



# Une promesse de printemps :

Ou comment encourager un changement économique durable dans la poudrière du Moyen-Orient en suivant l'exemple du développement de la Turquie.

**The self-immolation of a Tunisian street vendor in 2010 proved to be the catalyst for a revolutionary wave of demonstrations, protests, strikes and rallies in the Middle East.**

The so called 'Arab Spring' ended decades of oppression by autocrats and forced rulers and resulted in several civil uprisings, across the region. Some argue that the reasons driving the people to revolt were politically motivated, and this may be true to some extent. However the yearning for change was also undeniably linked to a thirst for economic reform, following decades of fiscal decline and instability.

This transitional phase, which began over two years ago, continues to be exasperated by political uncertainty and unrest in several countries, most notably Syria. However, rather than simply 'writing off' this troubled region, the West has a vested interest in ensuring that the process of change which began with the Arab Spring, reaches an agreeable conclusion. Achieving economic prosperity as well as securing a democratic political landscape would undoubtedly bring stability. Yet, as many fear, failure to properly act could also facilitate the spread of extremism and its associated problems, in the region.

Historically, the development of capitalism has been a catalyst for democracy and stability in volatile countries. This was most recently witnessed in Eastern Europe, following the Revolutions of 1989 and the subsequent fall of Communism. However, while former Eastern Bloc countries have looked to emulate European Union political and fiscal policies, culturally, the Middle East is more likely to adopt the 'Turkish Model' - a term coined during the Arab Spring to describe Turkey's democratic and secular state, run by political parties with roots in 'political Islam.' The West is undoubtedly supportive of and in agreement with this approach. In 2011, during a visit to Turkey, former USA Secretary of State Hilary Clinton stated "It is vital that they [Middle East states] learn the lessons that Turkey has learned and is putting into practice every day."

Western institutions such as the IMF are helping to facilitate this transformation by working to ensure that the economic landscape in the Middle East is modernised and modified. However, for the region to truly integrate into the world economy, more fundamental changes must take place at home. Firstly, extremely complex regulations must be relaxed, allowing room for greater private investment and growth. Greater demands must also be placed on improving the governance of banks, allowing wider access to education, reforming the labour market and creating employment opportunities for the significant young population. Once these basic reforms are in place, the future will look more promising.

With a population of 400 million and a GDP growth rate of 3.4% predicted for 2013, the opportunity for business success in the Middle East is difficult to ignore, particularly for global consumer goods companies, currently operating in saturated western markets. A significant number of our clients continue to look to the Middle

East to bolster revenues and many have been investing in the region for some time, including in troubled countries such as Iraq and Iran. Based on conversations with consumer leaders in these regions, we offer four trends that we anticipate will factor in the strategies of companies seeking to gain advantage in this turbulent and changing environment.

**Investment on track:** It will be important for companies to stay on message following the upheaval in the Middle East. Ultimately, investment strategies will not change. The region, like other emerging economies, still offers high potential growth channels for consumer brands.

**Local thinking:** Consumer brands looking to further develop Middle Eastern markets will continue to benefit from deep knowledge of local tastes, cultures, customs and histories. A category or brand which is relevant in one country may not be successful in another. In each market, consumer companies will continue to manufacture local products designed to be relevant to the local consumer. At the same time, the emerging middle class in the region will increase demand for global premium brands. Companies, therefore, must be ready to offer a diverse range of products to a growing number of sophisticated consumers in the region.

**Supporting the empowered consumer:** Many consumer companies have production facilities in the region. Although they have always enjoyed relatively low costs, since the Arab Spring, this has already begun to change. Local workers are feeling more empowered and more confident to bargain for greater protection and benefits at work. Consumer companies looking for long term gains will be wise to enter into this dialogue, as it supports the wider changes taking place in the region.

**Developing local talent:** Finding and retaining highly skilled staff is a big challenge in the region. Businesses with long term commitments in these markets will continue to follow a policy of developing leadership capability. This includes developing talent on the ground and also training local talent to be effective in other regions as well. Leadership development programs for the A&ME region will help to accelerate the growth of local leaders. It will also show a belief in the potential of the region and its promising future.

*At Nigel Wright, we continue to support clients seeking to build capability in the Middle East. We offer sound market intelligence and a significant network of senior talent across the region. We help customers to establish a Middle Eastern presence, overcoming complexity and reaping the rewards the region has offer.*

