‘Every incentive’ for GCC currency: Interview with Arabian Business

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There is “every incentive” for the six GCC countries to implement a single currency, according to economist Dr Nasser Saidi, with the benefits including lower trading costs and a single Gulf financial market.

Saidi, former chief economist of Dubai International Finance Centre and an ex Minister of Economy in Lebanon, also dismissed the impact of the ongoing eurozone crisis, citing greater economic stability in Arab economies.

“[The GCC countries] don’t have the big differences that the European countries have. [They have] similar macro-economic policies, macro-economic stability… so if you look at it they have every incentive to create a common currency,” Saidi told Arabian Business.

He added that low levels of debt, low budget deficits, large pools of international reserves and abundant natural resources also meant a common currency would make sense. Saidi also said that the region also had a de facto currency union in the dollar peg, which is in place across all GCC countries with the exception of Kuwait.

The creation of a single monetary union across the Gulf Arab bloc has been an aim of the GCC since the early 1980s, but the plan has stuttered amid the UAE’s withdrawal in 2009 over concerns Saudi Arabia would wield too much influence.

Policymakers were also said to have lost political will for the project in light of the euro crisis, with some commentators forecasting that a common currency will take at least another five years to come to fruition.

Saidi said that the benefits of a monetary union across the GCC include lower costs for international trade between the six countries, but also a consolidated Gulf financial market.

“At the moment the stock exchanges are all fragmented. If I look at the total value of the capitalisation of the Arab stock exchanges, it’s less than Hong Kong. This is miserable,” Saidi said.

“We are countries that export capital, we have enormous financial resources, we should be using [these] to grow our own economies, but our markets are not playing their role, and the reason is this fragmentation of the currencies,” he added.

Saidi said that if a single currency was to be introduced, he expected it to be a reserve currency that would be held by Arab central banks outside the GCC and other regional trading partners.

“Neither the US nor Europe can offer that in terms of the potential soundness of such a currency. Will it ever happen? I don’t know. I’m a dreamer, but there are big changes happening in the world, and what they mean is that we need a new vision,” Saidi said.