

An aerial photograph of Dubai, United Arab Emirates, featuring the Burj Khalifa as the central focal point. The city's modern architecture, including various skyscrapers and residential buildings, is visible. The surrounding landscape includes artificial islands, canals, and some green spaces. The sky is clear with a few wispy clouds.

SINGAPORE MANAGEMENT UNIVERSITY
INTERNATIONAL TRADING CONCENTRATION
INTERIM REPORT

INDUSTRY STUDY MISSION

DUBAI, UNITED ARAB EMIRATES

10 DEC 2012 - 18 DEC 2012

Dubai is a city in the United Arab Emirates and is located south-east of the Gulf on the Arabian Peninsula.

From 10 December 2012 to 18 December 2012, student delegates from the International Trading Concentration visited Dubai and Abu Dhabi in the United Arab Emirates as part of an experiential learning outreach program. During the trip, the students had the opportunity to learn from many players in the commodities industry.

Prior to leaving Singapore, Dr. Edmund Chia from the Ministry of Foreign Affairs briefed the students on the socio-political climate of the Middle East region. This served as a primer that gave the delegates an overview of historical conflicts in the Middle East as well as of the recent Arab Spring.

ABN AMRO & IE SINGAPORE

The delegation arrived in the early hours of the morning at Dubai International Airport. After a quick rest at the hotel, the delegates met with Mr Rob Broedelet and Mr Phiroze Mogrelia of ABN Amro Bank. Mr Broedelet gave an overview of the Middle East region and how the recent events of the Arab Spring impacted the nations of the Gulf Cooperation Council. Mr Phiroze gave an in-depth account of ABN Amro's Energy, Commodities and Transportation (ECT) division, where it aims to be the top five lenders in commodity-trade financing globally. The student delegates had many questions as trade finance is inextricably linked to the physical

trade of commodities and both Mr Broedelet and Mr Phiroze entertained the students' numerous queries with zest.

After the morning meeting, the delegates had lunch with Mr Lester Lu from IE Singapore. It was an informal lunch meeting where Mr Lu shared his personal experiences of living and working in Dubai. Mr. Lu also shared with the students the business culture of the Middle East, IE Singapore's objectives in Dubai to serve as a connection for companies in both countries as well as the challenges one could possibly face when operating in the UAE





FUJAIRAH (VTTI) REFINERY & VITOL

The student delegates met with Mr Steve Brann, Head of Investments, MENA region of Vitol Dubai, who gave an introduction to Vitol's global operations. Vitol, the largest charterer of tankers, with over 450 vessels per annum, is indeed one of the most established independent physical traders in the global fuel oil market. With storage facilities across key locations such as the Amsterdam-Rotterdam-Antwerp (ARA) Corridor, Singapore and Fujairah, the students were indeed fortunate to have the opportunity to visit Fujairah. The Fujairah Refinery's biggest priority is to produce Fuel Oil as it sees its main role as a bunkering port. The opening of a new crude oil

pipeline which could carry most of Abu Dhabi's 2.6 million barrels per day of oil overland to Fujairah has strengthened the port's strategic position in the global oil markets as it allows carriers to bypass the Straits of Hormuz. Vitol's strategy is to compete by its approach of "low margins, high volumes". Therefore, it believes in acquiring simple refineries such as the one in Fujairah, which, also serves as storage terminals.



Dubai is one of the seven emirates that make up the UAE and is the most populous emirate in the country."



JEBEL ALI PORT

The student delegates had the opportunity to access the Jebel Ali Port off the coast of the Persian Gulf. Jebel Ali Port is the world's largest man-made harbour, and the biggest and leading container port operator in the Middle East. Managed by state-owned Dubai Ports World, the students toured the 2 port terminals, which have facilitated huge volumes of trade annually. The huge volumes of trade was partly supported

by the Government's implementation of the Jebel Ali Free Zone, which houses over 7000 companies. Furthermore, future plans of a railway with Etihad Rail, connecting the port to the airport would enable Jebel Ali Port to become fully multi-modal, increasing its significance substantially.



VITOL HQ & DUBAI MERCANTILE EXCHANGE

BOTH VITOL'S DUBAI HQ & THE DUBAI

MERCANTILE EXCHANGE ARE IN THE

DUBAI INTERNATIONAL FINANCIAL CENTRE

The Jebel Ali Port visit was followed up by a visit to the Vitol Office at the Dubai International Financial Center. Steve Brann, Partner and Director of the Middle East desk gave the delegates a deeper understanding about Vitol as a company and its operation through his presentation. He stressed on the importance of a global network and multiple supply points as a source of competitive advantage. The students were given a brief background of the company's operations as well as an in-depth look at their Middle Eastern specific functions. The main takeaway from the presentation was that when analyzing an international trading firm, one cannot limit his or her scope to a specific region which it operates in. Everything, including its basis of competition, must be assessed in the entirety of its business operations.

Within the DIFC, the delegation visited the Dubai Mercantile Exchange with a view of understanding the logistical solutions related to the movement of trade. Mr. Owais Johnson & Mr. Rami Abu-Rmaileh gave a presentation on the operations of the Dubai Mercantile Exchange and its current efforts to make its Oman Crude Futures Contract a globally recognized benchmark on par with Brent and WTI. The students were then given a tour of the trading floor and a real-time demonstration of the placing and clearing of trades.



EMIRATES STEEL

The students made their way to the Emirates Steel office, located in the Industrial City of Abu Dhabi, 35 kilometres away from the heart of the city of Abu Dhabi, for a day visit to understand the process of steel making. The morning started with a presentation by Mr Sami Encol on the process of steel making right from procurement of iron to storage of the end products. Emirates Steel is the only integrated steel making plant in the UAE producing steel billets, heavy sections and wire rods.

EMIRATES STEEL IS A SUBSIDIARY

OF ABU DHABI BASIC INDUSTRIES

CORPORATION, WHOLLY

OWNED BY GHC

The underlying business goal of Emirates Steel is to be an efficient and competitive producer of finished steel products. With the company making significant investments to improve the efficiencies of processing and manufacturing steel, it enables Emirates Steel to maintain its position at the forefront of the industrial sector in the UAE.

The presentation was followed by a visit to Phase 1 of the steel making plant to view the processes in action. The student delegation moved in 3 groups, observing the electric furnace till the formation of steel billets and storage. The students then moved to Phase 2, to see the formation of H and I Beams as well as rebars and wire rods. After an indepth tour of the facilities, the delegation proceeded for lunch and a presentation by Mr Ahmed M. Farid Abbas. Modeled on Japan's successful steel industry, Emirates Iron and Steel has many accolades to its name, and has reached designed capacity in a period of only 28 months compared to an industry average of 4-5 years. Mr Abbas also discussed the challenges in procurement of raw materials due to the shallow waters in the Persian gulf, and the steps the company has taken to overcome them.

The next day, the delegates made their way to the Emirates National Oil Company (ENOC) Dubai headquarters where they were met with representatives from Dubai Islamic Bank (DIB), Standard Chartered Bank and ENOC.

1.

DUBAI ISLAMIC BANK

The morning session with Mr Shahid Anwar, Senior VP of Corporate Banking kicked off with a brief explanation of the role of Sharia law in Islamic Banking. The students learnt about some of the fundamental principles of Islamic banking, such as how money is a means to an end and should not be used to generate more money. This key principle means that Islamic banking prohibits charging an interest and hence relies on other methods to generate profits. Mr Shahid Anwar also gave interesting insights about the differences between Islamic banking and conventional "western" banking. For example, with letters of credit, Islamic banks are almost always the applicant because the bank takes ownership of the goods. This is in stark contrast with conventional banking where the applicant and owner of goods is the importer. Lastly, Mr Shahid Anwar touched on various challenges that Islamic banks will face in the future, such as having to developing hedging instruments that are compliant with Sharia law.

2.

STANDARD CHARTERED BANK

Following the session with DIB, Mr Ravi Thota from Standard Chartered Bank took the stage and gave a presentation of Standard Chartered Bank's regional strategy for the Middle East. Standard Chartered Bank is heavily involved in the major trade flows in the region, which are oil, natural gas and aluminum. An interesting insight raised by Mr Ravi Thota was that even though there is no bauxite (aluminum ore) to be found in the Middle East (except Saudi Arabia), aluminum smelters in the UAE have a competitive edge by having a low cost of power.

3.

EMIRATES NATIONAL OIL COMPANY

ENOC was established in 1993 as a wholly owned company of the government of Dubai. Its shareholder is the investment corporation of Dubai (ICD). The ENOC board is chaired by H.H. Shaikh Hamdan Bin Rashid Al Maktoum, Deputy Ruler of Dubai and Minister of Finance and Industry of United Arab Emirates. ENOC is actively involved in the oil and gas sector to support the economic development of Dubai and the rest of United Arab Emirates (UAE). It is a well-diversified group, which comprises of more than 30 subsidiaries and joint ventures with multicultural workforce of over 7000 employees. ENOC's total company's assets approximate USD9.5 Billion and its turnover is of around USD13 Billion.

The students were greeted by Mr. Sanjiv Kapoor who gave the students an overview of the company's operations within UAE and all over the world. The main focus of ENOC's operations is the Refining Operation, serving the local domestic market the UAE, specifically Dubai.

4.

DUBAI MULTI COMMODITIES CENTRE

As a last stop, the delegates visited the Dubai Multi Commodities Centre (DMCC), which is the authority for the Jumeirah Lakes Towers Free Zone. The DMCC is the only international commodity centre in the region and supports commodity trading with purpose-built infrastructure such as vaults and exchange facilities. The delegates were met by Mr Franco Bosoni, Director of Commodity Services for the DMCC and Mr Simarjeet Baweja, Head of Academy for the Dubai Gold and Commodities Exchange (DGEX). The DGEX competes with other exchanges on the basis of offering low margin and high leverage and has seen soaring trading volume since its inception in 2005.

