“Grey list removal is milestone for investor confidence”, Op-ed in Arabian Gulf Business Insight (AGBI), 1 Mar 2024

The opinion piece titled “Grey list removal is milestone for investor confidence” appeared in the Arabian Gulf Business Insight (AGBI) on 1st March 2024.

The article is published below.

Grey list removal is milestone for investor confidence

Coming off the FATF list is testament to UAE’s willingness to improve overall governance

A collective sigh of relief could be heard this week over the UAE’s removal from the Financial Action Task Force “grey list”.

Being on a grey list can damage a country’s reputation, and its sovereign credit rating, and adversely affect macroeconomic stability.

The FATF provides a framework of country measures to protect the integrity of global financial systems from illicit cash flows, money laundering and terrorist financing.

The grey list includes countries “that are actively working with the FATF to address strategic deficiencies in their regimes”, whereas the “black list” are high-risk jurisdictions (currently including North Korea, Iran and Myanmar) “that are not actively engaging with FATF to address these deficiencies”.

The International Monetary Fund finds that FATF grey-listing results in a large reduction in reported capital inflows, including foreign direct investment (FDI), portfolio flows, banking, payments and other flows.

Despite being on the list since 2022, the UAE has been resilient, has worked actively with FATF and continued attracting FDI and capital inflows.

The United Nations Conference on Trade and Development reports that the UAE (despite its much smaller economic size) ranked second after the US for greenfield FDI – in which a company creates a subsidiary in a different country from the ground up – in 2023, with project announcements rising by 28 percent.

In 2022, the UAE was ranked first in both the West Asia and Mena regions, receiving 47 percent and 32 percent respectively of total FDI inflows to the regions.

Both Abu Dhabi Exchange and Dubai Financial Market reported higher net foreign inflows in 2022-23, thanks to economic growth, a rising weighting in the MSCI Emerging Markets Index, and more initial public offering listings.

Dewa, Borouge, Salik and Empower are IPOs that gained high levels of foreign participation in 2022. In 2023, the UAE’s eight IPOs raised $6 billion. On the Abu Dhabi Exchange there was a 35 percent jump last year in the foreign ownership of shares in listed companies.

The UAE's removal from the grey list is testament to the country's willingness to improve the overall governance and transparency of its banking/financial sector and address weaknesses.

The removal also shows the country has increased its ability to deter illicit money flows, undertake financial investigations and extradite financial criminals.

The return to conventional status will confirm and strengthen investors' trust and confidence in the UAE as a trade and financial centre, leading to an increase in capital, FDI, transfer of technology and portfolio flows.

The removal will support the development and expansion of the banking and financial sector (domestically and internationally) and financial markets, as well as the outward facing financial free zones. Another major beneficiary will be the asset and wealth management activities of UAE-based family offices.

The FATF de-listing reinforces the positive news for the UAE from the Organisation for Economic Co-operation and Development's review of preferential tax regimes. This rated the UAE's corporate tax regime for free zones and IFCs as "not harmful".

It is important that the UAE continues on its journey in adopting and implementing international best practice and standards, and strengthens its financial regulatory regimes and systems.

However, an unintended consequence of FATF standards is an increase in compliance costs.

The costs of doing business for banks and financial service providers is often heightened by de-risking. The cost of providing formal financial services to micro- and small businesses, which are a major source of job creation and economic diversification, often rises.

Safeguards against money laundering and terrorist financing need to be designed and implemented to avoid negatively affecting financial inclusion and disincentivising the use of the formal financial system by ordinary individuals, businesses and micro- and small businesses in particular.

Simplified customer due diligence requirements can be introduced for low-risk financial inclusion products; processes for higher risk products can be enhanced using a risk-based approach to address concerns over money laundering and terrorist financing.

Similarly, digital ID systems can be used to support anti-fraud functions and to develop e-solutions that circumvent burdensome paper-based systems.

The UAE’s removal from the grey list is an important milestone and signals the growing integrity and maturity of the country’s banking and financial sector through the adoption of international standards.

This positive move further cements the UAE’s position as an international trading and financial hub.

Comments on exodus of its most educated citizens from

Lebanon, FT, 7 Mar 2022

Dr. Nasser Saidi commented on the exodus of its most educated citizens from Lebanon in the FT article titled "Lebanon faces exodus of its most educated citizens" published on 7th Mar 2022.
The full article can be accessed at: https://www.ft.com/content/44633cbe-77e7-4c3f-a8b2-cce88b0af331

The comments are posted below:

Nasser Saidi, a Lebanese economist and former minister, also warned of the dangers of the depletion of Lebanon's "stock of human capital".

"When you have skilled people working alongside unskilled people, they help them improve because they teach them," he said. "If the skilled people and the educated people are not there, then we just have misery."

Panelist at the IMF's MENA Conference "Coping With Covid19", 27 Oct 2020

Dr. Nasser Saidi participated as a panelist at the IMF's event related to the Regional Economic Outlook report for the Middle East and North Africa region held on 27th October, 2020.
The panel discussion was titled "Coping with Covid19: Challenges & Policy Priorities for the MENA region and the Global Economy" and discussed in addition the impact of US

elections on the Middle East.
The IMF report can be accessed at https://www.imf.org/en/Publications/REO/MECA/Issues/2020/10/14/regional-economic-outlook-menap-cca
Watch the video of the webinar below:

"Turning War Economies into Peace Economies: Lessons from Lebanon & Beyond", Presentation at IFIT webinar, 24 Sep 2020

Dr. Nasser Saidi presented on the topic "Turning War Economies into Peace Economies: Lessons from Lebanon and Beyond" *(click title to download)*, at a webinar hosted by the Institute for Integrated Transitions (IFIT) on 24th Sep 2020.

In conflict-affected states, achieving sustainable and inclusive growth depends in no small part on transforming the incentives and structures that underpin a wartime economy. The talk analysed key structural lessons from Lebanon and other countries in the wider region.

During the talk, Dr. Saidi touched upon Lebanon's short history (1920-2020) in addition to laying out the economic consequences of conflicts and post-conflict reconstruction. Impact of population displacement and refugees as well as state capture by militias and allies formed valid discussion points. The talk was wrapped up by focusing on Lebanon, with respect to the structural reforms needed for economic-financial-fiscal-monetary-banking-financial stabilisation and reform.

Comments on Lebanon's economy in Arab News, 25 Aug 2020

Dr. Nasser Saidi's comments appeared in the Arab News article titled "Can Lebanon avoid the Venezuela meltdown scenario?", published 25th August 2020.

Comments are posted below:

A former economy minister of Lebanon has coined a word for it: "Libazeula." Nasser Saidi, who ran the economy at the turn of the century and was also No. 2 in the Banque du Liban, the country's central bank, says Lebanon faces a scenario that could see it reduced to the chaotic impoverishment of Venezuela, once the richest state in Latin America but now a byword for political, economic and humanitarian failure.

"Lebanon is on the brink of the abyss of depression, with gross domestic product (GDP) declining by 25 percent this year, growing unemployment, hyperinflation, humanitarian disaster with poverty exceeding half of the population," Saidi told Arab News.

"Throw in food poverty that could grow to famine conditions, and a continuing meltdown in the banking and financial sectors, and the collapse of the currency, all leading to mass migration. This is the 'Libazuela' scenario.""With Lebanon being the fulcrum of a geopolitical confrontation between the US and Iran, local actors will play strategic games at the expense of an expendable Lebanese population," Saidi said.

Saidi is not optimistic this [genuine commitment by Lebanese leaders to reform] will come to pass. "The reform scenario requires concerted pressure by the international community, including the imposition of personal penalties and sanctions, on Lebanese bankers and politicians and policymakers for the *implementation of reforms," he said. "The entrenched kleptocracy, a corrupt political class, banking and financial sector cronies are unwilling to make reforms that would uncover the extent of their corruption, criminal negligence and incompetence. Currently, the Libazuela scenario is more likely."*

Comments on the Beirut blast & Lebanon's crisis, Bloomberg, 13 Aug 2020

Dr. Nasser Saidi's comments appeared in the Bloomberg article titled "Lebanon's Deepening Economic Crisis Laid Bare by Beirut Blast", published 13th August 2020.
Comments are posted below:
With talks at an impasse and the nation locked out of international debt markets, Lebanon's central bank began printing money with abandon, causing the value of the currency to plunge further and igniting inflation, which neared an annualized 90% in June. ***"We are heading the way of Venezuela,"*** *says Nasser Saidi, a former economy minister.*
Prices in the import-dependent nation—including those for food staples, which had soared 250% in the 12 months to June—are no doubt headed higher as a result of the blast, which damaged the country's main grain silo and other infrastructure vital to commerce. Saidi estimates the country's imports will drop by more than 70% this year.
The ruling class "has to be removed. They have to resign and go away. If they don't go, we will get increasing violence in the street," *says Saidi, the former economy minister. "To do*

this we need sustained international pressure, from Macron, from others, and if necessary sanctions—international sanctions at the personal level that hit these people where it hurts."
Saidi's comparison to Venezuela is apt. There, the divided opposition has been unable to unseat a government that's driven the economy of the petroleum-rich nation into the ground. In Lebanon, opposition forces have yet to conceive a viable alternative to the sectarian quota system.

Comments on Lebanon, FT, 8 Aug 2020

Dr. Nasser Saidi commented on the economic and financial meltdown in Lebanon in the FT article titled "Currency collapse fuels mass protests in Lebanon" published on 8th Aug 2020.
The full article can be accessed at: https://www.ft.com/content/0e8aff25-629c-4737-a1dc-8ed4ee32447e

The comment is posted below:
"A corrupt political class, subservient policymakers and cronies have generated an unprecedented misery, an economic, banking, and financial meltdown," says Nasser Saidi, a former economy minister and vice-governor of the central bank after the war. "Their endemic corruption, criminal negligence and incompetence have now delivered the Horses of the Apocalypse disaster on Lebanon and the Lebanese."

Comments on the blast in Lebanon's Beirut in Arab News, 6 Aug 2020

Dr. Nasser Saidi's comments appeared in the Arab News article titled "[Doctors on emergency duty describe horror of Beirut explosions]", published 6th August 2020.

Comments are posted below:

"The scale of the destruction is unprecedented, even by Beirut's sad history of explosions," Nasser Saidi, a former economy and trade minister and founder of Nasser Saidi & Associates, told Arab News from Beirut.

"On a global scale, this was the most powerful explosion after Hiroshima and Nagasaki, and more devastating than Halifax (1917) and Texas City (1947) where 2,300 tons of ammonium nitrate exploded," he said. "The resulting loss of life and injuries to residents has generated deep anger. The ammonium nitrate had been in storage at Beirut port since 2014, posing a clear danger. It was a disaster waiting to happen."

"This is a case of criminal neglect by the authorities and management in charge of the port, customs, the security and judicial authorities and governments. Warnings were given, but they went unheeded. There must be justice and accountability."

Saidi warned the explosions will deepen the economic, banking and financial meltdown, currency depreciation and soaring inflation. The destruction of the port will hit Lebanon's imports of food, medicines and essential goods.

"International aid is required not only to address humanitarian needs but to push for political reform," he said. "The Diab government cannot continue blaming the accumulations of past bad governance."

Comments on the NMC saga & recommendations, FT, 17 Apr 2020

Dr. Nasser Saidi commented on the ongoing NMC Health saga, with recommendations for the regulator in the FT article titled “NMC scandal proves a boon for global advisers” published on 17th April 2020.
The full article can be accessed at: https://www.ft.com/content/edf10938-7500-11ea-90ce-5fb6c07a27f2

The comment is posted below:
To bolster local ability to handle such crises, Nasser Saidi, a governance consultant, says the financial regulator’s powers could be expanded into a supervisory body to screen regional companies seeking to list abroad. He also believes that a UAE version of the UK’s Companies House – providing information on corporate ownership and financials to the public – would benefit transparency.

Comments on the NMC saga & Gulf firms IPO plans,

Bloomberg, 9 Mar 2020

Dr. Nasser Saidi commented on the ongoing NMC Health saga & Gulf firms IPO plans is part of the article titled "Oil price war, coronavirus see Gulf firms reconsider IPO plans" published by Bloomberg on 9th March 2020.
The full article can be accessed at: https://www.bloomberg.com/news/articles/2020-03-09/want-to-make-a-gulf-dealmaker-laugh-ask-when-is-the-next-ipo

The comment is posted below:
"When big prominent firms like NMC falter where standards were not respected, maintained and monitored, they generate reputational problems for not just the UAE but the whole of the Middle East region," said Nasser Saidi, the former chief economist of Dubai's financial centre.

"Central Bank Governance: Looking Back, Looking Forward to Disruption & Transformation", Keynote Presentation at the IMF-Hawkamah Central Bank

Governance Forum, 28 Jan 2019

Dr. Nasser Saidi presented the opening keynote at the IMF-Hawkamah Central Bank Governance Forum held in Dubai on 28th Jan 2019.
Titled "Central Bank Governance: Looking Back, Looking Forward to Disruption & Transformation", the presentation looked at lessons learned from past crises, and identified the need to look forward to plan and manage disruption and transformation. Focusing on the new global economic and financial geography, the talk identified some key implications for central bank governance, including from recent trends in technological disruption and transformation.
Click here to download the presentation.

Comments on McKinsey's Lebanon report in Arab News, Jan 2019

Dr. Nasser Saidi's comments (below) appeared in an Arab News report titled "Lebanon's damning McKinsey report: how the experts reacted", on January 7, 2019. The full article can be accessed here and here; the Arab News report can can be downloaded here.

One of the damaging figures reveals that Lebanon's residents spend 50 percent more time than needed on congested roads, only 15 percent of which are in good condition. It also discloses that Lebanon's infrastructure ranks 113th out of 137 countries.

“These numbers come from a variety of sources like the World Bank and others, so these have been assessed by various international parties,” Dr. Nasser Saidi, former chief economist and head of external relations at the Dubai International Financial Center, told Arab News.

“What’s more important is the cost of this in terms of productivity and income, because when you spend time on the road you aren’t producing anything, so congestion costs are very large in terms of both loss of business opportunities, lost income and lost productivity.”

Lebanon’s perceived corruption was shown to have increased by 26 points since 2012 to 146 out of 180.

“In terms of governance, it has been deteriorating over the past five to six years on a continuous basis,” Saidi said. “It’s corruption, bribery and nepotism. In all reports on transparency and corruption, Lebanon is unfortunately one of the most corrupt (places) in the world, and the importance of it is not only that we want to be able to fight corruption, but that it has become a cancer and it is so pervasive.”

He emphasized the issue as it is a major contributor to public finance and the budget deficit. “Corruption is directly related to government procurement and government contracts as well as government revenue,” he said. “So there is widespread tax evasion, and corruption is at the core of Lebanon’s large budget deficit, which was close to 11 percent in 2018 and likely to be the same or higher in 2019… The economic and fiscal impacts are extremely important.”

“If you want to measure the real damage that the civil war and the (Israeli) occupation have done to the country, it’s where Lebanon stands vis-a-vis countries that were equivalent to it before the war,” he added. “So it has regressed a lot by that measure.” Saidi said the poor quality of statistics in the country needs to be improved as the central statistics office lacks resources and figures on key areas including GDP and investment.

He said the lack of field productivity growth and investment means it is unsurprising that there has not been much of an

increase in per capita income or real GDP.
The McKinsey report highlighted the country’s education system, deeming it to be of low quality and in decline. It said many skills are not being taught to suit labor force needs, partially because the curriculum has not been upgraded since 1997. Experts, however, said this is only the case for public sector schools and universities.
“The picture is diverse and there’s a big gap between public and private education,” Saidi said. “The major private sector universities are St. Joseph, the AUB and the LAU, which are able to deliver competitive quality education. The evidence for that is that our graduates are able to go to top-notch universities internationally.” But the problem is that it is mostly elites who can afford high-quality education, leaving behind most of the population, including Syrian refugees, he said.
He pointed the finger at the Arab world as a whole. “You need to think of two things: Education for employment, which should give you skills to be able to get jobs, and digital education for digital employment, because economies on a global basis and in the Arab world are increasingly going to have to move to become digital.”
In terms of the country’s diaspora and its $6.9 billion in remittances sent back to Lebanon, the report said they are not largely channelled into productive areas.
“There’s very little public investment, and all remittances and the capital coming in from the diaspora go into bank deposits, treasury bills and to finance the budget deficit,” Saidi said. “We have one of the highest levels of debt to GDP in the world, in excess of over 158 percent, which makes it the third most indebted country in the world after Japan and Greece.”
He attributed the problem to very little public investment, which trickled down to poor infrastructure performance. “It’s all going to finance wages, pensions and interests on public debt,” he added, calling it a resource curse due to the government’s dependency on it. “They’re happy to pay high

rates just to attract them. Had we not had them, they would’ve had to adjust on their own and had fiscal reform.”
The main issues at hand, he believes, are fiscal reform and corruption, cutting down the budget deficit and the level of public debt.