GCC "needs a champion" to push for Arab bank for development

[Interview with The National: http://www.thenational.ae/thenationalconversation/industry-insights/economics/gcc-needs-a-champion-to-push-for-arab-bank-for-development]

Nasser Saidi, for a long time the public voice of the Dubai International Financial Centre, is revelling in his new-found freedom.

"I've always been reform-minded, always been an innovator. At DIFC, on a number of occasions I felt constraints, and in the end I felt it was just too constraining," he says.

Mr Saidi was the chief economist and head of external relations for Dubai's financial hub for six years, but since September he has been doing his own thing as an independent consultant, adviser and commentator via his new organisation, Nasser Saidi and Associates.

He is drawing on his vast experience of the region – two previous jobs were the minister of economics in Lebanon and the vice governor of that country's central bank- to offer new and "visionary" thinking on the economic, financial and (sometimes) political problems of the Middle East and North Africa.

"The DIFC was an attractive prospect because I believe the region needs more and better institutions. Since what I call the 'Arab firestorm' began, I believe we have missed the institutions to deal with those problems."

As a member of the World Economic Forum's council on institutional governance, he is one of the 1,000 or so experts assembled in Dubai this week to hammer out the agenda for the WEF's annual meeting in Davos, Switzerland. Governance, one of Mr Saidi's passions, will figure high on the Dubai schedule.

"The governance of global institutions has become a critical issue. The world's economic geography has changed, and our institutions have not developed much beyond the models from Bretton Woods in 1945," he says.

"The fact that regional institutions are now considering their own solutions, like a bank for the Bric countries, is a sign that global institutions are not working."

In his final year at DIFC Mr Saidi became a proponent of the idea of an "Arab bank for reconstruction and development", along the lines of similar institutions set up in Europe in the 1990s to deal with the economic effects of the end of communism.

He is now, if anything, even more enthusiastic about the idea.

"I strongly believe in the creation of such an Arab financial institution. This could be a defining moment for the GCC region. It's virtually an Arab equivalent of the Marshall Plan that helped Europe to recover from the Second World War.

"There is no doubt the GCC has the resources to do this, but it needs a champion to push the idea. I believe the UAE and Qatar could be the champions in this case."

In general, he is critical of the traditional economic policy of the GCC states.

"They have based it on running budget surpluses from natural resources, but it is not really a surplus," he says.

"Energy resources present unique opportunities to invest in infrastructure and human capital like education and employment. There has not been enough investment to compensate for the depletion of natural resources.

"The current strategy in a country like Saudi Arabia is a bit like selling off part of your house every year to fund current expenditure. In the end, you have no house."

He believes the UAE has had a better approach, with greater investment in infrastructure and social projects.

But the region, including the Emirates, missed an opportunity from the 2008-2009 financial crisis, he believes.

"If the GCC had proper financial markets then, it could have injected more liquidity more efficiently into regional economies. Now, regional banks still go to US and European markets to raise debt, when there is lots of capital at home," he says.

"For the first time in their history, the Arabs had the opportunity to own and control their own wealth, but they didn't take it. They should grow their own financial markets and then the rest of the world would have to come to us."

One area in particular he regards as an opportunity is the creation of a clearing centre in Dubai for the Chinese currency.

"With the shifts in economic power, there is no reason to pay for Chinese trade in dollars or euros. The yuan-clearing business should be based in the UAE."

His new organisation will draw on the extensive contacts book Mr Saidi has built up, with input from associates from the IMF, the World Bank and various global academic institutions.

In addition to one of his pet subjects of the DIFC years – the need for better corporate governance – the new firm will also focus on new ways for small companies to raise capital and participate in equity markets.

A plan to roll out a smaller equity platform across North Africa and some GCC states, is being considered.

He is also considering ways for smaller entrepreneurs in the Middle East to raise capital via the internet, similar to the US film industry's "crowd funding" techniques.