# Gulf heavyweight’s move reflects risk facing government from UK’s delayed departure from EU

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The UK’s much publicised exit from the EU has been delayed once again after its Parliament failed to agree to an accelerated timetable that would have enabled the country to leave the bloc on October 31. A general election has been scheduled for December 12, which politicians hope will solve the three-and-a-half-year-long deadlock.

The longer the stalemate continues, the higher the risk becomes that foreign investors, especially from the lucrative Gulf region, will become frustrated and take potential business elsewhere. In April this year the UK government hosted its first Joint Economic Committee meeting with the UAE in four years, in a bid to boost the $5bn plus in UAE investment in the country.

DP World Chairman Sultan Ahmed bin Sulayem has said that plans to expand the company’s operations in the UK are on hold as long as there is continued uncertainty over the country’s departure from the EU (Brexit). Bin Sulayem, head of one of the biggest port operators globally, was quoted as saying that banks in the UK approached for borrowing “don’t know are we going to be out or in.” Earlier in the year, bin Sulayem said that a lack of clarity was frustrating for businesses with operations in the UK.[1]

The company, which has operations in 45 countries, operates two major terminals in the UK, in London and Southampton. London Gateway, on the fringe of the UK capital, is the country’s newest deep sea container port and Europe’s largest logistics park. When fully open, the port is forecast to create 36,000 jobs and contribute £3.2bn to UK GDP annually, according to the DP World website.

Last week a UK government delegation, led by Minister for Investment Graham Stuart visited the UAE to deepen the relationship between the two countries. The minister met with international investors, promoting opportunities to invest in the UK. As part of the visit, Stuart visited Jebel Ali Port, the largest marine terminal in the Middle East, run by DP World.

On Nov 4 DP World announced its joint venture with France-based international container operator Terminal Link – PortSynergy Group (GMP) – has been awarded the service concession for the construction and operation of two berths at Port 2000 in Le Havre, in northern France. The companies did not provide a timeline for the start or completion of the project and did not reveal the amount of investment in the new terminal.[2]

In the absence of an EU-UAE free trade agreement, bilateral relations between the Emirates and the UK have historically flourished, and the latter is keen to not only maintain but actively grow these following the UK’s exit from the EU. Over 100,000 Britons hold resident status in the UAE and the UK is a major tourist and commercial draw for Emiratis. To this end, high-profile government visits to the region have helped, but it has proven challenging to reassure business leaders of the economic and commercial benefits of making large-scale investments in the UK post-Brexit amid the ongoing uncertainty.

However, the fact that several major UAE companies have already invested hundreds of millions of pounds in the UK economy through long-term projects should ensure the relationship is secure. Furthermore, the UK is likely to offer attractive incentives to protect investments from the UAE and the Gulf region generally.

What is key, however, is whether these companies will be moved to expand their operations in a UK which doesn’t benefit from the single market, and whether new players will seriously consider a shift to other European markets. For a company such as DP World, whose business has struggled this year amid a gloomy macroeconomic backdrop; trade tensions; and a spike in regional geopolitical tensions, these decisions will ultimately end up being strategic and commercially driven. That is a key risk for the UK government if the Brexit stalemate remains unresolved for much longer.

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Sources:

[1]
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