N°05
DECEMBER 2020

THE GLOBAL DIWAN'S

Newsletter

CONNECTING EAST-WEST LEADERS

The Pangong Tso lake in the Himalayas extends from India to China

EDITORIAL

From 2020 to 2021: Disruption and resilience

Dear Friends of the Global Diwan,

The year 2021 will see the MENA region reach yet another milestone towards affirming its position as a barycenter of this new global world.
We have asked two independent experts to shed some light on the region's geographic proximity and the consequences on the economy and stability of the world to come:

- The Caucasus (by SSF) at the crossroads of three nations with an imperial past (Russia, Iran, Turkey) and with its energy resources at stake.
- The age-old trade and business relationship between China and India (by Dinakar Peri) at the gates of the Arab World.

You may also find in this issue a focus on Qatar and Algeria.

With the end of the lockdowns undoubtedly coming, we have imagined an annual forum in Autumn 2021 that will physically gather East and West leaders around the following topics: food security and environmental security. These global challenges deserve common answers combining technology, skills, experience and good practices from all actors.
We will keep you informed about the project and our ongoing progress. We are already at work: finding partners, experts and sponsors.

Season's greetings from the Global Diwan's team and best wishes for the year 2021, that we expect full of projects and movement in a changing world!

Éric Schell
Executive Chairman

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FOCUS ON

Qatar

Three Lessons I Learned from Doing Business in Qatar

Dr. Julie Boisard-Pétrissans

THE STATE OF QATAR IS AN ATTRACTIVE MARKET, PROVIDING LOTS OF OPPORTUNITIES TO NEW INVESTORS AND ENTREPRENEURS. DESPITE THE ADJUSTMENTS LINKED TO THE ONGOING BLOCKADE AND THE TURBULENCES CAUSED BY THE COVID-19 PANDEMIC, THE STATE OF QATAR REMAINS A LAND OF GREAT OPPORTUNITIES.

HERE YOU MAY FIND DR. JULIE BOISARD-PÉTRISSANS' LATEST BOOK, A GUIDE ON DOING BUSINESS IN QATAR

The 2022 FIFA World Cup, the extension of LNG production capacities, the digitalisation and diversification of the economy are all drivers of the Qatari dynamism.

If you are interested in developing your business in Qatar, you need to be aware of the cultural and business habits you will face. Indeed, if businesses are becoming increasingly global, every jurisdiction will maintain its own customs and practices. And Qatar is no exception to that.

After several years working with the MENA region for an international group based in Paris, I moved to Doha where I spent four wonderful and challenging years. From my experience, here are the most important cultural differences that impact business life. You need to bear them in mind when dealing with your Qatari counterparts.

The Perception of Time

The Qataris' relationship to time is not the same as Europeans. Westerners often have a calendar in their heads. The rhythm is precise, sometimes adjusted to the hour. It is also cyclic, following the four seasons, themselves punctuated by major religious or public holidays, and school vacations. In Qatar, the perception of time is quite different, more anchored into the present. The pace of life is also more linear in Qatar than in Europe. This is probably due to the fact that there are only two seasons in Qatar (winter & summer), and that culturally, general life organisation is less planned and managed. The holy month of Ramadan is the main landmark of the year, but as its date changes each year, it is a moving landmark.

From a business point of view, the Qatari perception of time involves being very organised and flexible at the same time. In Qatar, you will probably have to deal with last-minute requests for projects you thought had been forgotten, and still deliver, right on time. Therefore, your internal organisation shall be agile and robust.

The Trust Element

Qataris are naturally friendly and welcoming, but their trust is hard to win. Gaining it requires some time. Qataris need to know you, your organisation or company first. This is not a surprise for a country that places personal interactions at the heart of social and business life.

Now you may wonder how to gain that trust.

Firstly, engage with as much Qataris as you can. Listen to them and learn from them.

Secondly, never commit to do something you will not deliver or deliver poorly. Always do what you say, may it seem anecdotal.

Finally, be curious. Learn more about Qatar, its history and culture. Go beyond your pure core business interests. Besides, if you are not an Arabic-speaker, learn the basic greetings. This will please your Qatari counterparts and mark your interest in discovering their country.

Business Communications

In the Occidental World, emails are the most common way of business communications. In Qatar, commercial activities are mostly based on face-to-face meetings and...WhatsApp messages. Therefore, do not be surprised if your emails remain unresponded for weeks. Your Qatari counterparts prefer personal interactions. If not physically meeting with you, especially during this pandemic time, they would rather give you a call or send you a quick WhatsApp message than writing an email. Business communications are less formal than in the West. Get prepared to being solicited out of traditional business hours or by what you may perceive as unconventional means.

FOCUS ON

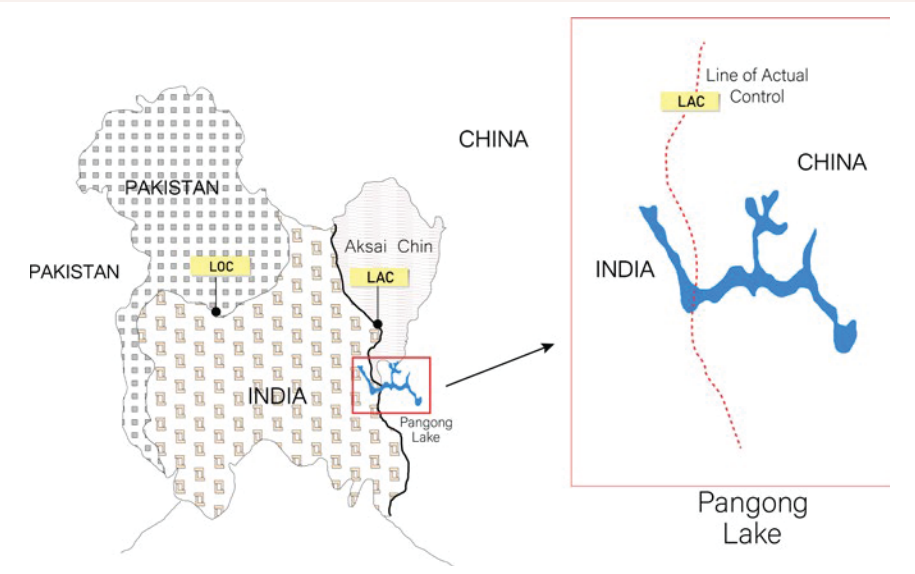
India

The India-China Economic Cooperation in a critical stage

Dinakar Peri

AT A VIRTUAL BILATERAL SUMMIT WITH HIS COUNTERPART FROM DENMARK METTE FREDERIKSEN AT THE END OF SEPTEMBER2020, PRIME MINISTER NARENDRA MODI SAID, "COVID-19 HAS SHOWN THAT DEPENDENCE OF GLOBAL SUPPLY CHAINS ON ONE SOURCE IS RISKY" AND ADDED, "WE ARE WORKING WITH JAPAN AND AUSTRALIA ON SUPPLY-CHAIN DIVERSIFICATION AND RESILIENCE. OTHER LIKE-MINDED NATIONS CAN JOIN TOO."

These comments summarise the current mood in New Delhi towards Beijing as the unprecedented standoff along the Line of Actual Control (LAC), which began in May 2020, continues with no breakthrough in sight on disengagement and de-escalation in multiple rounds of military and diplomatic talks. Broadly speaking, the current trajectory can be seen in three respects: India's economic measures against China; the continuing Chinese investments and dependency; and India's efforts along with other countries to diversify its supply chains and also position itself as an alternative.



Anti-China sentiment

One has to understand the gravity of the current stalemate to appreciate the evolving situation. Faceoffs and standoffs have been occurring regularly along the LAC but the present one is a well-coordinated and planned ingress by China across Eastern Ladakh to change the demarcation line according to their claims. India cannot let the new positions held by the Chinese People's Liberation Army (PLA) become permanent hence the need to press for restoration of *status quo ante* the standoff began. Also, with the first combat casualties in over 45 years on the LAC on June 15, in the violent clash which resulted in the deaths of 20 Indian soldiers including a Commanding Officer, the national sentiment grew against China. This led to widespread calls for boycott of Chinese goods, a review of relations and so on.

There is an opinion across the country at various levels among the public and in Government that whatever tactical gains made by China in Ladakh, it has lost the trust of Indian people for several generations. The 1962 war had left a scar that took decades to fade and the current generation of Indians had been spared from any resentment. These events will bear on the overall relationship between

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> It was during the anti-China outburst that the Indian Government banned 118 Chinese apps in two batches including popular ones like TikTok, Baidu, Alipay and WeChat.

the two countries for a long time. It was during the anti-China outburst that the Indian Government banned 118 Chinese apps in two batches including popular ones like TikTok, Baidu, Alipay and WeChat. "This decision is a targeted move to ensure safety, security and sovereignty of Indian cyberspace," India's Ministry of Electronics and Information Technology said in a statement.

This decision will have a considerable impact on these companies given that India is one of their largest market. Chinese finance magazine Caixin quoted a source close to TikTok's parent company as saying that ByteDance "is anticipating a loss of more than $6 billion, most likely more than the combined losses for all the other Chinese companies behind the other 58 apps banned in India." On July 1, Nitin Gadkari, Union Minister of Road Transport and Highways announced that Chinese companies would not be allowed to take part in road projects. The government is also scrutinising Chinese investments in various sectors. Commenting on this situation, Former Foreign Secretary said in an interview that India faces difficult choices and "needs to be selective in its measures." "You have to choose areas where you don't get hurt more than they do," he said.

Last April, the Indian Government tightened the rules for Foreign Direct Investment (FDI) according to which any company or individual from a country sharing a land border with India can invest in any sector only after approval from the Government.

Belying all speculation and anti-sentiments, it was reported on October 23, that India's smartphone shipments rebounded to a record high of 50 million units for the third quarter of 2020 of which Chinese companies accounted for a 76% share. "We are yet to see a significant impact on purchase decisions of mass market customers," Varun Kannan, a Research Analyst at research firm Canalys says. How other sectors react as the market opens up during the festive season in India has to be seen and the numbers may give a real indication on the underlying public mood.

China's loss

China antagonised India at a critical time. It has been under lot of criticism over the COVID pandemic accentuating the friction with the West, especially the US, resulting in several economic measures and companies moving out of China. While the Indian government is likely to take several strong measures against China, the public reaction might force even tougher measures on the economic side to cool off the heat coming from the public opinion.

Even though India has increased its strategic cooperation with the United States and other countries as a response to China's moves in the region with the China-Pakistan Economic Corridor (CPEC) and the undermining of India's sovereignty; India was still reluctant to antagonise and durably affect its relations with China. However, that is evolving. After years of reluctance, India agreed to allow Australia into the Malabar exercise with Japan and the US. On the economic front, indications are that India may take a decision against allowing Huawei to roll out 5G services. China is essentially responsible for the harder stand and deeper engagement with the United States and other countries. Ultimately, the onus of India keeping a balanced foreign policy and maintaining its strategic autonomy and neutrality rests on China. In that sense, the current crisis may forever change India's view of China and its policies. It will invariably have an effect on economic cooperation as well.

Reducing dependency

With the pandemic, India has realised the extent of its excessive dependence of its supply chains on China including its core sectors of strengths like pharma. Since then, the Government has indicated its intent to formulate policies to enable the shift towards Indian companies. For instance, in last mid-March the Apparel Export Promotion Council (AEPC) has advised its members to explore other markets for buying intermediate or raw materials. A. Sakthivel, The AEPC

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Chairman, said that he approached the government to ask Indian embassies abroad to identify alternate sources of raw materials.

On the other side, with several countries announcing similar measures to encourage their companies to move out of China in order to reduce their dependency, India is keen to attract some of them. For instance, Japan has earmarked $2.2 billion to help its companies shift factories from China, while the European Union plans to take action in this direction. The Indian Government has already reached out to several companies through the diplomatic missions in various countries offering incentives to move to India. Some of the major sectors India is focusing on are medical equipment manufacturers, food processing units, textile, leather, auto part makers, mobile phones and other electronics. With a manufacturing sector growth that has slowed down significantly, it is an opportunity to create jobs.

For instance, the electronics manufacturing sector in India is already making efforts to position itself to fill the supply gap caused by the supply chain disruptions from China. India exports electronic products worth $9 billion each year, while its domestic market is estimated at $120 billion. Industry observers see an opportunity to increase exports to the West especially to the US. Also, Japanese and South Korean firms are also interested in developing supply chains from India.

India will face a stiff competition in attracting companies from the Association of South East Asian nations (ASEAN). In addition to offering incentives, the Indian government has to ensure land acquisition without contentious like in the past and also provide a clear guarantee that it will not introduce retrospective tax amendments.

In the last few months, India has also announced a major push to promote domestic manufacturing and the use of indigenous products as well as several initiatives to that effect as part of a broad financial package.

India's vulnerabilities

Nationalism aside, there is only so much India can do against China, at least in the short term, given the extent of its economic dependency. According to a March 2020 paper from Brookings India, Chinese investments in India, "when announced projects and planned investments are included, the total current and planned investment are three times the current figure, crossing at least $26 billion." Another $15 bn approximately is pledged by Chinese companies in investment plans or in bids for major infrastructure projects that are as yet unapproved, the report stated. The bilateral trade is tilted heavily in favour of China. It accounts for about 14% of India's imports and supplies many important sectors. In 2017-18, the trade deficit was $63 billion, it stood at $53.56 billion in 2018-19 being heavily skewed in favour of China. In 2019-20, the deficit reduced to $48.66 bn but still remains a matter of concern.

Recent tensions have caused significant delays in customs clearances over which small businesses on both sides have expressed concerns. Another matter is the dependency in crucial sectors. For instance, during the pandemic as the world scrambled to get medicines from India which stands as the pharma capital of the globe and the largest vaccine manufacturer. Between 70-90% of Active Pharmaceutical Ingredients (APIs) needed as base are imported from China. Even if proactive efforts were to be taken, reducing dependency and vulnerability would take time. Beyond rhetoric and nationalism, the Indian government needs to be realistic with the measures taken or they may prove counterproductive and hurt the Indian economy instead.

Investments in startups

With the Chinese national intelligence law of 2017, red flags were raised by intelligence agencies on the security aspects of Chinese investments in Indian startups as they collect significant amounts of data on Indian citizens. As per the Annual Report of the US Secretary of Defence to Congress of 2019 on the "Military and Security Developments involving the People's Republic of China", this law requires Chinese companies, such as Huawei, ZTE, Tik Tok etc. to support, provide assistance, and cooperate with China's national intelligence services, wherever they operate.

Security concerns apart, the extent of investments is so entrenched that they cannot be dissociated. For example, Alibaba and Tencent have invested across domains. Alibaba's investments include payment application Paytm and its e-commerce arm Paytm Mall
On startup investments, former Foreign Secretary Shyam Saran says: "What do we do, for example, with Paytm? If we stop these investments, we will pull the rug out of the entire ecosystem. The problem is we are far more dependent on Chinese imports than China is dependent on us as a market. Losing a contract to India may cause some pain to companies, but will have a minimal impact on the scale they are operating on".

Global cooperation

On May 14, 2020, the Indian Ministry of External Affairs issued a statement on the weekly conversations between Foreign Secretary M. Shringla and his

FOCUS ON

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counterparts from the U.S., Australia, Japan, South Korea, New Zealand, and Vietnam occurring since March. These weekly conversations were initiated by U.S. Deputy Secretary of State Stephen Biegun and are meant to "share ideas and best practices among these countries in the Indo-Pacific region for responding to the unique and complex challenges presented by the COVID-19 pandemic."

India's Ministry of External Affairs (MEA) said these discussions among the partner countries have helped "shape informed and coordinated responses to the evacuation of stranded nationals from each other's territories; maintenance of critical supplies of life-saving medicines and protective health equipment; extension and facilitation of visas for each other's nationals caught in circumstances beyond their control; identification of and support to countries affected by the pandemic and coordinated response and assistance in the immediate neighbourhood; and working with each other in the multilateral forums, including the East Asia Summit and the G20."

The MEA said the immediately actionable area is the understanding to carry forward engagement "on medium-term planning for safe and sustained economic recovery and growth in the national economies; resilience and redundancies in vital supply chains building on mutual complementarities; and for speedy development and dissemination of vaccines and therapeutics, which would contribute to a peaceful and prosperous Indo-Pacific region and benefit the world at large".

This has since emerged an important theme for discussion between various likeminded countries with China in mind.

Here too, immediate focus is on two areas: to secure supply chains which are critical for economic recovery and collaborating efforts for manufacturing vaccines. India has a major biotechnology industry and is a leading vaccine manufacturer, in fact the world's largest. Any effort to scale up the vaccine numbers to meet global demand will benefit from India's capacity.

The other area of cooperation towards securing supply chains is coordinating their positions and simplifying policies as companies would be moving to different locations and so on. Here India, South Korea and Vietnam have a particular interest as they are keen to attract US and Japanese firms to their countries.

Last September, at a virtual meeting attended by Indian, Australian and Japan's Ministers of Trade, the three countries announced that they would launch an initiative to build resilient supply chains in the Indo-Pacific region later this year. With interest from several other countries, and the evolving dynamics in the Indo-Pacific, there will surely be more developments on this front.

The trajectory set by India to reduce its dependency on China is going to continue and will be a long, drawn out process. While China complained that some of the steps taken were against agreed practices, the retaliation measures it may take remain to be seen.

FOCUS ON

Algeria

Algeria's economic prospects

Nadia Henni-Moulaï

IN THE AFTERMATH OF THE CORONAVIRUS CRISIS, MANY COUNTRIES IN EUROPE AND ELSEWHERE ARE IN RECESSION. THE EFFECTS OF THE PANDEMIC WERE DIFFERENT IN AFRICA. WHAT ABOUT ALGERIA, WHERE THE PANDEMIC COLLIDES WITH THE PRE-EXISTING POLITICAL CRISIS ORIGINATED FROM THE HIRAK MOVEMENT AND THE ECONOMIC CRISES DUE TO THE COLLAPSE OF OIL PRICES? THE SITUATION IS WORRYING, ESPECIALLY AS PRESIDENT ABDELMAJID TEBBOUNE IS STILL HOSPITALISED IN GERMANY AND RECOVERING AFTER CATCHING COVID AT THE END OF OCTOBER.

According to the IMF, Algerian growth will decrease by - 5.5% in 2020 before a recovery of 3,2% in 2021 and the unemployment rate could reach 14,3%. There are other preoccupying figures such as the growing deficit of the external trade balance that might reach 16,1% of GDP. These numbers confirm the recession of Algeria's economy in a context of global economic contraction. However, the dynamism of the economy as well as its overall potential remain unchanged.

Even though Racim Benghanem, CEO of the consulting firm BG-ICC, is well aware of the challenges facing the Algerian economy, he'd rather bet on optimism. He has a solid experience of the Algerian entrepreneurial environment after spending 10 years at Algiers' World Trade Center, a business club gathering thriving Algerian businesses with an international outlook. Along those lines, he assists Algerian and international companies with their image and export development strategy. At the heart of the entrepreneurial dynamic, M. Benghanem has identified two axes for doing business in Algeria: "First and foremost is communication. It is a crucial issue for the country's corporate image. In this respect, we mobilise our diplomatic network abroad. The second point has to do with investments" he sums up. Contrary to popular opinion, diversification of the economy could be a strong point of Algeria's economic strategy. "The Algerian economy is diversified but few people know it. As a consequence, it stunts a genuine dynamic towards business ventures".

However, high-growth fields in Algeria are legion. "A lot of sectors are undergoing changes: pharmaceutics, mechanical engineering or agriculture", points M. Benghanem. With 44 million inhabitants, the food-processing industry could provide important prospects. Food is mostly imported within the 7th MENA economy. "It is a crucial issue because the Algerian potential is considerable". Even if arable lands, representing 7 million hectares, have been eaten away by urbanisation, the agricultural sector (citrus fruits, strawberry, potato, cereal) could allow Algeria to become Europe's breadbasket. Hence the need to develop private investments and build private-public partnerships within dairy, cereal and meat industries. Algeria should maximize its proximity with Europe and its massive economic activity. In addition, M.Benghanem suggests to shift towards "an agricultural sector that promotes healthy food". The agricultural cooperatives supported by the Algerian government should include the health dimension in their development.

Digital technology is another promising sector in Algeria. As an example, Legal Doctrine is a smart legal search engine, that was awarded "Best African legal startup for the year 2018 and 2019". Founded by Walid Ghanemi, it has 150 employees and had an annual turnover of 3 million dollars in 2019. A success story in the very sought-after field of legal tech that resonates in a country that needs to convince the world of its attractiveness for digital businesses. "Laws that facilitate investment and a clear legal frame are a pre-requisite to enable businesses to do 10 years forecasts" insists the Managing Director of BG-ICC.

The budget law passed on in late November includes tax exemptions for startups during their first two years and subsidies for equipment. Those steps forward are another proof of government awareness in the matter. The blessed times of the oil windfall are now over and the COVID crisis has warned against the economic dependence towards China. Now Algeria needs to play the right cards in the new emerging world.

Caucasus: what role for Europe after the Nagorno-Karabakh conflict?

By Scutum Security First

The Situation at the end of the 1992-1994 conflict

DURING THE LATEST CONFLICT BETWEEN ARMENIA AND AZERBAIJAN IN NAGORNO-KARABAKH (27 SEPTEMBER – 10 NOVEMBER 2020), SOME WERE SURPRISED BY THE NOTICEABLE CLOSENESS BETWEEN CHRISTIAN ARMENIA AND SHIITE IRAN. A PROXIMITY UPSETTING GIVEN IDEAS OF FAITH-BASED SOLIDARITIES BUT WHICH ROOTS ITSELF ACROSS HISTORY, AS A CONSEQUENCE OF THE FALL OF THE USSR AS WELL AS THE RESULT OF GEOPOLITICAL GAMES AND OIL STAKES OF THE BEGINNING OF THE 21st CENTURY.

Some 200 years ago, through the treaties of Gulistan (1813) and then Turkmenchay (1828), the Qajar Empire, modern day Iran, lost all its possessions in the Caucasus north of river Aras, recognising Russian sovereignty over these territories. In this way, the significant Armenian and Azerbaijani populations of the region were split between both rival empires.
A century later, between 1920 and 1930, during the establishment of the Soviet Socialist Republics of Georgia, Armenia and Azerbaijan in Transcaucasia, some republics or autonomous regions (oblast) were created within those: Abkhazia, Adjara and South Ossetia in Georgia; Nagorno-Karabakh in Azerbaijan, an Azerbaijani exclave in the autonomous republic of Nakhchivan.
With the perestroika and the demise of the USSR in 1991, when the Soviet Socialist Republics of south-Caucasus pronounced their independence and sought a rapprochement with the West at the expense of the Commonwealth of Independent States (CIS), those republics and autonomous regions became a crucial instrument at Moscow's disposal to assert its control over its "near abroad". Hence, the murderous but limited conflicts that

> Azerbaijan asserted itself as an important partner on the energy market, consolidating its relation with the West and drawing a strong geopolitical axis with Ankara; while Iran, under international sanctions, was well advised to strengthen an opposite axis Moscow-Tehran including Yerevan.

occurred since the nineties in which Russia supported the autonomous regions rather than the capitals without seeking a sustainable outcome. Thus, maintaining a situation of frozen conflicts in order to remind each and every one that Moscow remained the region's godfather.
The Nagorno-Karabakh conflict is the oldest of these frozen conflicts, going back to 1988 when Armenians of the autonomous region asked their partitioning from Azerbaijan and their unification to Armenia. Anti-Armenian pogroms followed in Baku and Sumgait and the first Nagorno-Karabakh war (1992-1994) between both countries that ended with a cease-fire under Russian influence which validated the de facto independence of Nagorno-Karabakh and seized control of seven Azerbaijani districts by Armenia.

In this first conflict, Tehran chose a pragmatic position. by supporting Armenia and opening air links between both capitals as well as supply routes (Meghri bridge). Meanwhile, a cooperation took place in the energy field. Iran supplied gas to Armenia and the latter supplied electricity in return produced by the Metsamor nuclear power plant.

For Tehran, it was also about offsetting Baku's alleged dreams of a "great Azerbaijan", absorbing the Azerbaijani populations from the north-west of Iran (some 15 million people). In addition, the

The Trans Adriatic Pipeline was delivered on November 15, 2020

Caspian Sea status and the question of the exploitation of its significant resources (natural gas, oil, caviar, etc.) were far from being resolved (it wasn't till 2018 with the Aktau Convention) thus putting Azerbaijan and Iran in direct competition. Finally, if Iran didn't recognised the Armenian Genocide of 1915-1916, the Armenians of Iran can commemorate on the 24th April each year the international Remembrance Day even if the scope of the ceremony fluctuates depending on the current state of relations between Tehran and Ankara.

The relationship between the three countries have sharply evolved during the last couple of decades. Azerbaijan asserted itself as an important partner on the energy market, consolidating its relation with the West, including Israel, and drawing a strong geopolitical axis with Ankara under the motto "One nation, two states"; while Iran, under international sanctions, was well advised to strengthen an opposite axis Moscow-Tehran including Yerevan.

The importance of Azerbaijan's energy supply to Europe is illustrated by the Southern Gas Corridor that enables Baku to export its gas through Turkey, without transiting on Russian territory. The last portion of it, the Trans-Adriatic Pipeline (TAP) was delivered on November 15, 2020. The confrontation between Armenia and Azerbaijan was a cause of worry for some time as the gas pipeline was passing near the frontline.

Moreover, the economic boom experienced by Azerbaijan thanks to oil (GDP growth of 25 to 35% between 2005-2007 and still 2,3% in 2019) allowed Baku to implement a decisive weapons program with Israel (60% of delivered weapons), Russia (31%) and also France as providers, while signing production agreements with South Africa or Turkey.

Despite tensions, Azerbaijan and Iran have nevertheless operated a compelling rapprochement for fifteen years, signing a non-aggression pact in 2005 and inaugurating a gas pipeline supplying Nakhchivan the same year. For Iran, this move was more the result of the necessary solidarity between Shiites than an ethnic proximity between north Azerbaijanis — pro-Western and Kemalist — and south Azerbaijanis that are members of a theocratic state and gave birth to some of its most prominent representants, such as the Supreme Leader of the Islamic Revolution Ali Khamenei.

The 2020 conflict has compelled Iran to play a subtle game: a hidden support to Yerevan while claiming its neutrality and will to act as an intermediary on the international scene.
As soon as the fights started during the summer of 2020, Tehran expressed its commitment to international law and to Azerbaijan's territorial integrity. Later, it had to deny amidst a population largely in favour of Baku, the information that stated the presence of Iranian companies in Armenia and in Nagorno-Karabakh and also on some weapon transportation to Yerevan via Iranian territory.

This balanced diplomatic position between the belligerents has facilitated the critics directed to the the OSCE Minsk Group. Created in 1994 by the OSCE (then CSCE), co-presided by Russia, the USA and France, the Minsk Group had to ensure the 1994 ceasefire besides implementing a negotiating framework for the conflict's resolution. Furthermore, it had to oversee the restitution, under Azerbaijan's control, of the seven Armenian occupied districts and the return of the displaced populations.

Given the little progress made by the Minsk Group, critics have been more and more intense and culminated in 2020, especially as the Group's co-presidents didn't visit the area since October 2019, nor had any meetings with the Azerbaijani or Armenian government since January 2020, and were ineffective during the first fights in 2020.

This lack of efficacy enabled the Russian Federation to once again play the peacemaker's role in the region while imposing a new ceasefire confirming this time the military superiority of Azerbaijan and allowing Russia to deploy 2,000 soldiers along the Line of Contact in Nagorno-Karabakh and the Lachin corridor.

The Russian intervention sounded in all likelihood the death knell of the Minsk Group which three co-presidents each have their own agenda.
Russia obtained what it wanted: excluding the other two co-presidents of the Minsk Group from the negotiations with Armenia and Azerbaijan. The United States were already withdrawing from this process during the Trump presidency that has tried to promote the supply of American gas to Europe. France for its part and in the name of history, provided a significant humanitarian aid to Armenians. But it lost its neutrality even more in the eyes of regional players when the French Senate adopted on 25 November 2020, a proposition of resolution recognising the independence of Nagorno-Karabakh, followed a few days later by the National Assembly.

Despite the French Minister for Europe and Foreign Affairs, M. Le Drian, reminding that these legislative texts don't reflect the French state's position. However, the French, and perhaps beyond the European position will be durably affected especially if Ankara and Baku manage to put in place a regional negotiating body that would bring together "Russia, Turkey, Azerbaijan, Iran, Georgia....Armenia could also be included in this platform", as Turk President Erdogan declared.

The Pharmaceutical Industry in the Middle East

Bertrand de Lavenne

Here is a follow up article to the one published in our November 2020 issue: The Pharmaceutical Industry Challenges in North Africa

THE MIDDLE-EAST AREA IS A WIDE GEOGRAPHY CONSISTING OF 13 COUNTRIES FROM TURKEY TO IRAN. MORE THAN 150 COMPANIES ARE OPERATING IN THIS MARKET WITH A MIX OF MULTINATIONAL, REGIONAL AND LOCAL COMPANIES. TODAY, IT REPRESENTS AROUND 3% OF THE TOTAL WORLDWIDE PHARMACEUTICAL MARKET. THE SIZE OF MARKETS ARE VARYING SIGNIFICANTLY.

Saudi Arabia is the leading pharmaceutical market in this region, valued at USD 8.2bn growing by 7% for the past year. Turkey follows closely around USD 8.0bn. The UAE market is valued at USD 2.3bn growing by 12% in a year, with the retail channel being dominant and accounting for 78% of sales. Iran pharmaceutical sales are around USD 2.0bn while Kuwait dropped by 5% over last year reaching USD 1bn where hospital channel accounts for 74% of sales. Jordan market remained at USD 0.3bn but decreased by 1% for the past 12 months (IQVIA June 2019).

With governments in the region focusing more and more on the well-being of a growing population and enhancing healthcare services, timely and safe delivery of medical supplies and pharmaceuticals products has laid down the promising future for pharmaceutical industries in the region. Changes in demography —the share of population over 65 years old is growing from 2.7% to 4%¬— will as well lead change in epidemiology with a rising aging population. High population growth, increased life expectancy and the importance of lifestyle related disorders such as diabetes will drive markets growth over the next decade. The UAE ranks second in the world and first in the Middle-East region for diabetes prevalence (20%), followed regionally by Saudi Arabia (16.7%), Bahrain (15.2%), Kuwait (14.4%), Syria (10.8%), Iraq (10.2%), Jordan (10.1%), Palestine (8.6%), and Lebanon (7.8%). Moreover, obesity related and other coronary diseases are rising in the region. As a consequence, "alimentary treatment products" continue to be the largest therapeutic area.

Moreover, governments are launching various national health programmes to increase awareness of diseases. Healthcare expenditure as percentage of GDP varies significantly in the region.

Saudi Arabia and Turkey are not only the largest pharmaceutical markets but are as well the largest manufacturing countries. Local productions are partially intended for export markets. There are numerous pharmaceutical manufacturers operating in the region including local, regional and subsidiaries of multinational pharmaceutical companies. The locally-grown companies predominantly make generic drugs, while some also undertake under-licence manufacturing on behalf of multinational pharmaceutical companies for supply in the domestic and regional markets. Top multinational companies like GSK, Sanofi and Abbott Laboratories have also set up manufacturing units in the region.

Healthcare expenditure as percentage of GDP (World Bank)

	2010	2011	2012	2013	2014	2015	2016	2017
World	**9.5%**	**9.4%**	**9.4%**	**9.4%**	**9.5%**	**9.8%**	**10.0%**	**9.9%**
Iran, Islamic Rep.	6.8%	6.6%	6.6%	6.0%	6.9%	7.8%	8.9%	8.7%
Lebanon	7.4%	8.1%	7.9%	7.6%	7.8%	7.7%	7.8%	8.2%
Jordan	8.4%	8.3%	7.9%	7.2%	7.3%	7.6%	7.2%	8.1%
Kuwait	2.8%	2.6%	2.6%	2.6%	3.2%	4.0%	4.0%	5.3%
Saudi Arabia	3.6%	3.7%	4.0%	4.5%	5.2%	6.0%	5.8%	5.2%
Bahrain	3.8%	3.6%	4.1%	4.3%	4.4%	5.0%	4.9%	4.7%
Turkey	5.1%	4.7%	4.5%	4.4%	4.3%	4.1%	4.3%	4.2%
Iraq	3.2%	2.8%	2.7%	2.8%	2.8%	3.1%	3.3%	4.2%
Oman	2.8%	2.5%	2.6%	2.8%	3.5%	4.3%	4.3%	3.8%
United Arab Emirates	3.9%	3.7%	3.4%	3.6%	3.6%	3.6%	3.4%	3.3%
Qatar	1.8%	1.6%	1.7%	2.1%	2.4%	3.1%	3.0%	2.6%

A maturing regulatory environment is one of the various topics impacting the future of the region.

Accelerated drug-registration systems, investments in R&D, innovation, and technological advancements, have led to a rise in the number of international pharmaceutical companies from 30 in 2013 to 47 in 2016, and is expected to reach 75 in 2020. Moreover, around 95% of the global pharmaceutical companies have a base in the UAE, which gives them logistics access to 43 countries worldwide. This maturing regulatory environment is one of the various topics impacting the future of the region. Governments will have a to take a closer look at localisation and domestic partnerships to promote local manufacturing. This may include a rising share of generics and biosimilars (medical product highly similar to a "reference medicine") giving patients a broader access to treatments. This might as well potentially enable an expansion of healthcare coverage. Last but not least, technology adoption with the rise of telemedicine and e-health among Middle East countries could give them an edge in the health industry at the crossroads of Europe and Asia.

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