Comments on Lebanon's financial sector post-Beirut blast, S&P Global Market Intelligence, 12 Aug 2020

Dr. Nasser Saidi's comments appeared in the article titled "After blast, Lebanon's 'uninvestable' banks face sector rebuild, depositor pain", published by S&P Global Market Intelligence on 12th August 2020.

Comments are posted below:

"Lebanon doesn't have the fiscal space to fund the reconstruction of the public sector infrastructure destroyed in the explosion, and has no ability to borrow either because no one will lend to the country," former vice-governor of the Lebanese central bank Nasser Saidi told S&P Global Market Intelligence. He said the ***banks will need to restructure, sell assets and consolidate.***

"The bankers and the central bank are trying to resist that and push the burden of adjustment on to the government and depositors," *said Saidi, who has also held the positions of Lebanon's minister of economy and trade, and of industry, and is president of consultancy Nasser Saidi & Associates.*

"The banking system will have to be restructured," *said Saidi. "Banks will have to downsize, sell the assets they hold abroad and repatriate the proceeds, sell their real estate holdings, and rebuild their balance sheets if they want to stay in business … there will be M&A."*

Saidi estimates that about 60% of Lebanon's debts are due to interest rate increases designed to protect the pound, and criticized the central bank for failing to officially devalue the currency.

Saidi said Lebanon could solve the crisis by enacting capital controls, unifying the pound-to-dollar exchange rate,

restructuring state-related debts and removing general subsidies. *Up to $30 billion is needed to restructure the public sector, and a further $25 billion to restructure and recapitalize the banking sector, he said.*

Comments on the Caesar Act in The National, 27 Jun 2020

Dr. Nasser Saidi's comments on the Caesar Act appeared in the article titled "Lebanon braces for 'pain' of Caesar Act amid financial meltdown" in The National's 27th June 2020 edition. The comments are posted below.

Because of the close historical ties between Lebanon and Syria, the law will make business between the two countries "more problematic and expensive" and "hurt Lebanon", said Nasser Saidi, a former vice-governor of Lebanon's central bank.
The Caesar Act provides for secondary sanctions, which significantly widens its scope, he said.
"In other words, they are imposing sanctions on Syrian entities and business people and also on the people who deal with them," Mr Saidi told The National.
Should the US decide to impose sanctions against the Syrian central bank, transactions inside the country "would be highly complicated", said Mr Saidi.

Comments on the Lebanese Pound in Washington Post, 26 Jun 2020

Dr. Nasser Saidi's comments on Lebanon's currency appeared in the article titled "Lebanon's currency takes a new dive, and there is no end in sight" in Washington Post's 26th June 2020 edition. The comments are posted below.

In the absence of a clear policy path ahead, there is no bottom to the value of the Lebanese pound, said Nasser Saidi, a former Lebanese finance minister who is now a financial consultant based in Dubai.
Citizens have lost trust in the banking system and the country is shifting to a cash-only economy. Some retail outlets have started accepting only dollars, which are hard to find. U.S. and European sanctions against neighboring Syria have deprived that country of dollars, too, making Lebanon the chief destination for Syrians seeking to fund imports there, increasing the demand for dollars, Saidi said.
Government revenue, meanwhile, has skidded to a halt because of the shutdowns and economic retraction, forcing the Central Bank to print Lebanese pounds to fund government expenditures, including salaries for the bloated civil service.
"Those go into the market and they are chasing fewer and fewer dollars," Saidi said. "There is no longer any anchor for the value of the Lebanese pound and we are going into the unknown."

Interview with Dubai TV (Arabic) on Lebanon, its dim prospects & Saudi Arabia, 21 Jun 2020

Dr. Nasser Saidi appeared in an interview with Zeina Soufan on Dubai TV, broadcast on 21st June 2020, discussing two segments – one, on Saudi Arabia (from 7:00 onwards) and the other on Lebanon and its dim prospects (from 17:00 onwards).
Both sections are part of the video below:

"Lebanon's Economy: Meltdown & Redemption Through the IMF", Ana Khat Ahmar webinar, 1 Jun 2020

Dr. Nasser Saidi presented at the Ana Khat Ahmar webinar held on 1st Jun 2020, during which he gave the presentation titled "Lebanon's Economy: Meltdown & Redemption Through the IMF?".

"Lebanon's Economy: Meltdown & Redemption Through the IMF", YPO Lebanon webinar, 22 May 2020

Dr. Nasser Saidi was part of a YPO Lebanon webinar held on 22nd May 2020, during which he gave the presentation titled "Lebanon's Economy: Meltdown & Redemption Through the IMF".

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

http://nassersaidi.com/wp-content/uploads/2012/03/The-Redback-Cometh-Renminbi-Internationalisation-What-to-do-about-it-DIFC-Economic-note-18.pdf

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.

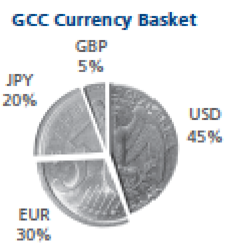
The Redback cometh and we need to prepare for this momentous coming.

The Exchange Rate Regime of the GCC Monetary Union

The GCC Monetary Union, when initiated, will need to be accompanied by a re-assessment of the exchange rate policy that links the currencies of the GCC member states between each other and to the US Dollar. The peg to the US Dollar has constrained the monetary policy independence of GCC countries, and limited the options of Central Banks in addressing the global financial crisis that started in August 2007, in particular contagion and spillover effects on the banking sectors financial markets and the real economy similarly, the lack of monetary policy independence prevented an effective response to the surge in inflation over the period 2003- 2008 and has stood in the way of containing the volatility of the real effective exchange rate.

This DIFC Economic Note 3, “The Exchange Rate Regime of the GCC Monetary Union” discusses the optimal currency anchor for the GCC countries and the GCC region as an optimal currency area. We argue that by managing exchange rates against a basket of currencies rather than one currency would allow adequate flexibility to tailor monetary policy that can address domestic conditions and withstand external shocks. In discussing the optimality of a currency area, we stress the role of trade, output and price co-movements and linkages with major economies.

Our empirical analysis of the trade, output and inflation inter-linkages of the GCC economies with their major trade and economic partners suggests that a common GCC currency should be based on managing a basket of currencies comprising the US Dollar (USD), the Euro (EUR), the Japanese Yen (JPY) and potentially the British Pound (GBP). We calculate the weights of an optimal currency basket which could serve as a more appropriate external anchor for the GCC as a whole and the optimal weights are as below.



As a policy recommendation, we propose maintaining the peg of the GCC currencies to the US Dollar until the adoption of a unified currency for the region. Then, at the inception of the Gulf Monetary Union, we recommend that the Gulf Common Currency be pegged to a basket of currencies as calculated in this Note, with an intervention band of 5% around the central parity. This intervention band could be progressively widened as the ‘Khaliji’ gains credibility in international markets and the monetary policy framework of the Gulf Central Bank is well understood by the public and tested in its daily operation mechanisms.

To download the report, please click here.