

# **“Tariffs, Taco and Cepas: diverging trade paths in a fragmenting world”, Op-ed in Arabian Gulf Business Insight (AGBI), 17 July 2025**

The opinion piece titled “[Tariffs, Taco and Cepas: diverging trade paths in a fragmenting world](#)” was published in Arabian Gulf Business Insight (AGBI) on 17th July 2025.

## **“Tariffs, Taco and Cepas: diverging trade paths in a fragmenting world”**

On July 9 the 90-day tariff pause imposed by the Trump administration came to an end, reigniting global trade tensions.

Several countries now face a fresh wave of levies scheduled to take effect on August 1.

These include a 25 percent tariff on nations such as Japan and South Korea, both currently in trade negotiations with the US; 30 percent on the European Union, Mexico and South Africa; 35 percent on Canada; 40 percent on Laos and Myanmar and a steep 50 percent rate on Brazil.

In a broader escalation, the administration also threatened an additional 10 percent tariff on Brics nations should they pursue what it describes as an “anti-American” policy stance.

For many small, developing, export-orientated countries, the loss of access to US markets represents a major economic

shock.

Adding to the pressure, a 50 percent tariff was announced on copper – a critical material used in everything from wiring and plumbing to clean energy and AI infrastructure.

Other sectors under consideration for new imposts include pharmaceuticals, semiconductors and lumber, potentially broadening the impact across global supply chains.

Unlike the April announcement, which triggered a stock market sell-off, last week's developments barely ruffled investor sentiment.

Wall Street remains at record highs, and Nvidia reached a \$4 trillion market cap milestone – suggesting markets view the threats as negotiating theatrics, summed up by the acronym Taco: Trump Always Chickens Out.

But this calm may prove premature. Markets could be underestimating the risk that rhetoric hardens into policy.

US protectionism, aimed at shielding domestic industries under the guise of national security, has proven disruptive. It has fractured supply chains, distorted trade and investment flows and injected global economic uncertainty, affecting far more than direct trade partners.

Policy volatility has surged to levels not seen since the pandemic, heightening uncertainty over monetary policy, debt and interest rates, given tariffs' impact on inflation and growth. Tariffs act as a tax on imports, raising prices for both intermediate goods and consumer products.

The Fed is left with a dilemma: keep policy tight to fight inflation and risk stifling weak growth, or accommodate price shocks and face Trump's attacks on the Fed chair for not cutting rates.

GCC nations were initially hit with a blanket 10 percent US

tariff, with sectors like aluminium and steel facing duties of up to 25 percent. The latest list now imposes a 30 percent rate on Algeria, Iraq and Libya, and 25 percent on Tunisia.

A major focus is the transshipment of goods from China, an issue raised in the US-Vietnam trade agreement, which introduces a 20 percent general tariff and a 40 percent rate on transshipped goods. Yet the definition of “transshipment” remains vague: does it mean rerouting and repackaging, or include Chinese inputs?

For Gulf countries like the UAE, Saudi Arabia and Qatar, global logistics and re-export hubs, with deep trade ties to China and extensive special economic zones, the implications are serious. These states could face further tariff pressure unless they increase local value addition to ensure goods meet domestic origin criteria.

The UAE’s agreements with China to develop EV and solar glass manufacturing facilities mark strategically important steps toward localisation. This shift is increasingly essential, particularly as rules of origin pose major hurdles in trade talks, as seen in the ongoing US-India negotiations.

In contrast to US protectionism, the UAE has pursued a radically different path. By negotiating around 27 comprehensive economic partnership agreements (Cepas), it has positioned itself as a global model of trade and investment liberalisation.

These Cepas go well beyond traditional free trade deals, covering goods, services, digital trade and investment. They also address non-tariff barriers and standards, creating a seamless framework for global commerce.

Such deep trade agreements also drive investment and innovation. The UAE is a case in point: its non-oil foreign trade surged 19 percent year-on-year in Q1 to AED835 billion, far outpacing the global average of just 2-3 percent.

At this pace, the UAE is set to reach its AED4 trillion trade goal within two years – ahead of its 2031 target.

It has also emerged as a major FDI destination. Inbound investment rose 49 percent to \$46 billion in 2024, ranking second globally for greenfield projects, behind only the US.

Beyond trade and investment, the UAE is attracting entrepreneurs, skilled professionals, including tech talent, and high-net-worth individuals, a testament to a stable, business-friendly ecosystem.

Trade remains a critical engine of economic growth. Cepas support not just liberalisation, but also economic diversification and modern industrial strategy.

For the GCC, these deals are forging resilient new corridors linking the Gulf with fast-growing Asian markets and the demographic powerhouse of Africa.

Combined with the region's rapid tech adoption, from AI to green data centres and clean energy exports, Cepas can place the GCC on a more sustainable growth path.

In a world where political and economic fragmentation threatens prosperity, the UAE offers a compelling countermodel: strategic openness remains the most viable path to a resilient, high-growth economy.

*Dr Nasser Saidi is the president of Nasser Saidi and Associates. He was formerly chief economist and head of external relations at the DIFC Authority, Lebanon's economy minister and a vice governor of the Central Bank of Lebanon*

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# 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.

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# **“China’s Rapidly Rising Innovation Capacity – Interview with Nasser Saidi” in The People’s Daily, 5 Mar 2025**

The interview with Dr. Nasser Saidi titled “China’s Rapidly Rising Innovation Capacity – Interview with Nasser Al-Saidi” was published in The People’s Daily (China’s biggest daily newspaper) on 5th March 2025. The original article in Chinese can be accessed via [this link](#) & its English translation is posted below.

## **China’s Rapidly Rising Innovation Capacity – Interview with Nasser Saidi**

Nasser Al-Saidi, an economist, is a regular presence at many of Dubai’s seminars on the topic of China. With his snow-white hair and tough frame, he speaks methodically.

‘The topic of China is one of my greatest concerns.’ In a recent interview with People’s Daily Online, he said he has been paying attention to China’s development and Arab-China co-operation, believing that China’s economy will continue to grow steadily and create opportunities for pragmatic co-operation among the vast number of developing countries.

‘I believe that China will maintain a solid growth trend this year and inject momentum for long-term sustainable economic development by further deepening reform and opening up and launching more policy initiatives.’ Nasser Saidi said the results of China’s high-quality economic development can be seen in the changes in the structure of China’s foreign trade. According to the Economic Complexity Index published by Harvard University, China’s score has improved from 0.46 in 2000 to 1.4 in 2022 (note: a higher score represents an economy’s more productive capacity), and its ranking among the world’s major economies has improved from 41st in 2000 to 18th in 2022. ‘Looking at the significant growth in China’s exports of electric vehicles, lithium batteries and photovoltaic products, we can sense the trend of China’s economy climbing up the global value and industrial chain.’

Nasser Saidi pointed out that the high priority given to research and development is driving ‘China’s rapid rise in innovation capacity.’ Statistics show that by the end of 2024, China will have about 4.76 million valid domestic invention patents, a record high, making it the first country to have more than 4 million valid domestic invention patents. ‘This marks a remarkable progress in China’s intellectual property development.’

For Nasser Saidi, the success of AI company DeepSeek is a powerful example of Chinese-style innovation and efficiency. DeepSeek has achieved performance comparable to the world’s most advanced AI models, but at a much lower cost, which in turn reduces energy consumption. What’s more, Deep Seek provides an open architecture that allows for more application access and development. ‘Similarly, China is leading the world



in innovation achievements in high-end manufacturing and new energy technologies.'

Nasser Saidi, who has served as Lebanon's Minister of Economy, Deputy Governor of the Central Bank of Lebanon, and Chief Economist of Dubai International Financial Centre, has served as an economic advisor to the International Monetary Fund and the Organisation for Economic Co-operation and Development. He emphasised that 'the joint "Belt and Road" initiative is crucial to enhancing global connectivity.' Citing a World Bank report, he noted that the decade of building the Belt and Road had reduced global trade costs by 1.8 per cent through infrastructure development alone, increased trade among participating countries by between 2.8 per cent and 9.7 per cent, increased global trade by between 1.7 per cent and 6.2 per cent, and increased global income by between 0.7 per cent and 2.9 per cent. It is expected that by 2030, building the Belt and Road together could lift 7.6 million people out of extreme poverty and 32 million out of moderate poverty in the countries concerned. 'Without China's support, infrastructure construction in many countries would not have been possible.'

Nasser Saidi is a strong supporter of the China-GCC Free Trade Agreement. He has participated in many international forums to explain the significance of signing the China-GCC FTA: 'Against the backdrop of increased uncertainty in the global economy, the significance of China's solidarity and co-operation with the GCC countries has come to the fore. China should become a comprehensive strategic partner of the GCC countries in their efforts to diversify their economies. As an important GCC country, the UAE should strengthen financial market co-operation with China, stimulate synergies in the fields of artificial intelligence, climate technology, and aerospace, and explore deepening regional and multilateral co-operation.'

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# **“UAE-China Partnership for a Transforming Global Economic Geography”: Presentation at the China-UAE Investment Summit (Abu Dhabi Finance Week), 10 Dec 2024**

Dr. Nasser Saidi's joined as a keynote speaker presenting on [“UAE-China Partnership for a Transforming Global Economic Geography”](#) at the China-UAE Investment Summit session held during the Abu Dhabi Finance Week on 10th of December 2024.

Starting with an overview of the 40 years of diplomatic & economic relations between UAE and China, Dr. Nasser Saidi highlighted that China was an important partner in UAE's initial diversification phase (infrastructure, trade, tourism). With the UAE and wider GCC benefiting from reconfiguration of global supply chains, trade & investment diversion from China “decoupling”, China can become a Comprehensive Strategic Partner for UAE's next phase of diversification.

What are the building blocks of such a Comprehensive Strategic Partnership? Regional / multilateral cooperation measures aside, bilateral efforts could range from a free trade agreement to banking/ financial integration and investing in future technologies among others.

Some snippets of the summit are highlighted below:

*The China-UAE Investment Summit 2024 at ADFW wrapped up with valuable insights into the strengthening economic ties between China and the UAE.*

*Leaders from both nations explored key opportunities in trade, innovation, and investment, setting the stage for a new era of... [pic.twitter.com/QTtmZ9o3D2](https://pic.twitter.com/QTtmZ9o3D2)*

*– ADFW (@ADFFinanceWeek) [December 10, 2024](#)*

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## **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.*

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## **Comments on BRICS+, geo-political fragmentation and the role of the USD in CNN Business Arabia, 17 Jun 2024**

Dr. Nasser Saidi's comments appeared in a CNN Arabia article titled "هل يضعف تدويل اليوان هيمنة الدولار الأميركي؟" on the

BRICS+, geo-political fragmentation and the role of the USD. This article was published on 17th June 2024 & can be accessed [directly](#).

His comments are posted below:

واعتبر مؤسس ورئيس شركة «ناصر السعيد وشركاه» ناصر السعيد في الاقتصادية أنه في وقت يعاني العالم من تفتت جيوسياسي CNN حديث مع ويتراجع مفهوم العولمة، ترغب قائمة طويلة من الدول، ما يقارب 15 دولة، الانضمام إلى بريكس بلس.

وأعربت تايلاند (أول دولة في جنوب شرق آسيا) وتركيا (العضو في حلف شمال الأطلسي) مؤخراً عن رغبتهما في الانضمام.

وتابع السعيد «مع توسع بريكس بلس، تعمل اقتصادات الدول فيها على توحيد وجهات النظر بشأن القضايا العالمية والتنمية الاقتصادية والتجارة وإنشاء مؤسسات جديدة تتحدى اتفاقية بريتون وودز».

وأكد السعيد أن هذه التغيرات تؤثر على النظام المالي الدولي والسياسات النقدية وسلاسل الإمداد العالمية وأنظمة الدفع، وبينما كانت هناك مناقشات حول اعتماد عملة البريكس داخل المجموعة استبعد سعيد هذا السيناريو ورجح سيناريو اتفاقيات تبادل العملات بين دول التحالف.

وعلى الصعيد العالمي، يرى السعيد أن هناك هيمنة للدولار في المعاملات طويلة الأمد؛ مثل نظام سويفت الذي يمثل 47.37 في المئة من إجمالي قيمة المعاملات في مارس آذار 2024، ومع ذلك -بحسب سعيد- تفيد التقارير بأنه يتم التعامل مع مبيعات النفط بعملة بعيدة عن الدولار منها اليوان الصيني والدرهم الإماراتي.

وقال السعيد إن استخدام الدولار كسلاح -من خلال العقوبات المالية أو تجميد الحسابات واستخدام الدخل من الأصول الروسية المجمدة- يعني أن سندات وأذونات الحكومة الأميركية لم تعد «خالية من المخاطر»، وذلك يدفع الدول والمصارف المركزية إلى تقليل حصتها من احتياطي الدولار في سنداتها والاحتياطيات الدولية والأصول الموجودة في الولايات المتحدة.

وأضاف سعيدي أن الجمع بين تنامي قوة الصين الاقتصادية وبعض الاقتصادات الناشئة، إلى جانب القيود التجارية المتزايدة (وصلت نحو 3 آلاف قيد في عام 2023) واستخدام الدولار كسلح، يؤدي إلى إلغاء تدريجي للدولار على المستوى الدولي.

وبلغت الاحتياطيات المخصصة بالدولار الأميركي على مستوى العالم بحسب السعيد 58.4 في المئة حتى نهاية عام 2023 متراجعة من نحو 70 في المئة في مطلع القرن الحالي.

وأكد السعيد أن البنوك المركزية اختارت زيادة حصتها من العملات الاحتياطية غير التقليدية (بما في ذلك الرمينبي الصيني، والدولار الكندي، والدولار الأسترالي، وعملات الشمال من بين عملات أخرى) بدلاً من اليورو أو الين الياباني أو الجنيه الإسترليني.

وكان هناك أيضاً تحول واضح نحو الاحتفاظ بالذهب كوسيلة للتحوط على الرغم من أن حصة الذهب في الاحتياطيات لا تزال منخفضة، بحسب ما قاله سعيدي، ما يساعد على رفع سعر الذهب.

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## Interview with Al Arabiya (Arabic) on GCC's potential to become "Middle Powers", 9 Jun 2024

In this interview with Al Arabiya aired on 9th June 2024, Dr. Nasser Saidi discusses his view that at a time of global fragmentation, decoupling from China and a New Cold War, the GCC countries can emerge as Middle Powers.

Watch the TV interview via this [link](#).

# السعيدي للعربية: دولة الخليج لديها فرصة كبيرة لتكون "قوة وسطى"

## قال إن إدارة ترامب بدأت حربا تجارية باردة في 2017

قال رئيس شركة ناصر السعيدي وشركاه، الدكتور ناصر السعيدي، إن دولة الخليج لديها فرصة لتظهر كقوة وسطى بين أميركا وحلفائها من جهة والصين من جهة أخرى.

وتشهد التجارة العالمية حربا مستعرة بين كلا الجانبين، وزادت الإجراءات الحمائية عالميا بأكثر من 3 أضعاف منذ عام 2019 حتى 2023، مما أدى إلى انخفاض نمو التجارة العالمية.

وقد أثرت الحمائية والسياسات الاقتصادية سلبا أيضا على تدفقات رأس المال والاستثمار الأجنبي المباشر، ولم يعد نموه يتماشى مع النمو في التجارة والناج المحلي الإجمالي.

منذ تولي "Business" وأضاف السعيدي في مقابلة مع قناة "العربية" ترامب رئاسة أميركا، بدأت الإدارة الأميركية حربا تجارية باردة في 2017".

وأكد السعيدي أن الصين أهم مستثمر مباشر في المنطقة.

ولفت إلى أن الاستثمارات المباشرة في المنطقة تخطت 250 مليار دولار في 2023.

يذكر أن نمو الاستثمار الأجنبي المباشر عالميا استقر عند ما يقرب من الصفر منذ عام 2010، مقابل نمو التجارة بنسبة 4.2% والناج المحلي الإجمالي سنويا بمتوسط 3.4%.

أن الاستثمار "FDI intelligence" وتظهر البيانات الصادرة عن الأجنبي المباشر في المشاريع الجديدة، أو ما يعرف بالـ "greenfield" في منطقة الشرق الأوسط وإفريقيا، مقاسا بعدد



المشاريع، نما بنسبة 19% على أساس سنوي. بينما انخفض الاستثمار  
الرأسمالي بنسبة 6% إلى 249.8 مليار دولار أميركي في عام 2023  
بسبب الارتفاع الحاد في مشاريع الهيدروجين الأخضر في عام 2022.

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## 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.*

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# **Interview on CNN's Connect The World with Becky Anderson on Huawei, US-China tensions & Middle East linkages, 25 Sep 2023**

**What Huawei's latest fall line means for the tech giant?**

Dr. Nasser Saidi was interviewed on CNN's Connect the World with Becky Anderson on the 25th of Sep 2023 where he shared his views on Huawei's latest technology, US-China tech (& trade) war and China's increasing linkages with the Middle East.

Part of the interview was published on the CNN website:  
<https://edition.cnn.com/videos/world/2023/09/25/exp-huawei-becky-anderson-nasser-saidi-live-09259aseg1-cnni-world.cnn>

Watch the full interview below:

<https://nassersaidi.com/wp-content/uploads/2023/09/Dr-Nasser-Saidi-Connect-the-World-With-Becky-Anderson-2023-09-25-v2.mp4>

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## **Interview with Al Arabiya (Arabic) on prospects for the**

# US dollar, 18 Jul 2023

In this interview with Al Arabiya aired on 18th July 2023, Dr. Nasser Saidi discusses the future prospects of the US dollar, central banks' appetite for gold, potential for the renminbi and the petroyuan in the context of UAE's agreement with India to settle trade in rupees instead of the dollar.

[Watch the TV interview at this link](#) as part of the related news article:

## خبير للعربية: تراجع حصة الدولار من الاحتياطيات العالمية إلى هذا المستوى في 2030

### وصلت حاليا 58% من إجمالي الاحتياطيات

قال رئيس شركة ناصر السعيد وشركاه الدكتور ناصر السعيد، إن ضعف الدولار حاليا سببه تراجع التضخم بأميركا ولهذا السبب فإن الأسواق تتوقع أن الفيدرالي الأميركي لن يرفع الفائدة حتى نهاية العام وإذا حدث فسيكون بمعدل ربع أو نصف نقطة مئوية حتى نهاية العام . بسبب ضعف الدولار

وأضاف السعيد في مقابلة مع "العربية" أن الأهم من ذلك هو تراجع دور الدولار على المستوى العالمي وإذا عقدت مقارنة بشأن حصة الدولار من الاحتياطيات النقدية لدى البنوك المركزية عالميا في أول القرن الحالي كان حصة الدولار أكثر من 70% من الاحتياطيات، بينما تراجعت هذه النسبة حاليا إلى 58%، وأتوقع أن تتراجع إلى 50% حتى عام 2030.

وذكر أنه رغم ارتفاع اليورو فإن دول أوروبا لا تلعب دورا على المستوى العالمي مثل الذي تلعبه الصين اليوم، وأتوقع أن تزيد حصة الرمينبي الصيني من الاحتياطيات الدولية من نحو 3 أو 4 % حاليا

إلى 8% حتى عام 2030.

وتوقع أن تفتح الصين أسواقها خلال 10 سنوات من الآن تدريجيا وهي دولة عندها أسواق ضخمة ووضعت قيودا على دخول الاستثمارات الأجنبية وأعتقد أنها ستفتح تدريجيا ليتم فتح الأسواق المالية الصينية بشكل أكبر خلال خطة خمسية ومن ثم ستوجد إمكانية للبنوك المركزية بأن يستثمروا في السندات الصينية دون قيود عليهم ومن ثم أتوقع وصول الرنمينبي إلى ما بين 6 و8% من احتياطات البنوك المركزية.

وأوضح السعيد أنه بسبب الحرب بين روسيا وأكرانيا حدثت قيود وضوابط على عدد كبير من الدول و30% من الدول عالميا تواجه عقوبات من أميركا وبريطانيا وأوروبا وغيرهم مما سبب خطرا فيما يخص التوظيف بالعملات الأجنبية وخاصة الدولار، ولهذا السبب اتجهت البنوك المركزية لشراء الذهب بكميات كبيرة خلال العامين الماضيين.

وقال إن الدولار يسيطر على نسبة 80% من تسوية العمليات التجارية بين الدول باستثناء دول أوروبا، إلا أنه بالنسبة لدول الخليج والدول العربية صارت الصين وآسيا أهم شريك تجاري وتوقعاتي أن يتم تدريجيا استخدام الرنمينبي في تمويل وتسوية التجارة وهذا لمصلحة الدول العربية وبالتالي ستكون حصته أعلى.

وأشار إلى دور كبير ومهم لـ"البترويوان"، حيث يصدر الخليج لدول الصين أو غيرها باستخدام الدولار وهو ما يزيد التكلفة على الطرفين ومن الطبيعي لتخفيض التكاليف أن يتم استخدام عملات هذه الدول سواء كانت الهند أو الصين أو غيره.

وذكر أن التوجه في آسيا لاستخدام الدول عملاتها في تسوية العمليات التجارية بينها، موضحا أن الصين حاليا تعد أهم شريك تجاري لدول الخليج والدول العربية ومن الطبيعي تخفيض المخاطر والكلفة باستخدام العملة الصينية.

وأكد ضرورة فتح حسابات بالروبية في الإمارات لدعم اتفاقها مع الهند لتسوية التبادل التجاري بالروبية الهندية، حيث إن الهند ثالث شريك تجاري للإمارات حاليا ويمثل نحو 10% من الواردات العالمية للإمارات، وتمثل لصادرات الهند للإمارات 20% من إجمالي الصادرات الهندية ومن ثم توجد أهمية لاستخدام عملات البلدين لتسوية العمليات التجارية بينهما.

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# Interview with Al Arabiya (Arabic) on the US debt ceiling bill, 31 May 2023

In this interview with Al Arabiya aired on 31st May 2023, Dr. Nasser Saidi discusses the US debt ceiling deal and next steps. US Debt Ceiling Bill saga is all but finalised. Issue becomes investor appetite to buy \$750bn in TBs Treasury will issue in next 4 months while US has regional banking turmoil & drying liquidity, pursuing economic/tech war with China & after the freezing of Russian foreign assets.

[Watch the TV interview at this link](#) as part of the related news article:

## من يمول عجز الموازنة الأميركية بعد الحرب الاقتصادية بين واشنطن والصين؟

### خبير: الصين والدول العربية المصدرة للنفط كانت من أكبر الممولين

قال رئيس شركة ناصر السعيد وشركاه، الدكتور ناصر السعيد، إن الاتفاق على رفع سقف الدين الأميركي بات من الواضح أنه محسوم، رغم معارضة بعض المتطرفين من الحزب الجمهوري.

وأضاف في مقابلة مع "العربية" أنه منذ عام 1960، تم رفع سقف

الدين الأميركي 78 مرة، وليس من المنتظر من الكونغرس الأميركي أن لا يقر الاتفاق، ولكن من ناحية التداعيات لما حدث خلال الأيام الماضية فإنه خلق نوعا من عدم اليقين بالنسبة لمستقبل سندات الخزانة الأميركية.

وأشار إلى وجود 3 مشكلات بعد الاتفاق هي سقف الدين والفائدة، حيث سيعود الفيدرالي الأميركي لرفع الفائدة مجددا، والوضع المصرفي الأميركي وهذه الأمور الثلاثة مهمة.

أهم نقطة في الوقت الحالي تتركز حول هل سيستمر الفيدرالي في رفع الفائدة؟ من المتوقع أنه سيضطر لرفع الفائدة بنسبة 25 نقطة أساس، لسبب مرتبط بسقف الدين"، وفقا للسعيدي.

وأضاف أن الخزانة الأميركية تعاني من عجز وسوف تضطر للاستدانة من السوق بقيمة 750 مليار دولار خلال أشهر مقبلة، وبنحو 1.1 تريليون دولار حتى آخر العام، ما يزيد الطلب على السيولة بالسوق مع استمرار الفوائد المرتفعة وارتفاع العائد على السندات وربما تزيد الفائدة بالسوق.

استبعد وجود مخاطر تتعلق بعمليات توفير السيولة في الولايات المتحدة الأميركية لأن احتياجاتها التمويلية معروفة للسوق ولن تصل الأمور لأزمة مالية أو مصرفية، لكن ربما يؤثر الأمر على السيولة المتاحة للأسواق الأميركية.

وقال السعيدي إن السؤال الكبير هو من سيمول عجز الموازنة الأميركية؟، حيث كانت تعتمد على آسيا وخاصة الصين والدول العربية المصدرة للنفط.

وتساءل هل ستستمر الصين في إقراض الولايات المتحدة رغم الحرب الاقتصادية والتكنولوجية الدائرة بين البلدين؟.

ورأى أنه من الصعب على أميركا خفض نسبة الدين إلى الناتج المحلي التي وصلت 100%، لأن النسبة الأكبر من العجز تأتي من الإنفاق العسكري وحاليا توجد حرب بين روسيا وأوكرانيا، وهذا كلف الولايات المتحدة منذ أول هذا العام نحو 150 مليار دولار وسيستمر هذا الإنفاق، بجانب نفقات الضمان الاجتماعي والصحة وستزيد مع الوقت. نظرا لزيادة متوسط أعمار الشعب الأميركي.

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# **“China-GCC FTA will be a game changer”, Op-ed in Arabian Gulf Business Insight (AGBI), 25 May 2023**

The article titled “[China-GCC FTA will be a game changer](#)” appeared in the Arabian Gulf Business Insight (AGBI) on 25th May 2023 and is posted below.

## **China-GCC FTA will be a game changer**

***Nasser Saidi & Aathira Prasad***

Chinese President Xi Jinping’s historic visit to Saudi Arabia in December 2022 marked a transformation of the thus-far transactional relationship between the regions – leading to the long-awaited revival of negotiations of the China-GCC free trade agreement.

The meeting also spurred the signing of a comprehensive strategic partnership agreement and 34 investment agreements.

The visit birthed an active diplomatic role for China in the region, resulting in the reopening of relations between Saudi and Iran, while Saudi and the UAE assume observer status in the Shanghai Cooperation Organisation.

These developments herald détente and stabilisation in the Middle East, thereby favouring trade, investment and growth, and facilitating the potential reconstruction of countries destroyed by war and violence – starting with Yemen.

## **Economic diversification**

China already accounts for one-fifth of the GCC's total trade, a larger share than trade with the EU or US. China is the largest export market for the GCC – with energy at its core – as well as a major source of investment.

In 2022 the GCC accounted for around 8 percent of China's total imports, according to the PRC General Administration of Customs. Oil accounted for 90 percent of the GCC's exports to China last year. China is also the largest non-oil trading partner and second-largest trading partner of the Mena region.

A China-GCC FTA, potentially by 2024, is a game changer that would galvanise Middle Eastern economic transformation. An FTA that removes trade barriers – with tariffs expected to decline by 90 percent – would boost trade and investment linkages.

A China-GCC FTA is likely to be a deep trade agreement, going beyond international trade to encompass agreement on non-tariff barriers, direct investment, tech, e-commerce and services, labour standards, taxation, competition, intellectual property rights, climate, the environment, and public procurement (including mega-projects).

Laws and regulations would be modernised to accommodate the provisions of the FTA, thereby accelerating domestic economic reforms in the GCC.

These gains from trade, investment and technology transfer would generate higher incomes and growth rates for the GCC and, through spillover effects, raise growth rates in the wider Mena region.

## **Energy is essential**

What are the main building blocks of an FTA? Energy will remain at the centre of a China-GCC FTA. However, the energy sector itself is transforming, driven by the global energy transition, with decarbonisation policies and net-zero targets



leading to an acceleration of renewable energy investments, including by the GCC.

The Russia-Ukraine war created an energy crisis and put security at the forefront of energy policies. This, along with sanctions on Russian oil and gas, has increased dependence on Middle East resources.

China, as a world leader in renewable energy tech, will become the strategic partner for the GCC as it diversifies its energy mix through investment in renewables and climate tech.

A China-GCC FTA would also be a major building block for the economic diversification 2.0 strategies of the GCC and expansion of the non-oil sector.

Given the size and diversification of China's economy, an FTA would lead to a rapid expansion of trade and investment in digital trade and financial services, hi-tech, renewable energies and climate tech, AI, automation and robotics.

## **Tourism growth**

Tourism would boom as Chinese outbound travelling recovers post-Covid, as other GCC countries join the UAE on China's "approved list".

The FTA would strengthen linkages and integration in infrastructure, transport, logistics and even space travel.

What's more, the GCC, as major capital exporters, would benefit from linking financial markets to Shanghai and Hong Kong, greatly facilitating financial flows, thereby multiplying and diversifying investment opportunities.

These could include expansion of China's Belt & Road construction projects in the GCC, participation in the financing of GCC privatisations, mega-projects, public-private partnerships, and the transfer of technology.

GCC investors would have privileged access to Chinese opportunities, free of exchange and capital controls. A natural outcome of the FTA and financial market linkages would be the linking of payment systems, including the development and use of the Petro-Yuan to finance China-GCC trade and eventually for financial transactions and investments.

A China-GCC FTA would also deepen the symbiotic relationship between Chinese and GCC sovereign wealth funds, the largest in the world, controlling assets worth more than \$6 trillion, enhancing their global financial market power.

And finally, the China-GCC FTA would result in positive spillover effects through increased trade and investment for the Mena trade partners of the GCC, with trade creation effects outweighing any potential diversion.

The GCC would negotiate as a bloc and start exercising its considerable economic power in signing other FTAs, potentially with Asean, the EU and the United States-Mexico-Canada Agreement.

The China-GCC FTA deal is expected to potentially lead to a more than doubling of non-oil trade in three to five years from implementation, with greater global and regional integration of the GCC and the Mena region.

*Dr Nasser Saidi is the president of Nasser Saidi and Associates. He was formerly chief economist and head of external relations at the DIFC Authority, Lebanon's economy minister and a vice governor of the Central Bank of Lebanon. This article was co-authored by Aathira Prasad, director of macroeconomics at Nasser Saidi and Associates*

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# Interview with Asharq Business (Bloomberg) on should countries move away from reliance on the dollar, 11 Apr 2023

Dr. Nasser Saidi joined Asharq Business (Bloomberg) on 11th April 2023, to speak about the reliance on the US dollar, the rise of the renminbi and whether the GCC's economic relations with China could take a new turn (free trade agreement, trading oil in the yuan)

Watch the interview (in Arabic) at this [link](#).

الصباح مع صباح

ناصر السعيد: تسعير النفط بالدولار لا يمنع تداوله باليوان

دبي.. د. ناصر السعيد/ مؤسس ورئيس شركة ناصر السعيد وشركاه: البريكست تمثل 32% من الناتج القومي العالمي.. تسعير النفط بالدولار لا يمنع تداوله باليوان.. قد نشهد منطقة تجارة حرة بين دول التعاون الخليجي والصين

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## “China-GCC FTA Negotiations

# **and Prospects for Broader Economic Collaboration”, Panel Discussion, AGSIW webinar, 5 Apr 2023**

Dr. Nasser Saidi participated in the panel discussion hosted by the Arab Gulf States Institute in Washington (AGSIW) titled **“China-GCC FTA Negotiations and Prospects for Broader Economic Collaboration”** held as a webinar on Apr 5th, 2023.

The China-Gulf Cooperation Council summit in December 2022 renewed interest in concluding negotiations for a China-GCC free trade agreement. These trade negotiations began in 2004, but progress toward establishing an FTA has proceeded slowly. A finalized FTA with the GCC would be a prestigious accomplishment for Beijing, strengthening China’s economic linkages to the region and potentially boosting trade and investment flows. For their part, GCC governments hope to expand economic cooperation with Asian partners, such as China, to advance ambitious economic diversification agendas.

What are the key Chinese and GCC interests behind completing an FTA, and what obstacles have posed the biggest challenges to finalizing negotiations? What do FTAs reveal about the nature of Chinese economic diplomacy in the Middle East? How would the establishment of a China-GCC FTA impact trade and investment ties over the short, medium, and long term? Looking beyond the potential FTA, what are the other trends and mechanisms facilitating deeper economic cooperation between China and GCC countries?

Watch the discussion below:

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# **“China and the Middle East”: Dr. Nasser Saidi’s fireside chat at the UBS Greater China Conference, Jan 2023**

Dr. Saidi participated as a keynote speaker in the UBS’s annual flagship event, the 23rd edition of which took place in January 2023 in Hong Kong with a theme of ‘The Way Ahead’.

[In this podcast](#), recorded in Jan 2023, UBS APAC head of research Martin Yule asks Nasser Saidi, former chief economist of the Dubai International Financial Centre and the first governor of the Central Bank of Lebanon, to discuss the theme, ‘China and the Middle East: old friends in a new era’. The talk focuses on trade, oil, growth of Middle East capital markets, the potential free trade agreement as well as broader aspects of China-Middle East cooperation.

**Listen to the podcast:**

[https://nassersaidi.com/wp-content/uploads/2023/03/the\\_bulletin\\_with\\_ubs\\_441.mp3](https://nassersaidi.com/wp-content/uploads/2023/03/the_bulletin_with_ubs_441.mp3)

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# Comments on China-GCC economic relations, The National, 3 Feb 2023

Dr. Nasser Saidi's comments (posted below) on the potential for the GCC-China Free Trade Agreement and beyond, appeared in the article titled "[Why a China-GCC free trade agreement might be a game changer](#)" on The National dated 3rd February 2023.

*Nasser Saidi, president of Nasser Saidi & Associates and former chief economist of the Dubai International Financial Centre, says an FTA could be signed as early as this year.*

*"The China-GCC FTA negotiations have been ongoing since 2004. While it has taken a long time, agreements have been reached on most trade-related issues," says Mr Saidi, who also previously served as Lebanon's minister of economy and industry and deputy governor of the country's central bank.*

*"This is the last mile for negotiations, and considering [the] GCC's plans to increase economic diversification, the agreement is likely to focus beyond just oil, [and] into trade [and] services (including digital), tech sectors and both portfolio and direct investments."*

*Chinese President Xi Jinping's historic visit to Saudi Arabia in December heralds a "major shift" in the strategic relationship between China and the GCC.*

*"President Xi's visit will give a strong impetus and I anticipate an initial FTA could be signed in 2023," says Mr Saidi.*

*Mr Saidi says trade between the GCC and China has been steadily rising and doubled between 2010 and 2021, with China*

accounting for about 16.7 per cent of the Gulf region's total trade in 2021.

Mr Saidi says an FTA would open new sectors such as services, technology, artificial intelligence and robotics, and strengthen linkages in infrastructure, transport and logistics, leading to a "potential doubling of non-oil trade in three years".

Opportunities also exist in construction, manufacturing, tourism and space exploration, as well as the linking of financial markets, he says.

While China is a big export market, Mr Saidi sees many opportunities beyond trade and investment. "First and foremost, there could be significant benefits from the adoption of the PetroYuan," he says. "Oil could continue to be priced in USD, but payment and settlement would be in Yuan. The Yuan could be used for all bilateral trade with only the net balance settled in euro or USD."

Deeper economic ties mean that China and the Gulf region can benefit from increased co-operation on numerous fronts such as the integration of banking and payment systems, the expansion of central bank swap agreements, collaboration between special economic zones and state-owned enterprises becoming an instrument of economic and industrial policy. "Sovereign wealth funds can also be used as an instrument for co-operation – for example GCC SWFs can focus more of their portfolios on Asian economies, especially China, and vice versa," says Mr Saidi. "In parallel, China will emerge as a geostrategic partner of the GCC in defence and security, given alignment on most political issues."

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# Interview with Al Arabiya (Arabic) on threats to the global economy in 2023, 1 Jan 2023

In this interview with Al Arabiya aired on 1st Jan 2023, Dr. Nasser Saidi discusses potential threats to the global economy in 2023. He touches upon slowing global growth/ recessions and divergent growth rates in the back drop of inflation and role of the central banks amid a strong dollar. Also touched upon was growth prospects in China.

Watch the interview at [this link](#) as part of the related news article

## ما هو الخطر الأكبر على الاقتصاد العالمي في 2023؟

### ناصر السعيدى للعربية: نمو اقتصاد الصين سيتجاوز 5% في 2023

قال رئيس شركة ناصر السعيدى وشركاه، الدكتور ناصر السعيدى، إن هناك 4 عوامل تؤثر في نسب نمو الاقتصاد العالمي خلال 2023، منها العوامل الجيوسياسية المتمثلة في الحرب بين روسيا وأوكرانيا من جهة، والمواجهة والحرب الاقتصادية بين الصين وأميركا من جهة أخرى، وتداعيات حرب أوكرانيا على سوق الطاقة وارتفاع أسعار النفط بما يؤثر على الدول الناشئة والمستوردة للنفط، بالإضافة إلى حالة عدم اليقين بشأن نسب التضخم والسياسات النقدية.

وأضاف السعيدى، في مقابلة مع "العربية"، اليوم الأحد، أن عام 2023



سيشهد تبايناً بين نسب النمو والركود بين دول العالم، وسيحدث ركوداً بداية من بريطانيا تلحقها أوروبا خلال الربع الأول من 2023.

وأوضح السعيد، أن أميركا قد تتجنب الركود العميق مع إمكانية نجاح الفيدرالي الأميركي في رفع الفائدة ولجم التضخم.

وتوقع رئيس شركة ناصر السعيد وشركاه، أن ترفع الصين نسب النمو لتتجاوز نسبة 5% في 2023 مع ضخ مساعدات لقطاع التكنولوجيا وزيادة الإنفاق على البنية التحتية، وبدعم من قطاع التجزئة الذي مر بفترة توقف بسبب كوفيد-19، ولذلك سترتفع نسب الاستهلاك.

وأوضح أن الصورة عالمياً ستشهد تبايناً كبيراً في النمو بين المناطق.

ورجح السعيد، أن يستمر البنك المركزي الأميركي في رفع أسعار الفائدة إلى أكثر من 5% وأن تصل النسبة في أوروبا إلى ما بين 4 إلى 4.5% في 2023.

وكشف أن الركود الاقتصادي سينتشر في 2023، وقد يشهد الفصل الأخير من 2023 بداية عودة النمو، مع استمرار الركود في أوروبا لنحو 9 أشهر.

وعن أبرز خطر يهدد الاقتصاد العالمي في 2023، قال رئيس شركة ناصر السعيد وشركاه، إن العامل المؤثر الأكبر في 2023، سيكون الحرب الاقتصادية بين أميركا والصين وإمكانية وصولها إلى مواجهة عسكرية، وأيضاً التضخم، بعد أن أصبحت مصداقية البنوك المركزية على المحك في لجمه للمستويات المستهدفة، والذي لم يعد خياراً بعد تأخر الفيدرالي الأميركي والمركزي الأوروبي وبنك إنجلترا في رفع الفائدة خلال 2022، وهو ما يستحيل التراجع عنه.

وقال "هذه البنوك المركزية أصبحت مضطرة للمضي في سياسة التشدد النقدي، وهو يضغط على دول لديها حجم ديون مرتفع مثل إيطاليا ومصر، حيث تبلغ نسبة الديون في إيطاليا بالنسبة للنتاج القومي 750% ورفع الفوائد إلى 4% سيرفع كلفة الدين، ولذلك فمن أهم "الأخطار حدوث أزمة سوق الدين لا سيما في الدول الناشئة".

وتوقع السعيد، أن يكون الدولار قوياً في 2023، بسبب ارتفاع الفائدة ولجوء الاستثمارات إلى الأسواق الأميركية، مع حدوث تراجع بسيط في أسعار النفط بنحو 5 إلى 10 دولارات ليصبح في حدود 70 إلى

75 دولارا للبرميل، مع التفاؤل بشأن اقتصادات دول الخليج بدعم من أسعار النفط المرتفعة نسبيا وهو ما يساعد ميزانيات دول الخليج، وكذلك يزيد احتياطي العملات الأجنبية لديها.

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## **Impact on Trade with Middle East as a New Arena for Asian Competition (?), Panel Discussion at the MEI NUS Annual Conference, 18 May 2022**

Dr. Nasser Saidi joined a panel discussion online titled “Impact on Trade” within the wider context of “Middle East: A New Arena for Asian Competition?” which was the theme of the National University of Singapore’s Middle East Institute Annual Conference.

The session, held on 18th of May, discussed the background of trade, investment and labour flows, in addition to what the contrasts are for China and India’s policies in the Middle East.

Watch the session below

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# Bloomberg Daybreak Middle East Interview, 12 Dec 2021

Dr. Nasser Saidi joined Manus Cranny on 12th of December, 2021 as part of the Bloomberg Daybreak: Middle East edition, sharing his views on the British Pound & Bank of England as well as the divergence in monetary policy between China and the major central banks (including the Fed).

Watch the interview below from 1:02:00 to 1:06:17, and can also be accessed from the original link: <https://www.bloomberg.com/news/videos/2021-12-12/-bloomberg-daybreak-middle-east-full-show-12-12-2021>

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# Bloomberg Daybreak Middle East Interview, 18 Apr 2021

Dr. Nasser Saidi joined Manus Cranny on the 18th of April, 2021 as part of the Bloomberg Daybreak: Middle East edition, discussing the state of the US economy bond markets brushing off strong US data, inflationary pressures, views on cryptocurrencies/ Bitcoin/ SPACs as well as Chinese Q1 GDP and emerging market valuations.

Watch the interview below – Dr. Nasser Saidi joins from 05:30 till 19:10. The original link to the full episode: <https://www.bloomberg.com/news/videos/2021-04-18/-bloomberg-daybreak-middle-east-full-show-04-18-2021-video>

A quote from the interview also appeared in a [news article](#):  
*“At the global level, you have both China and the U.S. growing fast. That’s driving markets across the globe,” Nasser Saidi & Associates president and founder Nasser Al-Saidi told*

*Bloomberg.*

*"The simultaneous rally in stocks and bonds is temporary, but it suggests confidence in continued central bank support and "no fear of rapid inflation ramping up," he added.*

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## **Bloomberg Daybreak Middle East Interview, 20 Dec 2020**

Dr. Nasser Saidi joined Yousef Gamal El-din on the 20th of December, 2020 as part of the Bloomberg Daybreak: Middle East edition, to discuss impact of Covid19 on economic activity, in addition to the US stimulus and unemployment, speculative frenzy in the markets, US-China tech "war" and Brexit negotiations.

Watch the interview below – Dr. Nasser Saidi joins from 05:30 till 15:00. The original link to the full episode:

<https://www.bloomberg.com/news/videos/2020-12-20/-bloomberg-daybreak-middle-east-full-show-12-20-2020-video>

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## **Bloomberg Daybreak Europe Interview, 25 Aug 2020**

In the August 25th, 2020 edition of Bloomberg Daybreak: Europe, Dr. Nasser Saidi speaks to Manus Cranny and Annmarie Hordern on US presidential elections, China's economic recovery amid Covid19, clashes with the US administration, the euro & ECB, Brexit & the UK economy.

Watch the interview below – Dr. Nasser Saidi joins via phone (from 07:05 till 35:42). The original link to the full

episode:

<https://www.bloomberg.com/news/videos/2020-08-25/-bloomberg-dailybreak-europe-full-show-08-25-2020-video>

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# Comments on China's Belt and Road Initiative & the Middle East in Al Monitor, 6 Jul 2020

Dr. Nasser Saidi's comments on China's Belt and Road Initiative & the Middle East appeared in the article titled "[China's 'Belt and Road' push brings risks, rewards to Mideast](#)" in Al Monitor's 6th July 2020 edition. The comments are posted below.

*As UAE economist [Nasser Saidi](#) observed in his talk at the Harvard Kennedy School in 2018, the digital corridor project or a space station would complement the UAE's national space program and help lift economic sectors to the next level. Collaboration in such innovative technological fields has also been described in detail in the "1+2+3" cooperation pattern laid out in the Arab Policy Paper of 2016.*

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# **"Prospects for sovereign debt restructuring and access to financing", OMFIF webinar, 4 Jun 2020**

Dr. Nasser Saidi participated in a webinar on 4th June 2020 titled "[Overcoming debt crisis in emerging markets: Prospects for sovereign debt restructuring and access to financing](#)" organised by the the Official Monetary and Financial Institutions Forum (OMFIF) on 4th June 2020.

As emerging markets face humanitarian and economic shocks, the ability to service their sovereign debt has led to concerns of a widespread debt crisis. While the G20 agreed to a standstill in April by freezing repayments on bilateral loans for 76 poorer countries, uncertainty remains over trade offs between debt relief and re-financing, the outlook for middle income countries, and how the private sector creditors will respond. The panel looks at the prospects for sovereign debt restructuring and access to financing across Africa, the Middle East and Asia.

Dr. Saidi focused on the case of Lebanon, while also highlighting the role of China as a global lender. Watch the webinar below.

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## **Podcast on the Aramco IPO with The National, 13 Nov**

# 2019

The world's biggest crude oil producer, Saudi Aramco launches the subscription period for its much-anticipated IPO as it rolls on with its ambitions to become the globe's pre-eminent integrated energy and chemicals company.

Host Mustafa Alrawi, assistant editor in chief of The National, and Kelsey Warner, The National's future editor, talk with Dr Nasser Saidi, regular contributor to The National and president of the economic advisory and business consultancy Nasser Saidi & Associates, about the Aramco IPO. Dr. Saidi discusses the IPO's strategic importance, outlook for the oil market and strategy alliance with China.

In this episode:

Kelsey and Mustafa on Adipecc (0m 32s)

Dr. Saidi on the IPO (8m 21s)

Headlines (27m 14s)

<https://audioboom.com/posts/7421977-adipec-and-the-saudi-aramco-ipo>

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## **China-US Tensions, War with Iran Dominate Medium-Term GCC Risk Landscape: Interview with Bonds & Loans, Apr 2019**

Dr. Nasser Saidi's interview with Bonds & Loans, published in Apr 2019, titled "*China-US Tensions, War with Iran Dominate Medium-Term GCC Risk Landscape*" is posted below. The original can be accessed [here](#).

***Despite a positive macro outlook, a blend of rapidly rising regional tensions and an evolving trade dispute between China and the US will weigh more heavily than previously thought on the GCC's economic prospects in the medium term, argues Dr. Nasser Saidi, Founder and President of Nasser Saidi & Associates and Lebanon's former Minister of Economy.***

Bonds & Loans speaks with Dr. Saidi about the regional economic outlook, progress on fiscal reforms in the region, structural shifts in the Middle East's political dynamic, and how to avoid the pitfalls of state-led development as currently practiced.

**Bonds & Loans: What do you see as the top risks facing GCC markets in 2019?**

**Nasser Saidi:** The first major risk is the oil price. The second relates to spill-overs of international political and economic tensions. The third is climate change.

Oil prices and revenues continue to dominate the macroeconomic risk paradigm in the region, dominating trade, current accounts, and gross output. Despite reform efforts over the past few years, we have yet to see substantial progress on making the GCC less vulnerable to oil price volatility, or on diversification more broadly. Oil prices over the next two years, which we anticipate will hover between the USD55 and USD60 per barrel bracket, subject to added geopolitical risk, remain substantially below breakeven points, which will continue to weigh on the region's current account deficits. This means that many of the GCC countries will have to continue with fiscal adjustments to address their sustainability, while drawing from new and existing funding sources to make up the difference.

Spill-overs from global economic tensions – and here specifically, the economic standoff between the US and China – is also a significant risk. This isn't just about trade, it seems, but rather increasing confrontation at multiple levels: trade; China's role on the global stage; technology; intellectual property; market access. More fundamentally, it's



about economic regime change in China, the world's second largest economy. As China forges ahead with its larger strategic objectives, it is becoming a globalist on a scale yet to be seen.

The main reason why economic warfare between the US and China is important for the GCC is that it could weigh on GCC integration with Asian supply chains. Asia currently accounts for a substantial portion of commodities demand, and China is now the largest importer of GCC oil and gas, so any reduction of the growth rate in China – coupled with the fact that the US is looking to increase production and shipments of shale oil – will have a negative effect on global oil demand.

Finally, climate change is a huge risk. Extreme weather events are increasing, especially in this part of the world, and insurers – as well as investors and the banks – have significantly under-priced climate risk. We could end up having a Minsky moment as a result: once the industry reckons with the scale of its exposure to the fossil fuels industry, we could see an acute and substantial drop in the value of assets exposed to climate risk. This is a social as well as financial risk, but it is largely only viewed as a social risk at present. That is starting to change, particularly in Europe, but it needs to shift much more quickly.

Other global macro risk factors relate to the massive build-up of household and corporate debt on the horizon blended with a tightening liquidity environment, and the uncertain interest rate trajectory in the US. In emerging markets, this is compounded by the fact that a sizeable portion of that debt is denominated in foreign hard currencies, and rising maturities over the next three years.

**Bonds & Loans: A significant portion of your presentation at last year's Bonds, Loans & Sukuk Middle East conference focused on political shifts emerging across the wider Middle East. How have some of those shifts played out? Do you see geopolitical risk rising or falling?**

**Nasser Saidi:** You still have wars ongoing in Syria and Yemen. In Syria, to an extent, we are seeing a lower level of

violence, but self-congratulatory statements about defeating ISIS are blatantly misplaced; rebel and national armed forces may have temporarily vanquished the group militarily, but all of the conditions that led to the formation and growth of ISIS – high levels of unemployment, poverty, disengagement with the state, lack of viable economic prospects – continue to persist. These conditions will not change unless global powers start seriously re-considering how they approach post-violence reconstruction in places like Iraq, Syria, Yemen, and Libya among other places.

A failure to address these conditions could likely lead to another boiling over of discontent, particularly among the region's youth. Best estimates for growth in most countries in the Middle East don't exceed 2.2%, which barely covers population growth in many of them – so what this means is a decline in real income per capita.

Added to this are rising geopolitical tensions linked to the spat between China and the US, particularly around the Belt and Road Initiative, which the GCC countries – particularly the UAE and Oman – are investing heavily into. This is to further integrate the Middle East into China's global logistics and trade infrastructure. But it's unclear whether that will come at the cost of relations with the US. That the GCC no longer talks as one coherent bloc of countries compounds this risk, and diminishes the region's capacity to negotiate at the global level.

Finally, I am increasingly concerned that we may see armed confrontation with Iran. If you listen to the rhetoric of the top brass in the US, and their diplomatic activities within the Middle East, they seem to be setting the stage for war with Iran – not dissimilar to the build-up seen before the first gulf war with Iraq. Any armed confrontation would of course have dire implications for global oil prices, and the region more specifically.

**Bonds & Loans: As the largest economy in the region, many look to Saudi Arabia for a sense of the trajectory many of the region's economies are on, particularly in terms of reform.**

**How would you assess GCC states' progress on diversifying their economies away from oil?**

**Nasser Saidi:** This is one of the biggest challenges facing the region. It has become quite obvious since the collapse in oil prices that this is not cyclical, but structural, which means the region's governments need to target diversification in three major ways: trade diversification, in the sense that these countries need to wean themselves off their overreliance on oil exports; production diversification, so moving away from oil to non-oil activities and services; and government revenue diversification.

Saudi Arabia is the biggest economy in the Arab world, followed by the UAE. What happens in Saudi Arabia is important because of its size, and the economic benefits that its neighbours enjoy through trade. But it's also to some extent a litmus test on the success of reforms in the region. What has been proposed in Saudi Arabia, in terms of modernisation efforts included in the National Transformation Plan and Vision 2030, is really the mother of all reform efforts in the region, and all the countries in the GCC need the country to succeed in this endeavour. Failure will invite a backlash from more conservative segments of leadership, and potentially, large pools of the population, but it will also weigh on the development of neighbouring economies as they depend heavily on the opening of the Saudi economy to boost their prospects.

**Bonds & Loans:** There continues to be significant optimism around Egypt's economic prospects, but some of its fundamentals – like youth unemployment, and productivity – are worrying. Do you think the country can achieve its ambitions without a fairly radical shift away from how the economy is managed?

**Nasser Saidi:** It's an important point, but we should also pay heed to what has been achieved so far. The IMF, and its regional peers like the UAE, Saudi Arabia, and Kuwait, have lent substantial support to the country – in large part because the country is too big to fail. We've seen a rise in interest rates and greater monetary policy freedom, with

inflation trending down towards 8.5% from peaks in excess of close to 30% in 2017. We've seen a partial reform of fuel subsidies, price adjustments in the power sector, and a decline in recorded unemployment over the past couple of years, with some facilitation by Egypt's neighbours of youth participation in their labour markets.

The country needs to reconsider its state-led development strategy, which means PPPs and privatisation need to move further up the policy agenda. But it comes with a warning. Under Mubarak, the beneficiaries of privatisation largely included the coteries around the leader – including his family. There was no trickle-down, in other words, and that issue still remains; addressing this would also help address unemployment. What this also means is that the country needs to achieve a transformation away from strong dependence on agriculture and the Nile, which remains its lifeline. This can be achieved through the dispersion and increased use of technologies and modern techniques in the agricultural sector to raise productivity and reduce dependence on dwindling water supplies, as we are seeing increasing desertification. More broadly, the industrialisation strategy undertaken by Egypt – which has been largely military or state-led – cannot be the future; this applies as well to the GCC governments, which also need to foster a more vibrant and prominent private sector.

Economic reforms – like the removal of subsidies, increasing cost recovery through public services – require a new social contract. We have the beginnings of one, but it's not there yet.

More crucial is the issue of overall governance. What you effectively have is a government within a government. President Sisi has consolidated power and is looking for a renewal of his mandate, not unlike Erdogan in Turkey, and there is a high level of concentration of power; parliament in Egypt has largely become a Potemkin parliament. The question of inclusiveness – politically, economically, socially – looms large.

**Bonds & Loans:** The UAE economy has undergone a significant transformation over the past decade. Can the country continue to thrive if it does not adjust to shifting demographics on the ground via the changing nature of labour migration?

**Nasser Saidi:** The situation in the UAE is different to that of Saudi Arabia and its neighbours in the sense that it is much more diversified. Dubai contributes about 40% of the UAE's GDP, if you include the Emirate's free zones – where a range of multinational private corporates operates. It has been able to secure significant foreign investment, much more FDI than others in the region. This is due to the quality of core infrastructure and logistics hubs, rule of law, and free zones.

For a long period, the country attracted a great deal of low-skilled, low-cost labour to build that infrastructure. Much of that infrastructure has now been achieved, which means moving onto the next phase: modernisation and digitalisation of the economy. But it will take a long time before modern sectors emerge as strong contributors to GDP, as well as human capital; that labour needs a viable pathway to remaining in the UAE for the long-term.

There have been a number of reforms addressing this. There is a 10-year residency visa for export specialists; 100% foreign ownership is now allowed in non-strategic sectors of the economy; there is the prospect of allowing companies operating in free zones to secure dual licenses that allow them to operate both onshore and in free zones. This is the beginning of a much longer-term liberalisation effort that will foster long-term residents.

But over the long-term, the country may do well to move towards the Swiss model. If you look back at Switzerland's history, and the development of its infrastructure, it was largely developed at a time when the country was overwhelmingly agrarian by nature. It has turned itself into a strong services hub for Europe and the rest of the World by strategically investing in key sectors, but it also reformed the way in which expat workers could obtain long-term

residency and, eventually, citizenship, turning a transient working population into a strong contributor to GDP composed of long-term residents.

Creating permanent economic citizens has many benefits. It is helpful in terms of balance of payments; in building a social security system and long-term investment pools, which goes hand in hand with deepening the capital markets and the insurance and pension segments. It also means the development of a true middle class, which means moving away from a model based on tourism to one that fosters more organic, domestic support of key sectors; but it also means diverging from the country's existing overreliance on real estate and hospitality, which is unsustainable in its current form.

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## **Bloomberg Daybreak: Middle East Interview, 5 Mar 2019**

In the 5th March, 2019 edition of Bloomberg Daybreak: Middle East, Dr. Nasser Saidi speaks to Manus Cranny about China's pragmatic growth target (disclosed during the National People's Congress) as well as the ongoing US-China trade negotiations especially asking the question if markets are over-optimistic about the "historic deal". Another pertinent discussion centred around the question "is the US slowing down?", given latest data releases.

Watch the interview below.

The original link to the full episode (Dr. Nasser Saidi speaks from 57:00 to 1:08:00):

<https://www.bloomberg.com/news/videos/2019-03-05/bloomberg-day-break-middle-east-full-show-03-05-2019-video>

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# 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/bldd3n1mn7mf8r/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."*

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## **"Is the Middle East Ready for China?", Presentation at NUS Middle East Institute Annual conference, Feb 11-12 2019**

Dr. Nasser Saidi participated in the National University of Singapore(NUS)'s Middle East Institute's annual conference held in Singapore over 11th and 12th of February, 2019.

Part of the panel on "Finance and Economics", Dr. Saidi presented his views on whether [the Middle East is ready for China](#), also identifying the building blocks of a strategic China- Middle East partnership. He stated that if Middle Eastern states could behave like the 10-member regional trading bloc, it could pave the way for a regional free-trade agreement with China to further improve trading volumes and future infrastructure investments from the Chinese; working together would also help the region battle the ongoing threat of terrorism.

Click to play the video of the panel session below:

More [on](#) the event: <https://mei.nus.edu.sg/event/the-middle-east-pivot-china-as-bri-between-geostrategy-and-commercial-opportunity/>

**Media coverage:**

<https://www.scmp.com/news/asia/southeast-asia/article/2185754/>

[middle-eastern-states-have-lessons-learn-asean-building  
https://www.forbes.com/sites/arielcohen/2019/02/14/will-china-replace-the-u-s-as-the-middle-east-hegemon](https://www.forbes.com/sites/arielcohen/2019/02/14/will-china-replace-the-u-s-as-the-middle-east-hegemon)

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# **"The Coming Chinese Century: Building a Strategic Alliance between the UAE Falcon & the Chinese Dragon", Presentation to the Ajman Executive Council, 18 Sep 2018**

Dr. Nasser Saidi delivered a presentation titled **"The Coming Chinese Century: Building a Strategic Alliance between the UAE Falcon & the Chinese Dragon"** to the Ajman Executive Council on 18th September 2018. The presentation focused on the US-China trade wars, and concluded with recommendations on how the UAE/ Ajman and China can strengthen relations going forward.

More details on the knowledge event, which was attended by H.H. Sheikh Ammar bin Humaid Al Nuaimi, Crown Prince of Ajman and President of the Ajman Executive Council, can be accessed [here](#).

The presentation can be downloaded [here](#).

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# Trumpian Trade Wars threaten the GCC, Article in The National, 26 July 2018

*The article titled "Trumpian Trade Wars threaten the GCC" appeared in The National's print edition on 26th July, 2018 and is posted below. Click [here](#) to access the original article.*

## Trumpian Trade Wars threaten the GCC

*We are witnessing the demise of multilateralism and rule-based international cooperation*

The protectionist stance of the current US administration has been evident since US President Donald Trump took office: the ongoing re-negotiation of the North American Free Trade Agreement (Nafta), non-participation in the Trans-Pacific Partnership (TPP), and the tariff hikes – which began with solar panels and washing machines (in January) to the latest threat of potential additional tariffs on \$500 billion worth of Chinese exports.

The nationalism-protectionism of "America First" is coupled with an isolationist view of regional and international agreements on trade, investment, climate, human rights and even defence agreements (Nato). We are witnessing the demise of multilateralism and rule-based international cooperation built since the Second World War.

We have entered the phase of Trumpian Trade Wars, from the imposition of steep tariffs on steel and aluminium in early March this year, to the latest (July 6) announcement of a 25 per cent tariff on about \$34bn worth of Chinese goods. China, the EU and others have announced retaliatory tariffs, which does not bode well for global trade. The *Financial Times*

estimates that, should countries retaliate, the value of trade covered by the measures and countermeasures resulting from Mr Trump's trade policies could reach more than \$1 trillion (some 6 per cent of world trade), which would derail global growth and recovery in the EU. The escalating economic tension between the US and Europe, after China has already rattled global stock markets, could lead to a financial crisis given the headwinds of monetary policy tightening and geopolitical turmoil.

Why is the US running large trade deficits? The main answer is that the US has a low level of savings compared to the level of investment. The personal savings rate in the US is running around 3.2 per cent compared to the thrifty Chinese rate of about 35 per cent. The US is spending more than the income it generates, running both a fiscal and a current account deficit, attracting capital inflows and borrowing to finance these deficits. The deficits look set to increase given the US fiscal stimulus package and tax cuts passed in 2017, which encourage consumption and imports at a time when the US economy is overheating.

Tariffs on solar panels, steel and aluminium or cars will raise the cost to US businesses and consumers and disrupt global supply chains. A 25 per cent tariff on all cars and parts would raise US consumer prices by \$1,400 to \$7,000 for high-end vehicles. For the proposed auto tariffs, nearly 98 per cent of the targeted car and truck imports by value would hit key US allies: the European Union, Canada, Japan, Mexico, and South Korea. Trumpian Trade Wars are not only beggar-thy-neighbour policies, they are beggar-thy-allies.

Cars and phones are prime examples of highly globally integrated industries. Many of the goods that the US imports (such as electrical and electronics) are US designed but manufactured in China, Mexico and other countries with an advantage of lower costs, but relatively low value added in global value chains. The profits, however, are made by US businesses like Apple, Amazon and others. Economists look at "trade value added", but unscrupulous politicians broadcast

headline grabbing total trade numbers.

Although the highlighted US-China trade deficit was at \$375bn last year, the US runs trade deficits with 102 nations (not just China) and has run deficits since 1975, averaging \$535bn per annum since 2000. The trade deficit on goods was \$810bn in 2017 but substantially less at \$566bn on goods and services: the US is a major exporter of services and tends to run a large services surplus.

The notion that imposing tariffs on Chinese imports would erase US trade deficits is flawed, absent macroeconomic developments and policies that would change the saving-investment gap. On the other hand, trade retaliation might be costly for export-led China and tit-for-tat tariff hikes between the two largest economies of the world would result in slowing global trade, severe disruption of global supply chains, lower investment, derail economic growth and result in a sharp correction of financial markets.

The announcement of a widening of the scope of tariffs signals that US strategy is shifting away from the protection of local industries (solar, steel) based on “national security” to one based on intellectual property and the acquisition of new tech. The wider, more strategic objective is an attempt to prevent China’s declared ambitions of moving up the activity and trade complexity ladder, with higher value tech goods and services, the “Made in China 2025” horizon.

China is inching closer to developing an edge in AI, blockchain, Big Data, FinTech, life sciences (Crispr) and related technologies. Indeed, the EU might join the US to rein in the emergence of China as a tech frontrunner.

With the US imposing tariffs on a variety of goods, trade will be diverted to other countries. Already, China is buying soya beans from Brazil, shifting from the US. China will shift and develop new markets for its exports, reorienting its trade towards the EU, Asia, and the Middle East, leading to lower prices of affected commodities (which could lead to potential retaliation by the EU and Japan). China has other options: it could retaliate through non-tariff barriers to trade rather

than imposition of tariffs; raise informal barriers to US investment in China; diminish the flow of investment in US Treasuries; as well as allow a depreciation of the yuan (justified by lower export and overall growth as a result of US tariffs). We could be entering a phase of currency wars.

The bottom line is that growing US trade protectionism will lead to a shift in global trade patterns and international alliances away from the US and the creation of new trade blocs. Already, the EU and Japan have signed a major trade agreement eliminating most tariffs, covering a market of some 600 million people and a third of the global economy.

China is likely to seek a similar free trade and investment agreement with the EU (which is already China's most important trade partner) and seek strategic partnerships with Germany and other European countries. It will likely also want to join the Trans Pacific Partnership. China will likely accelerate implementation of its Belt & Road initiative leading to a deeper integration of B&R countries into its economy and its global value chains, opening new markets. China will also accelerate and increase its investments in robotics, AI, Blockchain, Big Data, FinTech, and high tech to bring forward its ambitious "Made in China 2025" strategy. The Chinese dragon will not be contained.

**What does all this mean for the GCC?** The GCC exported \$9.4bn of aluminium in 2017, (of which the UAE provided \$5.6bn worth, representing 10.1 per cent of world exports) and is the largest exporter to the US after Canada and Russia. Already adversely affected by aluminium tariffs, the region would be additionally hurt by a decline in world trade and world growth which would lower oil prices, and particularly if China were hard-hit.

The GCC's total trade with China was close to \$110bn last year, with the largest export from the region being crude oil, and accounts for more than two thirds of China's trade with the Middle East.

Given growing US protectionism, the time is right for the GCC to reorient their international trade agreements and pivot

towards Asia, including the long delayed Free Trade Agreement with China.

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## **World Cup 2018: can anyone predict the winner? Article in The National, 2 July 2018**

*The article titled “World Cup 2018: can anyone predict the winner?” appeared in The National on 2nd July, 2018 and is posted below. Click [here](#) to access the original article.*

## **World Cup 2018: can anyone predict the winner?**

*Alongside the animals and traditional tipsters, high tech is now being used to try to forecast the next champions*

Last week there was a “Black Swan” event at the 2018 Fifa World Cup: the first time in 80 years, since 1938, that Germany, the current World Cup holder, was eliminated at the initial group level.

Other World Cup incumbent champions have been eliminated in the first round: France in 2002; Italy in 2010; and Spain in 2014. Is a champions’ curse emerging? The World Cup is one of the most-watched sporting events in TV history, with an

estimated 3.4 billion people tuning in to watch the matches this year. The 32-team tournament fever is rapidly rising as the knockout stages get progress. Which teams will make it to the final?

From the deceased Paul the octopus (from excitement or exhaustion?) to Shaheen the camel, and more recently the clairvoyant deaf cat Achilles, a niche World Cup prediction industry has mushroomed. Over the past 10 years, economists (including at investment banks and academics), statisticians, data scientists, and mathematicians have joined the predictions party alongside the traditional tipsters. New tools including data mining, portfolio theory, econometrics, algorithms and machine learning are being harnessed in an attempt to predict the outcome.

Will the economists, statisticians and algorithms be any better? Will they turn out to be more successful than the animals? Predictions are based on historical performance data that are used to estimate a set of "probability trees" of the success of teams in various rounds. This can be done with econometric tools (similar to those used to pick equities in stock markets), statistical modelling (eg Monte Carlo simulations where multiple "tournaments" are simulated to arrive at a "winner", ie the team that wins most number of times in these simulations) and, recently, algorithmic predictions. US bank Goldman Sachs and its 1 million simulations using artificial intelligence algorithms favour Brazil to win the World Cup (Dankse Bank shares this view as to the winner), ING had its money on Spain, and Nomura and EA Sports were backing France in a France-Spain final. Before the tournament began, UBS favoured Germany after running a computer simulation of the tournament 10,000 times, (using the Elo-ranking of teams as input, with Commerzbank sharing this view). Given the elimination of Germany the model will now have to be rewired.

### **A poor predictions record**

Indeed, the predictions versus outcomes record over the past two World Cups is poor. As the accompanying table shows, none



of the banks and their specialised teams were able to pick the winners. These results are not dissimilar to predicting stock markets or individual stock returns: “experts” or computer models do not outperform random, dart-throwing on a newspaper stock picking.

Predictions	2010	2014	2018
Goldman Sachs	Brazil	Brazil	Brazil
UBS	Brazil	Brazil	Germany
ING	-	Spain	Spain
Danske Bank	-	Brazil	Brazil
Macquarie	-	Germany	Spain
Nomura	-	-	France
Actual result	Spain	Germany	?

World Cup football remains an unpredictable tournament (hence the excitement) with the outcome of matches also dependent on factors like the fitness of star players, the weather on the day of the match, the number of coaches/managers fired before the start of the tournament, how lenient/strict referees are in one match versus another. The recent introduction of modern technology in the form of Video Assistant Referees (VAR) is making refereeing more accurate but also increasing the number of recorded faults and at this World Cup swelling the number of free kicks and penalties.

### **Who are the real winners?**

We plan to be agnostic and watch who emerges the winner on July 15 before deciding whether to endorse the prediction techniques of Achilles the cat or those of some investment bank. However, Fifa is definitely one major winner from the tournament: it is expected to gain about \$6 billion in revenue from this year’s World Cup, up 25 per cent from the previous tournament, and will receive a further \$3bn from broadcast revenue.

Although viewership reportedly fell a whopping 44 per cent in the US (not surprising given that the team is not among the 32 taking part, although it now pays more to Fifa for

broadcasting rights than any other country), India broke the viewership record, with more than 47 million people watching the first four matches (football is now the third-most popular sport to watch in India, and in a few states the fan base even outranks cricket).

### **The shift to emerging economies**

The landscape and geography of the World Cup is likely to radically change in the coming decades. The game is slowly gaining prominence in the world's most populous nations: China, which qualified for the tournament only once in 2002, recently announced plans to create 20,000 new training centres, the world's biggest academy in Guangzhou (to cost about \$185 million) and hopes to host a World Cup "in the future", with 2034 considered a likely date. Indonesia, with its large population base, has the highest average Premier League audience of any country in the world, even higher than the UK.

There have been 20 World Cups with eight different countries winning with the trophy. Brazil have won the most with five, closely followed by Italy and Germany/West Germany with four. Uruguay and Argentina have both won it twice, and England, France and Spain have all won it the once. Asian nations, so far, have taken a back seat in this game: only Japan and Korea are among the 32 teams that qualified for the event this year. This pattern will change given the power of demographics and growing incomes in the emerging economies of Asia and Africa. Economics matters. A poor country is less likely to have the infrastructure and financial capacity to support training, competing teams and be able to competitively compensate players; indeed there has been a "sports talent drain" to high-paying countries. In turn, the popularity of the game tends to be proportional to the number of "good" players a country has.

This can be reversed. A good starting point is what China is doing: start with the children and encourage them to develop the right "technical" skills (similar to their Olympics track record).

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# The Redback Cometh: Renminbi Internationalization and What to Do About it

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DIFC Economic Note 18, [The Redback Cometh Renminbi Internationalisation & What to do about it](#), analyses the growing international role of China which spans trade, investment, foreign reserve accumulation and Sovereign Wealth Funds. Despite the growing economic & financial international role of China, its currency, the Renminbi (RMB) remains largely a domestic currency. There are increasing calls for the RMB to become an international payment, investment and reserve currency. However, the move towards internationalization necessitates the development of an onshore capital market complemented by domestic policy reforms leading to a changed financial structure, with lower dependence on bank financing.

Internationalization of the RMB forms an integral part of the process of capital market development and financial sector reform. To date, there have been three main channels of RMB internationalization: the introduction of the RMB as the settlement currency for cross-border trade transactions, the provision of RMB swap lines between the People's Bank of China (PBoC) and other central banks and the creation of a RMB offshore market. In this context we estimate that the RMB will emerge as the third global currency by 2015! In addition, the paper also discusses the GCC's rising stature as a major

trading partner for China, underscoring the fact that it is in the GCC's strategic interest to move towards greater economic & financial integration with China through accelerating the GCC-China free trade agreement, establishing links between financial markets, finance bilateral trade using the RMB and establishing RMB swap lines with GCC Central Banks.

***The Redback cometh and we need to prepare for this momentous coming.***