovereign wealth fund, bought the athlete's village on the Olympic park in east London. The successful bid for the Olympic Village is reported to be at least 500 million pounds ($811 million). The 27-hectare athlete's village deal includes 1,400 homes and six other plots, which Delancey and Qatari Diar will develop as part of a wider urban regeneration scheme in the district when the games finish next year. As the world's largest economies sink in a recurring debt crisis, it is prime time for Europe and the U.S. to welcome investment offers from the GCC region, which would boost various industries and in turn strengthen the economy. On the other hand, the Gulf's sovereign wealth funds are benefiting from increased shares and larger profits that could provide secure and long-term revenue.