Comments on the launch of the UAE Global Centre of Trade programme in 24.ae, 24 Nov 2025

Dr. Nasser Saidi's comments on the launch of the UAE Global Centre of Trade programme appeared in a 24.ae article published on 24th November 2025.

اقتصاديون: برنامج “الإمارات مركز عالمي للتجارة” يعزّز تنافسية الدولة ويفتح أسواقاً جديدة

The comments are posted below in English.

The launch of the UAE Global Centre of Trade programme is a major strategic initiative coming at a very opportune time, leveraging the UAE's shift to being a globally competitive and open economy. This initiative capitalizes on the UAE's policy of attracting global capital in high value-added sectors, from trade and logistics to emerging technologies. Crucially, this openness is concurrent with a rapid digitalization drive spanning advanced infrastructure such as 5G and data centres capacity as well as investments in sustainable technology, notably solar and ClimateTech. All these investments will collectively accelerate the UAE's economic diversification agenda in line with the goals of "We the UAE 2031 vision". At a time when the world is defined by increased fragmentation and restrictive labour policies, the UAE positions itself a beacon of light – attracting human capital that could facilitate a cross-sector diffusion of technology and innovation necessary to increase overall long-term productivity growth.

and in Arabic:

وقال الدكتور ناصر السعيدي مستشار اقتصادي ومالي، كبير الاقتصاديين والاستراتيجيين السابق في مركز دبي المالي العالمي: "يُعد إطلاق برنامج مركز الإمارات العالمي للتجارة مبادرة استراتيجية رئيسية تأتي في وقت مناسب للغاية، مستفيدةً من تحول الإمارات إلى اقتصاد مفتوح وتنافسي عالمياً. وتستفيد هذه المبادرة من سياسة الإمارات في جذب رؤوس الأموال العالمية إلى القطاعات ذات القيمة المضافة العالية، بدءاً من التجارة والخدمات اللوجستية ووصولاً إلى التقنيات الناشئة".

وأوضح السعيدي عبر 24، أن هذا الانفتاح يتزامن مع توجه رقمي متسارع يشمل البنية التحتية المتقدمة مثل شبكات الجيل الخامس (5G) وسعة مراكز البيانات، بالإضافة إلى الاستثمارات في التكنولوجيا المستدامة، لا سيما الطاقة الشمسية وتكنولوجيا المناخ والتي ستساهم في تسريع أجندة التنويع الاقتصادي في الدولة، بما يتماشى مع أهداف رؤية "نحن الإمارات 2031".

نموذج يحتذى

وأضاف "في وقت يشهد فيه العالم تزايداً في التشرذم وسياسات العمل التقييدية، تُمثل الإمارات نموذجاً يُحتذى في جذب رأس المال البشري الذي يُمكن أن يُسهّل نشر التكنولوجيا والابتكار بين القطاعات، وهو أمر ضروري لزيادة نمو الإنتاجية على المدى الطويل".

“MENA + Pakistan region faces $420–$510bn climate adaptation funding gap”, Interview with Zawya Projects, 7 Nov 2025

Dr. Nasser Saidi’s interview with Zawya Projects titled “MENA + Pakistan region faces $420–$510bn climate adaptation funding gap: CEBC Chief” was published on 7th Nov 2025.

MENA + Pakistan region faces $420–$510bln climate adaptation funding gap: CEBC Chief

In an exclusive interview with Zawya Projects, Dr. Nasser H. Saidi, Chairman and Founder of the Clean Energy Business Council (CEBC) MENA, explained why the MENA + Pakistan region must more than quadruple climate adaptation investment across infrastructure, and highlighted the GCC’s potential to become a global hub for renewable energy.

The Middle East, North Africa, and Pakistan (MENA+Pakistan) region must significantly increase investments in climate adaptation, particularly for retrofitting infrastructure, to an estimated $420 to $510 billion, the chief of UAE-based Clean Energy Business Council (CEBC) MENA told Zawya Projects.

Dr. Nasser H. Saidi, Chairman and Founder of the ADGM-based non-profit, which represents the clean energy sector pointed out that so far, the MENA+Pakistan region is discussing investments of around $100 to $120 billion in climate adaptation, which involves retrofitting current infrastructure, factories, and housing to be future-ready across the region.

“However, my estimate is that you need around four times that figure—to $420 to $510 billion—because Mother Earth has a mind of her own,” he said.

“Human actions have created climate challenges, and the earth responds. While we are not in charge of that, we must integrate climate models with our economic and planning models to design effective policies.”

And while numbers are still being assessed, the dynamics of climate change can be severe, he noted.

“We have to be preventive and preemptive when addressing climate risks; it concerns all our lives,” he said.

Dismal scenario

Saidi cited the disastrous floods in Libya in September 2023, where two dams collapsed in Derna after Storm Daniel, releasing 30 million cubic metres of water.

“The floods swept entire buildings, with thousands of people still inside them, into the Mediterranean Sea,” he explained. “This is a classic example of why the region needs to raise its investments in climate adaptation across its infrastructure and housing.”

“Climate change is a priority as we are very challenged by desertification, Medicanes, water scarcity, rising temperatures, and growing urbanisation and populations. So far, there have been many commitments and bright promises for net zero at the global level, but many of those pledges have not come through, and there has been dismal performance.”

Key challenges include securing enough financial resources from governments and attracting the private sector. Referencing the success of US railroads and post-war infrastructure development in Europe driven by private investment, Saidi emphasised that “whether we talk about energy, AI, data, or the digital economy, the bottom line is that the private sector will need incentives.”

He stressed the need to account for climate risk and pricing, making room for new, radically different technologies from the private sector.

“Much of the technologies that we inherited from industries like electricity, water, and transport have so far been managed by the public sector. It will have to be a combination of both because we have to plan at the national, regional, and global levels,” said Saidi, who is also the Founder and Head of Nasser Saidi & Associates, a consulting firm.

“All future planning should include the private sector, but with the framework and financing coming from the government and international institutions.”

He noted that the CEBC, which focuses on bringing together governments, regulators, and the private sector around climate finance, e-mobility, and energy efficiency, would be open to developing a climate fund, though its core mission remains as a not-for-profit platform to drive clean energy policy and dialogue.

“I would be open to anyone who says, let us develop a climate fund together,” he said.

Carbon pricing imperative

Regarding innovative funding instruments, Saidi suggested a gradual build-up. “In the end, we have to adopt carbon pricing, which means central banks, regulators, and governments have to introduce carbon pricing in everything—be it energy, water, the way companies perform, the balance sheets of banks, and central banks.”

Following the Great Financial Crisis, international banking regulations introduced measures such as the establishment of capital buffers.

It also saw the implementation of Basel III—a set of enhancements developed in response to the 2008 crisis—and subsequently Basel IV (the finalisation of Basel III), which overhauls global banking capital requirements, which is expected to significantly impact the lending landscape, particularly across Europe and the Nordic region.

“We need something equivalent to that in this area,” said Saidi, a former Lebanese Minister of Economy and Industry and former Vice Governor of the Lebanese Central Bank.

“It is only when you start pricing that people respond—not just good wishes,” he said, stressing that carbon pricing must eventually be integrated into the banking and financial system structure.

“Once you do that, you create opportunities for financing. But then again, you have to think long-term. Then the next question is, how do you control risks for infrastructure projects spread over a period of 15-20 years?”

“This is why pricing is so important. I am a strong believer in markets, so we need to create renewable funds and create markets where you can trade risks, particularly through financial markets,” he added.

The UAE’s Federal Decree on climate change, coming into force this year, mandates monitoring and control of GHG emissions across sectors while encouraging companies to participate in emission trading schemes and carbon credit markets. The country is also introducing carbon compliance regulations for eventual compliance markets.

Following the Great Financial Crisis, the world has also seen the rise of non-banking financial intermediaries, now providing almost 50 percent of the credit. “That creates its own risks. Hence, we have to involve the non-banking private sector, which consists of private credit and private funds, with the organised, regulated banking and finance sector—we have to look at the whole spectrum.”

Global hub for renewable energy

While regional commercial banks do not always have the teams to assess such projects, the MENA region benefits from being awash with sovereign wealth funds and national funds.

“Hence, it would be ideal if they become involved because green and renewable energy is where the GCC, in particular, has a comparative advantage,” he said, arguing that deploying public money makes sound economic sense as part of economic diversification.

“We have accumulated enormous wealth due to high energy prices, and hence, we can deploy that wealth in green, digital, and renewable initiatives, and it can create jobs. So you diversify and develop your economy, and, at the same time, it is critical for the GCC and the region to create jobs. So this is the perfect opportunity for us.”

“This region is already the global hub for oil and gas,” Saidi concluded. “This region also has the potential to be the global hub for renewable energy. No other country or region has that combination.”

Comments on “The ebb and flow of Saudi Arabia’s US Treasury strategy” in Arab News, 25 Oct 2025

Dr. Nasser Saidi’s comments appeared in an Arab News article titled “The ebb and flow of Saudi Arabia’s US Treasury strategy” published on 25th October 2025.

The comments are posted below.

Nasser Saidi, founder and president of Nasser Saidi & Associates, a specialized economic and financial advisory services company, echoed this perspective, emphasizing that the decision is “primarily taken by the Saudi Central Bank, keeping in mind its strategic goals of currency stability, directed partly by the need to hold US dollar as part of international reserves to maintain the dollar peg and liquidity and safety.” For Saidi, who served as Lebanon’s minister of economy and trade and minister of industry from 1998 to 2000, US Treasuries are a critical pillar of stability, as “holding treasuries allows Saudi Arabia to meet its international payment obligations – finance imports, service external debt, portfolio, and capital flows – provide a buffer against oil revenue shocks, while also generating a steady, low-risk stream of income.”

Saidi pointed to multiple drivers behind these shifts, noting that the rise until September 2024 reflected the Saudi Central Bank, known as SAMA, capitalizing on higher US interest rates, supported by strong oil revenues from the preceding period.

He added that the drop to a six-year low of $108 billion in

June 2023 followed a significant transfer of funds to the Public Investment Fund, and the subsequent rise reflected Aramco dividend transfers, which "would have some impact on inflows of US dollar into the central bank in 2024."

Speaking to Arab News, Saidi explained that the decline to $126.4 billion by February "is likely a combination of factors – expectations that interest rates would stay higher for longer plus a soft landing in the US, portfolio rebalancing away toward higher-yield investments in the backdrop of lower oil production and prices, SAMA withdrawing to meet domestic spending needs / managing liquidity in the banking system," adding that after a return to stabilization was seen.

For Saidi, the pattern underscores that "SAMA acts as both the traditional central bank, and also actively manages its reserve holdings to accommodate funding needs as per Vision 2030, mainly via the PIF."

The interplay between SAMA and the PIF is central to understanding the bigger picture. Saidi explained that their mandates are different as SAMA's role is to provide currency, banking, and financial market stability, dictating conservative policies.

Saidi emphasized that US Treasuries will likely remain the anchor of SAMA's portfolio due to the dollar peg, but the PIF's strategy points to greater diversification in the non-reserve segment, with more aggressive investments in private equity, infrastructure, and renewables, as well as artificial intelligence, data centers, technology, and other asset classes.

"Saudi [Arabia] is unlikely to fully abandon the US dollar, despite de-dollarization talks, but expect more diversification and the prospect of a greater role for the Petro-Yuan, given the growing trade and investment links with China, increased holdings in other currencies for trade

purposes, and increased holding of gold as a hedge," Saidi, who has also served as vice governor of the Central Bank of Lebanon for two successive mandates, said.

He added that people should be prepared for the rollout and increased use of a central bank digital currency, a digital riyal, for cross-border transactions as well in the near future.

Comments on Saudi Arabia's new pitch to Wall Street in Bloomberg, 23 Oct 2025

Aathira Prasad's comments on Saudi Arabia's pullback at Neom and what it means ahead of the Future Investment Initiative (FII) in the Bloomberg article titled "Saudi Arabia's New Pitch to Wall Street: Less Neom, More AI", published on 23 Oct 2025.

Comments are posted below.

Added investments in areas like AI offer further opportunities for partnerships and deals particularly as recent messaging from the top echelons of government indicates a willingness to change course.

The changes are likely to be view positively by investors "because it says a lot when a government takes a step back and says hey we aren't going to stop all investments but we are moving money to places with immediate needs and quicker returns," said Aathira Prasad, director of macroeconomics at economic and business advisor Nasser Saidi & Associates.

Comments on the UAE agreement with Oman re special economic zone in The National, 28 May 2025

Dr. Nasser Saidi's comments on the agreement between Dubai's global ports operator DP World and Oman to develop and operate the Al Rawdah Special Economic Zone appeared in an article in The National titled "Oman's new economic zone signals Gulf intent in global supply chains amid trade war" published on 28th May 2025.

The comments are posted below.

The UAE's experience in the development, efficient and profitable management and sound governance of special economic zones and free zones over the past 40 years can provide a valuable framework for Oman's initiatives, said Nasser Saidi, president of Nasser Saidi and Associates, former Lebanon economy minister and vice-governor of the Central Bank of Lebanon.

The new SEZ will also offer opportunities for well-established businesses in the UAE to transfer knowledge and skills, best practices in governance, infrastructure development and investor services can be shared. Oman's SEZs can learn from the UAE about smart ports, blockchain in customs clearance and the use of artificial intelligence in logistics, he added.

By developing specialised zones and infrastructure, Oman can enhance connectivity and economic co-operation across the region, integrate itself into regional value chains and position itself as a key player in regional trade and economic networks, Mr Saidi said.

This would complement the UAE's established role in global logistics and trade and enhance the region's resilience against global supply chain disruptions, he added.

Dr. Nasser Saidi's interview "Can Beirut's New Reform Agenda Save the Pound?" on "You're In Business" with Yousef Gamal El-Din, 13 May 2025

Dr. Nasser Saidi's interview with Yousef Gamal El-Din titled "Can Beirut's New Reform Agenda Save the Pound?" was aired on the "You're In Business" show. The episode is published on YouTube, Spotify and Apple Podcasts

The video is available below:

Comments on the UAE-EU CEPA negotiations in The National, 11 Apr 2025

Dr. Nasser Saidi's comments on the UAE starting negotiations for a CEPA with the EU appeared in an article in The National titled "UAE-EU trade deal to boost FDI to Emirates amid rising global uncertainties, economists say" published on 11th April 2025.

The comments are posted below.

The announcement of EU-UAE trade talks is "timely", as there is greater global fragmentation and decoupling with China, in general, said Nasser Saidi, a former economy minister in Lebanon and vice governor of its central bank.

"It is in the economic and financial interest of the UAE and the GCC to expand and deepen relations with the EU, given the latter's growing trade and investment confrontation with the US," he said. "As the US imposes tariffs on the EU, the bloc has to diversify and divert to other markets.

"For the UAE, this provides a perfect opportunity to further open up and strengthen its trade and investment linkages with the EU."

The bottom line is that a policy of continued openness and liberalisation by the UAE will be beneficial at a time when other countries are moving towards more trade barriers and increased protectionism, Mr Saidi added.

Top exports from the UAE to the EU include fuels and precious metals, as well as aluminium and plastics – providing inputs for Europe's industry and manufacturing, Mr Saidi said.

The top imports from the EU to the UAE are machinery, *mechanical appliances and electrical equipment, "both essential to facilitate the UAE's ambition to emerge as a leading manufacturing and industrial hub", he said.*

Beyond the remit of trade in goods, the CEPA with the UAE will allow EU countries to increase trade in services, including tourism, with collaboration in key areas such as artificial intelligence, renewable energy, climate technology and climate finance, as well as financial services and capital markets, he added.

"Existing EU-Middle East air travel routes could be strengthened further with a fully deregulated open skies policy in a bid to increase both passenger and cargo movements," he estimated.

At a time of rising economic uncertainty relating to trade, Mr Saidi suggested the UAE and EU could also explore options to sign swap agreements between the European Central Bank and the UAE Central Bank, strengthen payment networks and complete trade transactions in euros and/or using digital currency.

Comments on US trade tariffs and GCC trade ties in Energy Intelligence, Apr 2025

Dr. Nasser Saidi's comments on the US reciprocal tariffs and the GCC trade ties appeared in an article titled "Why US Tariffs Will Not Change Gulf State Trade Ties" in Energy Intelligence, published on 10th April 2025 (paywall). The comments are posted below.

The impact on Gulf economies is also marginal because trading dynamics have changed drastically over the past three decades. For instance, the US is no longer the main trade partner of Gulf states. Asian countries, namely India, China, Japan and South Korea are the main trade partners, both in imports and exports, and increasingly as investment partners, Nasser Saidi, president of Nasser Saidi & Associates, a Dubai-based economic advisory and business consultancy, told Energy Intelligence.

While markets globally are likely to remain volatile as a result of the uncertainty on tariffs negotiations and investors and companies may adopt more of a wait and see approach, the effects are likely to be a temporary. "The fundamentals in the region are strong, and its diversified linkages, especially with Asia, will benefit the countries," Saidi said. This is in addition to the large labor flows that create both remittance and investment links with the labor-exporting countries.

While markets globally are likely to remain volatile as a result of the uncertainty on tariffs negotiations and investors and companies may adopt more of a wait and see approach, the effects are likely to be a temporary. "The fundamentals in the region are strong, and its diversified linkages, especially with Asia, will benefit the countries," Saidi said.

A sustained drop in oil prices will affect Gulf states that are less diversified and fiscally vulnerable due to high fiscal break-even oil prices, Saidi said, citing International Monetary Fund (IMF) data. The IMF sees fiscal break-even prices at $90.90/bbl in Saudi Arabia, $50 in the UAE, $124.90 in Bahrain, $81.80 in Kuwait, $57.30 in Oman and $44.70 in Qatar.

"Rising deficits could lead to a rein in of public spending and increased borrowing if project and social spending is to

be maintained," Saidi said.

Still, "These are still early days as the impact of greater US protectionism unfolds, but there will be an impact on global supply chains and related investment flows," he added.

Recession fears could weaken the US dollar, which most Gulf currencies are pegged to, which would make their economies more competitive. Consequently, the optimal policy choice for Arab countries is to maintain a liberal and open trade and investment environment, Saidi said.

Gulf states are a gateway for Africa and Middle East countries as well as Southeast Asia, and they "could become even more attractive as an investment destination as countries, notably China and [others in Asia], diversify trade and investment away from the US," Saidi said.

Trump has a "transactional" nature, and when he visits the region in May, he is likely to have tariffs, non-tariff trade and investment barriers in his negotiation's toolbox, he added.

Comments on "Can Lebanon's new central bank governor break the cycle of economic crisis?" in Arab News, 31 Mar

2025

Dr. Nasser Saidi’s comments appeared in an Arab News article titled “Can Lebanon’s new central bank governor break the cycle of economic crisis?” published on 31st March 2025.

The comments are posted below.

Echoing the prime minister’s apprehensions is Nasser Saidi, a former Lebanese economy minister and central bank vice governor, who raised concerns about the selection process for the new central bank chief, warning that powerful interest groups may have too much influence.

He told the Financial Times that the decision carried serious consequences for Lebanon’s economic future, saying that one of Souaid’s biggest challenges will be convincing the world to trust the nation’s banking system enough to risk investing in its recovery.

“The stakes are too high: You cannot have the same people responsible for the biggest crisis Lebanon has ever been through also trying to restructure the banking sector,” said Saidi, who served as first vice governor of the Banque du Liban for two consecutive terms.

“How are we going to convince the rest of the world that it can trust Lebanon’s banking system, and provide the country with the funding it needs to rebuild (after the war)?”

Lebanese economist Saidi said that the IMF “quite correctly and wisely” demanded comprehensive economic reforms.

In a March 14 interview with BBC’s “World Business Report,” he said that the government must address fiscal and debt *sustainability, restructure public debt, and overhaul the banking and financial sector.*

But hurdles remain. Saidi added that while Lebanon "has a government today that I think is willing to undertake reforms, that does not mean that parliament will go along."

Lebanon also needs political and judicial reform, including an "independent judiciary," he added.

Nevertheless, Saidi told the BBC that Lebanon, for the first time, has "a team that inspires confidence" and has formed a cabinet that secured parliament's backing. Despite this positive step, Lebanon must still address structural failures in its public institutions, rooted in decades of opacity, fragmented authority and weak accountability.

Saidi highlighted the broader challenges Lebanon faces, cautioning that without financing for reconstruction, achieving socioeconomic and political stability will remain elusive.

"If you don't have financing for reconstruction, you're not going to have socioeconomic stability, let alone political stability," he said.

"There has to be a willingness by all parties to go along with the reforms," he added, highlighting that this is where external support is crucial, particularly from Saudi Arabia, the UAE, France, Europe and the US. Saidi said that support must go beyond helping bring the new government to power – it must include assistance, especially in terms of security.

Bloomberg’s Horizons Middle East & Africa Interview, 14 Jan 2025

Dr. Nasser Saidi joined Joumanna Bercetche on 14th January 2025 as part of the Horizons Middle East & Africa show. The discussion focused on the election of a new President and Prime Minister in Lebanon, and about the mammoth yet historical task ahead for Salam.

Watch the interview below or via the [direct link.]()

Comments on Lebanon’s Eurobonds rally in The National, 9 Jan 2025

Dr. Nasser Saidi’s comments on the rally in Lebanon’s Eurobonds appeared in an article in The National titled “[Lebanon’s Eurobonds rise amid election of Joseph Aoun as president]()” published on 9th January 2025.

The comments are posted below.

“The strong rally in Lebanon’s government Eurobonds stems from

the optimism that the election of Joseph Aoun as the next President, would lead to the implementation of much-needed deep institutional and structural reforms, and a national anti-corruption drive," Nasser Saidi, a former economy minister and deputy governor of Lebanon's central bank, told The National.

The rally, however, is expected to "be short-lived", and will depend on the choice of an effective prime minister and government formation at an early date, he added.
"The need for Lebanon is to have a strong-willed PM and cohesive, competent, and effective government willing to undertake structural reforms without bowing to political pressure. Concurrently, there needs to be a permanent ceasefire in the South to help stabilise the country," Mr Saidi said.
"The right governance set-up and transparency is vital for Lebanon's next step towards reform implementation," Mr Saidi said. "Reforms will need to range from restructuring the banking and financial sector, restructuring external debt, in addition to reforms including fiscal consolidation and reform, downsizing of the public sector, effective management and governance of the state-owned enterprises, in addition to creating a credible, transparent monetary and exchange rate system [including the move to a flexible exchange rate regime]."

Lebanon will also have to negotiate a new agreement with the IMF as the political, economic, banking, and financial landscape has changed dramatically since the previous IMF staff level agreement in 2020, he added.

Comments on PetroYuan & GCC commitments to energy transition in Energy Intelligence, Nov 2024

Dr. Nasser Saidi's comments on the PetroYuan appeared in an article titled "Oil Dollar Pricing Seen Staying, But New Payment Modes Emerging" in Energy Intelligence, published on 8th November 2024. The comments are posted below.

Nasser Saidi, president of Nasser Saidi & Associates, an economic advisory and business consultancy and founder of the Clean Energy Business Council Mena, believes alternatives are no longer pipedreams.

"As geo-eco-political tensions increase and global economic and trade fragmentation increases as a result of Cold War II, we will witness the growth of the PetroYuan for financing China's O&G with its major oil exporters, Saudi Arabia, the UAE and other GCC countries," he told Energy Intelligence.

He cited reports of Indian oil refiners making payments in rupees for purchase of crude oil from the UAE under the 'local currency settlement' system agreed upon by the two countries. More importantly than India, which is the world's third-largest oil importer, are oil exporters, including Russia, Iraq and Indonesia that have accepted the yuan as payment for crude oil shipments, Saidi said. In 2023, there were 12 major commodity contracts that were settled in non-US dollar currencies.

Saidi doesn't believe pricing oil in other currencies will be an immediate move and he foresees the emergence of an Asian yuan zone as China increasingly integrates Asian countries into its supply chain. However, as trade and investment *sanctions are ratcheted up and the dollar is increasingly weaponized, for example by freezing of Russian US dollar and euro dominated assets, "countries will be encouraged to develop new payment mechanisms that could challenge the dominance of the dollar," he said.*

This could be in the form of adopting the yuan for trade, with the PetroYuan being used both for energy and non-oil trade payments, and settlement, he added. Other options include the extension of the Cross-Border Interbank Payment System (Cips), an alternative to Swift, and arranging central bank digital currency (Cbdc) transfers that facilitate cross-border flows such as the successful collaborative effort mBridge. While the Brics bloc announced plans for Brics Bridge, a digital currency cross-border payment solution, as an alternative to the dollar, Saidi said "there is a long while before it becomes operational and/or widely used."

In a separate article titled "Decarbonization Still in Focus Despite Mideast Geopolitics", dated 13th Nov 2024, comments on GCC's energy transition efforts were mentioned. Comments are posted below.

To date, Mideast countries don't appear to have wavered from their commitments towards the energy transition, said Nasser Saidi, president of Nasser Saidi & Associates, an economic advisory and business consultancy, and founder of the Clean Energy Business Council Mena. "For now, regional geopolitics has had a limited impact on various commitments to energy transition," Saidi told Energy Intelligence. "However, should funds need to be diverted to increased security and military spending, there would be a delaying impact."

The implementation of decarbonization and energy transition strategies are inevitable for countries of the region and will buttress their diversification efforts, Saidi said. It will *also help them create new export industries and products like hydrogen, attract foreign investment, and create jobs associated with the green economy and climate risk mitigation and adaptation technologies, he added.*

Comments on Lebanon’s economy in The National, 24 Sep 2024

Dr. Nasser Saidi’s comments on the Lebanese economy given the escalating conflict appeared in an article in The National titled “Lebanon’s economy may shrink by up to 25% in 2024 as war intensifies” published on 24th September 2024.

The comments are posted below.

Nasser Saidi, a former economy minister and vice governor of Lebanon’s central bank, told The National a widening of conflict to include a ground attack would be devastating, including through further loss of GDP, exports, remittance, inflow of foreign direct investment, and emigration.

“A further escalation into a wider war, with strikes and destroyed infrastructure, could see the economy contract by up to 25 per cent in 2024,” he said.

“War could also result in an interruption of remittances, increasingly in cash, which has been a major source of income for the impoverished population – remittances represent about 30 per cent of GDP – and of the foreign exchange required to pay for imports.”

Foreign trade, and travel and tourism will be directly affected, as will power, transport and a retail sector already hit by low purchasing power, he added.

"Destruction of farmland will have a near permanent impact on the agricultural sector, much of which is based in the south and the Bekaa, and its exports, the main source of income for the inhabitants of the south," Mr Saidi said.

Additionally, severe damage to medical facilities and buildings, water and waste infrastructure, and closure of schools will have "longer-term implications" for health, sanitation and education in what is already one of the poorer regions of Lebanon, he added.

"Apart from the south and the Bekaa, the immediate impact will be felt on everyday activity – lower consumption – and tourism and its direct receipts: this will have a major impact on an economy that is already reeling from a severe economic and political crisis," he said.

Comments on Libya's central bank in The National, 14 Sep 2024

Dr. Nasser Saidi's comments on Libya's central bank in the backdrop of the two rival governments' disagreement appeared in an article in The National titled "Can Libya function without a central bank?" published on 14th September 2024.

The comments are posted below.

Libya's two rival governments have not yet reached an *agreement on who would lead the country's central bank. Any delays or failure could plunge Libya's economy into a deeper crisis as it reels from a liquidity shortage and high levels of inflation.*

The Central Bank of Libya is the only authorised entity to manage the country's oil revenue, which accounts for more than 90 per cent of the total government income, and is responsible for paying state salaries nationwide.

"The central bank's role is strategic – not only as the manager of international transactions, including oil revenue and international reserves, but also as the government's bank for payments, including salaries for civil servants and the military – which is now a question mark," said Nasser Saidi, president of Nasser Saidi and Associates.

"Impeding the activities of CBL threatens the very livelihood of Libya, with a loss to all parties and the population … any delays in payments of salaries will trigger further disarray, with an economy already struggling with liquidity shortage," he told The National.

However, last week, the UN mission in Libya said that the two governments had reached an agreement to appoint a new governor for the central bank, sparking hopes of a swift end to the crisis.

"The current uncertainty threatens to destroy the 10 years of building trust and credibility with the international financial system. While an agreement has been reached between the two factions to jointly appoint a central bank governor, consultations are still continuing," Mr Saidi said.

"Delays threaten not only the ability of the CBL to provide domestic banking and payment services but access also to the international financial system and source of income from oil sales," he added.

Comments on the GCC-Turkey trade negotiations & opportunity in The National, 30 July 2024

Dr. Nasser Saidi's comments appeared in an article in The National titled "GCC and Turkey's trade agreement could create $2.4tn opportunity" published on 30th July 2024.

The comments are posted below.

"By liberalising trade in goods and services and investment, a GCC-Turkey FTA would potentially create one of the world's largest FTAs of $2.4 trillion if fully implemented," Nasser Saidi, a former economy minister and vice-governor of Lebanon's central bank, told The National.

"This would require agreement on domestic content, GCC co-ordination with Turkey on trade facilitation to avoid long waiting times at borders, inappropriate fees, cumbersome customs formalities, and inadequate or unclear rules and regulations."

"The GCC are now negotiating as a trading bloc, strengthening their negotiating power as compared to negotiating individually," Mr Saidi said.

"Greater regional economic and financial integration implies greater economic diversification gains and generate higher economic growth."

He said that the GCC and Turkey are to benefit from the deal as global trade is disrupted by sanctions and tariffs at a *time when the US and China are at odds.*

The deal will also have "positive spillover effects for other countries, such as Iraq and Syria, that can benefit as GCC-Turkey trade and investment links grow", Mr Saidi said.

A GCC-Turkey free-trade agreement could also facilitate Brics membership and "add an important economic and geostrategic member", to the 10-member bloc, Mr Saidi said.

Comments on UAE-China economic linkages & prospects in The National, 28 May 2024

Dr. Nasser Saidi's comments appeared in an article in The National titled "Trade deals and tech in focus as President Sheikh Mohamed visits China and South Korea" published on 28th May 2024.

The comments are posted below.

"Energy remains at the heart of the UAE's burgeoning relation with China, though in recent years it has extended beyond," Nasser Saidi, Lebanon's former economy minister, told The National.

The UAE could benefit from linking its financial markets to Shanghai and Hong Kong, greatly helping financial flows, Mr Saidi said.

Potential linkages could also include the adoption of yuan for trade and the extension of China's Cross-Border Interbank Payment System, which is considered an alternative to the

SWIFT payment system, he added.

Comments on Saudi Arabia's economic diversification in Al Arabiya News, 8 Apr 2024

Dr. Nasser Saidi's comments appeared in an Al Arabiya News article titled "Saudi Arabia's economic diversification: Driving growth beyond oil" published on 8th April 2024.

The comments are posted below.

Amidst the dynamic economic shifts within Saudi Arabia, experts underscore the essential contribution of the non-oil private sector to driving sustainable job creation and enhancing total factor productivity growth, contrasting it with the capital-intensive oil and gas sector's limitations in meeting the demands of the burgeoning young and educated population.

"With approximately 60 percent of the population under the age of 30, there is a pressing need to pivot toward the non-oil private enterprises, rather than relying solely on the public sector, as the primary driver of sustainable job creation and heightened total factor productivity growth," founder, president and chief economist at Nasser Saidi & Associates, Nasser Saidi, emphasized.

"Expansionary readings of the Saudi PMI for March 2024 echo the resilience and resurgence of the private sector following the challenges posed by the COVID-19 pandemic," he told Al

Arabiya English. “The spike in demand has spurred a flurry of new orders and clientele, with export orders rebounding notably after a period of subdued activity. Noteworthy is the observed rise in employment alongside mild wage pressures, positioned to bolster the financial standing of firms and listed companies, thereby fortifying the overall health of the financial markets.”

“Saudi Arabia is progressing steadily toward achieving the ambitious objectives outlined in Vision 2030, buoyed by supportive public investments and comprehensive policy and legal reforms,” Saidi explained. “The Kingdom has pursued rapid diversification across three pivotal fronts: enhancing trade diversity to elevate non-oil trade share, boosting export value-added and expanding trade partnerships; pursuing government revenue diversification through VAT and other broad-based tax measures; and broadening production horizons to lessen reliance on oil-centric industries.”

“A significant driver of this [GDP] growth, constituting 40 percent, is private consumption, fueled by the emergence of new sectors such as entertainment, hospitality and tourism,” Saidi mentioned. “Notably, social reforms have propelled a rise in female labor force participation rate, concurrently reducing the female unemployment rate to a historic low of 13.7 percent in Q4 2023. This shift towards dual-income households has not only elevated household income but has also facilitated increased consumption rates and wealth accumulation.”

He added: “These developments have been instrumental in bolstering the services sector, including retail, and catalyzing the digital economy, with women playing important roles in both arenas.”

Among the various non-oil sectors experiencing growth in Saudi Arabia, Saidi believes that tourism has strong potential, given the country’s capacity to attract cultural, historical, *and religious tourists.*

He noted that "Saudi Arabia made an exceptional achievement of hosting 27 million foreign tourists and 77 million domestic visitors in 2023, meeting previous targets set for 2030."

"Strategic initiatives such as the development of resorts along the Red Sea and hosting major events like gaming conferences and concerts, coupled with facilitative measures like the unified GCC tourist visa and the upcoming Expo 2030, are projected to fortify tourism prospects," Saidi stressed.

"Services-related industries such as financial services, wholesale and retail trade, restaurants, hotels, as well as transport and logistics, are expected to lead the upswing," Saidi emphasized. "These sectors are anticipated to experience rapid development, reflecting a buoyant economic landscape. However, challenges may arise in the construction sector due to disruptions in Red Sea shipping, leading to increased costs of construction inputs and potential cost overruns."

Saidi suggested a positive near-term outlook driven by several key factors. Those include the pipeline of Mega and Giga projects, preparations for Expo 2030 and the World Cup 2034, and the ongoing regional headquarters project, where licenses are being issued at a remarkable rate of ten per week.

"The Public Investment Fund's domestic investments in new and emerging sectors are also expected to provide crucial support to non-oil activity, further fueling economic growth."

Comments on the GCC diversification strategies in Arab News, 9 Mar 2024

Dr. Nasser Saidi's comments appeared in an Arab News article titled "Diversification strategies paying off for GCC economies" published on 9th March 2024.

The comments are posted below.

Speaking before the latest PMI report, Nasser Saidi, former Lebanese economy and trade minister and founder of Nasser Saidi & Associates told Arab News: "The Gulf is benefiting from investments that have been made over time."

He said: "I think one of the critical sectors is transport and logistics," further stating how "many countries don't have the airports, transport and facilities that the Gulf has developed, particularly the UAE, Qatar, and increasingly now Saudi Arabia and to a lesser extent Oman."

Saidi continued: "As a result of it, tourism has developed very rapidly, and when you also open up the economy to tourist visas, facilities to establish businesses, and particularly you deal with COVID-19 very effectively, and you open up when the rest of the world was closed – the combination of these factors delivers the growth that we are witnessing now."

The economist believes that one of the undervalued aspects that contributed to non-oil growth is the fact that GCC health systems performed very well during COVID-19.

Saidi believes that the other big story for non-oil sector growth is the investment in renewable energy in the region.

“Despite the odds, these are the countries that are investing the most and the fastest in renewable energy because they have the advantage of solar power,” he told Arab News, adding: “They’re looking at this as a new opportunity of being able to go green and particularly (with) renewable energy, things like district cooling, things like a whole number of climate tech industries.”

The economist said: “Desalination is a perfect one. The combination of these factors in addition to the further opening of the economies with free trade agreements are fostering growth.”

Comments on the impact of UAE being removed from the FATF grey list in The National, 24 Feb 2024

Dr. Nasser Saidi’s comments appeared in an article in The National titled “UAE’s removal from Financial Action Task Force’s grey list to spur investor confidence” published on 24th February 2024.

The comments are posted below.

The immediate benefit would be an improvement in investors’ trust and confidence in the UAE, leading to an increase in more sustainable capital, foreign direct investment and *portfolio flows, according to Nasser Saidi, head of consultancy Nasser Saidi and Associates.*

This move will also support the expansion of both the domestic banking and financial sectors as well as the international financial free zones, as wealthy global investors and foreign businesses become more comfortable investing in the UAE, given its adoption of international laws and conventions, he explained.

Another major beneficiary will be the asset and wealth management activities of UAE-based family offices, he said.

"The UAE's removal from the FATF grey list is a testament to the country's political will and willingness to improve overall governance, transparency and disclosure of the banking and financial sector, address weaknesses alongside increasing its ability to deter illicit money flows [via the Executive Office for Anti-Money Laundering and Counter-Terrorism Financing], enhancing its ability to undertake financial investigations and extraditions of financial criminals among others," Mr Saidi added.
"However, it is important that the UAE continues on its journey in adopting and implementing international best practices and standards, continuously strengthening its financial regulatory regime, including AML/ CFT."

Comments on the impact of the war in Gaza on Lebanon in The National, 14 Feb 2024

Dr. Nasser Saidi's comments appeared in an article in The National titled "Lebanon's economy reels as cost of damages from Gaza war soar" published on 14th February 2024.

The comments are posted below.

Nasser Saidi, a former economy minister and deputy governor of Lebanon's central bank, told The National that the violence has caused extensive damage to buildings, infrastructure and private property, adding up to huge losses for Lebanon's already struggling economy. More than 65,000 people have been displaced in Lebanon because of the war. Trade, tourism, hospitality as well as agriculture and aviation are some of the sectors that have been hit hard.

"The direct attacks in the south of Lebanon heighten uncertainty, inflict damage and destruction to an already impoverished region of the country and inevitably augment the country's burdens," Mr Saidi, who is also head of consultancy Nasser Saidi and Associates, said.

"Already, Lebanon's four main economic pillars, trade and tourism, health, education, banking and finance have been decimated by the ongoing crisis and lack of reforms. Not to mention the long-term scarring effects from the mass migration of Lebanon's human capital which will accelerate if there is an escalation or war in Lebanon."

The agriculture sector has been particularly affected by the fighting. "South Lebanon and Nabatieh are major agricultural hubs accounting for 21.5 per cent of Lebanon's cultivated areas and damage to the sector will result in loss of the means of livelihood and income," Mr Saidi said.

"Any escalation [in the conflict] to the wider nation would be disastrous for a country already reeling from political, economic, and social woes – rebuilding would likely take decades rather than years," Mr Saidi said.

Comments made during this interview were also included in The National's Editorial on 16th February 2024.

"Disastrous", "decimated" and "impoverished" – these are just some of the words used by Nasser Saidi, a former economy minister and deputy governor of Lebanon's central bank, to describe his country's fragile state this week. In an interview with The National published on Wednesday, he outlined how Lebanon's economic problems – which the World Bank has called one of the worst global financial crises since the middle of the 19th century – were being exacerbated by the spreading violence of the Israel-Gaza war.
According to Mr Saidi, the escalation of the conflict will drive "mass migration" from Lebanon. Rebuilding would "likely take decades rather than years", he added.

Comments on the World Governments Summit & opportunities in Arab News, 11 Feb 2024

Dr. Nasser Saidi's comments appeared in an Arab News article titled "World Governments Summit provides 'exceptional opportunity' to address today's challenges: Experts" published online on 11th February 2024 & on print (12th Feb 2024).

The comments are posted below.

This year's World Governments Summit will present world leaders and delegates with a unique opportunity to combine efforts and address ongoing challenges amid rising regional tensions, organizers said ahead of the mega-event.

The three-day summit, set to kick off in Dubai on Monday, will bring together 25 world leaders and heads of state, 120 governmental delegations, more than 85 international and regional organizations and institutions, and distinguished thought leaders and experts. The participants will tackle pressing issues facing humanity across different fields, including economy, technology, artificial intelligence, sustainability, finance and education.

In a statement to Arab News, Nasser Saidi, former chief economist and strategist at the Dubai International Financial Centre, and former minister and first vice governor of the Central Bank of Lebanon, named three major challenges facing governments as they meet at the WGS: the growing visible consequences and risks of climate change, the accelerated growth of the digital economy due to the implications of using AI and related technologies, and the "New Cold War" resulting from growing fragmentation and deglobalization as the US, the EU and their allies decouple from China amid geopolitical conflicts and turmoil.

"Each of these challenges is greater for developing and poor countries," said Saidi.

A growing multipolar world is evident in governments' policies that are leading to increased economic and financial fragmentation. The number of global trade restrictions introduced each year has nearly tripled since the pre-pandemic period, reaching almost 3,000 last year, according to the International Monetary Fund.

This "New Cold War," Saidi said, could result in a 7 percent loss of global gross domestic product according to the IMF, due to global supply chains becoming less efficient, and inward-looking, self-sufficiency policies being disguised as *restrictions on access to tech and critical resources.*

“It will be strategically important for the governments meeting at the WGS to rapidly mitigate the risks of a New Cold War and its potential consequences, including growing strategic and military confrontations,” he added.

The growing climate divide and rapid growth of AI will also affect economies, societies, politics and militaries, and lead to greater degrees of inequality within countries.

“AI magnifies the risks of under-investment in the digital economy, and the growing digital divide between advanced economies and developing countries unable to invest in digital technologies and educate their populations for the digital economy,” said Saidi.

The investments required for climate adaptation to make infrastructure services resilient will also be costly for developing countries, requiring governments to partner with the private sector, which will have to provide 80 percent or more of the financing.

“Along with the growing use of robotics, AI will have profound implications for how governments are organized, and how they will deliver goods and services in general, let alone re-educating and retraining their workforce,” said Saidi.

Comments on Saudi Arabia’s gold discovery in The National, Jan 7 2024

Dr. Nasser Saidi’s comments appeared in an article in The National titled “Will Saudi Arabia’s recent gold discovery provide a major boost to its economy?” published on 7th January 2024.

The comments are posted below.

“The gold discovery could prove significant as the gold content of the ore is high,” Nasser Saidi, a former Lebanese economy minister and vice governor of the country’s central bank, told The National.

“Saudi Arabia can attract private sector investments in underexplored regions such as the Western Arabian Shield both in precious metals, as well as critical industrial minerals that are basic resources in global decarbonisation,” Mr Saidi said. The Western Arabian Shield region also holds valuable rare earth elements, such as tantalum, for which it has a quarter of the world’s reserves. It is widely used in smartphones.

Comments on the war in Gaza in Arab News, Nov 19 2023

Dr. Nasser Saidi’s comments appeared in an Arab News article titled “Gaza war a threat to fragile world economy, analysts warn" published on 19th November 2023.

The comments are posted below.

"At the moment, the situation is fluid," Dr. Nasser Saidi, former Lebanese economy and trade minister and founder of Nasser Saidi & Associates, an economic and business advisory consultancy, told Arab News, adding: "The impact of the Israel-Hamas war will depend on the length and depth of the conflict as well as if it spills over into the wider region, thus drawing in other parties, resulting in international ramifications that would then have an effect on global supply chains."

In his presentation "The Middle East in a Fragmented, Multi-Polar World" at the 19th Korea Middle East Cooperation Forum in Doha from Nov. 5-8 this year, Saidi stated how "global growth momentum has already slowed significantly this year; the war has the potential to further slow growth rates, raise already record-high public debt levels into crisis."

"We are meeting at a very dangerous time for our part of the world," said Saidi during his presentation in Doha. "The timing of this conference is very opportune at a personal level, and I think it reflects many of us. I have known nothing but war during my own lifetime as a professional, as a minister, as a public official, as an academic. My message is it must end and maybe what is happening today in Gaza and Palestine more generally may be a moment of change. We don't know yet. We're still living the fog war."

As Saidi underlined, the Middle East is home to 60 percent of the world's refugees – the highest number in the world.

Palestinian refugees won't just stay in neighboring countries, they will be pushed to move to other regions, including Europe, he added.

“The impact of the war on oil and gas prices could be huge,” said Saidi, further noting that if oil prices jump to a record $150 per barrel as the World Bank warns, “it will affect world economic growth, which has already been slowing during 2023. The more inflation affects commodity prices, the lower economic growth and the increase in debt crises for many countries because you are also having a period of high interest rates.”

“Destruction and violence beget violence,” added Saidi in his presentation. “There are no military solutions in Gaza.”

The countries most vulnerable in the Middle East include Lebanon, Egypt, Jordan and Iran. These countries are already facing a decline in growth, have current account and fiscal deficits and a fall in international reserves. According to Saidi, the sectors that will be most impacted in these countries are tourism, hospitality, construction and real estate, as well as capital outflows and lower foreign direct investment inflows.

“The world is becoming increasingly fragmented,” said Saidi.

It has also experienced great economic shifts in recent years – shifts that see the global economy looking eastward rather than westward.

In 1993, the G7 countries produced close to 50 percent of the world’s gross domestic product. Today, that group accounts for 30 percent, while Asia, in particular China, produces close to 20 percent.

“The implications for this part of the world are very clear,” said Saidi. “Our economic relations, politics, defense and other ties have always been with the West, but economic geography dictates that we need to shift those relations towards Asia.”

Saidi argued in his presentation that one way to solve some of *the dire economic prospects facing the Middle East, especially with the war in Gaza, is the creation of a regional development bank. The focus now needs to be on "post-war stabilization, reconstruction, recovery and a return to pre-war economic legacy."*

"The GCC (Gulf Cooperation Council) have got to be the main engine for economic stability across the Middle East because they're capable of doing that," said Saidi. "In order to do so, we must reinvigorate the GCC common market and the GCC customs union. We need trade agreements as a block for the GCC countries. Secondly, we need to establish an Arab bank for reconstruction and development."

"We are the only region in the world without a development bank," said Saidi.

When asked why the Middle East needs a development bank, Saidi said: "Because many of our countries have been destroyed."

"We need to help rebuild them. The cost is easily $1.4 to $1.6 trillion, and the list of countries is increasing. We now have Gaza and Palestine added to them."

This, he said, could be one area for cooperation between the Middle East and Asia.

"The big tectonic shift is moving towards Asia," added Saidi. "All our trade agreements are with Europe and the United States. That must change. We must shift."

Comments on Lebanon &

potential spillover from the Israel–Gaza war in The National, Oct 18 2023

Dr. Nasser Saidi's comments appeared in an article in The National titled "Lebanon's economy could collapse completely if Israel–Gaza war spreads, warn analysts" published on 18th October 2023.

The comments are posted below.

"The economic situation and all the indicators will rapidly deteriorate as a result of the security crisis and the Hamas-Israel war which can spill over into Lebanon," Nasser Saidi, a former economy minister and vice-governor of Lebanon's central bank, told The National.

An escalation of the conflict into Lebanon, he said, would lead to "potential destruction of its remaining infrastructure, including ports and the airport which are the economic lifeline of the country given its high dependence on the Lebanese diaspora."

Lebanon "could experience complete collapse" if the fighting continued to spread, added Mr Saidi, president of Nasser Saidi and Associates.

"Already we have seen population displacement from the south of the country, while we are witnessing an accelerated exodus of skilled professionals."

Comments on the proposed India-Middle East-Europe trade corridor in The National, Sep 11 2023

Dr. Nasser Saidi's comments appeared in an article in The National titled "Why new trade link between India, Middle East and Europe is a win for all" published on 11th September 2023.

The comments are posted below.

"The India-Middle-East-Europe corridor will be a win-win for all countries involved in the project," president of Nasser Saidi and Associates, Nasser Saidi, and its director of macroeconomics, Aathira Prasad, said.

"The move will support the UAE's diversification efforts, as it can expand its trade with other markets in the corridor, underscoring its current efforts to deepen trade relations with emerging market nations."

"Deep trade agreements need to be signed to reap the full benefits from the corridor," Mr Saidi said.

"The region should take this opportunity to improve trade facilitation measures", including easing the movement of goods at the border and focusing on reducing overall trade costs, he said.

"In the medium term, integrating trade infrastructure (ports, airports, logistics) in the wider Mena region would lower costs and facilitate intraregional trade, leading to greater regional integration," said Mr Saidi.

"Given ongoing renewable energy projects and net-zero emissions ambitions of the UAE and wider GCC, one could even

envisage a GCC renewable-energy-powered, integrated electricity grid could extend all the way to Europe and India," Mr Saidi said.

A potential land-based alternative to the Suez Canal will reduce the risk of it being a chokepoint, as it currently handles about 10 per cent of global maritime trade, Mr Saidi said.

"Instead of viewing the corridor as a threat to revenue, this should be seen as an opportunity to integrate the various modes of transportation … creating an air-sea-land custom-free corridor to support the movement of goods," he said.

Comments on Saudi Arabia's economic diversification in Arab News, Aug 26 2023

Dr. Nasser Saidi's comments appeared in an Arab News article titled "Saudi Arabia's economic diversification thrives amid global uncertainty" published on 26th August 2023.

The comments are posted below.

Despite market volatility, Nasser Saidi & Associates — an economic and business advisory consultancy led by a Lebanese politician and economist who held roles as minister of economy and industry and vice governor for the Lebanese central bank— reveals that from 2000 to 2019, notable improvements in Economic Diversification Index scores are seen in countries such as China, the US, Saudi Arabia, Germany, and Oman.

Additionally, GCC nations, excluding Bahrain, rank among the top 20 countries that have advanced their EDI scores during this timeframe.

While Saudi Arabia ranks among the nations experiencing rapid EDI growth, it's important to note that its journey started from a relatively modest base, notes Saidi.

The Kingdom's earlier limited level of diversification implies that its pace would outstrip that of already highly diversified economies, he explains.

"There is a process of convergence toward highly diversified economies. We can expect this trend to continue."

Saidi emphasizes that the improvement of Saudi's EDI score is not surprising, given the conscious effort to expand the non-oil private sector's contribution to the GDP – a pivotal component of the diversification strategy supported by economic policies.

"On the output side, diversification away from oil has benefitted from the size of the country as well as having relatively closed sectors although with relatively low levels of tariffs," he says.

While Saudi Arabia's economic diversification model is reaping notable benefits and success, oil still remains a dominant source of Saudi export and fiscal revenue, directly accounting for over 40 percent of its GDP, according to a report by the IMF in 2022.

"With respect to trade, oil is still the prominent commodity the Kingdom trades, however, being an international commodity, it is traded with a large, diversified set of nations (offering some buffer in case a few of the major trade partners' growth/ demand weakens)," explains Saidi.

However, as we look forward, the question arises: how can

Saudi Arabia’s economic diversification model sustain its fruitful trajectory?

According to Saidi, Saudi investments in sectors like mining and metals, along with hospitality and tourism, including religious, cultural, and historical, “seem most likely to reap benefits.”

Additionally, there has also been the introduction of revenue-enhancing measures. These include measures such as value added tax at a comparatively higher rate of 15 percent compared to other GCC nations, along with excise and legislated taxes on specific goods and services at purchase.

These additions, explains Saidi, “have enabled the country to move away from the procyclical nature of government revenue that was evident in the past, tracking oil’s boom-bust cycles and leading to pro-cyclical fiscal policies.”

Saidi emphasizes that for Saudi Arabia, the continuation of fiscal consolidation efforts is vital, which includes implementing revenue-enhancing measures. As the country strives to attract regional headquarters to relocate to Riyadh, he says it would be interesting to see how the corporate taxation efforts are molded.

Further expansion of economic diversification opportunities can stem from the clean energy sector, particularly as the Kingdom advances its initiatives toward achieving net-zero emissions by 2060.

“The clean energy sector has much potential for growth – the nation could even export electricity generated from solar power via an interconnected grid all the way to Europe and/ or South Asia,” he states.

“In my view Saudi will emerge as a new energy powerhouse during this decade, building on its comparative advantage in solar power and exporting ‘green electricity’ and hydrogen,”

Saidi concludes.

Comments on Lebanon's potential oil and gas finds in The National, Aug 25 2023

Dr. Nasser Saidi's comments appeared in an article in The National titled "[Lebanon 'years away' from realising benefits of potential oil and gas finds]" published on 25th August 2023.

The comments are posted below.

There's a "presource risk" when it comes to Lebanon's case, where policymakers ramp up spending in anticipation of potential future revenue, Nasser Saidi, president of Nasser Saidi and Associates and Lebanon's former economy minister, told The National.

Even if they find oil and gas trapped beneath the seabed, the quantity discovered may not be worth a major investment, Mr Saidi said.

For Lebanon's economy to benefit from any future oil and gas production, a national oil fund that is independent of the country's Finance Ministry needs to be set up, Mr Saidi said.

"There should be a strict law on the use of any revenues because this is resource wealth that is not renewable … you have to keep it for future generations," he said.

In Lebanon's case, revenue from oil and gas exports will come after "seven to eight years" as it builds the necessary infrastructure and pipelines, Mr Saidi said.

"We don't know what the price of oil and gas is going to be by then. The world is in the energy transition and everybody is moving towards renewable energy and that might mean potentially downward pressure on oil and gas prices," he said.

Comments on Saudi Arabia's & UAE's invitation to join the BRICS in AGBI & The National, Aug 24 2023

Dr. Nasser Saidi's comments appeared in an article in AGBI titled "New Middle East members expand Brics reach" published on 24th August 2023.

The comments are posted below.

"It is an important geo-strategic move, the bloc can focus on issues and objectives relevant to them as opposed to a Bretton Woods agenda set by the West," said Nasser Saidi, a prominent Lebanese economist and former government minister.

Dr Saidi said that the current and future Brics members are not holding common currency discussions. But the potential for using local currencies for trade financing and settlement is critical if the announcement is to have lasting significance.

"This is extremely important for the emerging market nations which are currently dependent on dollar fluctuations and the Fed's rate decisions," he said, referring to the US Federal Reserve.

Comments from Dr. Nasser Saidi and Aathira Prasad appeared in an article in The National titled "Expansion of the Brics group could lead to 'different world order', analysts say" published on 24th August 2023.

The comments are posted below.

"Expanding the Brics to include six new members, including the UAE and Saudi Arabia from the GCC, underscores the potential for the expanded bloc to become the architect of a different world order – one that reflects the shift in global economic and financial geography towards the East," president of Nasser Saidi and Associates, Nasser Saidi, and its director of macroeconomics, Aathira Prasad, said.

"Joining the group will allow these GCC nations to diversify strategic alliances and also help set a global policy agenda.

"There are many economic challenges that are common to this set of nations including impact from climate change, energy transition, infrastructure for development, poverty as well as growing inequality across and within nations – being part of the bloc will enable these nations to tailor solutions according to their needs and interests."

Saudi Arabia and the UAE are already among the largest trading partners of the Brics in the Middle East and joining the group facilitates further expansion in trade and supports their economic diversification strategies, added Mr Saidi and Ms Prasad.

"The newly expanded bloc can follow the precedent set by the UAE and India and use local currencies for trade financing and settlement," they said.

Comments on the delays in Lebanon's reforms in The National, Aug 4 2023

Dr. Nasser Saidi's comments appeared in an article in The National titled "Reform delays threaten to plunge Lebanon's crisis-struck economy into darker depths" published on 4th August 2023.

The comments are posted below.

Topping the long list of necessary measures required to overhaul the economy is restoring confidence in the banking system and the Banque du Liban by instituting checks and balances, public accountability, transparency and disclosure, said Nasser Saidi, formerly Lebanon's economy minister and vice-governor of the central bank.

"It is incredible that there has been zero accountability of the BdL for the biggest financial crisis in history that has destroyed the Lebanese economy," he said.
"With a new acting governor at the central bank, the hope is for a faster rollout of policy reform, with support from the caretaker government," Mr Saidi said.

"Credible financial restructure tops the list of reforms needed … in addition to a move towards flexible exchange rates and stopping all quasi-fiscal policies such as the financing of the state budgets."

"These necessary reforms are politically feasible but remain an uphill task in the current political backdrop," Mr Saidi said.

"Any further delays will only lead to further exchange rate depreciation, a plunge in consumer and business sentiment and increase cash dollarisation alongside high levels of

inflation," he added.

Comments on the landmark power project of GCC Interconnection Authority and Iraq in Arab News, Jun 24 2023

Dr. Nasser Saidi's comments appeared in an Arab News article titled "Electrical transmission line connecting Afar in Saudi Arabia to Yusufiya in Iraq inaugurated" published on 24th June 2023.

The comments are posted below.

Crucially, the agreement underscores part of what Nasser Saidi, Lebanon's former economy and trade minister and founder of Nasser Saidi & Associates, calls "the regionalized globalization by the GCC.

"Integrated electricity grids, such as between Saudi and Iraq, result in greater power efficiency, improved management of electricity grids and network economies, lowering costs for all the countries involved," he told Arab News.

"It allows the creation of a GCC-augmented electricity market and electricity trading across borders. In parallel, Saudi, the UAE and other GCC countries are heavily investing in renewable energy (mainly solar) for their power generation," he said.

"Eventually, the GCC can export solar-based electricity green energy to not only neighboring countries (Iraq, Jordan, Egypt and Yemen) but also to India and across North Africa into Europe. Already, a GCC-India undersea electricity connector is planned. A new energy infrastructure map is emerging."

There also, said Saidi, wider possibilities and vision for the agreement that have the potential as stated by Prince Saud and Al-Mitiwiti to garner greater energy security and economic benefits for the region.

"The integration of basic infrastructure – water, electricity, transport and logistics (ports and airports) – is a major building block of greater economic integration between the GCC and its regional partners, enabling the deepening of regional trade and investment links," Saidi explained.

He added: "Infrastructure integration fosters economic development. It creates jobs in countries such as Iraq, Jordan, Egypt, Lebanon and Syria that have traditionally been reliant on exporting labor, helping them combat the present brain drain."

Moreover, as Saidi stressed, the greater integration of these countries with the GCC enables partners to participate in global value chains through the region, generating higher value exports (rather than low-value commodity exports such as phosphates) and diversify their economies.

All of this is taking place during a time of great change for world energy markets.

"The GCC countries are now pursuing an active international trade and investment strategy leading to 'regionalized globalization', at a time when the rest of the global economy is fragmenting and there is attempted US, EU and allies decoupling from China," he added. "Strategically, regionalized globalization can lead to greater geopolitical stability."

Comments on Lebanon's currency crash in Bloomberg, 2 Mar 2023

Dr. Nasser Saidi's comments on Lebanon's currency crisis appeared in the Bloomberg article titled "**World's Biggest Currency Crash Prompts Lebanon to Intervene Anew**", published on 2nd Mar 2023.

Comments are posted below.

Given Lebanon's limited international reserves, the pound stands little chance of returning to stability any time soon, according to Nasser Saidi, formerly a minister of economy and a vice governor at the central bank.

It's "failed policy, we have seen it before," he said. "Whatever remaining money is at the central bank is being used to subsidize public employees."

Previous such efforts to inject dollars only briefly shored up the pound.

"This operation will fail and is becoming more expensive because the economic cost is increasing," Saidi said. "We are taxing the cash economy that is running into a hyperinflationary spiral."

Comments on Lebanon's devaluation in Bloomberg, 1 Feb 2023

Dr. Nasser Saidi's comments on Lebanon's devaluation appeared in the Bloomberg article titled "Lebanon Devalues, Still Leaves Pound Far Away From Black Market", published on 1st Feb 2023.

Comments are posted below.

The *central bank "is continuing with a policy of using the printing press, printing pound to buy dollars in the market, including through the Sayrafa platform," said Nasser Saidi, a former minister of economy and a vice governor at the central bank. "The consequences are clear: accelerating inflation and depreciation of the pound in the market."*

Comments on Lebanon's sharply falling tax revenues in L'Orient Today, 5 Jan 2023

Dr. Nasser Saidi's comments on Lebanon's sharply falling tax revenues were published in L'Orient Today, as part of an article titled "Rate of Lebanon's state revenues among lowest globally", published on 5th January 2023.

Comments are highlighted below:

The state's tax base is the country's shrinking economy. There is less income and profit available for taxation than previously in an economy that is less than half its pre-crisis GDP. The state is highly reliant on a VAT that brings in less money as consumption falls dramatically.

"A major reason for the decline in government revenue is that Lebanon's tax system does not adjust to inflation," former economy minister and central bank vice governor Nasser Saidi told L'Orient Today. By way of example, he cited customs.

Prior to Dec. 2022, customs duties – a major component of state revenue – were fixed at the LL1507.5 exchange rate, leading to a more than 95 percent reduction in the real value of state revenues since Oct. 2019 as the lira depreciated. In December, customs were converted to LL15,000 per dollar; roughly a third of the real lira value of the import at the current parallel market rate.

Saidi said that, as part of overall reforms, Lebanon needs to adjust its tax system to protect revenues from inflation. "For example, the so-called 'customs dollar' should be abolished and tariff rates should apply to the foreign currency value of the goods and [be] paid in foreign currency," he said.

"All taxes will have to be adjusted for inflation so that [the] government has revenue to cover core spending," Saidi added.

The 2022 budget, published on Nov. 15, 10 and a half months into the year, converted a number of taxes and fees to foreign currencies, such as consular fees, port fees and airport fees, as well as some capital gains and interest income taxes.

Other factors that have driven the sharp decrease in revenue include increased tax evasion amid a growing cash economy and less effective tax administration, as well as less revenue from taxes on bank interest as deposits decline.

Saidi called the state's ability to collect taxes "sharply impaired" and said anecdotal evidence suggests tax evasion has "substantially increased."

Comments on Inflation in Syria and the collapsing pound in Associated Press, 5 Jan 2023

Dr. Nasser Saidi's comments on inflation in Syria and the collapsing pound were part of an Associated press article titled "[EXPLAINER: Why has Syria's economic crisis hit a new low?]". The article was published on 5th January 2023.

Comments are highlighted below:

Apart from years of war, sanctions and widespread corruption, Syria's economy has gone through a series of shocks since 2019, beginning with the collapse of Lebanon's financial system that year.

"Given the open borders between Syria and Lebanon and both of them (being) increasingly cash based economies," their markets are inextricably linked, said Nasser Saidi, a former Lebanese economy minister The currency collapse and removal of

subsidies in Lebanon has driven devaluation and higher prices in Syria, he said.

Comments on "Was Lebanon the world's biggest Ponzi scheme?" in Arab News, Aug 9 2022

Dr. Nasser Saidi's comments appeared in an Arab News article titled "Was Lebanon the world's biggest Ponzi scheme?" published on 9th August 2022.

The comments are posted below.

"Lebanon is the greatest Ponzi scheme in economic history," Nasser Saidi, a Lebanese politician and economist who served as minister of economy and industry and vice governor for the Lebanese central bank, told Arab News.

Unlike financial crises elsewhere in the world through history, Saidi said the cause of Lebanon's woes could not be pinned to any single calamity that was outside the government's control.

"In Lebanon's case it was not due to an actual disaster, not due to a sharp drop in export prices in commodities, it is effectively man-made.

"The World Bank talks about Ponzi finance, and they are right to point to the fact that you have two deficits over several

decades. One was a fiscal deficit brought on by continued spending by the government more than revenues.

"The problem was that the government's spending did not go for productive purposes. It did not go for investment in infrastructure or to build up human capital. It went for current spending. So, you didn't build up any real assets. You had a buildup of debt, but you didn't build up assets in proportion or to compare to the borrowing that you had."

Since the end of the civil war, Lebanon should have been undergoing a period of reconstruction. However, spending on such infrastructure projects remained low, with the money seemingly siphoned off elsewhere.

"The infrastructure that was required – electricity, water, waste management, transport, and airport restructuring – was neglected," said Saidi.

But it was not just material infrastructure of this kind that was neglected. Institutions that would have improved and solidified governance, accountability, and inclusiveness were also ignored, leaving the system vulnerable to abuse.

"Whenever you go through a civil war, you need to think about the causes of the war, and much of it was due to dysfunctional politics, political fragmentation, and the break-up of state institutions," said Saidi.

"There was no rebuilding of state institutions and because of that, budget deficits continued, and a very corrupt political class began owning the state. They went into state-owned enterprises and government-related enterprises and considered that all state assets are their possessions and instead of possessions of the state."

Lebanon's "Ponzi scheme" was also driven by current account deficits and the overvalued exchange rate caused by the central bank policy of maintaining fixed rates against the *dollar.*

In economics, said Saidi, this is what you called the "impossible trinity," meaning that a state could not simultaneously have fixed exchange rates, free capital movements, and independence of monetary policy.

"If you peg your exchange rate, you no longer have any freedom of monetary policy. Lebanon's central bank tried to defy the impossible trinity and tried to maintain an independent monetary policy at a time in which the exchange rate was becoming more and more over-valued."

The World Bank report calls for a comprehensive program of macro-economic, financial, and sector reforms that prioritize governance, accountability, and inclusiveness. It says the earlier these reforms are initiated, the less painful the recovery will be for the Lebanese people. But it will not happen overnight.

"Even if the reforms and laws were passed, it will take time to recover and to restore trust," said Saidi. "Trust in the banking system, in the state, and in the central bank has been destroyed. Until that trust is rebuilt, Lebanon will not be able to attract investment and it will not be able to attract aid from the rest of the world."

And although Lebanon held elections in May, propelling several anti-corruption independents to parliament, Saidi doubted their influence would be enough to drive change.

"Some 13 new deputies entered parliament, but they are unlikely to make the changes that are required," he said. "Politically, business continues as usual. There is a complete denial of reality."

Comments on monetary tightening & inflation in The Independent Arabic, 30 May 2022

Dr. Nasser Saidi’s comments in The Independent Arabic on global and regional inflation and effects of monetary tightening can be read below or at the original link

هل تنجح دول الخليج في تخطي اختبار التضخم ورفع أسعار الفائدة؟

تُحافظ دول الخليج على انتعاش اقتصادي ملحوظ مدعومة بتحسن قوي لأسعار النفط، مما يجنبها الانحدار الاقتصادي الذي تعيشه غالبية الاقتصادات العالمية وتفشي مخاطر التضخم المرتفع. وقال محللون ومتخصصون لـ"اندبندنت عربية"، إن اقتصادات دول الخليج ستبقى قادرة على كبح جماح معدلات التضخم وإبقائها تحت السيطرة في 2022، حتى في ضوء التوقعات بارتفاع أسعار المواد الغذائية على المستوى العالمي.

وأوضحوا أن الحكومات الخليجية مطالبة بمواصلة إجراءاتها الخاصة بتعزيز وتسهيل بيئة الأعمال، وصولاً إلى تحسين جديد لمستوياتها على المؤشرات العالمية، إلى جانب العمل على استقطاب استثمارات أجنبية جديدة تضخ أموالاً وخبرات في السوق المحلية، علاوة على الحفاظ على التنمية المستدامة للقطاع غير النفطي للحيلولة دون حدوث أي تأثيرات سلبية من معدلات التضخم المتصاعدة عالمياً.

وبحسب الأرقام الرسمية، فإن معدلات التضخم في دول الخليج الست الغنية بالنفط، لا تزال منخفضة، وذلك عند مقارنتها مع باقي كبريات الاقتصادات العالمية، أو حتى أهم أسواق الدول الناشئة.

ومقارنة بالتضخم الأميركي الذي وصل لأعلى مستوى منذ 4 عقود إلى 8.5 في المئة وفي الاتحاد الأوروبي إلى 7.5 في المئة، تتراوح نسبٍ التضخم في الخليج بين 2 في المئة في السعودية وهي الأقل خليجياً و2.5 في المئة في الإمارات و3.59 في المئة في عُمان و3.90 في المئة في البحرين و4.37 في المئة في الكويت، أما قطر التي تعتبر الأعلى على مستوى الخليج بنسبة 4.42 في المئة.

قراءات أقل في معدلات التضخم

وعلى الرغم من أن قراءات التضخم التي تُعد أقل بصورة كبيرة عن مثيلتها في الولايات المتحدة، فإن البنوك المركزية الخليجية تجد نفسها مضطرة لرفع سعر الفائدة بسبب ارتباط عملاتها بالدولار، باستثناء الكويت التي تربط الدينار بسلة عملات يُهيمن عليها الدولار.

وتعني عمليات ربط العملات الخليجية أن البنوك المركزية المحلية غالباً ما تأخذ إشارة إلى السياسة النقدية من الولايات المتحدة، مما يؤدي إلى مخاطر عدم توافق السياسات عندما تكون دورات الأعمال بعيدة عن خطوتها، واليوم تعاني منطقة الخليج من ارتفاع التضخم، ولكن ليس بوتيرته في الولايات المتحدة.

واقتفى صناع السياسات النقدية في دول الخليج أثر بنك الاحتياطي الفيدرالي الأميركي، ورفعوا أسعار الفائدة الأساسية مرتين حتى الآن، الأولى بمقدار ربع نقطة مئوية في مارس (آذار) الماضي لأول مرة منذ عام 2018، والثانية بمقدار نصف نقطة مئوية في أبريل (نيسان) الماضي.

وتحرص البنوك المركزية في منطقة الخليج، بما فيها السعودية والإمارات إلى مواكبة القرارات الصادرة عن الفيدرالي لحماية ربط عملاتها المحلية بالدولار، في حين لا تُعد ضغوطات التضخم في المنطقة قاسية مثلما هو الأمر في الولايات المتحدة، حيث بلغت أعلى مستوياتها منذ أربعة عقود، فإن قوة التعافي في أعقاب تفشي وباء كورونا تستدعي تشديد السياسة النقدية، بحسب شركة "أكسفورد إيكونوميكس".

النشاط الاقتصادي يتحسن

قال المتخصص في الشؤون الاقتصادية الدولية، ووزير الاقتصاد والتجارة اللبناني الأسبق، ناصر السعيدي: “على الرغم من الضغوط التضخمية حول العالم، فإن النشاط الاقتصادي لدول الخليج يُظهر تحسناً، حيث بقيت مؤشرات مديري المشتريات بدول المنطقة عند مستويات توسعية”.

وأشار إلى أن ارتفاع أسعار المواد الغذائية المستوردة واضطرابات سلاسل التوريد تسببت في ارتفاع التضخم في دول مجلس التعاون الخليجي، حيث إن كثيراً منها بلغ أعلى مستوياته في عقد من الزمان، موضحاً أن وزن المواد الغذائية في اقتصادات دول مجلس التعاون الخليجي أقل مقارنة بباقي دول الشرق الأوسط وشمال أفريقيا، موضحاً أن التحسن في القطاع غير النفطي بالخليج يحدث بشكل أسرع مما هو عليه في التصنيع، مما يشير إلى التعافي الأسرع للقطاعات غير النفطية وغير الصناعية.

وأشار إلى أن ربط العملات الخليجية بالدولار الأميركي أدى إلى فقدان استقلالية السياسة النقدية، مع اضطرار البنوك المركزية إلى اتباع سياسة التشديد لبنك الاحتياطي الفيدرالي عبر رفع أسعار الفائدة، لافتاً إلى أن هذا يضغط على القطاع غير النفطي، بخاصة العقارات والإسكان والاستثمار الرأسمالي في الصناعة.

وأوضح السعيدي أنه يمكن تعويض ذلك من خلال أدوات السياسة المالية المستهدفة، ولا سيما في تسريع الاستثمار في الطاقة المتجددة والتكنولوجيا كجزء من مكافحة تغير المناخ والتخفيف من مخاطره المتوسطة والطويلة الأجل.

وأكد أنه يمكن لحكومات دول مجلس التعاون تقديم حوافز لتنمية الاقتصاد الرقمي والخدمات الإلكترونية وصناعة التشفير. وبيّن أن ارتفاع قيمة الدولار الأميركي وعملات دول مجلس التعاون الخليجي سيساعد في تقليل التضخم المستورد مقارنة بدول أخرى مثل مصر التي تواجه معدلات تضخم متسارعة. وتابع، “يمكننا توقع زيادة نسبية في أسعار المواد الغذائية نتيجة الارتفاع العالمي بالأسعار”.

القدرة على الصمود

قال عضو المجلس الاستشاري في معهد تشارترد للأوراق المالية والاستثمار والمحلل المالي وضاح الطه، “إن التضخم في دول مجلس

التعاون الخليجي تعتبر من أقل النسب العالمية، كما أن اقتصاداتها لا تزال قوية، وسيكون لديها القدرة على الصمود في مواجهة موجة تشديد السياسة النقدية"، مضيفاً أن عوائد النفط المرتفعة ستوفر لحكومات المنطقة قدرة على تعويض هذا التأثير، حيث تمنح حكومات المنطقة القدرة على زيادة الإنفاق بهدف امتصاص تأثير زيادة تكاليف الاقتراض.

وتُعد أسعار النفط التي تتجاوز 100 دولار للبرميل في مستوى أعلى حالياً مما تحتاج إليه غالبية دول الخليج لتحقيق التوزان لميزانياتها خلال العام الحالي، بحسب تقديرات صندوق النقد الدولي، وهو ما يعطي الحكومات مساحة أكبر لزيادة عمليات الإنفاق.

وأضاف الطه أن تعافي الاقتصاد غير النفطي للدول الخليجية، وانخفاض أسعار الفائدة الحقيقية، والتي تمثل الفارق بين أسعار الفائدة الاسمية ومعدل التضخم، سيوفر أيضاً لاقتصادات المنطقة مساحة كافية لامتصاص زيادة أسعار الفائدة من قبل الفيدرالي خلال العام الحالي.

مستوى تحت السيطرة

وقال أستاذ المالية والاستثمار بكلية الاقتصاد بجامعة الإمام محمد بن سعود، محمد مكني، إن معدلات التضخم في دول الخليج ما زالت في مستوى معتدل وتحت السيطرة مقارنة بدول عالمية أخرى على الرغم من ارتفاعها حتى نهاية الربع الأول من عام 2022 مقارنة بالفترة نفسها من عام 2021، موضحاً أن النسبة الأكبر في التضخم الخليجي في قطاع النقل بنسبة وصلت إلى 9 في المئة ثم قطاع الثقافة والترفيه بنسبة وصلت 7.2 في المئة.

وأكد أن أسعار الفائدة للبنوك المركزية الخليجية مرتبطة بشكل مباشر بما يقرره الفيدرالي الأميركي، وهذا يعطي ميزة بحكم الارتباط بعملة الدولار العملة الأكثر أماناً وثقه في العالم لارتباطها أكبر اقتصاد في العالم.

وأشار إلى أن دول الخليج مع ارتفاع أسعار النفط التي تُعد أحد العوامل الرئيسة المحركة لاقتصاداتها متوقع أن تشهد نمو أسرع هذا العام أكثر مما كان متوقع، وذلك طبقاً لتوقعات البنك الدولي وعدد من الوكالات العالمية التي أبدت نظرة إيجابية ومتفائلة حيالها، مؤكداً أنه لذلك ليس من المتوقع أن نشهد أي ركود اقتصادي بالمنطقة خلال الفترة القادمة، مشيراً إلى أن هذا الارتفاع في أسعار النفط يغطي أي آثار سلبية ناتجة من ارتفاع أسعار الفائدة.

ويعتقد أنه من المهم الأخذ في الاعتبار أن خطر التضخم وانخفاض أسعار النفط لا يزالان قائمين بسبب عودة وباء كورونا في الصين، والذي قد يسبب اضطرابات في سلاسل الإمداد العالمي، أو بسبب الحرب الروسية – الأوكرانية. وأكد أن اقتصادات مجلس التعاون الخليجي قد لا تتأثر بشكل كبير في المدى القصير أو المتوسط بذلك.

سياسة مالية توسعية

من جهته، قال المحلل الاقتصادي السعودي علي الحازمي، إن من الأفضل لدول الخليج انتهاج سياسة مالية توسعية قادرة على امتصاص آثار رفع معدل الفائدة على الناتج المحلي وإحداث توازن في النمو الاقتصادي بالمنطقة. ولفت إلى أن آثار ارتفاع التضخم عالمياً على اقتصادات دول الخليج لن يكون مؤثراً إلا إذا حدث تراجع أسعار النفط دون مستوى 80 دولاراً للبراميل الواحد تزامناً مع مُضيّ الولايات المتحدة في رفع الفائدة ومحاربة التضخم على المدى الطويل.

وقال المحلل الاقتصادي عبد الله باعشن، "التضخم موجود بدول الخليج عند مستويات مقبولة، وخصوصاً في السعودية، التي أعلنت أخيراً زيادة وتيرة التضخم ليبلغ 2.3 في المئة الشهر الماضي، مرتفعاً من 2 في المئة في مارس الماضي، وهي النسبة الأعلى منذ يونيو (حزيران) 2021 في ظل استقرار تكلفة أسعار النفط والطاقة لأنها مصدرة للسلع المرتبطة بتلك القطاعات، وهو الأمر الذي يُمكّنها من التحكم فيه.

وأوضح أن هناك عدة عوامل تدعم استقرار التضخم في دول الخليج، وفي مقدمتها دخول في مرحلة تنمية اقتصادية في البنية التحتية في النقل وغيرها من تدفق الاستثمارات الأجنبية لأكبر اقتصادات في المنطقة أبرزها اقتصاد السعودية، الذي يملك أكبر نسب نمو اقتصادي في المنطقة، ومن ثم تزيد تلك العوامل من القوة الشرائية، وأيضاً تدفع معدل البطالة للتراجع. وأشار إلى أن استخدام بعض أدوات السياسيات المالية مثل فرض الضرائب والرسوم أو زيادة أسعار الفائدة قد يؤدي إلى ركود في الاقتصادات، لأنها تؤثر على القوى الشرائية.

ولفت إلى أن من وسائل مكافحة التضخم تقليل الضرائب، ولا سيما على البضائع الاستهلاكية، مشيراً إلى أن الضرائب من الوسائل التي لها ارتباط وثيق بعوائد الدول، لا سيما في ظل تزايد تداعيات الحرب الروسية – الأوكرانية، وهو الأمر الذي يُصعّب مسألة تقليلها بشكل

كبير في المرحلة الحالية.

تضخم مستورد

بدوره، قال المحلل الاقتصادي الكويتي، علي العنزي، إنه لا شك أن نسب التضخم مُتحكّم فيها في منطقة الخليج، ويعود ذلك بشكلٍ رئيس بسبب الدعم الحكومي للوقود في معظم دول المنطقة، وأيضاً لأسعارِ المواد الغذائية الأساسية مثل القمح، ويُعد التضخم في معظمه وارداً من الخارج بسبب تأثير الحرب الروسية – الأوكرانية أخيراً، وقبلها عمليات التيسير الكمّي التي قام بها الفيدرالي الأميركي لمواجهة تبعات كورونا.

وأكد أن البنوك المركزية الخليجية مضطرة لِرفع الفائدة لتواكب أي رفع في أسعار الفائدة الأميركية ضماناً لاستقرار المالي في المنطقة، وذلك على الرِغم من اختلاف معدلات التضخم بها مقارنة بالولايات المتحدة، لافتاً إلى أن حالة الاستقرار ذات الصلة بعملية ربط العملات المحلية بالدولار مرجحة على حقيقة أن الولايات المتحدة ودول الخليج من الممكن أن تمر بدورات اقتصادية متباينة، أو يكون لديها معدلات تضخم مختلفة.

وأوضح أن السياسيات المالية الواضحة التي تتضمن زيادة الإنفاق الحكومي، ولا سيما بعد زيادة أسعار النفط، إضافة لخفض للضرائب، هي العامل الأبرز الذي يُمكّن حكومات المنطقة من مواجهة أي ركود اقتصادي محتمل بسبب رفع الفائدة. وتوقع أن تواصل مستويات التضخم الخليجي الزيادة ِلأن أغلبِ السلع والبضائع مستوردة من الخارج، ولذلك يسمى تضخماً مستورداً، مشيراً إلى أن من الوسائل للتحكم في ذلك التضخم تثبيت الأسعار.

Comments on “SPACs may reshape Gulf financial

markets” in Arab News, Feb 13 2022

Dr. Nasser Saidi’s comments appeared in an Arab News article titled “SPACs may reshape Gulf financial markets” published on 13th February 2022.

The comments are posted below.

“SPACs also allow for diversification in listed sectors, which are too concentrated on banks, real estate, and telecoms,” former chief economist of the DIFC business district Nasser Saidi told Arab News. “They will bring support for startups, especially those in disruptive sectors and later-stage growth companies.

“Target companies will certainly include promising technology ones, financial technology firms, the media industry, and health and education, as well as renewable energy and clean tech.”

Driven by strong liquidity and high technology sector growth, SPACs have boomed recently. There were 613 listings around the world totaling $145 billion in 2021, compared to $80 billion for 247 SPACs the year before, according to figures from the consultancy Nasser Saidi & Associates.

Another problem is that, often, SPAC cash can spend a long time looking for a home. “If you look at the 2021 cycle, 82 percent of 2021 SPACs are still searching for deals and only 3 percent of the SPACs realized their deals,” Saidi added.

SPACs also face a shifting financial environment as central banks tighten global monetary policies to battle inflation. The fact that regional economies will profit from spiking oil *prices does not necessarily mean that this cash will be injected into SPACs, but instead be used to buy into government initial public offerings, Saidi pointed out.*

"The process in Gulf Cooperation Council countries will be more institutionalized, given that regulatory frameworks will look at the US example and avoid mistakes that were done there."

Saidi said: "SPACs' future remains promising because the region has many young dynamic companies. SPACs will fill the gap, given the under-developed venture capital and private equity sector in the region."

Interview with the Economy Middle East magazine on diverging Middle East growth, 1 Jan 2022

Dr. Nasser Saidi was interviewed about his views on growth prospects in the Middle East and North Africa region. His comments were published in the article titled "At dawn of 2022, MENA pulled in diverging directions" in the Economy Middle East magazine, released on 1st January 2022.

The comments are posted below.

"Oil exporters in the region faced a double whammy with an initial period of falling oil prices and the direct negative impact from the pandemic," said Nasser Saidi, a leading economist and the founder and president of Nasser Saidi & Associates. "The pandemic resulted in fiscal, monetary and macro stimulus: As oil prices remained low, countries with sufficient fiscal buffers [mainly the GCC, and Egypt to a lesser extent] were able to extend funds to vulnerable segments of the population and affected sectors."

Saidi added that several countries had to tap into the international markets to get support. "The main challenges [in 2021] continued to be the pace of recovery and unemployment levels, poverty and inequality levels, while headline and food inflation are creeping up," he said.

Countries that rely on tourism are witnessing a slower recovery than others and unemployment is higher compared to pre-pandemic levels, with some groups, namely women and youth who have jobs in the informal sectors, having suffered a great deal more. In addition, as global food prices continue to rise, inflation has hit oil importing nations much harder.

On the other hand, although oil exporters have benefited from the uptick in oil prices and the OPEC+ stance on a gradual increase in production levels, Saidi said some states such as Kuwait and Oman need to carry out extensive fiscal reforms in the near term for fiscal sustainability.

He pointed out that even among oil-producing countries, those that were able to roll out vaccinations more rapidly were better able to manage recoveries.

"Non-oil sectors are now supporting economic recovery in the GCC: PMIs are on an expansionary path with high consumer and business sentiment. Given the increase in oil prices, both the fiscal and current account balances improved this year. However, for some GCC countries, government debt as a share of GDP has increased and will continue to remain higher compared to the pre-pandemic era," Saidi added.

Furthermore, a steady stream of reforms geared to attract expats and foreign firms have been beneficial for Saudi Arabia and the UAE.

Despite the fact that some oil importing nations rely heavily on tourism, especially international tourists, some have seen better growth over in the recent period as compared to others. Egypt, for example, has been implementing reforms and the IMF program over the past few years, which have helped it mitigate the impact of the pandemic.

In addition, labor market reforms such as removing barriers to labor mobility, reducing and removing payroll taxation will also be pivotal for near-term recovery and inclusive growth.

"Remittances have been a boon for many labor-exporting nations – 2021 has seen a rise in remittance levels to countries in the MENA region [with Lebanon and Jordan benefiting]," Saidi said.

According to Saidi, the GCC economies, supported by the rise in oil production and hydrocarbon prices, will continue to see growth between 4% and 4.5% in 2022. Meanwhile, although growth in the non-oil sector will ease, it will still remain significant. Still, much depends on how they adjust to the new Omicron variant and its impact on international tourism.

"I expect that the liberalization and reform measures carried out by the UAE and Saudi Arabia [the two biggest economies of the Arab world], along with mega-projects in Saudi Arabia and Qatar will lead to higher non-oil growth rates with positive spillover effects on the labor-exporting, non-oil countries through higher trade, FDI and capital investment," Saidi said.

As for the outlook for oil importing states, Saidi expects disparate recovery rates will continue into 2022, especially given large gaps in the pace of vaccinations and the impact of the new variant, with growth ranging between 3.5% and 4.5%.

“With higher inflation amid fiscal and current account balances still in the red, these states need to have in place supportive policies for poor and vulnerable segments of the population,” Saidi said, referring to strengthened social protection and cash transfers for the extremely poor. He added that the countries would also have to adopt policies supporting the sectors that were directly affected by pandemic restrictions such as tourism and hospitality.

“Large external financing needs will make these countries more vulnerable to tightened financial conditions resulting from monetary tightening in the US and Europe,” Saidi cautioned.

Saidi, meanwhile, gave important recommendations for Arab oil-exporting and oil-importing countries alike. “First and foremost, policy support initiated during the pandemic needs to be withdrawn gradually. Countries like Bahrain and Oman [with higher levels of government debt] are anticipating an increase in non-oil revenues from 2022 [given VAT],” he said.

Saidi emphasized that it was important to continue with labor market reforms, including granting long-term residency visas, attracting a skilled workforce, promoting gender equality measures as well as fiscal consolidation efforts, and reforming distorting and inefficient subsidies. Added to these are the introduction of structural reforms for increased regional and international economic integration, new trade and investment agreements with China and Asian trading blocs for greater economic diversification, attracting FDIs and participation in global value chains.

Comments on “2021: Year in Review” in Arab News, Dec 30 2021

Dr. Nasser Saidi’s comments appeared in an Arab News article titled “2021 Year in Review: New coronavirus variant, inflation test strength of global economic recovery” published on 30th December 2021.

The comment is posted below.

Nasser Saidi, Middle East economic expert, said: “Unless the vaccination pace improves drastically (especially in low-income nations) and the new variant is rapidly brought under control, the global economy could see brakes applied on growth at least in the first quarter of next year.”

Comments on Lebanon & the IMF in France-24, 29 Dec 2021

Dr. Nasser Saidi’s comments were part of an Associated press article. Titled “Slow progress as Lebanon awaits IMF economic deal“, the article was published on 29th December 2021, in many newspapers including France 24.

Former vice governor of the central bank, Nasser Saidi, suggested the IMF would want to examine the audit, but Chami *said no demands had yet been made.*

"We don't know if a forensic audit, or any audit, will be part of a potential IMF program," Chami said.

A potential IMF agreement will ultimately bring in other donors, such as the World Bank and Gulf Arab states, who may demand it as a precondition for support. "We need to understand what is going on inside the central bank," Chami said. "There is a total lack of transparency."

For Saidi, a key question is the actual value of central bank reserves and the real value of financial sector losses.

"There seems to be no willingness to undertake a forensic audit," he said, but added that the "bottom line is the IMF will be looking –- before anything – for promises of good governance."

Comments on Saudi mega projects in Arab News, Oct 13 2021

Dr. Nasser Saidi's comments appeared in an Arab News article titled "Six giga-projects that epitomize Saudi Arabia's $7 trillion development plan" published on 13th October 2021.

The comments are posted below.
Nasser Saidi, former economics minister of Lebanon, now Dubai-based economics consultant, said: "These projects need to be seen in the context of the broader objective of undertaking a structural transformation of the Saudi economy.
"Faster and deeper economic diversification is imperative for

sustainable job creation for its youthful population, and to address the challenge of the global energy transition away from fossil fuels, Saudi's main source of income and exports.

"By investing in new sectors (be it tourism, the digital economy or renewables) and in regional economic development on its western seaboard, Saudi Arabia is moving away from over-reliance on oil and redefining the image of the country.

"This is why gigaprojects continued (and related contracts were signed), even during the pandemic, while fiscal tightening was underway.

"Foreign investors can take some comfort from Saudi's promising high-growth potential (for example in the previously untapped tourism, media and leisure sectors) and associated returns on investment.

"But these are all long-term, long-gestation projects. That is why liberalization measures (full foreign ownership, facilitating long-term residence, reforming labor markets, allowing competition, protecting property rights, insolvency and bankruptcy laws) are important to attract FDI.

"Foreign investors can also take comfort from the fact that the gigaprojects are political standard bearers; they must be seen to be successful and they will continue to be funded from PIF, SCB reserves, tapping debt markets, etc. Notably, they will be much easier to do currently when oil prices are high at $80-plus."

How should MENA address the existential threat of climate

change? Article in The National, 28 Aug 2019

This is part 2 of a two-part column. The first can be found here.

The article titled "How should MENA address the existential threat of climate change?" appeared in The National's print edition on 28th August, 2019 and is posted below. Click here to access the original article.

How should MENA address the existential threat of climate change?

The starting point for the Middle East and Northern Africa to address the existential threat of climate change is to reduce excessive fossil fuel use by removing subsidies and investing to increase energy efficiency.
The GCC nations – starting with the UAE – have initiated a phased removal of fuel, electricity and water subsidies that have distorted consumption and production choices and encouraged energy waste. The removal of subsidies will discourage energy-intensive activities, provide cost incentives to improve energy efficiency and shift the energy mix away from fossil fuels towards renewables. Eliminating subsidies also provides greater financial resources to fund renewable energy investments and climate-resilient infrastructure.

Given heat levels in the GCC, modernising air conditioning systems and retrofitting existing buildings can radically improve energy efficiency and reduce carbon emissions. Green buildings standards are a policy initiative gaining traction: Dubai Municipality has issued the Green Building Regulations and Specifications for all new buildings in the Emirate since

March 2014.
But Dubai is the only city in Mena to join the Building Efficiency Accelerator programme, aiming to double the rate of energy efficiency by 2030. Overall, effective implementation of energy use targets and standards could lower energy use by some 30 per cent. Increasing energy efficiency is low hanging fruit and should be accelerated given the high returns on investment.
The Middle East and GCC are part of the Global Sun Belt: more energy falls on the world's deserts in six hours than the whole world consumes in a year.
Harnessing solar power is an efficient policy choice. The GCC nations, especially the UAE, are taking a lead in investing in renewable energy in Mena. There is now a GCC renewable energy project pipeline comprising over 7 GW of new power generation capacity to be realised within the next few years. To put it in perspective, one gigawatt is roughly equal to 3.125 million photovoltaic solar panels, 412 utility-scale wind turbines or 110 million LED bulbs. The surge in projects has been supported by the rising cost competitiveness of renewables: it is now cheaper to build new wind and solar PV plants than it is to run existing fossil-fuel ones. The falling costs of energy storage is addressing the intermittency problem of renewables; by 2021, the capital costs of lithium ion battery-based storage are expected to fall by 36 per cent compared to the end of 2017. While the wind power market is slowly catching up in Jordan and Morocco, the GCC has under-invested: more than 56 per cent of the GCC's surface area has significant potential for wind deployment.
The International Renewable Energy Agency's (IRENA) 2019 report estimates that by 2030 the GCC is on track to leverage renewables to save some 354 million barrels of oil equivalent (a 23 per cent reduction). Its efforts will also create some 220,500 new jobs, reduce the power sector's carbon dioxide emissions by 22 per cent and cut water withdrawal in the power sector by 17 per cent.
Renewable energy related targets range from the UAE's

ambitious goal of 44 per cent of capacity by 2050 (from 27 per cent clean energy in 2021) to Bahrain's target of 10 per cent of electricity generation in 2035, and Saudi Arabia's 30 per cent of generation from renewables and others (mainly nuclear) by 2030.

While these targets sound ambitious, they do not meet the threat of climate change. The acceleration and intensity of climate change requires deeper and holistic strategic planning and action. Climate change poses some daunting challenges and existential risks.

To address the stranded assets risk, the GCC needs to share risk on a global basis by privatising or selling participation in their vast energy reserves and related assets (upstream and downstream). Saudi Arabia's announced plan to privatise Aramco is a structural reform that could be a model for other oil producers to emulate. In the same vein, the GCC sovereign wealth funds should divest from fossil fuel assets (as Norway's Government Pension Fund Global is doing) and the banking and financial sector should gradually divest and reduce its exposure to fossil fuel assets.

The GCC countries have developed energy sustainability policies. But these are modest given their natural comparative advantage in harnessing solar & wind power and their substantial financial resources allowing accelerated investment in renewable energy assets. This is the time for the GCC to commit to and implement comprehensive, Net Zero Emissions (NZE) goal climate strategies in or before 2050, along with some 15 other nations.

Decarbonisation and economic diversification are complementary strategies and a win-win opportunity. By diversifying and investing in renewable, sustainable energy and climate risk mitigating industries and activities –through Green Economy strategies – the GCC can create jobs, innovate and develop a new alternative export base.

The existential threat of climate change is real and becoming a clear and present danger requiring national and regional concerted policies and action, with the promise of new technologies, decarbonised growth and new economic development models. The alternative of inaction is decades of decline, dismal growth prospects, growing impoverishment, instability and conflicts. The choice is clear.

Middle East Leaders who guided a region through 50 turbulent years: Euromoney, March 2019

Dr. Nasser Saidi was included by Euromoney in its 50th Anniversary Special list of Middle East Leaders who guided a region through 50 turbulent years. Excerpts from the article are posted below.
The euromoney article can be accessed at: https://www.euromoney.com/article/b1dd3n1mn7mf8r/middle-east-leaders-who-guided-a-region-through-50-turbulent-years

Over 50 years, leaders of Middle East financial institutions have steered their businesses through very good and very bad times, including oil price crashes, rampant property and stock speculation, and war. Some key figures highlight the events they remember most and spell out lessons for the next generation. These figures, who have held positions of power for nearly two generations, are uniquely placed to assess how successful the region has been in steering its way through the challenges and opportunities since the first oil boom of the mid 1970s.
Nasser Saidi served as deputy governor of the Lebanese central bank and a government minister in the 1990s, before becoming

chief economist at the Dubai International Financial Centre in the 2000s.

He says the first key moment came when civil war ended the era in which Beirut had been the region's financial centre. "The big story from Lebanon's point of view is that the centre of economic geography moved from the Mediterranean to the Gulf," he says. "Lebanon used to be the petrodollar hub, with Beirut playing the leading part. Now the Gulf can manage its own money through its domestic and free-zone financial centres, and to an extent they have come of age."

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Saidi puts some of the blame for the failure to develop debt markets on to the big family businesses that have "never convinced themselves that they should use the markets. They have never seen the power of debt and equity markets.

"Once you get on to the markets, automatically you will get international investors, and they will not only provide greater scrutiny and corporate governance but are also a source of technology and new ideas. Commercial banks don't do this – they are just lenders. Markets behave differently. They force you to focus on international standards and ideas and adopt them."

A further consequence of this lack of local debt markets has been that too much regional money is placed globally rather than invested locally. Government sovereign wealth funds, which should have been invested in developing the Middle East, have instead placed the bulk of their money overseas.

"We should have been able to attract the wealth of the Arab world, but we lost it," says Saidi. "We have not invested enough in ourselves."

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One of the key questions for the next generation of leaders is whether or not the focus of Middle East governments will shift from the West to Asia.

Saidi is in no doubt.

He sees: "A tectonic shift from the US to China, which is much more prepared to act as a development partner. "When I look at *what China does," he continues, "I see a country that invests in infrastructure and into supply chains. In the decades ahead, this will lead to a transformation. Look at the prospective rebuilding of Syria, Iraq, Yemen, Lebanon and Sudan, and you will see that funding will come from the GCC and China who will be involved in construction sector. "Chinese and GCC developers will successfully develop partnerships and joint ventures for reconstruction and development."*

Comments on Saudi stock market in Arab News, 29 Jul 2018

The below quotes from Dr. Nasser Saidi appeared in an Arab News report titled "Saudi stock market basking in global investor interest", on July 29, 2018. The full article can be accessed here.

Nasser Saidi, former chief economist of the Dubai International Financial Center and now an independent economics consultant, also sounded a note of caution. "The volatility of oil prices still dominate the performance of the economy, budget and the current account. This has meant macroeconomic uncertainty, accompanied by uncertainty surrounding policies in response to the fall in oil prices. In turn this means that investors whether domestic or foreign are in a 'wait-and-see' mode," he told Arab News.

"Geopolitics, with ongoing wars in Syria and Yemen, and sanctions on Iran are negatively affecting investor sentiment, and Trumpian trade wars that can derail global economic growth, recovery in Europe and disrupt trade. In turn this

affects the oil price and Saudi exports to China and other Asian countries," he added.
He also warned of an after-party effect from soaring share prices. "The evidence also suggests a negative effect on the market on the actual event of reclassification, with prices falling. This involves investors speculatively bidding up securities prices and returns, before the actual reclassification event, in the expectation that foreign investors will be entering the market, resulting in prices falling following the actual reclassification event.
"Exuberance and market hype accompanying market reclassification can lead to asset price bubbles," he added.

Bloomberg Markets Middle East interview, 26 Nov 2017

In the Nov 26, 2017 edition of Bloomberg Markets Middle East, Dr. Nasser Saidi speaks to Yousef Gamal El-Din and Tracy Alloway on the U.S. Republican tax plan and also about South Africa.

Watch the interview below.

The original link to the full episode (Dr. Nasser Saidi speaks from 13:00 to 34:00): https://www.bloomberg.com/news/videos/2017-11-27/full-show-bloomberg-markets-middle-east-11-26-video

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"Empowering Saudi Women Can Bring Huge Economic Benefit", Article in The National, Oct 2017

The article titled "Empowering Saudi women can bring huge economic benefit", appeared in The National's print edition on 4th Oct, 2017 and is posted below. Click [here]() to access the original article.

Saudi Arabia's historic decision to allow women to drive is a watershed moment in the kingdom's history as it presses on with its reform agenda. It signals a clear determination and political will to undertake deep socio-cultural reforms and overcome conservative forces, including the clerical establishment, which have dominated everyday life in the kingdom and prevented the modernisation of economy and society. The liberalisation of women is a key plank of the modernisation objectives set out in the ambitious Vision 2030 and National Transformation Programme explicitly intended to "Empower women and materialise their potential".

Allowing women to drive increases women's happiness and well-being, sending an important signal of a deep reform agenda. But what are the prospective, tangible benefits? Enabling increased female mobility will lead to a higher labour force participation rate, labour mobility and employment of females. Currently, women's participation in the workforce is merely 20.1 per cent and represents only 18 per cent of the female working age population. The youth (15-24 year olds) unemployment rate is 31.2 per cent, while the female youth unemployment rate is a staggering 58.1 per cent, despite Saudi female educational attainment exceeding that of males. The human capital embodied in Saudi females is being wasted.

Higher labour participation and employment means higher national income which will translate into higher consumer spending, including on cars, insurance and transportation, and providing an additional spending stimulus in advance of the introduction of VAT in January 2018. The reform will also encourage women to set up, own and run their own businesses, encouraging female entrepreneurs and bolstering job creation in SMEs. It will boost the services sector in which women have a comparative advantage, supporting the strategy of economic diversification.

However, women in Saudi face multiple barriers to realising their legal, social and economic potential, which include regulations and associated restrictions on travel, access to finance, unequal property and inheritance rights.

This low status of women is not a phenomenon unique to Saudi Arabia, it characterises much of the Arab world. Arab women have the lowest labour force participation rate (LFPR), only 22.6 per cent, of any global region and the largest gap with men’s participation and earnings. The poor performance is largely due to multiple barriers to entry ranging from “protective” labour laws to a lack of access to finance; women do not have equal access to collateral, such as land and real estate, to back financial loans.

The World Bank’s survey on Women, Business & the Law 2016 finds that the Arab economies have 10 or more legal biases on women’s work, which have a negative impact on women’s economic participation, entrepreneurship and earnings potential relative to men. As a consequence, the Arab region has the lowest overall LFPR: only 49.9 per cent compared to a world rate of 62.8 per cent, negatively affecting performance and prospects.

More generally, the Arab region continues to rank last globally on the gender gaps across all the health, education, economy and political dimensions. Women face insuperable barriers, discrimination, legal and regulatory hurdles, lack of economic opportunities, poor working conditions and the absence of the institutional and societal support needed to leverage them into economic and public life.

Absent deep and sustained reforms, closing the gender gaps would take 129 years. But if female LFPRs could be raised to the same level as in the OECD (60 per cent), the Arab countries could increase GDP by 20 to 25 per cent. A recent McKinsey study found that full gender parity could contribute US$2.7 trillion to regional GDP by 2025, or $600 billion per year; this could mean a staggering increase of regional GDP by 47 per cent in a decade.

We need a paradigm shift, a transformation of women’s roles in economic development and their empowerment. Policies should address the combined influence of social norms and beliefs, women’s access to economic opportunities, the legal framework and women’s education. To enable this shift, women need to be well represented across the economic, social and political arenas to bring about real change in economic growth, productivity and social well-being.

Making greater use of women workers increases growth and productivity, not only because women jobseekers typically have higher than average education, but also because this can increase mobility across sectors and jobs. Economic performance, innovation, creativity and the economic landscape of the Arab world would be transformed through the contribution of the skills, talent, labour and entrepreneurship of women. While economic development helps to bring about women’s empowerment, empowering women brings about changes in choices and decision-making, which have a direct, positive impact.

Empowering women and moving towards gender equality is just smart economics; it is time the Arab world accepts this fact and works to meet this goal. The region has a long way to go: the priority should be for an affirmative action programme that actively promotes women and reverses marginalisation and discrimination.

Bloomberg Markets Middle East interview, 10 Sep 2017

In the Sep 10, 2017 edition of Bloomberg Markets Middle East, Dr. Nasser Saidi speaks to Tracy Alloway [from 18:38 into the video below] on topics ranging from the future of the Fed, ECB policy & the euro, Qatar crisis, and Saudi Arabia's NTP 2.0.

CNN Global Gateways Feature: Why Dubai Needs a Global Workforce, Aug 2017

CNN's Global Gateway program, telecast in August 2017, features Dr. Saidi's comments on why Dubai Needs a Global Workforce, elaborating on the role of human capital in Dubai's economic development, women in the workforce and more.
Click here to watch Part 1
Click here to watch Part 2
Click here to watch Part 3
A write-up about the episode was also posted by

dubaicityguide.

GCC countries likely to raise VAT to 10% within 5 years: Interview with Arabian Business, Apr 2017

This interview was given to Arabian Business magazine (Arabic) and can be accessed fully here.
This was partially reported in Arabian Business (English); the article is posted below.

GCC countries are currently studying the elimination of the current unified customs tax and replacing it with the VAT and Specific taxes due at the beginning of 2018, according to Dr Nasser Al Saidi, renowned economist and founder and president of Nasser Saidi & Associates.

Al Saidi told Arabian Business that the GCC countries are also studying the introduction of a 10 percent tax on business profits, while noting that Qatar currently implements such a tax and the UAE imposes a 20 percent tax on the profits of foreign banks.

But Al Saidi foresees no huge impact accompanying the introduction of the 5 percent VAT tax. The GCC states however are expected to raise the VAT tax to 10 percent within the coming 4 to 5 years, he added.

“The GCC countries commits to agreements with WTO that imposes on its members to eliminate trade taxes (customs taxes) and to replace them with local taxes such as VAT and Specific taxes. IMF also recommended the elimination of special fees that prolong periods of establishing companies and businesses," he explained.

He said that although the IMF gave no clear answers to questions on the possible elimination of the unified customs taxes, Tim Callen, assistant director, Middle East and Central Asia Department, said: "While there may be benefits of eliminating customs duties, other revenue sources would need to be introduced if governments are to move toward their fiscal policy goals. GCC countries could move to reduce or eliminate customs duties, but if they do so they will lose a source of government revenue. If customs duties are eliminated and the VAT is introduced at 5 percent, the net positive impact on government revenues would be quite small."

As a result of the possible elimination of customs duties, some experts expect the GCC states to either resort to downsizing customs staff or shift employees to departments handling the new tax system.

While Al Saidi is foreseeing a shift in employees, Callen said IMF suggested to a number of GCC countries that they undertake a review of the size and structure of civil service to make sure it is in line with what is needed to provide the services the government wants. Decisions about future staffing needs could then to be taken within such a framework.

"Staff in the tax authorities will need training and depending on the current staffing structure, new staff may need to be hired. Also, businesses will need to be given time to train their staff in how to implement the VAT," he noted.

Callen also did not give a specific answer on whether the GCC states could possibly raise the VAT tax in the future but said: "whether it is increased in the future will be up to the countries and will at least in part be determined by their future revenue needs. At 5 percent, the VAT rate in the GCC will be very low by global standards and there is certainly scope for it to be increased over time without it looking too high from a global perspective."

'Solar energy will be as ubiquitous as a smartphone': Interview for Vision.ae, Feb 2017

The article below first appeared on Vision.ae and can be accessed here.

The Chairman of the Clean Energy Business Council discusses the innovations that will enable UAE to achieve ambitious clean energy targets by 2050

Clean energy – often derided by cynical, short-termist politicians as an expensive luxury – deserves a bold visionary to trumpet how its natural resources such as sunlight, wind, water, biofuel and geothermal heat can stall climate change and save the world.

Dr. Nasser Saidi, the Chairman of the Clean Energy Business Council (CEBC) has plenty of plausible, expansive ideas that reject the usual hyperbolic rhetoric, and favours a far more pragmatic approach. Solar energy has the potential to be as fundamental as smartphones, he says. On-demand energy distribution could someday replace the outmoded grid model.

"Consider the rapid technological developments in the space of energy, especially renewables such as solar hydro, wind, for example," says Dr. Saidi. "These advances have yielded major cost-saving implications, making clean energy an increasingly competitive alternative to fossil fuels. The day will come when solar energy is as ubiquitous as a smartphone."

Of course, affordability is the key to unlocking mass-market support, and the former Chief Economist of the Dubai international Financial Centre (DIFC) believes it is price and not conscience that will be the motivating factor. "Consumer education campaigns have their merit, but at best they only nudge people along. First and foremost, cost is a fundamental influencer of consumer behaviour", he says. "When the UAE government started reducing the petrol price subsidy, it automatically had a trickle effect on people's commuting and vehicle purchase decisions – price incentives for the population is the only sure-fire way to effect change. "The day will soon come when we adopt an on-demand energy distribution model. You won't need a grid anymore. The grid system is both expensive and laborious to design and maintain and involves some loss of energy in the course of distribution."

The UAE is determined to save every last precious drop of energy, and the numbers indicate how serious His Highness Sheikh Mohammed Bin Rashid Al Maktoum, the Vice President and Prime Minister of the UAE and Ruler of Dubai, is in launching the Dubai Clean Energy Strategy 2050. AED100bn for its Green Fund, AED50bn for phase two operations of the Mohammed bin Rashid Al Maktoum Solar Park – the largest single-site solar park in the world, and the DEWA Innovation Centre, which houses a group of research and development laboratories in the clean-energy arena, has also been awarded AED50bn for its forward-thinking work.

Sheikh Mohammed was unequivocal that the 2050 strategy will "provide 75 per cent of the emirate's energy through clean energy sources by 2050, reflecting our commitment to establish a sustainable model in energy conservation, which can be exported to the whole world, and support economic growth without damaging the environment and natural resources.” His goal? “To become the city with the smallest carbon footprint in the world by 2050”, he says.

The Minister of Energy Suhail Al Mazroui is certainly confident the plan is still on track, reiterating at the World Future Energy Summit (WFES) in Abu Dhabi in January that by 2050, 44 per cent of the country’s installed power capacity will come from renewable energy, 6 per cent from nuclear energy, 38 per cent from green gas and 12 per cent from clean coal.

“It comes down to one thing”, says Dr. Saidi. “Leadership. The leaders of the UAE have shown great wisdom and foresight, thinking beyond mere electoral cycles and individual legacies and looking to build a nation that will sustain generations to come 50 years down the road”, he says.

Saidi, who held ministerial and leadership roles in his home country of Lebanon, has in recent years lent his expertise to game changing businesses poised to reshape entire sectors, including acting as Deputy Chairman to the Dubai-based Eureeca, a global equity crowd funding platform.

The CEBC, founded by Dr. Saidi during his tenure at DIFC, has played a pivotal role in forging a public-private partnership, together with institutional members such as Dow Chemical and GE, to shape and implement a new clean energy mandate. This approach has also most recently been mirrored by an UN-backed, Dubai organisation, the World Green Economy Organisation, to help private sector firms in the UAE go green, and emphasised by Al Mazroui’s comments at the WFES that all future investments for both renewable and conventional power plants will require about US190bn of investment from private investors.

This collective approach, says Dr. Saidi, is imperative if the UAE is to move towards not only 100 per cent clean energy adoption but to reduce net energy consumption overall. “We need a new legislative and urban framework to enable the private production of energy. Individual households should be able to easily and cheaply manufacture clean energy on-demand

and also sell off unused energy units, a common practice in some countries in the West."

Comments on US protectionism, Border Tax in Gulf News, 25 Feb 2017

The below article titled "***Trump's protectionism will hurt consumers, argue senior economists***" was published in Gulf News on 25th Feb 2017, and can be directly accessed here. Comments are highlighted in the article posted below.

Protectionist trade policies are ultimately damaging to the consumers of the country imposing them, according to several senior economists.
The term protectionism refers to the practice of protecting a nation's domestic industries by taxing imports from foreign competition.
Speaking to Gulf News, multiple economists and analysts expressed their pessimism about the potential benefits of protectionism, a trend that is expected to increase in line with populist political movements in Europe and the US.
"Past practice shows that trade protection is both costly and ineffective. High tariffs translate into higher prices both for consumers and companies. Protectionism disproportionately hurts poorer households who spend a greater share of income on traded goods," said Gary Hufbauer, Senior Fellow at the Peterson Institute for International Economics, and former deputy assistant secretary for international trade and investment policy of the US Treasury.
The move towards protectionism comes at a time of increasing

resentment towards globalisation, and perceived job losses due to offshoring, and the free movement of goods and services.

Donald Trump, president of the United States, has signalled this shift in his ‘America First’ policy, which states his administration’s intent to negotiate trade deals which will return jobs to America from abroad, increase wages, and support US manufacturing, according to the White House website.

Trump has also referred to the “abuse” of trade deals by foreign countries that “hurt American workers,” promising to “crack down” on those nations and “use every tool at the federal government’s disposal to end these abuses.”

Hufbauer believes that rather than increasing prosperity at home, these policies will in fact lead to a harmful cascade effect.

“The twin goals of creating manufacturing jobs and ensuring a level playing field (when foreign countries engage in “unfair” trade practices) have spurred calls for raising US tariffs on imports,” Hufbauer said in an email.

However, he argued, “high tariffs risk provoking tit-for-tat retaliation in the foreign market, which can seriously hurt domestic firms and workers. Meanwhile, the big winners from tariffs are often alternate, third country exporters that end up supplying the same good.”

Regarding Trump’s recent remarks about imposing a 20 per cent import tax on all goods from Mexico, Nasser Saidi, President of Nasser Saidi & Associates, and the former Minister of Economy and Industry in Lebanon, *agreed with Hufbauer’s point about third country exporters.*

“This would benefit other exporters that produce goods that compete with Mexican goods, and to a more limited extent locally produced, import-competing goods,” he said in an email.

A key risk for the global economy in 2017 is a sharp downturn in trade spurred by protectionist policies, according to analysts at Bank of America Merrill Lynch, with the risk that protectionism could further slow global trade, which has been sluggish since the financial crisis.

In theory, whilst protectionist measures are intended to support domestic industries (even at the expense of consumers), they can often have the opposite effect.

"Import taxes increase the landed cost (the total price of a product once it arrives at a buyer's door) of goods and lowers the purchasing power of consumers in the economy.

To offset this impact, the local manufacturing base should be able to capitalise on the added competitiveness that an import tax brings and invest and as a result create jobs," said Saleem Khokhar, Head of Fund Management, National Bank of Abu Dhabi.

Khokar, however, echoed Hufbauer's statement about tit-for-tat protectionary measures.

"Usually this protectionary approach is met with similar retaliation from trading partners which means that this added competitiveness may not be translated into higher exports," he said, adding that "sustained protectionism could also cap the growth of businesses beyond the home market."

This cap on growth could be damaging to the company's revenue in the long term.

Other negative effects of protectionism are more hidden, but equally as damaging.

Mexico is currently the 3rd largest goods trading partner of the US, with $531 billion in bilateral goods trade during 2015. Goods exports totalled $236 billion; goods imports totalled $295 billion.

"Interestingly, 40 per cent of the parts in a typical Mexican product originate in US, *illustrating that Mexico (and other countries such as Canada) are integrated into the US global supply chains, according to the Commerce Department. Hence, around 6 million US jobs depend on trade just with Mexico, according to the US Chamber of Commerce. So, tariffs on Mexican products could actually lead to loss of jobs in the US and hurt the US economy, in addition to the impact on consumers," Saidi said.*

Historically, protectionism has been a costly practice.

In one such case in 2011, US tariffs imposed on Chinese tire imports to protect the US industry likely saved some 1,200 jobs, according to Hufbauer.

“But at the same time, higher tire prices cost American consumers roughly $1 billion in 2011, with the cost per job saved at least $900,000 that year (per estimates by Hufbauer and Lowry, 2012),” he said.

Saidi also cited a specific example: the imposition of tariffs on certain steel products in 2002, lasting for three years.

“It turns out that not only did steel prices go up, but around 200,000 American workers lost their jobs in 2002 (as a result of higher steel prices) than the total number employed by the US Steel industry itself (187,500 Americans were employed by US Steel producers in December 2002). One out of four (50,000) of these job losses occurred in the metal manufacturing, machinery and equipment and transportation equipment and parts sectors,” he said.

It seems the Gulf region isn’t exempt from protectionism, either.

Saudi Arabia has recently increased import tariffs on 193 commodities, Khokar said, adding “a case in point would be higher tariffs on imported poultry, which would benefit Almarai (a local agricultural company), but customers would have to shell out more.”

“For the region, import tariffs are also a way of driving an implicit depreciation of the currency to prevent imported competition due to a strengthening Dollar.”

Is the gold rush a panacea

for risk or a delusion? Opinion Piece in Gulf Business, Jul 2016

This article appeared in the print edition of Gulf Business, July 2016. Click [here]() to download the print version. An extended version, including charts, is available for download [here]().

Is the gold rush a panacea for risk or a delusion?

Gold prices had been on the decline since rallying strongly after the great financial crisis and peaking above the $1,800-mark in 2012. But after touching a seven-year low in early January 2016, gold has been looking up, with the bullion surging by 20 per cent and more this year.

Markets, including gold, have been volatile over the past year with investors reacting to a multiple risks. These have included expectations of United States Federal Reserve rate hikes, a slowdown in growth in emerging markets (the China growth and rebalancing effect), a weaker dollar, monetary stimulus for Europe and Japan, the Brexit conundrum and geopolitical factors including uncertainty about the outcome of US presidential elections (the Trump factor).

The fascination with gold throughout human history has much to do with its near-unique physical properties. It is durable and storable, so is used as a store of value. It is shiny and malleable and hence used in jewellery. It is conductive and hence used in high-end electronics. It is resistant to oxidation, unlike silver, and is relatively scarce.

Combined, these qualities have made it attractive as a store of value and medium of exchange through history. Indeed, until August 1971 when then President Nixon ended the international convertibility of the US dollar into gold, the international monetary system had been tied to gold. After that, fiat currencies – paper money – became the norm. But despite the breakdown of the Bretton Woods system (a monetary policy that tied currencies to gold), gold remains the main asset of central banks' reserves, accounting for 75 per cent of US and 57 per cent of Euro area international reserves.

And despite widespread scepticism, many individuals view gold as a store of value – especially as an insurance policy against political upheavals – which provides protection when other asset prices are plunging. This gives rise to the 'precautionary demand' for gold bullion by central banks, fund managers and individual investors, as opposed to 'use demand' by various industries.

Because gold offers no yield, the lower the actual or expected returns offered by alternative investments such as bonds, the more attractive it looks.

The supply-demand nexus

As with all assets and commodities, price fluctuations result from the interaction of the forces of demand and supply. Gold demand recorded a 21 per cent increase year-on-year to 1,290 tonnes in the first quarter of 2016, making it the second largest quarter on record.

The increase was driven by huge inflows into exchange-traded funds – 364 tonnes (over 300 per cent year-on-year) – fuelled by concerns about the shifting global economic and financial landscape. This followed three quarters of uninterrupted outflows that led to a sharp decline in gold prices.

Gold-related exchange-traded funds are investment vehicles that account for about a tenth of global gold demand and are more convenient and less costly than holding physical gold. Buying by central banks in the developing world surged in the last quarter of 2015 and remained strong with buyers purchasing 109 tonnes in the first quarter of 2016. Indeed, over the longterm, the shift in the world's economic geography and growing wealth of emerging economies implies a structural change in demand patterns. If prominent emerging markets like China and India increase their gold holdings to the average per capita or per gross domestic product holdings of developed countries, the real price of gold may rise even further from

today's elevated levels.
Indians and the Chinese are the world's biggest consumers of gold, buying almost 1,000 tonnes a year and together accounting for almost half of global demand for the metal. Retail buying in these two biggest markets starts with the Hindu Diwali festival in late autumn and ends with the Chinese New Year. On an annual basis, world consumption of newly gold produced is about 50 per cent in jewellery, 40 per cent in financial investments, and 10 per cent in industry.
Gold demand is much more volatile than supply, which can be newly mined or recycled gold. Total supply increased 5 per cent to 1,135 tonnes in Q1 2016 but the price of mining gold fell in recent years due to lower energy costs and higher productivity. All-in costs of producing an ounce of gold (excluding exploration and future projects) have fallen some 34 since 2012[1], with the biggest producers increasing the amount of gold in each metric tonne of ore by about a third last year. Not surprisingly, Bloomberg's index of 14 major bullion miners doubled this year after plunging 76 per cent in the previous five years.
Does it make sense to invest in gold?
Beyond the short-term, three facts emerge clearly from historical experience. Gold prices tend to spike in conjunction with high-inflation episodes, in times of severe economic downturns and recessions threatening to trigger deflation in times of political and financial crises.
For investors, gold represents a hedge, a financial safe haven during periods of high and volatile inflation and when the probability of extreme events is perceived to be unusually high.
From 1975 to 2015, the average real rate of price change for gold in the United States was 2.8 per cent per year and the standard deviation was 20.3 per cent, whereas the real return on stocks was 8.2 per cent and the standard deviation was 13.6 per cent. Corrected for inflation, the evidence is that stocks outperformed gold (and silver) and were less volatile.
So why would investors want to hold any gold? The answer is

that returns on gold tend to be negatively correlated with returns on other assets such as stocks, bonds and treasury bills. In addition the empirical evidence is that the correlations of gold's real rate of price change with consumption and gross domestic product growth rates are negligible: gold can act as a hedge against real shocks. The implication is that gold can be useful in diversifying risk in a portfolio of assets. Gold investment acts as a hedge against current and expected future inflation and in periods of uncertainty, wars and market volatility.

For investors, gold tends to have value mostly during times of great uncertainty – it keeps its value in relative terms as currencies have depreciated and bourses remain stagnant. And unlike other commodities such as oil, the price of gold tends to be counter-cyclical, rising in response to negative stock market shocks.

Gold is seen as a safe-haven during bad times. In their paper *The Effects of Economic News on Commodity Prices: Is Gold Just Another Commodity*, Shaun K. Roache and Marco Rossi write: "Gold prices react to specific scheduled economic announcements in the United States and the euro area (such as indicators of activity or interest rate decisions) in a manner consistent with its traditional role as a safe-haven and store-of value."

When markets are volatile, and investors are feeling fearful – risk-averse in investment parlance – gold tends to outperform other assets.

Short and medium-term holders can take advantage of the lack of correlation of gold to other assets to achieve better returns during times of turmoil. Longterm holders can manage risk through an allocation to gold, without necessarily sacrificing returns. For central banks that hold and accumulate gold as part of their reserves, returns maximisation is not a priority as much as liquidity and safety of assets considerations. But, generally a portfolio with gold has better risk-return outcomes than one without[2].

The bottom line is that be it an individual investor or a central bank, the argument is in favour of holding a diversified international portfolio. A portfolio with gold in the mix would marginally improve the long-term risk adjusted returns and help portfolio returns during periods of high inflation, negative real interest rates, war and declining mining supply.

What lies ahead?

What next? Fed tightening will put gold under pressure. Higher interest rates increase the opportunity cost of holding zero-yield assets, meaning the money tied up in bullion could be earning a return if invested in bonds, stocks or other assets.

However, other risks may favour gold. Financial crisis legacy issues in advanced economies remain: banks face profitability challenges and weakness in the insurance sector are contributing to increasing systemic risk. Emerging market economies are facing headwinds of slower growth, weaker commodity prices and tighter credit conditions amid more volatile portfolio flows. In times of slower growth and higher uncertainty, investors may also fear future inflation from monetisation of government debt and the large increase in the monetary base in major countries as a result of massive quantitative easing policies.

Gold may well benefit from greater financial market volatility and risk aversion resulting from the rising economic, financial and political risks.

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[1] According to Bloomberg Intelligence.

[2] "The Case for Gold as a Reserve Asset in the GCC" http://nassersaidi.com/2010/10/30/the-case-for-gold-as-a-reserve-asset-in-the-gcc/

Interview on Qatar's economy & excise taxes: Al Sharq, 14 June 2016

The interview with *Al Sharq* newspaper, published on 14 June 2016, covers topics ranging from Qatar's economic growth and inflation to excise taxes is available for download here.

The New Oil Normal Paradigm: Commentary in Gulf Affairs, Summer 2016

The op-ed titled "The New Oil Normal Paradigm", co-authored with Patricia McCall is reproduced below; this appeared in the Summer 2016 edition of Gulf Affairs. The magazine can be accessed at: http://www.oxgaps.org/gulf-affairs/publications/energy-and-the-state–the-impact-of-low-oil-prices/

The prospect of sustained lower oil prices over the next decade will have profound implications for the oil-dependent economies of the Gulf Cooperation Council (GCC). However, this era of low prices offers an unprecedented opportunity to implement economic diversification strategies and reform policies that will underpin more sustainable and resilient economies.

With oil prices ranging between $35-45 per barrel, the GCC economies have to revise their fiscal plans and budgets to reflect significantly lower revenues. Oil comprises 85 percent of revenue for GCC governments, and the 70 percent decline in oil prices since June 2014 has had a huge impact on budgets: GCC budget deficits are expected to run to about 13 percent of GDP in 2016. The GCC countries, however, are able to finance the high deficits by drawing on accumulated fiscal buffers and substantial international reserves or by borrowing to offset the negative effects on economic growth. But this is a short-term palliative and cannot be sustained given the unfavorable prospects for oil prices.

Addressing the challenges

To address the challenges of lower oil prices, the GCC should undertake fiscal reforms and develop programs and incentives for greater private sector participation, including privatization of public sector activities (e.g. health, education, transportation) and public-private partnerships (PPP). Phasing out of unsustainable subsidies (as done by the UAE) should be accompanied by increasing the prices of public utilities alongside increased revenue diversification policies via the introduction of broad-based taxes like VAT; property and corporate profit taxes; excise taxes on commodities like cigarettes, sugary drinks, alcohol, luxury cars; and others. These necessary fiscal reforms would improve fiscal outcomes and, by reducing the size of government, promise a new developmental model based on the private sector, leading to an improved investment climate and improved growth prospects.

The UAE is a successful case of economic diversification. Non-oil revenues in the UAE topped AED 200 billion ($54 billion) in 2015, representing 52.6 percent of UAE consolidated government revenue. The growth in these revenue streams is supported in particular by Dubai, which has led the region in greater economic diversification by focusing on developing alternative sources of income from trade, finance, tourism, transportation, logistics, and manufacturing. However, implementing policies to diversify GCC economies away from hydrocarbon dependence requires structural reforms, industrial policy design, and a holistic approach that includes investment climate reform to attract foreign investment and support business start-ups. These reforms are imperative for the over- arching policy objective of job creation. Governance and transparency tend to be less emphasized in resource-rich economies, as the major firms are few, government-owned, and opaque. But creating a more diverse and competitive economy will require legal and regulatory reform and commitment by government and public institutions to be more transparent in order to avoid private sector capture and crowding-out.

The largest Arab economy, Saudi Arabia, will be the hardest hit by lower oil prices—the IMF estimates the country's budget deficit at $106 billion in 2015, a tad higher than the official figure of $98 billion. Additionally, the April 2016 revision of the IMF's World Economic Outlook cut the expected 2016 growth rate of Saudi Arabia by a full percentage point, down to 1.2 percent. The kingdom has significant domestic demands, including employment and wage growth expectations from Saudi youth, who account for over 60 percent of the population. The oil crisis has resulted in growing strains on job creation. The Saudi government added 93,000 new employees to the public payroll in 2015 compared to 103,000 in 2014. In the private sector, expansion slowed to its lowest rate since 2009—companies hired 43,000 fewer Saudis than they did the previous year.

Providing jobs and opportunities to qualified graduates will require a vibrant and internationally competitive private sector able to compete with the public sector for employees. Given Saudi's budget constraints, government will no longer be able to subsidize high salaries and must look increasingly to the private sector to provide job growth. The private sector should be incentivized by 'education-for-employment' programs, market-skills building, and subsidized private sector on-the-job training coupled with education reform.

Regional rebuilding

The oil price tsunami and collapse of government revenues comes at a difficult time, especially as the need for GCC financing in the region is growing. Unemployment, low economic growth, and conflicts have led to soaring reconstruction costs.

With a conservative estimate of $1.4 trillion required to rebuild Syria, Iraq, Yemen, and Libya and to support growth and infrastructure development, the region needs a new growth and development paradigm underpinned by sustainable revenues. These resources should be invested in rebuilding devastated regional economies in order to reduce unemployment and counter one of
the main sources of extremism. Infrastructure investment is key to recovery, reconstruction, and future growth prospects. The economic rationale is strong: every $10 billion investment in infrastructure can create around 2.5 million direct, indirect, and induced infrastructure jobs in the MENA region by boosting growth by roughly three percent among oil exporters and about 1.5 percent among oil importers in the region in the short-term.

But funding will not be so ample and forthcoming given oil crisis-hit budgets and growing domestic demands. For the region to meet the increased demands it will need to both ensure strong economic growth in stable GCC countries and develop institutions regionally that can support reconstruction. Several regional initiatives have been advanced to meet these challenges: The Arab Bank for Reconstruction and Development and the Arab Stabilization Plan. These organizations not only highlight the need for reconstruction finance, they emphasize the need for private sector participation, job creation, and development of the financial sector in the region. These are all requisites to promote greater economic and revenue diversification, which is important both in the GCC and the broader region to underpin sustainable and sufficient economic activity.

Dr. Nasser Saidi is President of Nasser Saidi & Associates. Patricia McCall is the Executive Director of the Centre for Economic Growth at INSEAD in Abu Dhabi, UAE.

Comments on Saudi National Transformation Plan in Argaam, 9 June 2016

The original article titled "[Questions remain on tax plans under Saudi reforms](#)" was published on 9th June 2016 in Argaam; comments highlighted below.

New taxes and additional subsidy cuts being planned under Saudi Arabia's five-year National Transformation Plan (NTP) have caused some confusion among economists and analysts, with many questioning how such targets can be achieved within a short timeframe.

Under the economic reform plan revealed earlier this week, value-added tax (VAT) would be applied to various products, including tobacco and sugary drinks.

A proposal on an income tax on expat workers in the kingdom will also be discussed, the country's finance minister said recently, clarifying that there is no intention to reduce the number of foreigners.

Meanwhile, water and energy subsidies would be slashed by 200

billion riyals ($53 billion) over the five-year period.
Taking into account these additional costs, rolling them out in a period of less than five years, may prove to be challenging.
“We have highlighted in our research that many of the price increases resulting from the reform program will be difficult for companies to pass on to consumers,” Monica Malik, chief economist at Abu Dhabi Commercial Bank (ADCB) said in a note, adding that more clarity is needed.
However, if such plans are implemented, a transparent communication strategy on the part of the government will be necessary, Nassir Saidi, an economist and president of Dubai-based Nasser Saidi & Associates, told Argaam.
“The proposed reductions in fuel, electricity and water subsidies alongside a cut in the public-sector wage bill will result in a new social contract that will require explanation and appropriate social safety nets,” Saidi said, adding that “a solid communication strategy will be critical to gain public buy-in.”
Efforts aimed at facilitating foreign direct investment will also need to be scaled up, Saidi said, suggesting that 100 percent foreign ownership could be expanded to other sectors.
This view is being echoed by other economists who see the reforms as a positive first step.
“Unified permits will be introduced for foreign investors which should ease the burden of setting up a company in the Kingdom,” Jason Tuvey, Middle East economist at London–based Capital Economies said, adding that this would in turn “help to support investment in the non-oil sector and attract foreign capital inflows.”
One aspect that has not been addressed much recently is how the issue of governance will come into play during the implementation process. Although Deputy Crown Prince Mohammed Bin Salman has pushed for structural and societal reforms, questions are being asked on how the reforms can stand up to corruption, Shoaib Abedi, director at ICM Capital (UK-based) told Argaam.

“The main challenge is that some benefit from corruption in institutions and organizations. This can lead to big difficulties in changes of the system and can make it hard to reach full transparency and governance due to the current structures of Saudi organizations,” he added.

UAE can own the clean energy finance space: Interview with SolarPV.TV

In this video interview, Dr. Saidi shares with SolarPV.TV his opinion that the UAE can “own the Clean Energy finance space”. He also introduces the Clean Energy Business Council’s major achievements to date and their plans in short & long term perspective.

Comments on Lebanon’s crisis in Arabian Business, 4 Jun 2016

The original article titled “When will the crisis end in Lebanon?” was published on 4th June 2016 in Arabian Business; comments highlighted below.

Lebanon is in a state of economic paralysis. Crippled by political stalemate (the country has been without a president for two years), an inundation of refugees combined with a region-wide economic slowdown and a subsequent drop in remittances from its sizeable diaspora has hit a nation powerless to implement the reforms needed to change course.

The World Bank's Spring 2016 Middle East and North Africa (MENA) Economic Monitor puts Lebanon's real gross domestic product (GDP) growth last year at a "sluggish" 1.5 percent, downgraded from earlier estimates following an unexpected decline in economic activity in the third quarter, when thousands of people held prolonged protests over a rubbish crisis in Beirut that epitomised the country's gridlock.

Lebanon's central bank, Banque du Liban, renewed a $1bn stimulus package to shore up parts of the economy, in particular boosting tourism and private lending, said the World Bank.

However, the addition of 1.5 million Syrian refugees (according to the UN refugee agency UNHCR) is estimated to have cost Lebanon $7.5bn since 2011, the World Bank claims, and the country's historically healthy reserves are shrinking as it seeks to compensate for external drains on its resources.

Official figures show total assets in Banque du Liban stood at $95bn as of May 15, 2016, while the debt-to-GDP ratio climbed to 148.7 percent in 2015, according to the World Bank.

Meanwhile, increasingly sour relations with the GCC after Lebanon refused to condemn Iran's attack on the Saudi Arabian embassy in Tehran in February are expected to compound the situation.

Experts warn that as the Syrian crisis intensifies, and with it mounting tensions in Lebanon and elsewhere, the knock-on impact will be severe and growth could slow further to 1 percent or less in 2016.

"All the key indicators point to a downward trend," says Keren Uziyel, an analyst and country risk service manager for MENA at the Economist Intelligence Unit (EIU).

“The uncertain domestic political scene and spillover from Syria’s civil war will continue to hinder investment, construction, financial services and private consumption.

“In the near term, low oil prices and the recent deterioration in relations with GCC countries will further retard economic growth, owing to the negative impact on tourism and reduced financial inflows, including remittances and deposits from overseas.

“We expect growth to slow to just 0.7 percent in 2016 and make only a weak recovery thereafter.”

Lebanon’s bleak outlook is a result of a toxic combination of factors at a time when the country is fragmented.

One factor is Lebanon’s reliance on remittances from its expat population. Although there are estimated to be upwards of 13 million Lebanese nationals in the world, only about 4.3 million live in Lebanon, and remittances from abroad make up 16.2 percent of its total GDP (about $7.2bn), according to the World Bank’s Migration and Development Brief, published in April.

Firas Abi Ali, senior principal analyst MENA at IHS Country Risk, says the large diaspora and Lebanon’s focus on services perpetuates the negative impact.

“Lebanon is driven by a political economy that focuses on investing in services and tourism rather than the productive [manufacturing-based] sectors,” he says. “One of the main results of this is that people buying such services, for example real estate, are priced out of the market in Lebanon. This drives a pattern whereby people migrate so they can make an income that allows them to buy what is on offer in Lebanon.

“Because they end up migrating to achieve that income, the whole cycle becomes self-perpetuating, in that if you are Lebanese earning in Lebanese currency, in Lebanon you can never compete with the prices that the expats living abroad can pay.

“This drives more and more people to migrate and seek employment elsewhere, while making sure that anybody who’s employed in Lebanon does not end up earning a decent standard of living. In sectors such as real estate and tourism, there is a huge majority that works for peanuts and a tiny minority that reaps all of the profit."

With the regional economic slowdown resulting from persistently low oil prices, remittances from Lebanese expats have taken a hit. The World Bank revised its estimate of remittance inflows to Lebanon in 2015 by $340m, from $7.5bn to $7.16bn, showing that inflows decreased by 3.3 percent. That was the steepest year-on-year contraction of the 15 largest recipients of remittances in developing countries last year, behind Morocco at -7.3 percent. Since 2013, remittances have fallen 11.4 percent.

The knock-on impact includes a payments deficit and tightened public finances. "The economy is generally reliant on foreign investment, and the freezing of bank transfers, particularly remittances, which total billions of dollars, is likely to increase pressure on the country," associate analyst at Control Risks Andrew Freeman says.

"Remittance flows – particularly from oil-exporting Gulf countries – remain a stable source of income, and the expulsion of some Lebanese families from these countries [for political reasons] will result in a downturn in remittances over the coming year given that approximately 65 percent of remittance inflows to Lebanon come from the Gulf."

Lebanon's economy has taken an additional hit from recent foreign policy disagreements with the Gulf. In February, it refused to condemn Iran's attack on the Saudi embassy and consulate in Tehran – and this was not the first time it had declined to support resolutions against Iran during meetings of Arab and Muslim foreign ministers at the League of Arab States and the Organisation of Islamic Cooperation (OIC), GCC media reported at the time.

While the GCC rallied to support the kingdom, Lebanon persisted with its stance, prompting Saudi Arabia to conduct a comprehensive review of its relations with the country, including cancelling a $4bn arms deal for the Lebanese armed forces and security forces and withdrawing its deposits from the Lebanese central bank.

Later in February, Saudi Arabia imposed a ban on its citizens travelling to Lebanon and other Gulf states, such as the UAE, followed suit. This has served to shrink numbers of GCC visitors and negatively impact tourism in Lebanon.

IHS's Abi Ali says: "Go to downtown Beirut and you will see a huge number of cafés that have completely shut down because they were dependent on Gulf tourists. This is having a big impact on the economy."

The real estate sector is also expected to be hard hit as a result of Gulf withdrawal, as Saudis and other GCC nationals exit their investments. And locals are reportedly fearful that Saudi Arabia and other Gulf states could expel hundreds of thousands of Lebanese expats.

"The loss of Saudi financial support is a major blow," Uziyel says. "Lebanon's strategic importance will help it draw in some Western financial and military support – and Lebanon has stepped up these efforts, getting additional funds and military support from the US and France among others – but not sufficiently to fully offset the impact of Saudi Arabia's withdrawal of funds or the knock-on impact of tensions between Lebanon and the GCC on other financial flows.

"There is little data yet to indicate how deeply this will affect Lebanon – March data for the commercial banks do not suggest a major change in flows. There had been reports of a halting in Saudi bank transfers to both individuals and firms in Lebanon but Lebanese banks have so far denied any problems."

Indeed, Lebanese economists claim that, even if Lebanon's economic situation continued to deteriorate, the risk to the banking system would be manageable.

Nassib Ghobril, head economist at Beirut's Byblos Bank, told online news provider Al Monitor in March: "Even if private Gulf depositors withdraw their deposits from commercial banks, total non-resident deposits amount to $32bn and are mostly owned by expats and some foreigners, which means the Lebanese banking sector can still handle it."

He said Lebanese bank assets amounted to $181bn, while the central bank foreign reserves stood at $32bn. “This means that if there were a massive shock, the central bank can withstand a rush on the Lebanese pound, especially since Lebanese deposits are mostly in US dollars,” he was quoted as saying.

Lebanese banks’ deposits are expected to grow by between 4.5 percent and 5 percent in 2016.

However, banks are no doubt concerned about potentially onerous due diligence required by a new US law targeting the finances of Hezbollah, Lebanon’s powerful armed group and political party. Lebanon’s central bank governor announced in May that Lebanese banks must comply with the US Hezbollah International Financing Prevention Act (HIFPA), which was passed in December and threatens sanctions against anyone who finances Hezbollah in a significant way.

The US classes Hezbollah, one of the most powerful political groups in Lebanon, as a terrorist group and has warned that failure to comply with the law risks isolating the country’s banking sector internationally. Control Risks’ Freeman says Lebanese banks are likely to comply with the law.

“The central bank of Lebanon and Association of Banks in Lebanon have both stated their willingness to comply with the act, and insisted that banks have already frozen blacklisted accounts. However, their willingness to define Hezbollah politicians as designated terrorists will give an indication of the seriousness with which they take sanctions.”

Uziyel from the EIU adds: “Hezbollah maintains that its money is not transferred through the formal banking system, but Lebanese banks know that the tightened legislation will require much greater scrutiny of money transfers.

“In particular, they will need to monitor transfers coming via West Africa, where expatriate Lebanese businesspeople remit large sums that US officials claim ends up in the hands of Hezbollah.”

Against this complex backdrop, Lebanon is struggling to accommodate hundreds of thousands of refugees displaced by the war in Syria. Abi Ali points out that the state was hardly able to provide basic services even before the Syrian civil war, with water, electricity and other resource shortages all commonplace.

“The influx of such a huge number of people has exacerbated the existing problems, so while electricity was not enough for 4 million people in Lebanon, it’s definitely not enough for 5 million.

“That is driving more competition for these scarce resources, which in turn is driving up the price.”

Nasser Saidi, president of Nasser Saidi & Associates and a former economy minister of Lebanon, claims poverty has increased by 10-15 percent in Lebanon since the influx of Syrian refugees.

Lebanon’s traditional growth drivers, including real estate, have taken a significant hit.

“The socioeconomic impact is huge – these refugees are desperate,” he says. “They are willing to accept extremely low wages and in doing so displace the poorest low-income Lebanese. They are also draining the economy in terms of service provision and infrastructure. For example, people are digging wells for water and waste management in the Bekaa Valley; these are becoming rivers of sewage and affecting public health.”

Saidi calls for more financial assistance from the United Nations (UN) and Brussels. “Lebanon has received pitiful little aid to help us deal with the enormous influx of refugees. The number here is almost equivalent to a third of our population, so I’m afraid, when I hear complaints about refugees from EU states, it doesn’t add up – refugees make up less than one percent of European populations.

“Turkey has received far more aid than us even though most of the refugees are here – it is troubling how much the rest of the world is shunning Lebanon.”

The war in Syria has also affected trade flows in and out of Lebanon, further hitting the national GDP.

“More than 60 percent of Lebanon’s exports used to flow through Syria and Jordan to the Gulf and beyond – this is no longer possible and means trade has declined,” Saidi says.

Overall, the plight of refugees and the international response to it “is serving to destabilise Lebanon further and turn it into another ‘trouble hotspot’ in the Middle East”, he argues.

“By depriving the country of vitally needed aid that could help refugees secure proper jobs and contribute to the Lebanese economy, policy makers risk creating another lost generation of people susceptible to the influence of extremists groups like ISIL.”

Saidi urges world governments to work with Lebanon to help it establish a new parliament with an elected prime minister – even while the Syrian crisis is ongoing – in order to implement policy and fiscal measures that could help it to balance the books. At present, the political confusion and divide is preventing any of this from taking place – a deeply entrenched structural issue that was revealed in all its mess by the garbage crisis in Beirut last year.

“Monetary policy is very loose in Lebanon,” Saidi explains. “The central bank has been trying to inject more money into the economy, depleting reserves, and there are limited other tools, taxation or otherwise, to help Lebanon return to a firmer financial footing.”

It is a vicious cycle, says Control Risk’s Freeman, who warns Lebanon’s inability to enact legislation could see it lose out on crucial foreign aid in the meantime. “The Lebanese cabinet can enact legislation without a president, but this requires a bill to be unanimously agreed by all cabinet ministers – something that is unlikely to happen given the factional nature of its politics.”

The EIU’s forecast is similarly bleak. It predicts political deadlock will force the authorities to formulate spending plans in an ad hoc manner, making long-term budgetary planning difficult. As a result, the government is expected to run substantial fiscal deficits over the period 2016-2020, averaging above 8 percent of GDP, owing to high debt-servicing

requirements, inflexibility in many other spending areas and a low tax base.
As Freeman says: “The failure to elect a president, a downturn in foreign remittances and the Syrian conflict will continue to negatively affect Lebanon’s economy over the coming year.”

Excise taxation is a viable option for GCC: Gulf News op-ed, 29 May 2016

The op-ed titled “Excise taxation is a viable option for GCC“, and reproduced below was, appeared in Gulf News on 29th May 2016.

For almost three decades, the economies of the GCC have experienced economic prosperity that has been largely dependent on oil and gas revenues. This contributed between 70-95 per cent of total government revenues during the period 2011–14.

But following the dramatic drop in oil prices since June 2014, this reliance on oil revenues has meant a corresponding sharp rise in budget deficits – to 16.3 per cent of GDP for Saudi in 2015 – across the GCC.

This means that the existing plans for economic diversification need to go faster to ensure that GCC nations can sustain strong growth in the future.

Growth is essential to help boost productivity and living standards, create jobs and reduce the fiscal and external risks associated with the previous dependence on oil revenues for economic growth and prosperity.

Currently, trade taxes (custom duties) are the most significant non-oil revenue contributor and plans are now well developed for the introduction of VAT in 2018 that will help produce a stable and more broad-based source of revenue.

In addition to this, discussions are ongoing in regard to the imposition of selective taxation in the form of excise taxes on commodities such as cigarettes/tobacco, alcoholic and non-alcoholic drinks, petroleum products, cars and mobile telephones.

Tobacco taxes

GCC countries are home to four million smokers who consume up to 50 billion cigarettes annually and with an impact to governments of more than $500 million (Dh1.83 billion) in health care costs to treat smoking-related diseases. Now, with revenues lowered because of current oil prices, regional governments are more aware than ever of the significant health and economic burden that smokers inflict on their treasuries.

In a bid to cut smoking incidence and increase revenue, GCC Ministers of Finance met in November 2015 agreed that a uniform 100 per cent tax would be imposed on tobacco products. Two countries – Bahrain and Saudi Arabia – have also introduced additional “fees” on tobacco in the past few weeks.

Bahrain introduced a special goods fee/tax on cigarettes (imposed when entering the domestic market and collected by Customs), equivalent to a 100 per cent of CIF (Cost, Insurance & Freight) value of goods (with no minimum specific component). This has resulted in an increase in cigarette prices by some 40 per cent, with the cost being directly passed on to the consumer.

In Saudi Arabia meanwhile, the minimum specific import duty has doubled and import duties will now be assessed at either

100 per cent of the CIF value of the goods or at a minimum specific of 200 riyals/1000 ($54/1000), whichever is higher.

Excise taxes versus ad valorem

It is clear that for a finance ministry, a specific excise duty (applied to each cigarette pack) is preferable to an ad valorem tax because they are easier to administer, have a well-defined tax base that is quantifiable through past usage trends and generate higher and more predictable tax revenue.

They also make sense from a health perspective: every cigarette is equally harmful, independent of its price. On the other hand an ad valorem tax can be abused because the exact tax base, its valuation, can be manipulated. Importantly this means that governments should undertake good market analysis before undertaking tax reform in order to optimise tax design and the impact on health and revenue.

Another point to consider is that governments should avoid steep successive increases in tax rates as this can be counter productive – leading to a loss of revenue and an increase in illicit trade as consumers seek cheaper, albeit illegal, sources of products. More dangerous is that the proceeds from illicit trade can finance organised crime syndicates as well as terrorist groups like Daesh.

Principles & recommendations

The GCC's proposed 100 per cent tax increase on tobacco should take the form of a domestic specific excise tax that comes with a gradual implementation that will allow authorities to assess success in implementation of the policy change. Given the recent tax changes in Saudi and Bahrain and best international practice, I believe there are five main recommendations that can be made:

(i) Replace customs tax with a specific excise duty and tax structure; ad valorem taxes should be avoided.

(ii) Ensure that new tax structures are harmonised, coordinated and synchronised across the GCC in line with the requirements of maintaining the GCC customs union and common market to avoid creating tax-induced market distortions and arbitrage. They should be based on market data, information and analysis.

(iii) New tax structures require building tax capacity, and new revenue administrations separate from customs and under the authority of ministries of finance.

(iv) Implementation of taxes needs to be accompanied by revenue protection and anti-smuggling measures, including tax stamps, unique identifiers and law enforcement as sharp tax increases will lead to a jump in illicit trade and smuggling with proceeds financing criminal activities and terrorism, given the proximity of the GCC to countries suffering from turmoil, violence, as well as a lack of security coupled with a high illicit penetration rate.

(v) Establish GCC-wide track and trace systems (for tobacco products and ingredients, equipment and finished illicit tobacco products) through the implementation of open standards which will enable information sharing across the GCC.

TV Interview with Al Arabiya on VAT, 5 May 2016

Click here to access the interview on Al Arabiya, aired on 5 May 2016, focusing on the implementation of VAT across the GCC and its potential for revenue generation.

Cheap Oil's Silver Lining for the Gulf: Project Syndicate Op-ed, 22 Apr 2016

In June 2014, a barrel of Brent crude – the main benchmark of the international oil market – sold for $115. Today, less than two years later, the price is $45 – or even less. Not surprisingly, that collapse has been a massive shock to Saudi Arabia and the Gulf oil sheikhdoms, which rely on oil for some 85% of their revenues. And what they need to realize is that, unlike past price declines, this one will not be transitory.

This "new normal" for oil reflects new realities: China's economic growth – and so its demand for oil – is bound to be lower; the world's energy efficiency will increase, not least because of commitments made in December at the Paris conference on climate change; and disruptive innovation is making shale oil and gas, along with renewable energy sources, far more competitive. With the return of Iran, Libya, and Iraq as major oil exporters, low oil prices must surely be both inevitable and enduring.

Saudi Arabia and the other Gulf states should not let this crisis go to waste. They now have a perfect opportunity finally to undertake comprehensive economic reforms.

Their aim should be a new development model that frees them from dependence on hydrocarbons. The fiscal buffers from past oil revenues can provide the six countries of the Gulf Cooperation Council (GCC) with short-term relief. But they must use that window to launch the structural reforms needed to achieve sustainable economic growth, macroeconomic stability, and the sound and equitable exploitation of their oil and gas reserves.

That means economic diversification, which can be achieved only by reducing the size of government and removing the obstacles that stymie the private sector. A radical reform of the Kafala system, which monitors and regulates migrant labor, would remove a major barrier to labor mobility. But governments must also introduce the legal and regulatory frameworks needed for privatization and public-private partnerships (PPPs). Sadly, only Kuwait and Dubai have so far moved to allow PPPs, while only Saudi Arabia intends to privatize airports (Jeddah and Dammam).

Privatization and PPPs in infrastructure, energy, health, education, transport, and logistics could attract massive domestic and foreign investment. So, too, would legislation to allow full ownership of enterprises by foreigners and the proper protection of their property rights – which would have the added benefit of encouraging expatriates to save and invest locally. Dubai's free-trade zones are a testament to the success that comes with liberalization and the removal of barriers to foreign ownership and management.

Fiscal reform must also be a high priority. Wasteful government expenditures and subsidies account for some 8% of non-oil GDP (5% of total GDP) in the GCC states. Energy subsidies – so ingrained in the GCC economies – distort consumption and production patterns; defeat government attempts at economic diversification; and increase vulnerability to volatile international energy prices. Eliminating the subsidies would not only stimulate investment in energy efficiency and solar power, but would also generate substantial environmental and public-health benefits.

Similarly, if the region's governments were to introduce efficient, equitable pricing of public services and utilities – including water, electricity, and transport – they would create fiscal room to promote job creation with schemes linking education and employment. Instead of government spending crowding out the private sector, there could be development spending to "crowd in" the private sector.

The other imperative is to diversify government revenue. The prevailing tax regime across the Gulf is not fit for purpose, has limited ability to influence private-sector behavior, and rules out counter-cyclical fiscal policy. From 2012 to 2014, the GCC's non-oil tax revenues averaged only about 1.6% of GDP.

As a first step, the GCC states are moving toward new tax regimes in early 2018, including a value-added tax, a corporation tax, property taxes, and taxes on fuel, tobacco, and alcohol. At 5%, the VAT could raise a modest 1.5-2% of GDP in revenue.

But why not go further? A $0.52 carbon tax per liter could raise over $50 billion annually for Saudi Arabia, substantially reducing this year's projected budget deficit of $90 billion.

As a third step, the GCC countries should issue debt and *sukuk* (Sharia-compliant bonds) to finance budget deficits as well as development projects and infrastructure investment. The GCC countries have low levels of government debt and can run moderate budget deficits without jeopardizing fiscal sustainability. But developing their financial markets would allow the private sector to tap the GCC's plentiful financial resources invested outside the Gulf.

Finally, the GCC needs to favor greater exchange-rate flexibility and monetary independence. Traditionally, its governments have pursued expansionary policies during economic booms and tightened their belts in downturns. Pegging their currencies to the US dollar has aggravated this pro-cyclical pattern. While the peg gives GCC currencies credibility, it has prevented real depreciation and fails to reflect the deep structural changes in GCC members' economic and financial links over the past three decades – particularly the shift away from the United States and Europe and toward China and Asia.

Instead, the GCC countries should peg their currencies to a basket comprising the dollar, the euro, the yen, and the renminbi. If the basket also included oil, GCC currencies could depreciate in line with a falling price – and rise if and when it recovers.

The bottom line is that economic diversification – so long preached rather than implemented – is now a necessity for the Gulf's oil states. As the cliché has it, necessity is the mother of invention. The GCC should embrace it.

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Comments on Saudi Arabia's 2016 budget, Bloomberg, 28 Dec 2015

Click here to access the original article published on Bloomberg, dated 28 December 2015.

Saudi Arabia said it plans to gradually cut subsidies and sell stakes in government entities as it seeks to counter a slump in oil revenue.

The government expects the 2016 budget deficit to narrow to 326 billion riyals ($87 billion) from 367 billion in 2015.

Spending, which reached 975 billion riyals this year, is projected to drop to 840 billion. Revenue is forecast to decline to 513.8 billion riyals from 608 billion riyals.
The budget is the first under King Salman, who ascended to the throne in January, and an economic council dominated by his increasingly powerful son, Deputy Crown Prince Mohammed bin Salman. The collapse in oil prices has slashed government revenue, forcing officials to draw on reserves and issue bonds for the first time in nearly a decade.
"The budget was approved amid challenging economic and financial circumstances in the region and the world," the Finance Ministry said in a statement. "The deficit will be financed through a plan that considers the best available options, including domestic and external borrowing."

Below Estimates

The 2015 deficit is about 16 percent of gross domestic product, according to Alp Eke, senior economist at National Bank of Abu Dhabi. The median estimate of 10 economists in a Bloomberg survey was a shortfall of 20 percent. Oil made up 73 percent of this year's revenue, according to the Finance Ministry. Non-oil income rose 29 percent to 163.5 billion riyals.
The government has managed to reign in "some spending in the second half of the year," Monica Malik, chief economist at Abu Dhabi Commercial Bank, said by phone. "With the further fiscal retrenchment that we expect in 2016, we think that the fiscal deficit should narrow to about 10.8% of GDP."
For 2016, the government allocated 213 billion riyals for military and security spending, the largest component of the budget as the kingdom fights a war in Yemen against Shiite rebels.
"In terms of defense expenditure in particular there's the burden of the war in Yemen," Nasser Saidi, president of Nasser Saidi & Associates, said by phone. The outcome for 2016 depends on "the course of the war in Yemen, oil prices, how

much will subsidies actually get reduced, how effective are they in reigning in public spending and rationalizing some of the spending on large projects, and finally how good are they at reigning in current spending," he said.

Swift Changes

In its first months in power, King Salman's administration brought swift change to the traditionally slow-moving kingdom, overhauling the cabinet, merging ministries and realigning the royal succession.
The financial crunch imposed by cheaper oil means the focus is now shifting to economic reforms that the kingdom will carry out over the next five years. The government plans to privatize "several sectors" and "amend the programs of oil, water and electricity subsidies through re-pricing them gradually over the coming five years," the ministry said.

Gulf region needs to go full tilt at renewables: Gulf News op-ed, 15 Dec 2015

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Gulf region needs to go full tilt at renewables

Even as governments seize on its importance, the

private sector needs to make a move

This has been a year of agony and ecstasy for the energy industry. The global oil glut has captured most of the headlines, but oil’s economic gloom has been driving a future energy investment dialogue that promises to shape new energy markets and regional economies.

In many ways it has been a tipping point for the future of renewables in the Middle East and North Africa, and a catalyst for accelerated clean energy development. The oil market adjustments have been jarring, and may well be prolonged.

The new supply driven oil market has sent oil’s value into a free-fall that is predicted to result in a $287 billion (Dh1.05 trillion) loss in oil exports or about 21 per cent of the combined GDP for GCC suppliers. The turmoil has sparked discussions over fiscal reform, aimed at aligning the real cost of energy production with the price paid for energy usage – removing subsidies and lowering the burden on state budgets while identifying new sources of energy supply such as renewables.

What policy reforms also do (such as UAE’s deregulation of fuel prices) is positively impact consumption habits and therefore the environment. At a time when climate is high on the political and social agenda, policies that modify wasteful domestic habits cannot be overlooked.

The UAE has been steadfast in its commitment to the climate. In October, it submitted its Intended Nationally Determined Contribution (INDC) to the UN that set a target of increasing clean energy contribution to the total energy mix from 0.2 per cent in 2014, to 24 per cent by 2021. This was against the backdrop of a recent study by the Massachusetts Institute of Technology that warned of regional catastrophe and ‘heatwaves beyond the limit of human survival’ in the GCC by 2070 should global warming continue unabated.

It was another shot in the arm for the clean energy industry, but its importance to the long term stability of the environment has never been in question. Now, renewable energy

is more than just the answer to climate change. What has changed over the last 12 months is that the economics of new energy in many parts of the region represent a cost competitive source of new power supply.
And that has been the true driver of action among the investment and business communities in the region.
So much so, the declining cost of solar technology is making the region’s enduring resource – sunshine – a commercially viable commodity, and a cost-efficient source of new power generation. Solar PV will be at grid parity in 80 per cent of countries in the next two years and it is already the cheapest form of new power generation in UAE according to IRENA.
The opportunity must be grasped while the momentum exists in the knowledge that there is no trade-off between decarbonisation and economic growth.
This year started with a deal that saw Acwa Power and TSK secure a contract to develop a 100 Megawatt (Mw) solar project at the Al Maktoum Solar Park, at a record low cost of $5.98 per MWh, the cheapest solar in the world. That deal changed the perceived view of solar energy as an expensive socially responsible activity, to now being the smart long-term economic decision for governments in desperate need to secure energy supply as demand grows while liberating hydrocarbons for global markets and reducing emissions.
What has followed has been a year of investment pledges and technology commitments. In February ADNOC confirmed its groundbreaking Carbon Capture, Usage and Storage project remained on track. Later that month, the UAE made a commitment to invest $35 billion to diversify its energy sources and reduce its dependence on natural gas imports for power generation.
More recently the Dubai leadership pledged Dh100 billion ($27.2 billion) to a Green Fund that will provide easy loans for investors in the field and ignite a wave of new investment activity. At the same time, the Dewa Innovation Centre was inaugurated, designed to incubate laboratories in the field of clean energy with a total investment of Dh500 million ($130.7

million).
Another way for the GCC to transform energy investment while reducing fuel consumption and diversify revenue is to introduce a carbon tax. It is usually defined as a tax based on GHG emissions generated from burning fuels; this would increase fuel efficiency and sharply reduce the carbon emissions that are driving global warming.
A carbon tax creates incentives for energy consumers to use cleaner fuels and adopt new clean technologies, thereby reducing the amount they pay in carbon tax.
All are promising developments, but what has been missing are the necessary policy reforms that would support a greater share of participation from the private sector in the GCC, a region with pledged renewable energy targets of more than 100GW by 2030. Morocco and Egypt are both firmly on the global hotlist for renewable energy activity among the private sector, thanks to attractive regulatory policy changes that have sparked a flurry of new projects. The Gulf countries must follow that lead to positively move the dial on grid-connected renewables in the next five years.
It is connecting those parallel worlds of regional policy, finance and business that our recent Clean Energy Forum debate in Dubai facilitated. Now, more than ever the economic and political communities must join the dots to successfully scale up the pace of renewable energy deployment.
The environment has been counting on it for some time. Now, our economies need it too.

Paris COP21, climate change

and decarbonisation: Opinion piece in Gulf Business, Dec 2015

This article appeared in the print edition of Gulf Business, December 2015 and is also available at http://www.gulfbusiness.com/articles/world/paris-cop21-climate-change-and-decarbonisation/. Click here to download the print version.

We have entered the 'Anthropocene age' where humans are systematically destroying their environment, their livelihood, their home and their planet.

Past geological epochs were the result of external forces of nature or cosmic events. This time it is human action that is leading to calamitous climate change. An Intergovernmental Panel on Climate Change report has warned that the world is on a path that could, if left unchecked, deliver a global average temperature rise of 4°C or more by the end of the century.

A temperature increase of 4 or 5°C or more has not been seen for tens of millions of years (homo sapiens have been around for 250,000 years) and is likely to be enormously destructive. Too much or too little water has the potential to cause severe and sustained conflict and the migration of hundreds of millions. Not to mention, the decimation of animal and plant – life and habitat. Managing climate change is today the central challenge facing humanity. But will we take action now or procrastinate?

Some 200 global leaders are sched- uled to meet for the Paris Conference of the Parties 21, in an attempt to finalise an international agreement to limit global warming and adapt to its impacts. The proposed deal calls on countries to transparently report on greenhouse gas emissions and commit to ramp up climate action over the next few decades. Any agreement is unlikely to be legally binding. However, the 'intended nationally determined contributions' are what sets the Paris talks apart from past attempts at a global climate agreement in Kyoto in 1997 and the failed Copenhagen summit in 2009

The World Resources Institute states that the clean energy plans of Brazil, China, the European Union, India, Indonesia, Japan, Mexico and the United States – which together account for more than 65 per cent of the world's primary energy demand – would more than double their annual clean energy supply by 2030. Yet commitments should include not just targets but also policies and measures, and local institutions, to implement them. Paris COP21 is a chance to build understanding not only of threats and risks but of the opportunities that lie in the transition to the low-carbon economy.

Where do the Gulf Cooperation Council nations stand on these issues?

GCC pollution levels and commitment to INDC

The GCC has some of the world's highest per capita consumption rates of fossil fuel energy and electricity. As a result, it has some of the highest CO2 emissions in per capita terms. Vehicular emissions are one of the main sources of air pollution in the GCC. It may not be well known but the United Arab Emirates tops the world for exposure to tiny air pollutants, accord- ing to the World Bank. The UAE's PM 2.5 level (which measures tiny airborne pollutants smaller than 2.5 microns) stood at 80 micrograms per cubic metre in a report this year. Much higher even than countries such as China (73 micrograms) and India (32 micrograms). Qatar stands second among the GCC nations, with its level at 69 micrograms and Saudi Arabia quite close at 62.

Earlier in November, Saudi Arabia submitted its intended nationally determined contribution, revealing its aim to slash its emissions by up to 130 million tonnes by 2030. Shy on details, the document does not mention the current levels of green house gas emissions. It underscores the fact that its plan is dependent on ‘robust’ oil export revenues over the coming decades and the country ‘reserves the right’ to update its plan.

The UAE, in October, announced its target to increase low-carbon energy contribution to the overall energy mix from 0.2 per cent in 2014 to 24 per cent in 2021. To achieve this target, the UAE will implement energy efficiency measures, feed-in tariff reforms and demand-side management initiatives. Such measures would include dissemination of information to consumers about their power consumption patterns, implementation of electric appliance entry efficiency standards and setting water and energy consumption standards for buildings.

It is the economics that matter

The New Climate Economy report by The Global Commission on the Economy and Climate identifies 10 key areas of opportunity for stronger climate action. These could bring significant economic benefits. There is the potential to achieve at least 59 per cent and as much as 96 per cent of the emissions reductions needed by 2030, to keep global warming under 2°C. The report has four main points. One, moving to a low carbon infrastructure is not a ‘climate cost’ but a ‘climate investment’. Two, emissions need to stabilise at a lower level than previously thought. Three, clean energy is keeping a lid on the cost of a low carbon transition. We should invest at least $1 trillion a year in clean energy, compared to current levels of $260bn. Four, any Paris agreement needs to include a ‘ratchet mechanism’ – a facility for a regular review and revision of targets, given the falling costs and rising awareness of countries.

There is no trade-off between investments required for a low-carbon economy and economic growth. 'Climate' must be integrated into economic decision-making processes at the levels of government, society and businesses. This requires a major shift by policymakers and business leaders in their strategic outlook. It is also urgently required in the Middle East and North Africa region where oil producers are at the crux of energy market developments.

Moving the GCC to decarbonise

Energy consumption patterns in the GCC region are unsustainable. Due to high and growing air pollution levels and carbon footprints, the region faces high risks from climate change. What should they do to decarbonise?

(a) Phase out fuel subsidies

In addition to imposing large fiscal costs, energy subsidies distort consumption and production patterns, and encourage energy intensive activities. A recent Inter- national Monetary Fund report found that post-tax subsidies, accounting for environ- mental and other damages resulting from subsidies, are projected to reach $5.3 trillion in 2015. This is equivalent to 6.5 per cent of global gross domestic product and a staggering 13 to 18 per cent of regional GDP in the Middle East and North Africa plus Pakistan region. Eliminating energy subsidies by raising energy prices to inter- national levels would improve energy efficiency in all sectors and generate sub- stantial environmental and health benefits.

(b) Impose a carbon tax

A carbon tax is usually defined as a tax based on emissions generated from burning fuels. This will transform energy investment, reduce fuel consumption, increase fuel efficiency and sharply reduce the carbon emissions that are driving global warming. A carbon tax creates incentives for energy consumers to use cleaner fuels and adopt new clean technologies, thereby reducing the amount they pay in carbon tax. For the GCC nations, a carbon tax would also be a way of diversifying revenue.

(c) Invest in intelligent, clean infrastructure

If current policies are unchanged, over 170 GW of additional capacity will be required in the GCC region alone by 2020. The GCC should aim to receive over 50 per cent of its generation capacity from solar power. Prices for solar photovoltaic modules have fallen over 80 per cent since 2008 and will be at grid parity in 80 per cent of countries in the next two years. The cost of energy storage is also rapidly falling.

(e) Develop renewable energy financing

Green financing, including green bonds and Sukuk, is attracting new investors as part of sustainable finance. The UAE, which is hosting the International Renewable Energy Agency, has an open and developed international financial sector proficient at financing hydrocarbons. It can become the first global hub for renewable energy finance, tapping the Gulf region’s enormous financial resources.