

# Comments on Iraq in the backdrop of the Iran war in The National, 18 Mar 2026

Dr. Nasser Saidi's comments on Iraq's polycrisis in the backdrop of the war in Iran appeared in an article in The National titled "[Iraq faces polycrisis as Iran war grinds its oil exports to a halt](#)" published on 18th March 2026.

The comments are posted below.

*Iraq produced about 4.35 million barrels per day and exported about 3.4 million bpd before the war, which has come to a near standstill. With the war now in its third week, Baghdad is moving urgently to find alternative ways to ship its oil to global markets to fuel its economy.*

*"This is a polycrisis shock for Iraq: economic, fiscal, military/security and political," Nasser Saidi, president of Nasser Saidi and Associates and former economy minister of Lebanon, said.*

*Mr Saidi said Iraq is the least prepared of regional oil producers to face the fallout of the war.*

*"Economically weak and vulnerable, the country faces internal political divisions and ethnic divides, in addition to the security risks from its borders with Iran, Turkey and Syria," he said. "It has neither modernised its old energy infrastructure nor diversified its economy, trade or finances."*

*Even if Baghdad manages to resolve differences with the KRG and strikes a sweet deal with Iran on passage through the Strait of Hormuz, Iraq's economic woes and its policy independence troubles are far from over, Mr Saidi said.*

*“Iraq is the only major sovereign nation whose primary revenue stream (from oil) is held in a foreign central bank (the Fed), giving the US substantial power over Iraq’s domestic governance,” Mr Saidi said.*

*While Iraq’s central bank claims to have about 11 to 12 months of import cover, this liquidity is still in NY Fed-controlled accounts.*

*The country’s international reserves stood at \$97.5 billion as of November, according to the Central Bank of Iraq.*

*The country imports about 90 per cent of its consumer goods, food, and medicine and is “financed by the petrodollar held at the Fed”, Mr Saidi said.*

*“The large informal economy (an estimated 60 per cent of non-oil GDP) will also be vulnerable to the current Hormuz shutdown,” he added.*

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## **Comments on Hormuz trade alternatives in AGBI, Mar 17 2026**

Aathira Prasad’s comments appeared in an article in AGBI titled [“UAE businesses scramble for Hormuz trade alternatives”](#) published on 17th March 2026.

The comments are posted below.

*The problem, analysts say, is not just the existence of alternatives, but their limits. Capacity constraints, higher transport costs and longer transit times mean these routes*

cannot absorb the volumes that normally pass through Hormuz.

"[Multimodal routes] are quite costly and time consuming. And there aren't sufficient, say, trucks that you can use to transport these goods from one place to the other," said Aathira Prasad, director of macroeconomics at Nasser Saidi and Associates.

Roughly 20 million barrels of oil a day transit the waterway. By comparison, an oil tanker truck typically carries about 240 barrels. Replacing 20 million barrels daily by road would require around 83,000 truck journeys every day.

A significant share of trade entering the UAE has been re-exported from here to other markets," Prasad said. "So there are lots of dependencies here which have come to an abrupt halt."

Crises of this scale often accelerate structural change. Analysts expect the disruption to sharpen the focus on supply chain resilience and alternative logistics infrastructure across the Gulf. "Projects like Etihad Rail become quite important because suddenly you have connectivity within the Emirates. If you extend it across the GCC, it will become an alternative infrastructure that you don't have in place currently," Prasad said.

Regional policymakers may also move to activate long-discussed cross-border logistics systems. Customs corridors across the GCC – previously largely conceptual – could gain momentum. Saudi Arabia last week launched a new Logistics Corridors Initiative aimed at strengthening supply chain resilience and facilitating cargo movement between the kingdom's ports and those across the GCC.

"You always see a shift immediately after a crisis," she added.

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# Comments on US tariff threat on Iran & trade partners in The National, 9 Feb 2026

Dr. Nasser Saidi's comments on the recent US tariff threat on Iran & its key trade partners appeared in an article in The National titled "[Will the US tariff threat have a major impact on Iran's key trading partners?](#)" published on 9th February 2026.

The comments are posted below.

*"While the US tariff threat introduces uncertainty, Iran's major diversified export partners (China, UAE, Turkey) are likely more well-positioned to absorb the shock by switching suppliers," said Nasser Saidi, president of Nasser Saidi and Associates and former economy minister of Lebanon.*

*"The pain will be felt primarily by Iran (revenue loss, isolation, inflationary impact) and Iraq (energy security crisis)," Mr Saidi, who also served as the vice-governor of the Central Bank of Lebanon, told The National.*

*"Should additional tariffs be imposed, it would be relatively simple for China to source it from other trade partners, including from the GCC (given current production levels). The primary risk here is geopolitical: any such move could reignite the US-China trade war," Mr Saidi said.*

*For countries like the UAE, Iran is a primary supplier of fresh fruits, vegetables, and livestock due to proximity – short shipping times allow for fresh produce, Mr Saidi said.*

*“However, if the UAE is forced to halt Iranian food imports to avoid US tariffs, it can switch to alternative suppliers (likely Pakistan, India or Europe). While this involves a logistical shift, the availability of alternate suppliers suggests that inflationary pressure on food would be contained.”*

*If Iran’s top trading partners substantially cut trade to protect their US market access, Tehran will shift to land-based trade and through the Caspian – which is “more difficult for the US to monitor and enforce trade restrictions”, Mr Saidi said.*

*But it is possible that informal trade will increase with small vessels moving food and consumer goods off the books and crossings by land. “Iran could end up offering even steeper discounts on its oil and commodities to keep partners hooked on – leading to loss of revenue. Plus, the decline in Iran’s imports would lead to goods shortages, an uptick in inflation, alongside a fall in rial and raising poverty rates,” he added.*

*Meanwhile, Iraq is heavily dependent on Iran not just for food, but also for electricity and gas.*

*“If Iraq is forced to cut these ties to avoid US tariffs, the result wouldn’t just be food inflation: it would be energy inflation and potential blackouts, which drives up the cost of everything locally,” Mr Saidi said.*

*A lot of cross-border Iran-Iraq trade also goes unreported, making it more difficult to monitor, he added.*

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# Comments on UAE's Sheikh Mohammed bin Zayed's visit to India in 24.ae, 19 Jan 2026

Dr. Nasser Saidi's comments on the UAE's President Sheikh Mohammed bin Zayed's visit to India appeared in a 24.ae article published on 19th January 2026.

## اقتصاديون: زيارة الشيخ محمد بن زايد إلى الهند تعزز التعاون التجاري والاستثماري

The comments are posted below in English.

In this context, Dr. Nasser Al Saidi, Economic and Financial Advisor, former Chief Economist and Strategic Officer at the Dubai International Financial Centre, said that the visit confirms that India is a key economic partner for the UAE, supported by the Comprehensive Economic Partnership Agreement, pointing out that the UAE has become India's third largest trading partner and the second largest destination for its exports during 2024-2025, and India is a partner in the BRICS Group.

"The Indian community makes up about a third of the UAE's population, making remittances a key channel for foreign currency inflows and investments to Indian financial markets, with nearly 20% of India's total remittances coming from the UAE in 2024, becoming the second largest exporter globally after the United States," he added.

He explained that the partnership includes investments in education, health care, information technology, clean energy and infrastructure, pointing out that by the end of June 2025, the number of Indian companies operating in the UAE reached 264,687, reflecting the ease of doing business and enhancing economic cooperation regionally and internationally.

:and in Arabic

وفي هذا السياق، قال الدكتور ناصر السعيدي، مستشار اقتصادي ومالي، كبير الاقتصاديين والاستراتيجيين السابق في مركز دبي المالي العالمي، إن الزيارة تؤكد أن الهند شريك اقتصادي أساسي للإمارات، مدعوماً باتفاقية الشراكة الاقتصادية الشاملة، مشيراً إلى أن الإمارات أصبحت ثالث أكبر شريك تجاري للهند وثاني أكبر وجهة لصادراتها خلال عامي 2024-2025، كما تُعد الهند شريكاً في مجموعة «البريكس».

وأضاف "أن الجالية الهندية تشكل نحو ثلث سكان الإمارات، ما يجعل التحويلات المالية قناة رئيسية لتدفقات العملات الأجنبية والاستثمارات إلى الأسواق المالية الهندية، حيث يأتي ما يقرب من 20% من إجمالي التحويلات المالية الهندية من الإمارات خلال عام 2024، لتصبح ثاني أكبر مصدر عالمياً بعد الولايات المتحدة".

وأوضح أن الشراكة تشمل استثمارات في التعليم والرعاية الصحية وتكنولوجيا المعلومات والطاقة النظيفة والبنية التحتية، لافتاً إلى أنه بحلول نهاية يونيو (حزيران) 2025 بلغ عدد الشركات الهندية العاملة في الإمارات 264,687 شركة، ما يعكس سهولة ممارسة الأعمال ويعزز التعاون الاقتصادي إقليمياً ودولياً.

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

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

## اقتصاديون: برنامج "الإمارات مركز عالمي للتجارة" يعزّز تنافسية الدولة ويفتح أسواقاً جديدة

The comments are posted below in English.

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

and restrictive labour policies, the UAE positions itself a beacon of light – attracting human capital that could facilitate a cross-sector diffusion of technology and innovation necessary to increase overall long-term productivity growth.

and in Arabic:

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

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

## نموذج يحتذى

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

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# Panelist at Reuters Next Gulf 2025 event in Abu Dhabi, 22 Oct 2025

Dr. Nasser Saidi joined the panel titled “Tariff Wars and Trade Shifts” at the Reuters Next Gulf 2025 event held in Abu Dhabi on Oct 22nd, 2025.

*Major shifts in global trade driven by new tariffs and the move toward nearshoring and friendshoring come as the Gulf continues its push for economic diversification beyond oil. How are businesses and governments adapting to these changing trade dynamics, and what is the impact on global economies and inflationary pressures.*

The high level themes covered in the panel discussion were: the changing picture of trade following Donald Trump’s tariffs, the changing nature of investment flows.; and the geo-economic and geopolitical position of the Gulf and the Middle East.

**Watch the discussion below from point 3:37:40 onwards till 4:09:22**

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**“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 the UAE agreement**

# with Oman re special economic zone in The National, 28 May 2025

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

The comments are posted below.

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

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

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

*This would complement the UAE's established role in global logistics and trade and enhance the region's resilience*

*against global supply chain disruptions, he added.*

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

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

The video is available below:

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

Dr. Nasser Saidi's comments on the UAE starting negotiations for a CEPA with the EU appeared in an article in The National

titled "[UAE-EU trade deal to boost FDI to Emirates amid rising global uncertainties, economists say](#)" published on 11th April 2025.

The comments are posted below.

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

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

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

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

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

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

*Beyond the remit of trade in goods, the CEPA with the UAE will allow EU countries to increase trade in services, including tourism, with collaboration in key areas such as artificial intelligence, renewable energy, climate technology and climate*

*finance, as well as financial services and capital markets, he added.*

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

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

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## **Interview with Dubai TV (Arabic) on US reciprocal tariffs “Between Great Ambitions and Disappointing Results”, 5 Apr 2025**

Dr. Nasser Saidi appeared in an interview with Dubai TV, broadcast on 5th Apr 2025, discussing the impact from Trump’s

The video can be viewed below

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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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# Comments on UAE-India relations in CNN Arabia, 9 Sep 2024

Dr. Nasser Saidi's comments appeared in a CNN Arabia article titled "زيارة ولي عهد أبوظبي إلى الهند.. ما الاتفاقيات الاقتصادية المتوقعة؟" focusing on the UAE delegation visit to India in Sep 2024, during which discussions are expected to centre around strengthening trade and investment ties. This article was published on 9th September 2024 & can be accessed [directly](#).

Dr. Saidi's comments are posted below:

وقال ناصر السعيدي، رئيس شركة ناصر السعيدي وشركاه، في تعليقاته الاقتصادية، «من المرجح أن تتمحور المناقشات حول مواصلة CNN تعزيز الشراكة الاستراتيجية والتكنولوجيا والخدمات المصرفية والمالية».

وقال ناصر السعيدي، «تتمتع الإمارات بميزة نسبية وخبرة في تطوير البنية التحتية الأساسية، والشبكات والأنظمة التي توفر الخدمات الأساسية، والتي تمكن وتسهل النشاط الاقتصادي، وحركة أو تخزين البضائع، والمياه، والطاقة بما في ذلك الطاقة المتجددة، والبيانات، ومراكز البيانات المستدامة».

*(Translated as:*

*"Discussions will likely revolve around continuing to strengthen strategic partnerships, technology, banking and*

*financial services,” Nasser Al Saidi, chairman of Nasser Al Saidi & Partners, told CNN Business.*

*“The UAE has a comparative advantage and expertise in developing the core infrastructure, networks and systems that provide essential services, enable and facilitate economic activity, the movement or storage of goods, water, energy including renewable energy, data and sustainable data centers,” Nasser Al Saidi said.)*

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

Dr. Nasser Saidi’s comments appeared in an article in The National titled [“GCC and Turkey’s trade agreement could create \\$2.4tn opportunity”](#) published on 30th July 2024.

The comments are posted below.

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

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

regulations.”

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

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

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

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

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

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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.



[pic.twitter.com/Pl8nuVlCm9](https://pic.twitter.com/Pl8nuVlCm9)

– [Business](#) – [@AlArabiyaBN\\_KSA](#) [April 17, 2024](#)

## Comments on WTO's 13th Ministerial Conference held in Abu Dhabi (Arabic), Al Etihad, 26 Feb 2024

Dr. Nasser Saidi's comments (in Arabic) focus on trade & investment barriers over the past few years as well as the future of global trade (given recent geo-political developments). This is included in the article titled

“مستقبل النظام التجاري العالمي متعدد الأطراف إلى أين؟”

published by Al Etihad on 26th Feb 2024. The full article can be viewed [here](#) and Dr. Saidi's comments are extracted below.

### ختبار صعب

يرى الخبير والمستشار الاقتصادي الدكتور ناصر السعيدى، عضو المجموعة الاستشارية الإقليمية لصندوق النقد الدولي لشؤون الشرق الأوسط، أن ما يشهده النظام التجاري العالمي من مؤشرات متزايدة على التفكك وتراجع عولمة التجارة الدولية، يضع منظمة التجارة العالمية أمام اختبار صعب، الأمر الذي يتطلب من المشاركين في المؤتمر الوزاري الـ13، ضرورة صياغة خريطة جديدة لمستقبل التجارة العالمية وإيجاد حلول للتحديات الجسام التي تعصف بها.

ويشير السعيدي إلى أن من بين هذه التحديات ضرورة معالجة ومنع الزيادة المستمرة والسريعة في القيود التجارية منذ عام 2016 نتيجة للحرب التقنية والتجارية بين أميركا والصين منذ إدارة الرئيس الأميركي السابق دونالد ترامب، فضلاً عن الضغوط التي تقوم بها الولايات المتحدة على حلفائها مثل الاتحاد الأوروبي لتبني سياسات مناهضة للصين، مما أدى إلى إعادة هيكلة سلاسل التوريد العالمية وانخفاض الإنتاجية وزيادة التكاليف وزيادة الضغوط التضخمية.

### **تزايد القيود**

ويلفت السعيدي إلى عاملين آخرين وراء تزايد القيود والحواجز التجارية والاستثمارية، تمثلها في جائحة كوفيد-19 التي أدت إلى تفاقم المخاوف بشأن الطاقة والأمن الغذائي، قيام عدد كبير من الدول بالتوسع في اتخاذ تدابير حماية غير مسبوق، فيما تمثل العامل الثاني في الحرب الروسية الأوكرانية التي أدت إلى فرض عقوبات واسعة النطاق على التجارة والاستثمار مع روسيا وتعطيل سلاسل التوريد العالمية.

ويعتبر السعيدي أن غالبية هذه الحواجز والقيود التجارية والاستثمارية تشكل انتهاكاً صريحاً لقواعد واتفاقيات منظمة التجارة العالمية وتحتاج إلى معالجتها من خلال الاجتماع الوزاري، إلى جانب قضايا أخرى ذات أهمية كبيرة تتعلق بإصلاح المنظمة وتحديداً قضية إصلاح نظام تسوية المنازعات وإعادة تفعيل وإصلاح هيئة الاستئناف، إذ يوجد نحو 30 نزاعاً في منظمة التجارة العالمية في مآزق قانوني حالياً لأنه لا توجد وسيلة لتسويتها.

### **الحرب التجارية**

ويلفت السعيدي، كبير الخبراء الاقتصاديين والاستراتيجيين الأسبق لدى مركز دبي المالي العالمي، إلى أن مصدر القلق الرئيسي حول مستقبل التجارة العالمية يتمثل بتهديد العوامل الجيوسياسية وما يتصل بها من مخاوف «الأمن القومي» للفوائد الرئيسية للعولمة على مدى السنوات الثلاثين الماضية، لاسيما وأن هناك حرباً باردة جديدة تتكشف، وفي هذه المرة بين الولايات المتحدة والصين وقد تكون عواقبها وخيمة على التجارة وعلى الاقتصاد العالمي، حيث حذر صندوق النقد الدولي من أن هذا قد يؤدي إلى انخفاض يتراوح بين 2.5% و7% من الناتج المحلي الإجمالي العالمي.

# **“GCC can emerge as ‘Middle Powers’ in second Cold War”, Op-ed in Arabian Gulf Business Insight (AGBI), 9 Jan 2024**

The opinion piece titled [“GCC can emerge as ‘Middle Powers’ in second Cold War”](#) appeared in the Arabian Gulf Business Insight (AGBI) on 9th January 2024.

The article is published below.

## **GCC can emerge as ‘Middle Powers’ in second Cold War**

**Three factors will enable the GCC to benefit from the fragmentation**

We are living in a second Cold War. A multipolar world is evolving as governments adopt policies that are leading to increased economic and financial fragmentation.

Trade, foreign direct investment and financial flows are increasingly encumbered by regulatory and legal restrictions.

The number of global trade restrictions introduced each year has nearly tripled since the pre-pandemic period, reaching almost 3,000 last year, according to the International

Monetary Fund.

The result is a restructuring of global supply chain networks. Political decisions dubbed “friend-shoring”, “near-shoring” or “on-shoring” imply increased geo-political fragmentation and de-globalisation.

While the speed of globalisation slowed after the 2008 financial crisis, a major trigger of de-globalisation was the Trump administration’s policy of “China decoupling”.

This was subsequently relabelled “China de-risking” and described in Washington as a policy that aimed to prevent Beijing from emerging as a global tech power.

This tech war, which started with restrictions on access to high-performance chips, has expanded. Now barriers have been imposed on trade, foreign direct investment and financial flows.

The Russia-Ukraine war, the conflict in Gaza and the spillover effects have widened the geo-economic-political fragmentation, resulting in the second Cold War.

## **Two blocs, but allies don’t always agree**

Two major blocs are emerging: the US and its allies, and China-Russia and their allies. Other countries fall into a multi-faceted, multi-interest grouping.

Even within the blocs, there is increased political fragmentation and divergence of interests – notably between the US and the European Union. The upshot of geo-strategic confrontation is a ratcheting up of military spending, at the cost of addressing economic development and investment.

Strategic mistakes, miscalculation and events may lead to the Cold War becoming hot.

National security narratives are increasingly dominating

economic policy decisions. Trade is weaponised, while investment (inward and outward), finance and payment systems are affected. National security interests imply a re-engineering and redesigning of food, energy and tech supply chains towards greater self-reliance.

National security logic has also led to the weaponisation of the US dollar, imposing restrictions on its use in international payments and the freezing of “unfriendly” or “enemy” foreign assets.

This threatens dollar-based international payments and the financial architecture built over the past decades of global financial liberalisation.

The same logic is leading to the weaponisation of access to and diffusion of modern tech and AI, widening the global tech divide and reducing productivity and general growth.

The new Cold War could result in a massive 7 percent loss of global GDP according to the IMF, as a result of global supply chains becoming less efficient, inward-looking self-sufficiency policies being disguised as re-shoring, and restrictions on access to tech and critical resources such as rare earths.

## **The GCC as emerging ‘Middle Powers’**

For the GCC countries, this ominous scenario has a silver lining. It offers a geo-strategic opportunity, allowing them to emerge as Middle Powers between the two global blocs.

The GCC has built its soft power through successfully hosting international events and diplomatic mediation. Next up is the building of economic and financial power.

Three strategic factors represent the building blocks that will enable the Gulf states to benefit from the fragmentation.

First is the GCC’s geography between Africa and Asia and the

nations' promising demographics.

Second, the member states are unique in being old and new energy powerhouses.

Third, the economic diversification of the GCC – combined with investments in trade facilitating logistics, transport, and infrastructure – means the six countries are integrated in global supply chains.

The GCC nations need to enhance and develop economic and financial tools to enable them to become effective Middle Powers. A priority is to accelerate their economic and financial integration, starting with core infrastructure to achieve economies of scale and greater efficiency.

GCC economic and financial integration is a building block for overhauling and implementing the GCC common market, allowing the Gulf countries to negotiate as an empowered economic bloc.

Already, GCC members are participating in international blocs – Brics+ and the India-Middle East-Europe Economic Corridor – along with trade deals that include a likely GCC-China agreement in 2024 and various comprehensive economic partnership agreements.

Cop28 has highlighted that climate change will pose geo-strategic challenges in the coming decades. The GCC states possess the technologies and financial resources to make regional and global investments in climate adaptation, and building and retrofitting infrastructure to make it climate resilient.

These tools underpin the evolving “regional globalisation” policies of the GCC, which will lead to the growing economic integration of the Mena region and African countries. This regional globalisation will reduce the risks of the new Cold War.

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

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

The comments are posted below.

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

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

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

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

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

*“Given ongoing renewable energy projects and net-zero emissions ambitions of the UAE and wider GCC, one could even envisage a GCC renewable-energy-powered, integrated electricity grid could extend all the way to Europe and India,” Mr Saidi said.*

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

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

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## **“A Mercantile Middle East”, article in the IMF’s Finance & Development magazine, 1 Sep 2023**

*The GCC must take leadership at a time of global fragmentation and successfully lead the MENA region into becoming an inter-linked trade and investment hub. This, while unfolding the GCC strategy of pursuing globalization as a regional group through new trade and investment agreements, foreign aid, and direct and portfolio investment. We envisage two complementary ways to move forward, away from political differences & correcting failures of past implementation: one, implement the GCC Common Market & two, GCC should develop new deep trade agreements – both much more extensive in scope than just trade &*

*investment.*

***Our article titled "[A Mercantile Middle East](#)" was published in the IMF's Finance and Development's Sep 2023 issue.***

# **A Mercantile Middle East**

***By Nasser Saidi and Aathira Prasad***

The world has witnessed a tectonic shift in global economic geography and trade toward emerging Asia in the past two decades. However, the Middle East and North Africa (MENA) region has remained one of the least dominant, accounting for just 7.4 percent of total trade in 2022. The region's trade is characterized by a relatively high concentration of exports in a narrow range of products or trading partners, limited economic complexity, and low participation in global value chains.

Even so, commodity-dependent nations in the MENA region have made substantial gains over time, specifically in trade diversification, as shown by the [Global Economic Diversification Index](#), which tracks the extent of economic diversification from multiple dimensions, including economic activity, international trade, and government revenues.

The MENA region's total trade in goods as a percent of GDP (an indicator of openness) was 65.5 percent in 2021, indicating a relatively open regional economy. Yet, as shown in Chart 1, intraregional trade is low, representing only 17.8 percent of total trade and 18.5 percent of total exports, despite a common language and culture as well as geographic

proximity. The six oil-exporting Gulf Cooperation Council (GCC) nations—Saudi Arabia, Bahrain, Oman, Qatar, Kuwait, and the United Arab Emirates—account for the bulk of intraregional trade.



Their dominance of intraregional trade suggests that the Gulf nations could become a catalyst for regional trade integration, helping lower barriers to trade, improving trade infrastructure, and diversifying the region's economies. Greater integration of non-GCC Middle East nations with the GCC will lead to more intraregional trade and greater global integration (via the GCC's existing global linkages and participation in global value chains). With the growing global economic integration of the GCC nations and their concerted effort in supporting the region's other nations (via increased trade and investment deals with Egypt and Iraq, for example), they can be a conduit for greater integration of the rest of the region into world trade.

## **Region's Laggards**

Why have non-GCC countries lagged when it comes to intraregional trade? In part it is a failure of the MENA region's multiple regional trade (and investment) agreements. The share of intragroup exports in the Arab region, excluding the GCC, has remained below 2 percent of their trade flows, partially a reflection of regional fragmentation, violence, and wars since the mid-1990s and following the Arab Spring in 2011. The region comprises a group of nations characterized by significant political differences, and this is reflected in trade patterns as well. For example, the orientation of the Maghreb nations of North Africa has been toward Europe, with the regional Euro-Med program and agreements supporting such linkages.

A contributing factor to the stagnation of intraregional trade

is the lack of growth of trade in services. MENA services trade has ranged between 4 and 6 percent of global services trade in the past two decades. This pales in comparison with the Organisation for Economic Co-operation and Development countries, which account for more than two-thirds of global services trade. Within the MENA region, the GCC accounts for the bulk of services trade, with the largest shares in relatively low-value-added sectors like travel (and tourism) and transportation. The services trade is held back by restrictive policies that limit entry in sectors dominated by state-owned enterprises, such as telecommunications, or that impose high fees and license requirements, especially in professional and transportation services.

Such restrictive policies, along with structural deficiencies, encumber MENA nations' trade both within the region and globally.

MENA nations apply more, and more restrictive, nontariff measures than in any other region. These almost doubled between 2000 and 2020. Lack of uniform standards and harmonization, pervasive red tape, and corruption compound the effects of these barriers. Business and investment barriers include cumbersome licensing processes, complex regulations, and opaque bidding and procurement procedures.

MENA as a region underperforms on trade facilitation measures to ease the movement of goods at the border and reduce overall trade costs, though there are wide disparities across the region. The quality of trade- and transportation-related infrastructure is significantly lower in the non-GCC MENA nations. Furthermore, delays at the port result in excessive "dwell times" (delays of more than 12 days) for imported goods in some MENA countries. Algeria and Tunisia delays average about 20 days versus less than five days in the United Arab Emirates (among the top three globally).

## Knocking down barriers

Overcoming these impediments to wider trade for the region requires removing barriers to trade and investment, diversifying the region's economies, and improving infrastructure.

A new generation of trade agreements, including more knowledge-intensive services, would not only support export diversification policies but would also help bridge gender gaps, improve women's economic empowerment, and subsequently result in more inclusive economic growth and integration.

The pandemic has underscored the need for trade diversification (both of products and partners) and development of new supply chains. Although the GCC's oil trade remains dominant, its members have embarked on various policies and structural reforms, such as increasing labor mobility and opening capital markets across borders, to diversify away from overdependence on fossil fuels and associated revenues. This has resulted in diversification of both the output mix (for example, increased focus on manufacturing) and the export product mix (for example, more services exports) alongside an evident shift in trade patterns toward Asia and away from the United States and Europe. More recently, the war in Ukraine further highlighted the plight of food-importing nations in the Middle East in the context of food security. (Ukraine and Russia accounted for a third of global wheat exports; Lebanon and Tunisia were importing close to 50 percent of their wheat from Ukraine.)

The Global Economic Diversification Index trade subindex shows that the commodity-dependent nations with the most improved scores over time have either reduced dependence on fuel exports, reduced export concentration, or witnessed a massive change in the composition of exports. An example of the latter is Saudi Arabia's increased focus on medium- and high-tech exports, which rose as a share of overall manufacturing

exports, to almost 60 percent right before COVID from less than 20 percent in 2000. The MENA region as a whole has already made some headway toward diversification, as shown in Chart 2.



The GCC nations have benefited from the recent rise in commodity prices, but the pandemic reinforced strategies, including the development of free zones and special economic zones, to diversify into new sectors. These policies range from attracting investment (including foreign direct investment) to higher-value-added, higher-tech manufacturing; investing in new sectors (renewable energy, fintech, artificial intelligence); and opening markets to new investors and investments (as is evident in the recent spate of initial public offerings in both the oil and non-oil sectors). These reforms help expand markets (within the MENA region and toward Africa, Europe, and South Asia), while up-and-coming sectors like renewable energy and agritech offer sustainable ways of expanding the extensive and intensive margins of trade and generating new job opportunities.

## **Engine for regional integration**

Full achievement of the benefits of regional trade integration requires a reform of trade policies to break down barriers, including restrictive nontariff measures, complex regulation, corruption, and logistical roadblocks.

Integrating the MENA region's trade infrastructure (ports, airports, logistics) with that of the GCC would lower costs and facilitate intraregional trade, leading to greater regional integration and generating gains from trade for all parties. The GCC can lead the economic integration and transformation of the region via investments in hard infrastructure and trade-related infrastructure and logistics, in addition to developing an integrated GCC power grid. A GCC

renewable-energy-powered, integrated electricity grid could extend all the way to Europe, Pakistan, and India.

The GCC nations have an opportunity to benefit from global decoupling and fragmentation with their unfolding strategy of pursuing globalization as a regional group through new trade and investment agreements, foreign aid, and direct and portfolio investment. The ongoing disengagement from long-standing regional conflicts, in Israel, the West Bank and Gaza, Yemen, the Islamic Republic of Iran, Libya, and elsewhere, and the forging of new links (diplomatic opening such as the Abraham Accords) reduce the geopolitical risks of promoting regional trade and investment. The GCC can use this as an opportunity to shape the MENA region into an interlinked trade and investment hub. The GCC's accelerated new free trade negotiations with key partners in the MENA region, including Egypt and Jordan, and in Asia, including China and South Korea, could become the cornerstone of this transformation. The United Arab Emirates have already signed comprehensive economic partnership agreements with India, Indonesia, and Türkiye covering services, investment, and regulatory aspects of trade.

There are two complementary ways to move forward. One is to implement the GCC Common Market, invest in digital trade, lower tariff and nontariff barriers, and reduce restrictions on trade in services, along with reforms to facilitate greater mobility of labor and enhance financial and capital market linkages. Second, the GCC should develop new deep trade agreements with the other MENA countries, going beyond international trade to encompass agreement on nontariff measures, direct investment, e-commerce and services, labor standards, taxation, competition, intellectual property rights, climate, the environment, and public procurement (including mega projects). The GCC nations, which have historically used foreign aid and humanitarian aid to support MENA nations, should opt for an "aid for trade" policy to

support their partners in implementing trade-boosting reforms that lower business and investment barriers, improve logistics infrastructure, and facilitate the movement of goods.

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## **“The GCC should leverage its power to trade as a bloc”, Op-ed in Arabian Gulf Business Insight (AGBI), 28 Jun 2023**

The opinion piece titled “[The GCC should leverage its power to trade as a bloc](#)” appeared in the Arabian Gulf Business Insight (AGBI) on 28th Jun 2023 and is posted below.

### **The GCC should leverage its power to trade as a bloc**

***Nasser Saidi***

The GCC faces multiple headwinds as it seeks to achieve growth at a time of increasing global fragmentation, the West’s decoupling from China, climate change risks and the ongoing energy transition away from fossil fuels.

New policy tools are required to address these challenges and generate economic diversification. In particular, dynamic trade strategies will play a central role in realising

regional success.

Total trade in goods as a percentage of GDP in the wider Mena region was 65.5 percent in 2021 (compared with 92.8 percent for the EU), indicating a relatively open regional economy.

Nonetheless, that number, ostensibly for the entire Mena area, is largely made up of the trade openness of the GCC bloc, high dependence on the trade of fossil fuels, and very low intra-regional commerce.

To date, the GCC and wider Middle East have missed a trick by failing to leverage the full potential of free trade agreements (FTAs) – international economic policy instruments that facilitate lowering tariffs, remove non-tariff barriers, liberalise access to markets and ease investment flows.

The Middle East and the GCC respectively have 38 and five regional trade agreements in force. This compares with 161 for Europe and 102 for East Asia.

More promisingly, earlier in June the UAE signed a bilateral comprehensive economic partnership agreement (Cepa) with Cambodia. This is its fifth Cepa, following those with India, Indonesia, Israel and Turkey. Another 10 or more are reportedly in the pipeline.

## **Focus on FTAs**

The GCC needs FTAs to promote economic liberalisation, diversify output and lower its high dependence on fossil fuel exports, as well as to attract foreign direct investment and new technologies.

The capital-exporting GCC can use FTAs to protect its foreign investments and help forge new banking and financial links, notably with Asian markets.

In today's turbulent geopolitical climate, diversifying investments and markets have become a strategic priority for

the GCC, which holds more than \$4 trillion in financial assets.

FTAs can provide a legal and regulatory framework as the GCC seeks to develop its international capital markets linkages, notably by facilitating the listing of foreign securities.

Against the backdrop of the global energy transition, the UAE and Saudi Arabia can carve a path towards becoming a global hub for renewable and climate financing, complementing their traditional role in oil and gas trade and investment.

To do this, the GCC needs to move towards reducing the existing hurdles for services. This means lowering barriers to entry and easing restrictions on operations.

Services are a strong driver of economic diversification and an accelerated strategy will increase domestic firms' ability to participate in global value chain-based production.

In this regard, logistics are an important factor. The Mena region ranks just behind North America, Europe and Central Asia in the latest World Bank Logistics Performance Index, largely due to the high scores of the GCC region – the UAE is ranked 7th globally while Libya is 139th out of a total 150 nations.

A breakdown by country and sub-indices, however, shows that nine out of the 16 Mena nations achieve low scores in the timeliness sub-index.

To compete internationally, Mena countries must invest in facilitating trade, move towards digital trade facilitation – think e-commerce – and implement a cross-border paperless trading system.

This will result in more efficient supply chains, support regional trade integration, and increase participation in global value chains.

It will also require the dissemination of regular, timely, comparable and high-quality trade statistics to support evidence-based trade policy making.

## **Bloc power**

The GCC should negotiate as a bloc to maximise its potential. As a first step, the customs union should be revived, leading to the re-development of the GCC Common Market.

Also, the bloc ought to move beyond goods trade agreements to negotiate comprehensive, wide-ranging, deep FTAs. It should modernise the old generation of double taxation agreements to take account of the importance of special economic zones and free zones.

Given the shift of the global economy towards Asia, the GCC should pivot away from historical trade patterns based mainly on energy, to deepen trade and investment relations with major new trade and investment partners, such as India, China, Japan and South Korea. It would also do well to explore links with emerging markets in Africa.

It is high time for the Gulf to negotiate FTAs with China, the African Continental Free Trade Area and the Association of Southeast Asian Nations.

Politically and strategically, a new generation of FTAs could signal a decision to engage on a wider diplomatic front, solidifying the region's international standing and reputation.

The GCC countries are looking to seal international trade and investment deals with a view to "regionalised globalisation", at a time when the rest of the global economy is fragmenting and much of the West is decoupling from China.

Such a strategy on the part of the GCC represents a building block to achieving greater geopolitical stability.

*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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## **“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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## **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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## **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.

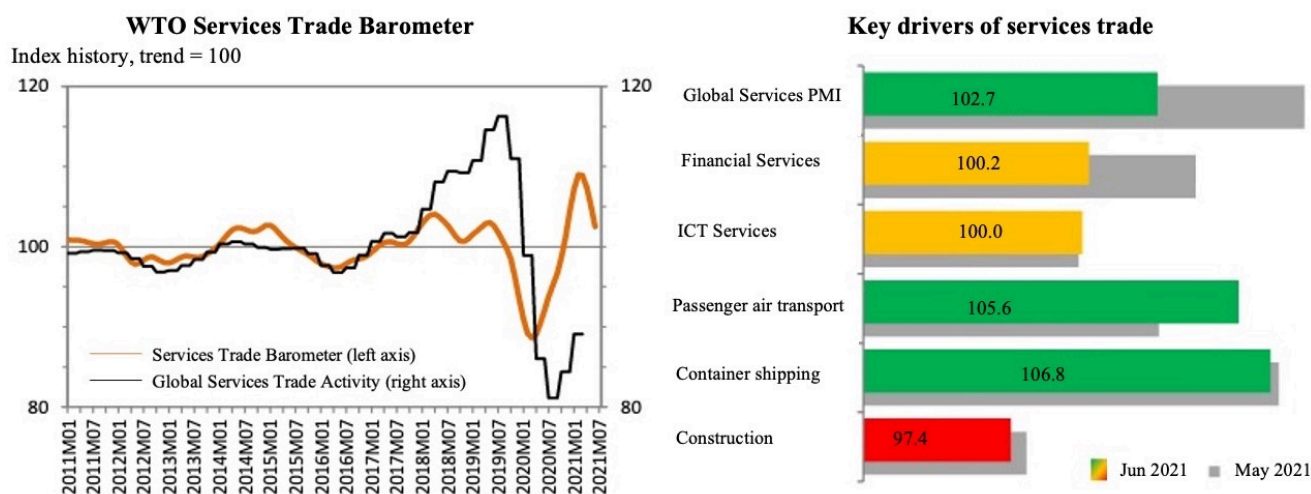
The session, held on 18th of May, discussed the background of trade, investment and labour flows, in addition to what the contrasts are for China and India's policies in the Middle East.

Watch the session below

# Weekly Insights 30 Sep 2021: Headwinds to Recovery in Global Trade

## Weekly Insights 30 Sep 2021: Headwinds to Recovery in Global Trade

1. Global services trade has been lagging goods trade, still below pre-pandemic levels | Evidence from Services PMIs



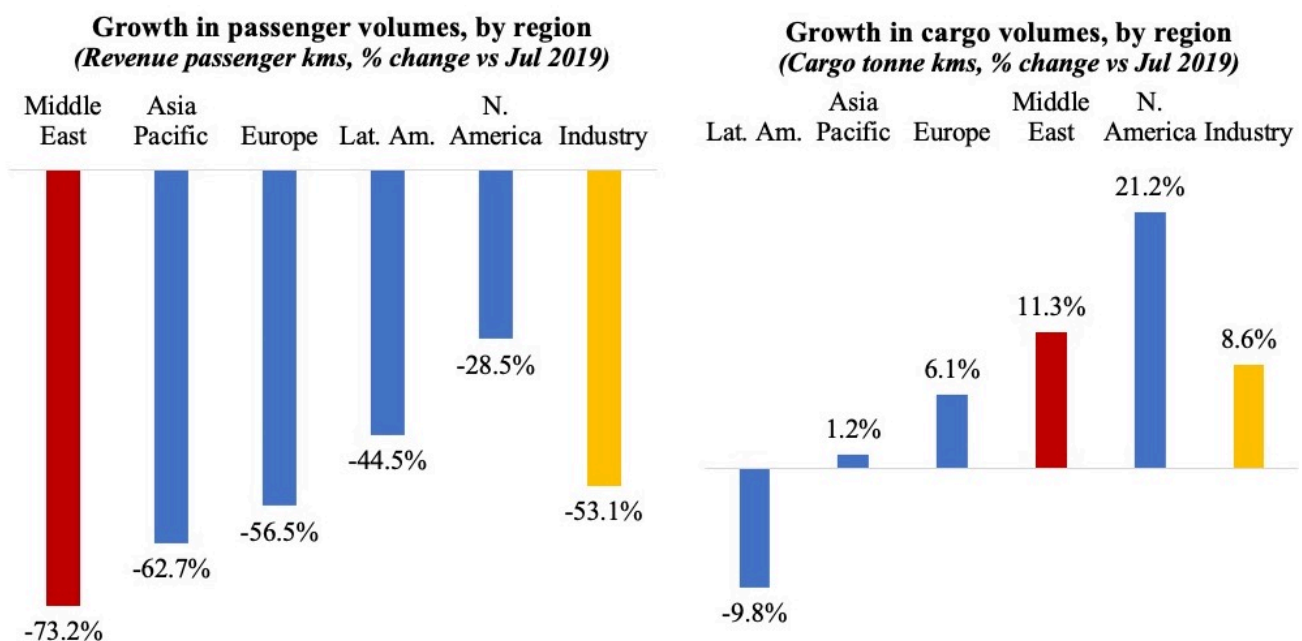
Source: Services Trade Barometer, Sep 2021, WTO.

- **Trade in goods seem to be on a strong recovery path, but services trade has not been keeping pace.** The WTO's Global Services Trade Activity index showed that the volume of services trade was down by 13.9% in Q1 2021 (but coming off higher declines of 26.3%, 25.5% and 20.5% in Q2, Q3 and Q4 2020 respectively).
- **Services PMI readings (from Markit) seem to suggest that though recovery was underway in Q2, growth has eased sharply since.** Flash PMIs for Sep showed that: (a) growth eased sharply to the lowest since May in the eurozone; (b) US expansion slide to a 14-month low; (c)

UK posted the worst performance since Jan's lockdown; and (d) Japan reported lower service sector output for the 20th consecutive month.

- **Many factors were attributed to the slowdown in the services sector:** weaker demand (given Delta variant's spread and related restrictions) + supply shortages + labour supply issues (esp. in the US and the UK). This has also resulted in driving up input costs & overall prices

## 2. Global services trade | Evidence from Passenger & Cargo volumes



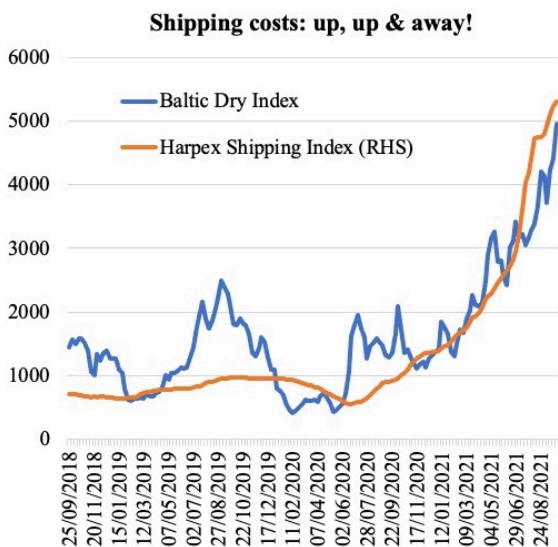
Source: Air Freight & Air Passenger Monthly Analysis, IATA Economics

- **Passenger traffic has been recovering globally**, as the rollout of vaccines led to reopening of international travel while also aided by domestic passenger growth (especially in the US & China).
- The surge in Delta-variant cases in China since end-Jun has impacted domestic travel significantly; but, **improving intra-European traffic** has benefitted European airlines, and **India has seen a resurgence in domestic traffic**.
- IATA, using the DDS ticketing database, find that **though travel demand for Q4 is looking stronger than last year,**

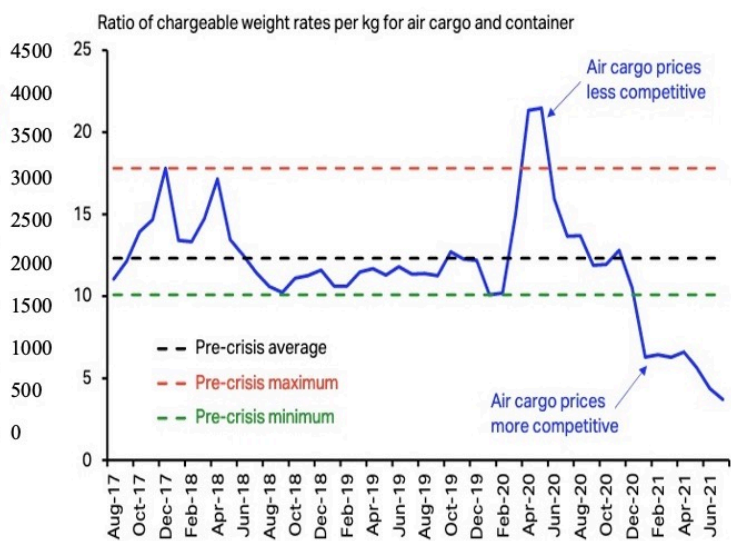
**bookings are still only at 42% of 2019 levels.**

- **Revenue Passenger Kilometers (RPKs) of Middle Eastern airlines fell by 73.2% in Jul 2021 vs. Jul 2019:** this was the weakest outcome amongst all regions (a result of the slow recovery of international flights) versus an industry reading of -53.1%. **Passenger capacity** of the region's airlines **fell by 57.5% (vs Jul 2019), also the weakest across regions.**
- **Air cargo** recovery has been underway since May: while **global supply chain issues have been a key challenge**, expansions in new export orders and manufacturing production will support growth.
- **Middle Eastern airlines reported the biggest improvement in Aug** amongst all regions: 15.4% vs Aug 2019 & 2.4 pts up from Jul's expansion (ME-Asia segment gained the most)

### 3. Costs are on the rise: global shipping vs air cargo



Source: Reuters Eikon. Chart by Nasser Saidi & Associates



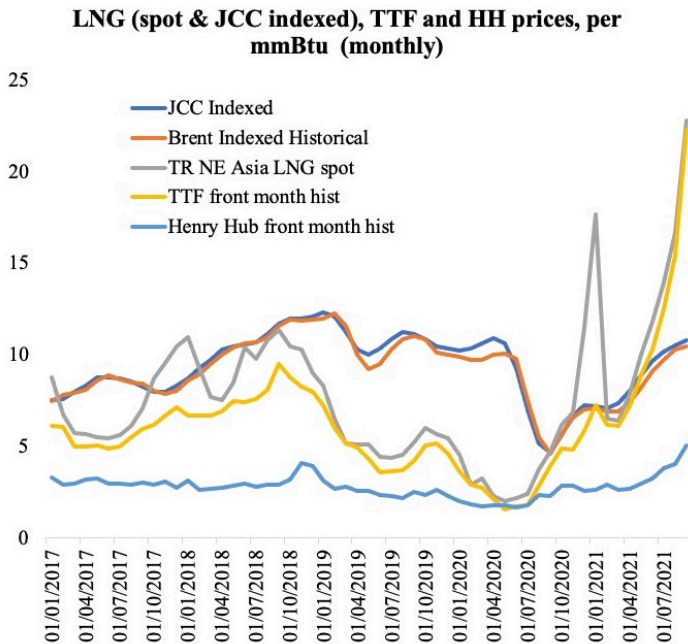
Source: Cargo Chartbook Q3 2021, IATA Economics

- **Supply chain congestion has been pushing up prices amid an increase in demand for goods.** These constraints are **likely to persist for the rest of the year**
- **Shipping costs have been increasing** – given extended idling times, container shortages, shortage of workers at ports and congested seaports. **Spillover effects** to the supply chain are also visible with **truck and rail**

**transport hit by further delays.**

- However, **air cargo has been less impacted than container shipping**, thereby leading to a comparatively favourable relative price for chargeable weight.

#### **4. Adding to price pressures: multi-year highs in oil, gas & coal prices**



Source: Refinitiv Eikon; retrieved 30 Sep 2021

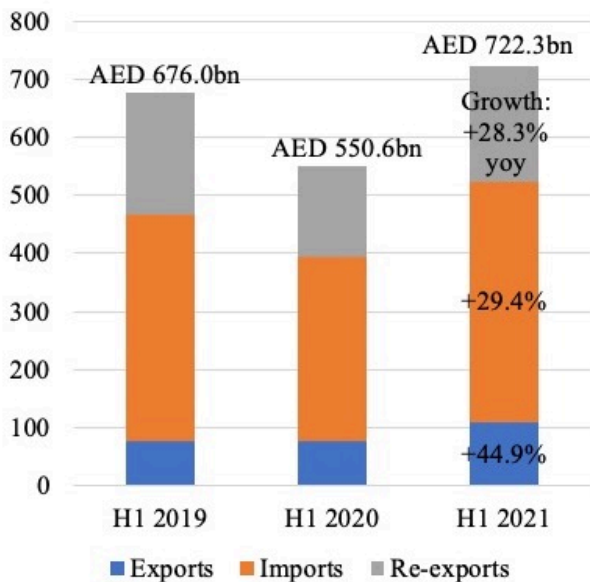
- **US natural gas prices rose to a 7-year high earlier this week; gas prices in Europe and Asia traded about four times over US gas** (close to USD 29 per mmBtu vs USD 6)
- **Brent oil price crossed USD 80** – a 3 year high – before falling lower + **coal prices have been rising** (thermal coal prices are 96% higher in China this year)
- **Why the surge? More than just a supply shortage amid fast-rising demand:**
  - **US:** less drilling by shale producers + recent supply disruptions from hurricanes
  - **Europe:** low natural gas stockpiles + delayed shipments from abroad + shutdowns for maintenance works
  - **UK:** labour shortage esp truckers to distribute fuel from refinery to retailers
  - **China:** shutting down coal plants & power outages => rising demand for LNG as an alternative option

to coal

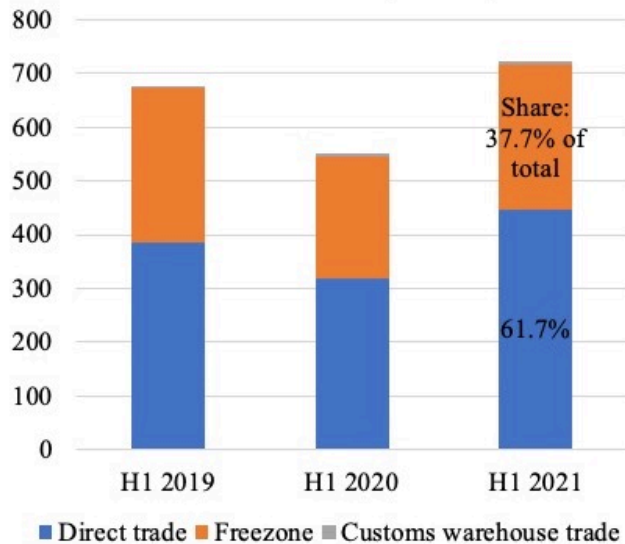
- **OPEC's** supply restrictions notwithstanding (next week, it is likely to add 400k bpd to output for Nov, as previously agreed), rise in gas prices & limited supply could see a switch towards using oil => higher oil prices
- **Outlook: rising input costs + higher gas prices + weaker growth**

## 5. Dubai's non-oil exports surge, as it accelerates to meet the 10 X 10 goal

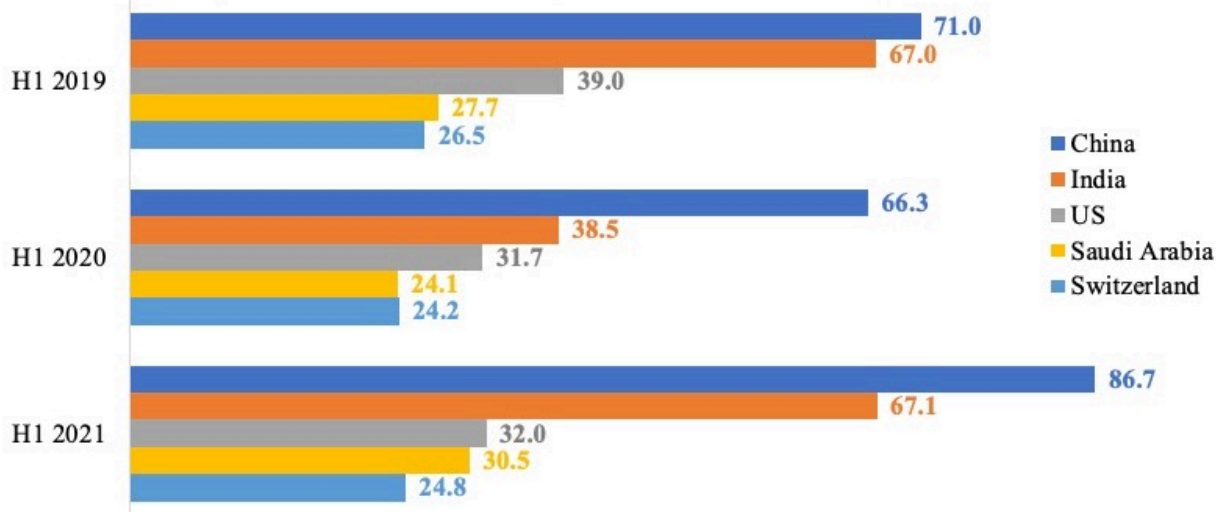
**Dubai's non-oil exports surge by 31% yoy in H1 2021 (AED bn)**



**Direct trade continued to be the largest contributor to total trade in Dubai in H1 2021 (AED bn)**



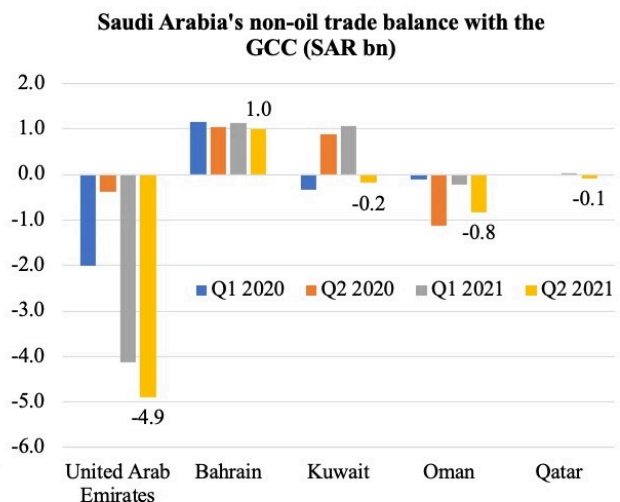
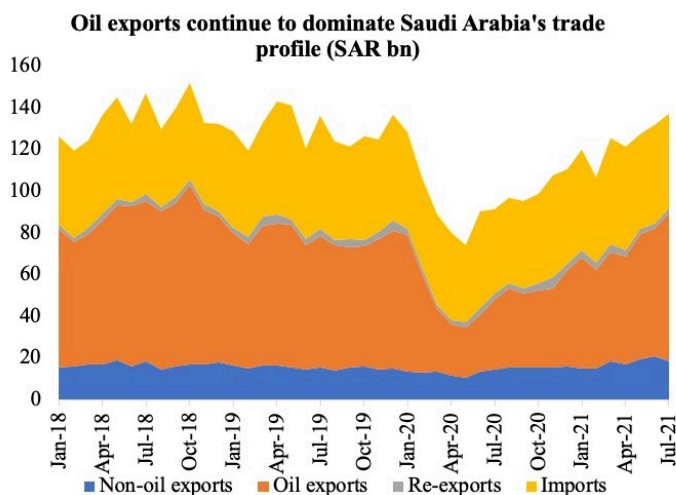
**Dubai's top 5 trade partners remain unchanged: China is the largest globally & Saudi Arabia the largest Arab & GCC trade partner (in AED bn)**



- **Dubai disclosed a 31% yoy surge in non-oil exports in H1 2021.** This follows the pandemic-hit drop in H1 2020, but **when compared to H1 2019, trade is up by a significant 6.8%.**
- This is **in line with the ambition of UAE's 10X10 program**, announced as part of the "Project of the 50". This involves an annual increase in the country's exports by 10% in 10 key markets: China, the UK, the Netherlands, Italy, Russia, Poland, Luxembourg, Australia, New Zealand and Indonesia.
- **Top trade partners for Dubai remained the same** over the last 3 years: **China, India and US the top 3** followed by Saudi Arabia (which is the largest partner in the Arab region) and Switzerland.

## 6. Saudi Arabia's trade diversification efforts need a significant push

*Oil accounted for an average ~3/4th of total exports this year*



Source: GaStat. Charts by Nasser Saidi & Associates

- **Saudi crude oil exports rose to 6.327mn barrels per day in Jul**, according to data from JODI – this was the highest reported level since Jan.
- Not surprising then that **oil exports grew by 112.1% yoy in Jul**, thereby supporting overall export growth (+79.6% yoy in Jul & 40.5% ytd).

- **Non-oil trade deficit with the UAE widened in Jul**, after new amendments were introduced from Jul related to imports. **Value of imports from the UAE fell** by 32.8% mom and 6.2% yoy to SAR 3.1bn in Jul: **the monthly drop was the sharpest this year**. As a result, UAE slipped to the 3rd largest import partner (after China and the US) from 2nd in June.

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# **Weekly Insights 19 Aug 2021: Charts on Global Trade Recovery + Tourism in the Middle East + Fiscal deficits in Bahrain & Kuwait + Consumer & Producer Prices in Saudi Arabia**

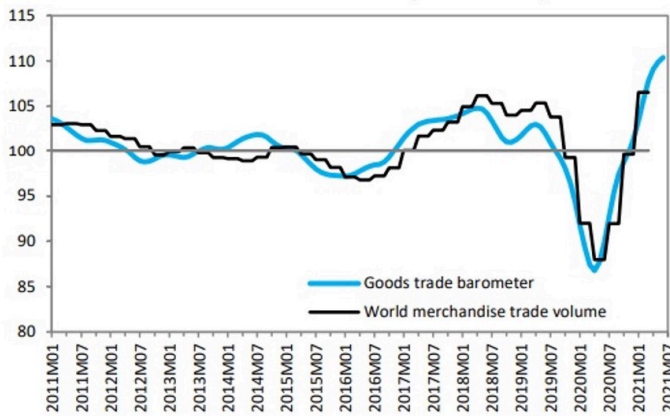
**Weekly Insights 19 Aug 2021: Charts of  
the Week (Global Trade Recovery + Middle**

# East's Tourism Indicators + Fiscal deficits in Bahrain & Kuwait + Consumer & Producer Prices + Industrial Production in Saudi Arabia)

## 1. Recovery in trade in 2021, though the pace is slowing; port closures to lead to delays & higher costs

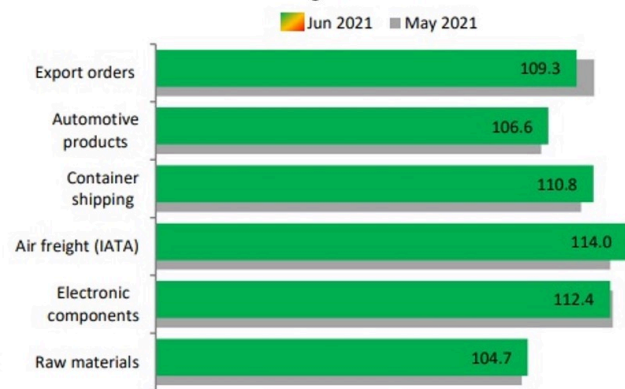
- The WTO's latest **Goods Trade Barometer**, with a record **high reading of 110.4**, underscores the **strength of recovery**: it is up more than 20 points in year-on-year terms. However, data suggest that the index is rising at a slower pace. Overall, **the WTO expects world merchandise volume to grow by 8% this year** (vs 2020's 5.3% drop).
- All components identified as **drivers of trade were above trend** (100): but the **easing of the forward-looking export orders in Jun** (vs May) suggests that the uptick seen in the earlier months might be slowing. This is also evident from recent PMIs: rate of expansion in JP Morgan's global manufacturing PMI had slowed further from May's 15-year high.
- Furthermore, **supply chain disruptions will continue to have a negative impact**: the recent closure of the Ningbo Zhoushan port in China (following a Covid19 case) is leading to congestion at several other Chinese ports & likely lead to delays as well as uptick in freight charges. Case in point: **Freightos Baltic Global Container Index**, a weighted average of 12 major global container routes, **hit a record high of USD 9,770** per forty-foot equivalent (FEU) container this week.

**Goods Trade Barometer (latest: 110.4)**



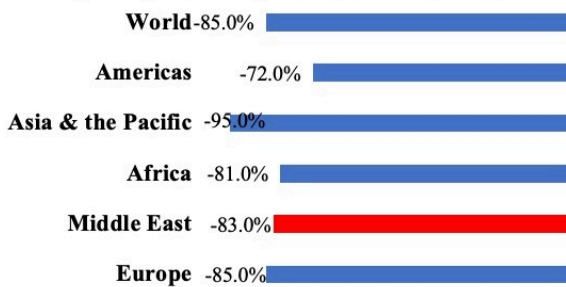
Source: Goods Trade Barometer, WTO (issued 18th Aug, 2021)

**Drivers of goods trade**



**2. Tourism: As regions with large domestic markets recover faster, no surprise that the Middle East lags**

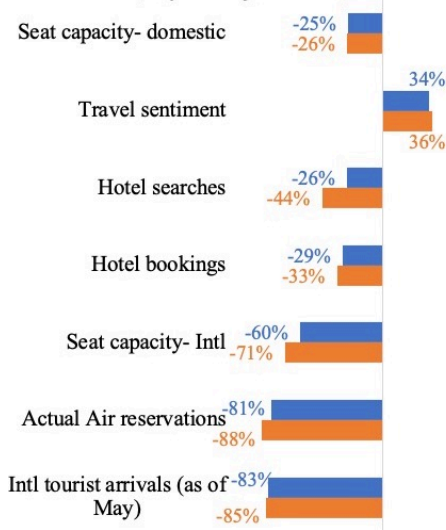
**Growth in International Tourist Arrivals**  
(% chng in Jan-May 2021 vs Jan-May 2019)



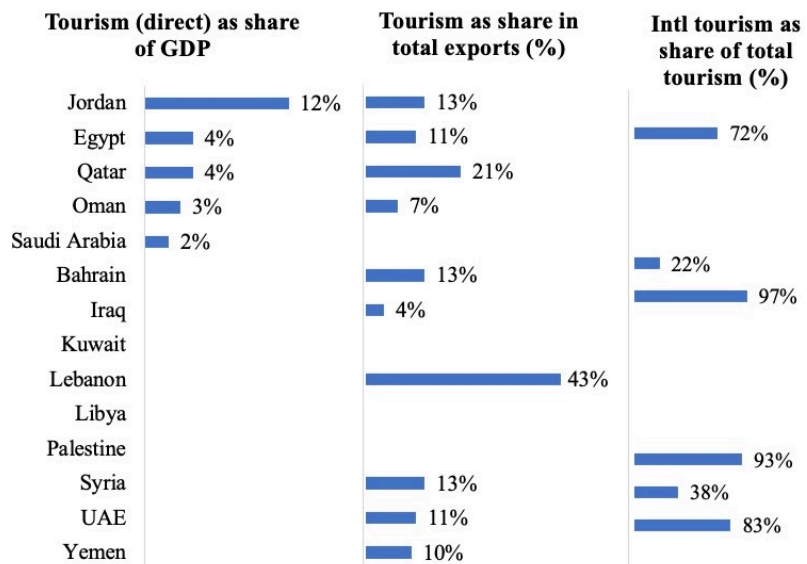
**International Tourist Arrivals in the Middle East, by country**

	2020	Jan-21	Feb-21	Mar-21	Apr-21	May-21
<b>Middle East</b>	<b>-75%</b>	<b>-84%</b>	<b>-84%</b>	<b>-82%</b>	<b>-84%</b>	<b>-82%</b>
Bahrain	-83%	-92%	-92%	-99%	-93%	-90%
Egypt (as of Aug)	-69%					
Lebanon (as of May)	-71%					
Oman	-75%	-87%	-92%	-90%	-95%	-97%
Qatar	-73%	-93%	-92%	-92%	-93%	-87%
Saudi Arabia	-76%	-88%	-90%	-92%		
UAE	-67%	-70%	-70%	-64%	-68%	-62%

**Tourism Indicators in the Middle East vs Global**  
(% ytd as of Jul 2021)



**Vulnerability of tourist destinations in the Middle East**

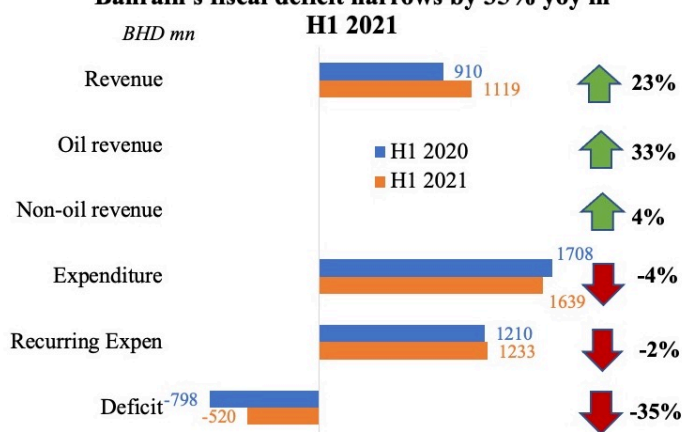


Source: UNWTO. Charts created by Nasser Saidi & Associates

**3. Bahrain's deficit narrows in H1 2021, thanks to a rise in oil revenues; debt needs taming**

- **Budget deficit in Bahrain narrowed to BHD 520mn in H1 2021** (-35% yoy), supported by a 23% pick up in revenues (largely due to the **33% rise in oil revenues**).
- Overall, **revenues (& expenditures) in H1 account for 46.5% (& 45.4%) of the total budgeted for the full year 2021**. The budget, based on oil price at USD 50 per barrel, is estimated to post a deficit of BHD 1.2bn in 2021. According to the IMF, the **fiscal breakeven price for Bahrain is USD 88.2 this year & USD 85.8 in 2022**.
- **Bahrain needs to reduce debt once economic recovery is back on track**: its **gross public debt** rose to 133% in 2020 and is forecast to increase to 155% by 2026. Its **gross external debt is meanwhile projected to ease slightly to 245.6% of GDP this year** (2019: 225.7% & 2020: 257.7%).

**Bahrain's fiscal deficit narrows by 35% yoy in**



Source: Bahrain's Biannual Financial Report 2021, Nasser Saidi & Associates

**Key macroeconomic indicators, Bahrain**

	2019	2020	2021	2022
Real GDP	2.0	-5.4	3.3	3.1
Oil	2.2	2.0	0.7	0.7
Non-oil	2.0	-7.0	3.9	3.7
CPI	1.0	-2.3	1.5	2.1
Oil revenues (% of GDP)	14.6	9.8	13.1	11.9
Fiscal deficit (% of GDP)	-9.0	-18.3	-9.1	-9.4
Govt gross debt (% GDP)	102.0	133.0	129.0	134.0
Oil exports (share of total exports)	0.5	0.4	0.5	0.5
Current account balance (% of GDP)	-2.1	-9.6	-4.0	-4.2
International Reserves (\$)	3.7	2.2	2.5	2.7
in months of non-oil imports	2.3	1.3	1.4	1.4

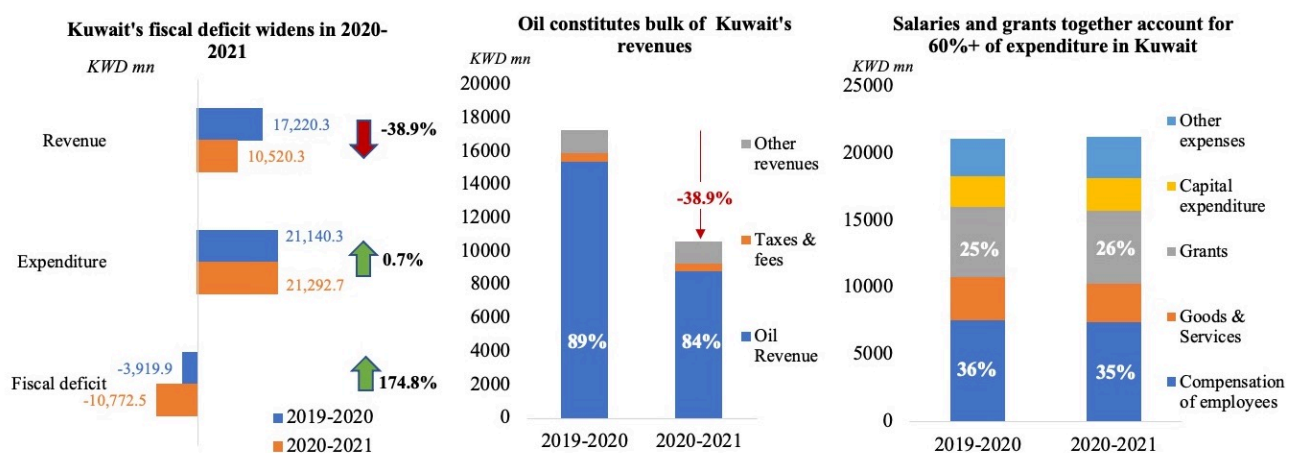
Source: IMF REO (Apr 2021) & Article IV (Mar 2021)

#### 4. Kuwait's fiscal deficit almost triples in 2020-21 vs a year ago; salaries & subsidies continue to account for a substantial portion of overall expenditure

- **Kuwait posted a fiscal deficit of KWD 10.8bn in 2020-21, compared to USD 3.9bn a year ago**.
- Revenues plunged by 39% yoy in 2020-21, largely due to a **42.8% drop in oil revenues**; taxes and fees fell by 10.6%. Oil revenues accounted for 84% of overall revenues last year and close to 90% the year before
- **Overall expenditures** was little changed (+0.7% yoy) and

its **composition remained more or less steady**: salaries and grants together accounted for 60% of overall expenses; a 10% drop in goods & services was offset by a 12% uptick in other expenses

- It is hence little wonder that the Cabinet announced this week that **all government departments are to reduce spending by no less than 10% in the current fiscal year (2021-22)**. Furthermore, the government is considering a maximum threshold (of KWD 3000) for the disbursement of national labour support to private sector employees
- **Kuwait's debt levels are substantially lower (vs Bahrain), but it urgently needs to:** (a) boost its non-oil revenues with the introduction of VAT; (b) reduce subsidies and introduce other expenditure-reducing measures; and (c) push Parliament to pass the debt law which has limited its ability to issue international debt to finance spending (among others)

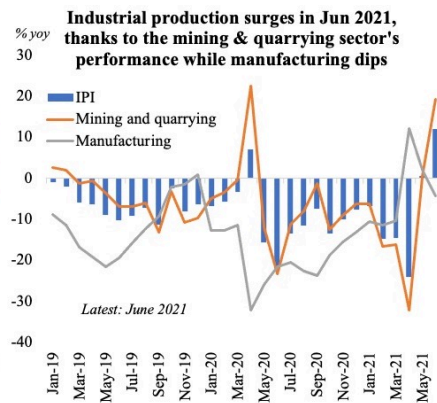
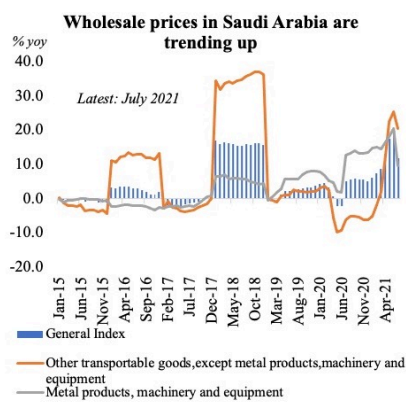
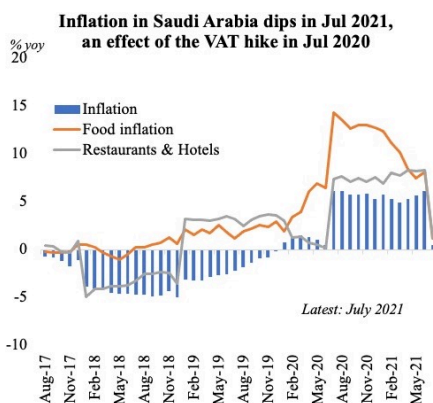


Source: Ministry of Finance, Kuwait. Charts created by Nasser Saidi & Associates

## 5. Prices are on the rise in Saudi Arabia (taking into consideration effect of a higher base last year) while industrial production gains (due to oil)

- **Consumer price inflation slowed to 0.4% yoy in Jul**, largely due to the uptick in Jul 2020 when VAT was hiked to 15% (on a monthly basis, prices were up by 0.2%). However, **food costs are now up 8.4% on avg this year (till Jul) vs overall inflation at 4.8%**

- **Wholesale prices increased to 11.9% yoy in Jul** (Jun: 19.76%), as the effect from the Jul 2020 VAT hike dissipates. **Other transportable goods**, with a weightage of 33.72% and which includes refined petroleum products prices, **reported the largest rise during the month (+20.49%)**. Rising global prices of metals and electrical machinery are also reflected in the country.
- Lastly, **industrial production in Saudi Arabia increased by almost 12% in Jun 2021**, attributed mostly to the **increase in oil production** as non-oil manufacturing sector activity dropped by 4.2% yoy and 0.4% mom.



Source: General Authority for Statistics, Saudi Arabia. Charts created by Nasser Saidi & Associates

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**Comments on Saudi tariffs & impact on the UAE, FT, 14 Jul**

# 2021

Dr. Nasser Saidi commented on the latest move from Saudi Arabia – changes in import rules and preferential tariffs – in the FT article titled “Trade emerges as latest flashpoint in deepening Saudi-UAE rivalry” published on 14th Jul 2021.

The full article can be accessed at:  
<https://www.ft.com/content/0cb64e0b-fcad-4992-beed-191261caa406>

The comments are posted below:

*Economists say co-operation under the auspices of the GCC, rather than competition between members, would be a better route to a prosperous and diverse regional economy. “This is a moment of opportunity to rewrite the rules and come up with a new customs union agreement and look forward to the future,” said Nasser Saidi, a Dubai-based economist.*

*Building a comprehensive agreement to include services as well as goods would turn the Gulf’s Arab states into a global bloc that could negotiate more effectively with other power centres, he said.*

*“It’s in the interest of everyone to move to a proper common market, leaving out the politics,” he said. “It took the EU years to get it right, and there were disputes along the way – so it could take some time.”*

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# Comments on Saudi Arabia's amended import rules in Reuters, 5 Jul 2021

Dr. Nasser Saidi's comments appeared in the Reuters article titled "[Saudi Arabia amends import rules from Gulf in challenge to UAE](#)", published 5th July 2021.

Comments are posted below:

*"The original customs union agreement, established Jan 2003, no longer serves the needs of the GCC countries ... including Saudi and the UAE and in light of the increased competition between the two countries pursuing similar non-oil diversification activities," said Nasser Saidi, a Dubai-based economist.*

*"The current dispute, while disruptive in the short-term, can open the door to a more efficient, modern, trade and investment framework and agreement that would boost growth prospects and allow for greater diversification, higher value-added regional trade," he said.*

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# Weekly Insights 8 Apr 2021: Risks to the Rosy Outlook as World Recovery Seemingly Accelerates

Download a PDF copy of this week's insight piece [here](#).

Heatmap of Manufacturing/ non-oil private sector PMIs

	US	Germany	EU	UK	Japan	China	India	UAE	Saudi Arabia	Egypt	Lebanon
Jan-19	54.9	49.7	50.6	52.8	50.3	48.3	53.9	56.3	56.2	48.5	46.5
Feb-19	53.0	47.6	49.5	52.1	48.9	49.9	54.3	53.4	56.6	48.2	46.9
Mar-19	52.4	44.1	48.3	55.1	49.2	50.8	52.6	55.7	56.8	49.9	46.3
Apr-19	52.6	44.4	48.4	53.1	50.2	50.2	51.8	57.6	56.8	50.8	46.7
May-19	50.5	44.3	47.9	49.4	49.8	50.2	52.7	59.4	57.3	48.2	46.3
Jun-19	50.6	45.0	47.6	48.0	49.3	49.4	52.1	57.7	57.4	49.2	46.3
Jul-19	50.4	43.2	46.6	48.0	49.4	49.9	52.5	55.1	56.6	50.3	47.7
Aug-19	50.3	43.5	47.1	47.4	49.3	50.4	51.4	51.6	57.0	49.4	47.8
Sep-19	51.1	41.7	46.0	48.3	48.9	51.4	51.4	51.1	57.3	49.5	46.4
Oct-19	51.3	42.1	46.2	49.6	48.4	51.7	50.6	51.1	57.8	49.2	48.3
Nov-19	52.6	44.1	47.0	48.9	48.9	51.8	51.2	50.3	58.3	47.9	37.0
Dec-19	52.4	43.7	46.4	47.5	48.4	51.5	52.7	50.2	56.9	48.2	45.1
Jan-20	51.9	45.3	48.1	50.0	48.8	51.1	55.3	49.3	54.9	46.0	44.9
Feb-20	50.7	48.0	49.1	51.7	47.8	40.3	54.5	49.1	52.5	47.1	45.4
Mar-20	48.5	45.4	44.3	47.8	44.8	50.1	51.8	45.2	42.4	44.2	35.0
Apr-20	36.1	34.5	33.4	32.6	41.9	49.4	27.4	44.1	44.4	29.7	30.9
May-20	39.8	36.6	39.5	40.7	38.4	50.7	30.8	46.7	48.1	40.0	37.2
Jun-20	49.8	45.2	47.4	50.1	40.1	51.2	47.2	50.4	47.7	44.6	43.2
Jul-20	50.9	51.0	51.7	53.3	45.2	52.8	46.0	50.8	50.0	49.6	44.9
Aug-20	53.1	52.2	51.6	55.2	47.2	53.1	52.0	49.4	48.8	49.4	40.1
Sep-20	53.2	56.4	53.5	54.1	47.7	53.0	56.8	51.0	50.7	50.4	42.1
Oct-20	53.4	58.2	54.8	53.7	48.7	53.6	58.9	49.5	51.0	51.4	43.3
Nov-20	56.7	57.8	53.8	55.6	49.0	54.9	56.3	49.5	54.7	50.9	42.4
Dec-20	57.1	58.3	55.2	57.5	50.0	53.0	56.4	51.2	57.0	48.2	43.2
Jan-21	59.2	57.1	54.8	54.1	49.8	51.5	57.7	51.2	57.1	48.7	41.0
Feb-21	58.6	60.7	57.9	55.1	51.4	50.9	57.5	50.6	53.9	49.3	42.2
Mar-21	59.1	66.6	62.5	58.9	52.7	50.6	55.4	52.6	53.3	48.0	46.4

Source: Refinitiv Datastream, Nasser Saidi & Associates

Chart 1. In spite of a

## Attending new Covid19 restrictions, PMIs run high

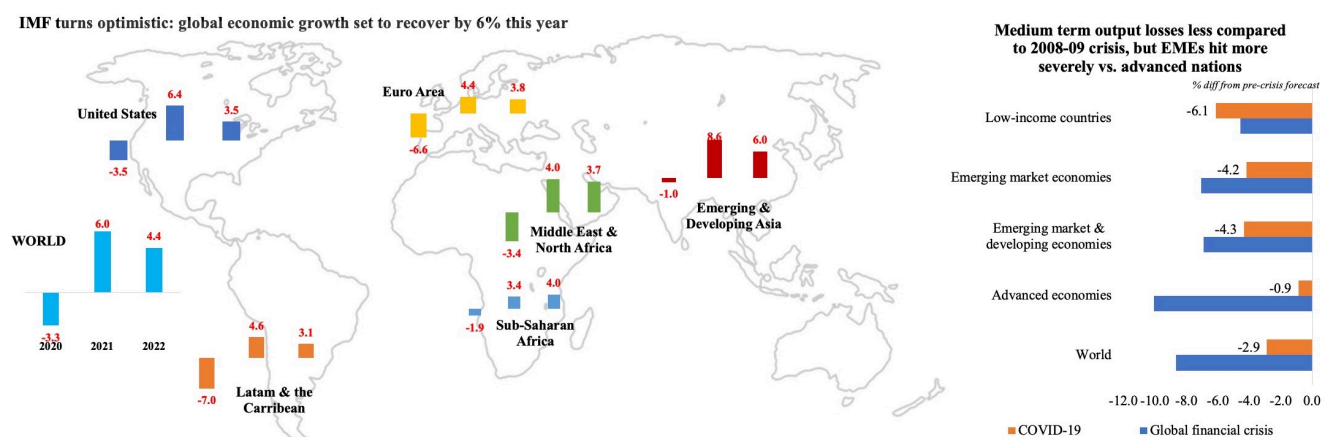
- **Global manufacturing PMI touched a 10-year high in Mar:** the uptick happened in spite of increased restrictions in late-2020/ early 2021, suggesting **less severe impact of the recent lockdowns** vs. the one in Apr-May.
- **Preparedness** for disruptions to production & supply chains as well as online demand & delivery likely

**improved.**

- However, overall conditions are still affected by supply chain disruptions and **inflationary pressures**.
- **Global Services PMI grew to a 33-month high** of 54.7 in Mar, supported by inflows of new work.

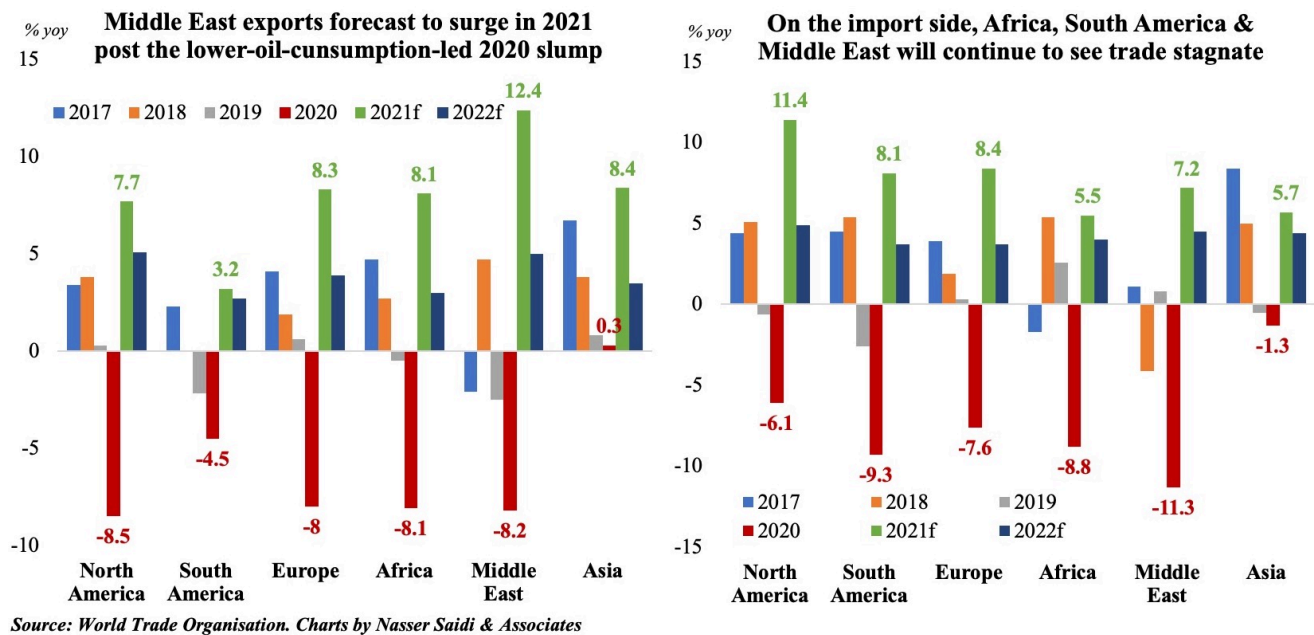
## **Chart 2. Optimism spills over into IMF's growth forecasts amid uneven recovery caution**

- **The IMF projects 6% yoy growth in 2021, up from the 3.3% contraction last year.** If the forecast is realized, it would mark the fastest rate of global growth since 1976. While China returned to pre-pandemic GDP levels in 2020 itself (+2.3%), many are unlikely to recover till 2023 – depending on new virus variants, pace of vaccination rollout and extent of fiscal/ monetary stimulus.
- The **average medium term output loss over 2020-24**, relative to pre-pandemic forecasts, is projected to be 6.1% in low-income countries versus 4.1% and a smaller 0.9% in emerging and advanced nations respectively. This is much lower than the losses seen during the 2008-09 financial crisis (when advanced nations suffered the most).
- The **Middle East's growth forecasts have remained broadly unchanged** though recovery prospects of the GCC (where vaccination pace is quite high) are miles apart from many of the war-torn nations.



Source: IMF World Economic Outlook, Apr 2021. Chart by Nasser Saidi & Associates

## Merchandise trade poised for recovery in 2021, before slowing in 2022: WTO



- **Strong, but uneven recovery is the story in merchandise trade volumes as well.** Trade volume is projected to increase by 8% this year and then slow to 4% in 2022. Cross-border trade in services remains subdued and new waves of infection could easily reverse course of trade.
- **Falling oil prices led to a 35% contraction in trade in fuels in 2020:** it had a significant impact on Middle East exports (-8.2% slump in 2020), also resulting in a massive 11.3% plunge in imports. As travel picks up post-vaccine drives, demand for oil will likely strengthen, causing a 12.4% rise in exports in the Middle East this year.
- **Asia, the export hub:** the region's limited impact and faster recovery from the virus + supply of medical supplies & consumer goods supported their export growth last year. This will enable the 8.4% rise in exports this year.

### Chart 4. Risks to the Rosy Outlook

- **Pandemic-related risks:**
  - New strains of vaccine-resistant Covid19 => prolonged pandemic

- Highly unequal global roll out of vaccines could reverberate on advanced nations, when lockdowns are relaxed
- Supply chain disruptions: one leading COVID-19 vaccine includes 280 components sourced from 19 different countries. Any constraint would impact production and distribution
- Insufficient production of vaccines + vaccine nationalism affecting global rollout of vaccines
- **Financial risks:**
  - Avoid a repeat of 2013 “taper tantrum”. Rise in US rates => repricing of risk + tighter financial conditions => negative impact on highly leveraged nations/ businesses (heavy borrowings in 2020, supported by low interest rates: EMEs borrowed 9.8% of GDP & low-income nations 5.5%)
  - Impact of corporate sector when stimulus measures are rolled back: potential bankruptcies/ insolvencies (& job losses), profitability => financial risks & effect on banks’ bottom line
- **Long-lasting effects from the pandemic:**
  - Poverty: an additional 95mn people likely entered the category of “extreme poor” in 2020 versus pre-pandemic projections => rising food prices & social unrest (Lebanon as an example)
  - Labour markets: youth, women & low-skilled workers more affected + impact on productivity
  - Inequality within nations & across economies: not limited to income. Think education, technology
- **Climate change risks:** methane & CO2 levels surged to record amounts in 2020 + stranded assets + preparedness for a low-carbon transition
- **Geo-political risks:** US-China tensions led suppliers to shift away from China (one of the reasons behind the current shortage of computer chips), reshoring and “Made at home” policies

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# Weekly Insights 25 Feb 2021: Rising global food prices amid supply chain disruptions & impact on import-dependent dollar-pegged GCC nations

Download a PDF copy of this week's insight piece [here](#).

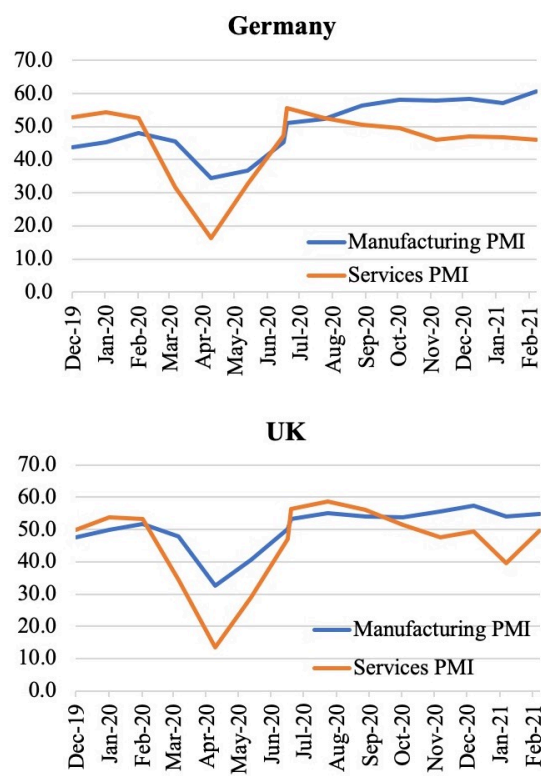
## Chart 1. PMIs indicate rising manufacturing activity vs restrictions-hit services weakness

- Forward looking **manufacturing PMIs are recovering**, thanks to new orders
- But **pain points include** supply chain disruption, delivery delays & rising input prices
- **Weakness in services PMI continues**
- **UK & Germany** (among the most stringent nations currently, with scores at 86.11 & 83.33 respectively) show the **divergence**, though the former is starting to stabilise
- **Declines during the current lockdown period is not as severe as in Apr 2020**
- Vaccine roll-out will lead to greater confidence in the months ahead

Heatmap of Manufacturing PMIs

	US	Germany	EU	UK	Japan
Jan-19	54.9	49.7	50.6	52.8	50.3
Feb-19	53.0	47.6	49.5	52.1	48.9
Mar-19	52.4	44.1	48.3	55.1	49.2
Apr-19	52.6	44.4	48.4	53.1	50.2
May-19	50.5	44.3	47.9	49.4	49.8
Jun-19	50.6	45.0	47.6	48.0	49.3
Jul-19	50.4	43.2	46.6	48.0	49.4
Aug-19	50.3	43.5	47.1	47.4	49.3
Sep-19	51.1	41.7	46.0	48.3	48.9
Oct-19	51.3	42.1	46.2	49.6	48.4
Nov-19	52.6	44.1	47.0	48.9	48.9
Dec-19	52.4	43.7	46.4	47.5	48.4
Jan-20	51.9	45.3	48.1	50.0	48.8
Feb-20	50.7	48.0	49.1	51.7	47.8
Mar-20	48.5	45.4	44.3	47.8	44.8
Apr-20	36.1	34.5	33.4	32.6	41.9
May-20	39.8	36.6	39.5	40.7	38.4
Jun-20	49.8	45.2	47.4	50.1	40.1
Jul-20	50.9	51.0	51.7	53.3	45.2
Aug-20	53.1	52.2	51.6	55.2	47.2
Sep-20	53.2	56.4	53.5	54.1	47.7
Oct-20	53.4	58.2	54.8	53.7	48.7
Nov-20	56.7	57.8	53.8	55.6	49.0
Dec-20	57.1	58.3	55.2	57.5	50.0
Jan-21	59.2	57.1	54.8	54.1	49.8
Feb-21	58.5	60.6	57.7	54.9	50.6

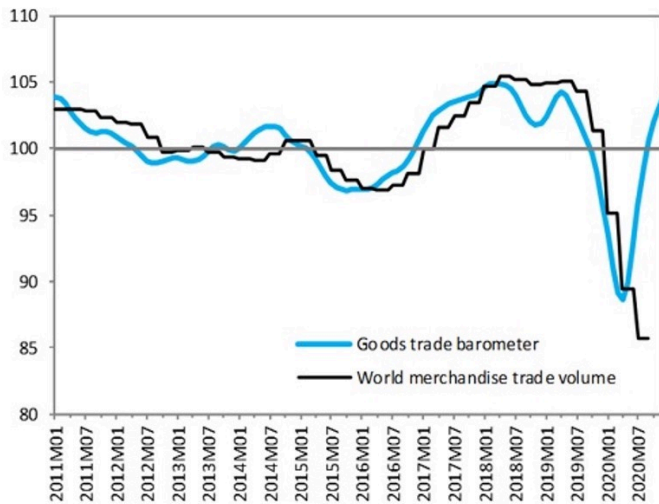
Divergence between manufacturing & services PMI



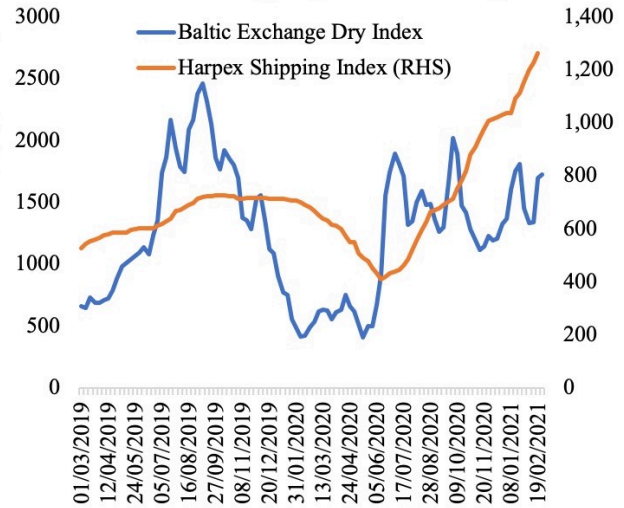
Source: IHS Markit, Refinitiv Datastream. Table and charts created by Nasser Saidi & Associates

**ade recovers in Q4 2020; Q1 2021's restrictions in likely to cause deceleration**

- WTO estimates show a **strong Q4 (index reading of 103.9)**. New Covid variants & lockdown restrictions is likely to have a negative impact on goods trade in Q1
- **Container shipping costs have been surging**, given the increase in demand alongside delays at ports and lack of ships/ containers
- The **reduction in air freight capacity adds to the capacity conundrum**. In 2020 overall, industry-wide cargo tonne-kilometres fell by 10.6% yoy – the largest decline on record (IATA)

Index history, trend = 100 **A strong trade rebound in Q4, but will it hold?**

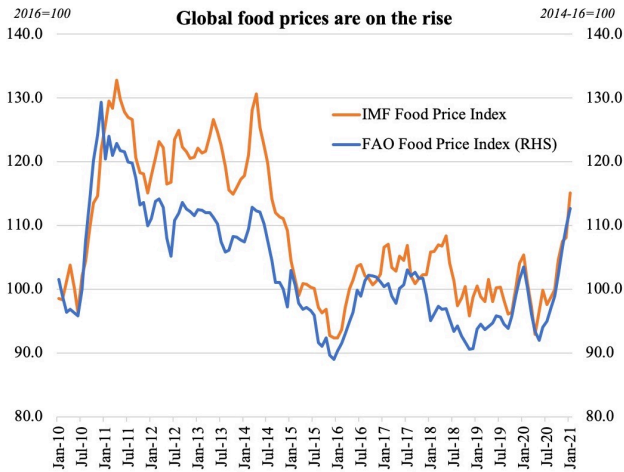
Source: World Trade Organisation

**Container shipping costs have surged**

Source: Refinitiv Datastream. Chart created by Nasser Saidi &amp; Associates

## Global food prices are rising: will MENA's food importers be severely hit?

- The increase in freight prices have also **spilled over into global food prices**: pandemic-led supply chain issues aside, production shortfalls due to unfavourable weather conditions and high export tariffs have also contributed to the uptick.
- Over the past six months, the **IMF's food price index has seen a 6% spike, outpacing the all commodities price index which averaged a 1% increase!**
- **Food security is a major concern in the MENA region**, given water-constraints. 12 of the 17 most water-stressed nations are in the Middle East (World Resources Institute) => high dependence on food imports & hence **highly exposed to global food price volatility**
- High income but resource-constrained nations like UAE are **taking steps to counter this**, including support for domestic production via technological innovations (AgriTech, hydroponics, vertical farming)



Source: IMF, FAO; Chart created by Nasser Saidi & Associates

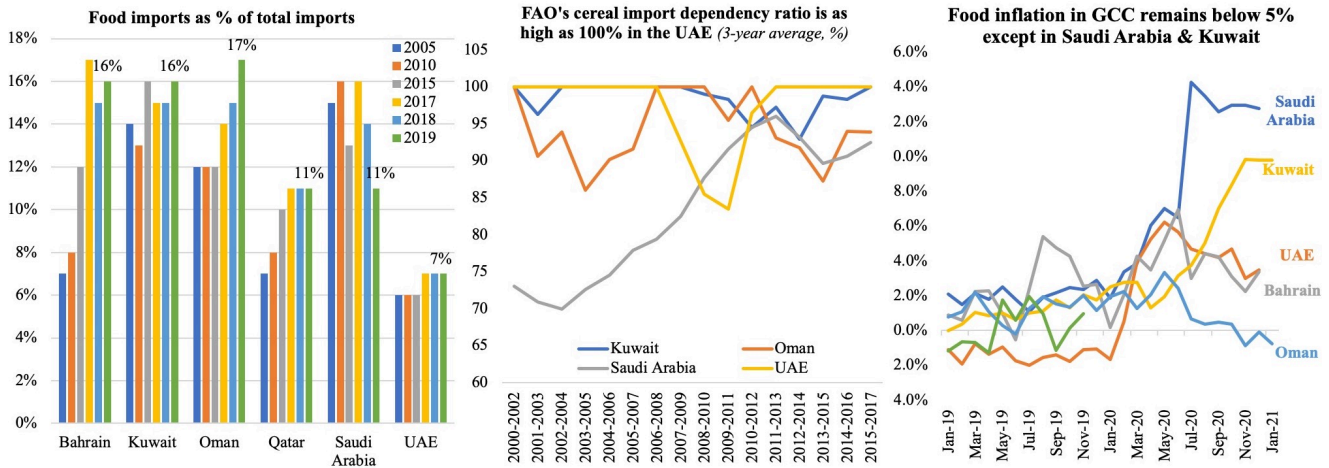
MENA nations' scores in EIU's Global Food Security Index

	Global rank	Overall score	Affordability	Availability	Quality & Safety	Natural resources & resilience
Kuwait	33rd	70.7	82.7	68.3	86.4	37.2
Oman	34th	70.2	88.5	59.1	83.7	43.8
Qatar	37th	69.6	80.3	70.7	84.3	33.6
Saudi Arabia	38th	69.5	79.6	73	79.8	34.1
UAE	42nd	68.3	73	66.5	88.8	42.4
Turkey	47th	65.3	66	67.2	78.3	47.4
Bahrain	49th	64.6	82.6	56.8	76.7	33.7
Morocco	57th	62	76.3	51.4	67.4	49.5
Algeria	58th	61.8	78.7	55.7	62	42
Tunisia	59th	61.4	69	56.7	70.8	46.7
Egypt	60th	61.1	51.8	75.2	64.3	49.4
Jordan	62nd	60.4	77.1	48.2	63.1	49.5
Syria	101st	40	29.3	41.3	55.6	41.5
Yemen	113th	35.7	40.3	27.5	36.9	41.2

Source: Global Food Security Index (Dec 2020), EIU.

## Will this lead to rising food inflation in the GCC?

- **Food imports as a share of total imports** ranged from UAE's 7% to Oman's 17% in 2019 (WTO)
- Further breakdowns reveal the extent of dependence: the FAO's **cereal import dependency ratio** (3-year average) places **UAE at 100% & Saudi Arabia at 92.5%** (for the period 2015-2017); GCC imports almost 100% of its rice consumption and approximately 62% of meat and 56% of vegetables (PwC).
- **Food inflation is still less than 5% in most GCC nations** other than Saudi Arabia (affected by the VAT hike) and Kuwait (fruits, vegetables and meat/poultry have seen double-digit rises since last Jul).
- The **higher share of disposable income spent on food by poorer segments of the population** would imply that rising food prices would affect them more, thereby **widening the inequality gap further** (in addition to Covid19's impact)
- Imported inflation in the backdrop of being pegged to the dollar implies that **price controls might be needed to contain food inflation if it continues to surge further**. However, **overall inflation remains low**, with other major components like utilities & rent on a decline.



Source: World Trade Organisation, FAO, Refinitiv Datastream. Charts created by Nasser Saidi & Associates

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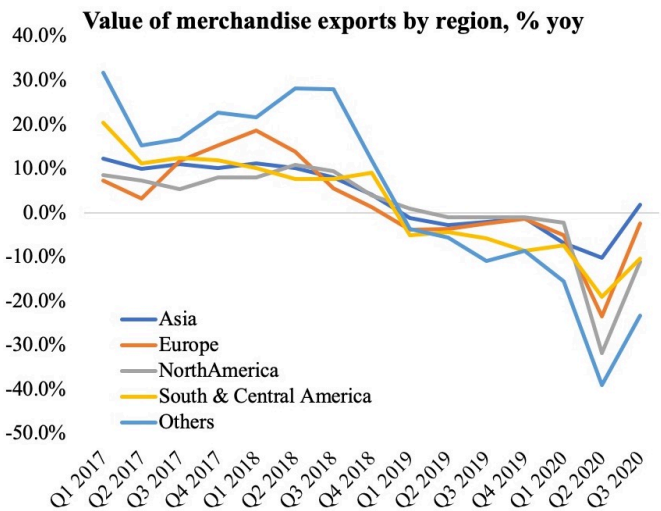


# Weekly Insights 14 Jan 2021: Trade, Tourism & the Global Vaccination Drive

Download a PDF copy of this week's insight piece [here](#).

## 1. Trade recovers in Q3; services trade lags

WT0's latest Q3 data indicate a distinct rebound in trade: the volume of merchandise trade globally was up 11.6% qoq from an upwardly revised 12.7% drop in Q2. Exports dropped in yoy terms among all regional groups with the exception of Asia, where the value and volume inched up by 2% and 0.4% respectively. With Covid19 cases surging in Q4 across most regions, partial lockdowns and restrictions were re-imposed, which is likely to lead to a drop in overall trade in the final quarter.



Source: WTO database, Nasser Saidi & Associates

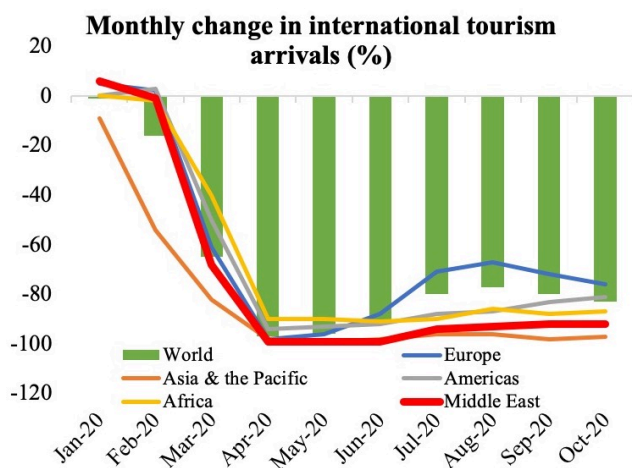


Source: IHS Markit, CPB World Trade Monitor

**export orders growth** – a leading indicator for trade activity – slowed in December, according to the latest global manufacturing PMI, and was linked to intensifying supply chain delays. The most cited response for delays amid rising demand was the **lack of shipping capacity/shortage of containers**. The recent surge in freight prices underscores the dilemma: sea freight on the China-Brazil route reached an unprecedented USD 10k per TEU from USD 2k per TEU a year ago. Other routes from Asia have also posted above-average values: trip costs to Europe and the US reached more than USD 4k per TEU.

This week, the WTO launched a new dataset along with the OECD tracking **bilateral services trade of over 200 economies**. The chart shows that the share of intra-regional trade in services is low in Africa (7%), South & Central America (12%) and the Middle East (13%). Unfortunately, since no bilateral services transactions are reported by African or Middle Eastern economies, it is difficult to gauge the underlying factors leading to this situation. The **decline in services trade was significant in 2020** given restrictions on international travel and related drop in tourism revenues.

**2. Tourism woes continue globally; Middle East significantly affected**



Source: UNWTO, Nasser Saidi & Associates

The UNWTO reported a **72% drop in international tourist arrivals during the Jan-Oct period**, with the Middle East region continuing to lag its global counterparts in tourism arrivals (-73% year-to-date). International tourism as a share of total tourism is significantly high in Bahrain (97%) and UAE (83%), making these nations more vulnerable than say, Saudi Arabia, with its share at 26%. With air travel restrictions still in place in many nations, and hotels either closed or open at lower capacity, the road to recovery will be long.

these nations more vulnerable than say, Saudi Arabia, with its share at 26%. With air travel restrictions still in place in many nations, and hotels either closed or open at lower capacity, the road to recovery will be long.

Monthly change in international tourism arrivals to the Middle East, by country

	Jan-20	Feb-20	Mar-20	Apr-20	May-20	Jun-20	Jul-20	Aug-20	Sep-20	Oct-20	YTD
Middle East	6	-1	-68	-99	-99	-99	-94	-93	-92	-92	-73
Bahrain	-41	-41	-41	-98	-98	-98	-97	-97	-97		-78
Egypt	10	6	-64	-100	-100	-100	-93	-82			-69
Lebanon	-27	-30	-80	-100	-98						-71
Oman	17	17	-67	-100	-99	-99	-99	-99	-97		-68
Qatar	41	23	-77	-100	-100	-99	-98	-98	-97	-96	-66
Saudi Arabia	5	-1	-88	-98	-99	-96	-95	-98	-84	-87	-74
Syria	4	5	-62	-99	-99	-97	-97	-98			-74
UAE	11	-3	-60	-100	-100	-100	-89	-89	-89		-65

Source: UNWTO, Nasser Saidi & Associates

Tourism Recovery Indicators: Middle East

Indicator	YTD change (%)	Latest available
Seat capacity - domestic	-49%	Nov-20
Intl tourist arrivals	-73%	Oct-20
Hotel searches	-36%	Dec-20
Hotel bookings	-40%	Dec-20
Actual air reservations	-76%	Nov-20
Occupancy rates	-28%	Dec-20
Seat Capacity-intl	-62%	Jan-21

Source: UNWTO, Nasser Saidi & Associates

occupancy rates in the region have improved towards the end of 2020, with residents opting for staycations than international travel given restrictions. Egypt reopened international tourist flights to three governorates (including Red Sea) last Jul: overall, the country welcomed 3.5mn tourists last year, resulting in overall revenues of USD 4bn, down from 11.6mn tourists and USD 13bn in revenues in 2019. In the UAE, Dubai Saudi Arabia for tourists in July: almost 17.88 million passengers passed through the Dubai Airports last year, while occupancy rates in the emirate's hotels touched 71% in Dec, the highest since Feb. The UAE-UK travel corridor (announced 12<sup>th</sup> of Nov) resulted in an acceleration in bookings, with the **Dubai-London Heathrow travel corridor revealed as the busiest international air route globally in the first week of January**. Interestingly, Cairo-Jeddah was the second most popular route.

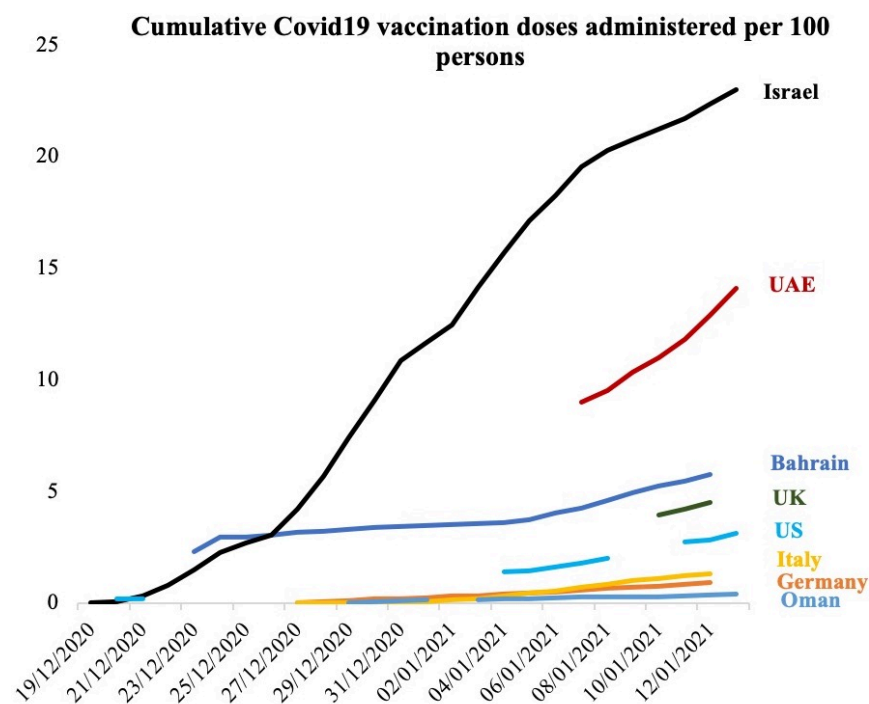


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With the rollout of vaccines, and nations heading towards achieving herd immunity, the latter half of this year might see a pickup in air travel and tourism: this should also support Dubai's Expo event scheduled to start in Oct 2021 and Qatar's 2022 FIFA World Cup.

### 3. The Global Vaccination Drive picks up

Israel, the UAE and Bahrain top the list of the share of total population that have received at least one dose of the Covid19 vaccine – at 22.4%, 11.57% and 5.96% respectively (*updated at 1:30pm UAE time on 14th Jan 2021*). In terms of the share of fully vaccinated population, UAE tops at 2.53% followed by Israel at 1.21% and the UK at 0.63%.



Source: Our World in Data, Nasser Saidi & Associates.

UAE's ability to vaccinate quickly its small and highly concentrated, urbanised populations – with 96 vaccination locations across Abu Dhabi alone and others in the rest of the emirates, more than 100k persons were vaccinated per day

in the last two days – is also a testament to its established and reliable healthcare systems.

Given the data, UAE's aim to vaccinate 50% of the population by end-Q1 does not seem far-fetched. The faster the vaccination drive, the greater relaxation of quarantine rules, higher the number of travel corridors ("immunity passports") and UAE could become one of the top tourist destinations globally. **One step further, and if the nation manages to achieve herd immunity, could the nation also aspire to become**

a “vaccine tourism” hub? (setting aside the ethical aspect). Furthermore, with UAE also planning to manufacture the Sinopharm vaccine, the potential for Abu Dhabi/ Dubai as vaccine manufacturing and distributing hubs is rising (with the international connectivity of its Etihad and Emirates airlines).

**Bottomline:** With the global vaccination drive, depending on how soon countries are able to achieve herd immunity, we can expect a resumption of activity in travel and tourism. Additionally, efficacy of the vaccines will not only raise consumer confidence (and demand), but also result in lowering business uncertainty, resume manufacturing and services sector activity and ease supply constraints, thereby boosting global trade.

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## Weekly Insights 7 Jan 2021: UAE’s silver linings – has the country turned a corner?

Download a PDF copy of this week’s insight piece [here](#).

**1. Heatmap of Manufacturing/ non-oil private sector PMIs**

	US	Germany	EU	UK	Japan	China	India	UAE	Saudi Arabia	Egypt	Lebanon
Jan-19	54.9	49.7	50.6	52.8	50.3	48.3	53.9	56.3	56.2	48.5	46.5
Feb-19	53.0	47.6	49.5	52.1	48.9	49.9	54.3	53.4	56.6	48.2	46.9
Mar-19	52.4	44.1	48.3	55.1	49.2	50.8	52.6	55.7	56.8	49.9	46.3
Apr-19	52.6	44.4	48.4	53.1	50.2	50.2	51.8	57.6	56.8	50.8	46.7
May-19	50.5	44.3	47.9	49.4	49.8	50.2	52.7	59.4	57.3	48.2	46.3
Jun-19	50.6	45.0	47.6	48.0	49.3	49.4	52.1	57.7	57.4	49.2	46.3
Jul-19	50.4	43.2	46.6	48.0	49.4	49.9	52.5	55.1	56.6	50.3	47.7
Aug-19	50.3	43.5	47.1	47.4	49.3	50.4	51.4	51.6	57.0	49.4	47.8
Sep-19	51.1	41.7	46.0	48.3	48.9	51.4	51.4	51.1	57.3	49.5	46.4
Oct-19	51.3	42.1	46.2	49.6	48.4	51.7	50.6	51.1	57.8	49.2	48.3
Nov-19	52.6	44.1	47.0	48.9	48.9	51.8	51.2	50.3	58.3	47.9	37.0
Dec-19	52.4	43.7	46.4	47.5	48.4	51.5	52.7	50.2	56.9	48.2	45.1
Jan-20	51.9	45.3	48.1	50.0	48.8	51.1	55.3	49.3	54.9	46.0	44.9
Feb-20	50.7	48.0	49.1	51.7	47.8	40.3	54.5	49.1	52.5	47.1	45.4
Mar-20	48.5	45.4	44.3	47.8	44.8	50.1	51.8	45.2	42.4	44.2	35.0
Apr-20	36.1	34.5	33.4	32.6	41.9	49.4	27.4	44.1	44.4	29.7	30.9
May-20	39.8	36.6	39.5	40.7	38.4	50.7	30.8	46.7	48.1	40.0	37.2
Jun-20	49.8	45.2	47.4	50.1	40.1	51.2	47.2	50.4	47.7	44.6	43.2
Jul-20	50.9	51.0	51.7	53.3	45.2	52.8	46.0	50.8	50.0	49.6	44.9
Aug-20	53.1	52.2	51.6	55.2	47.2	53.1	52.0	49.4	48.8	49.4	40.1
Sep-20	53.2	56.4	53.5	54.1	47.7	53.0	56.8	51.0	50.7	50.4	42.1
Oct-20	53.4	58.2	54.8	53.7	48.7	53.6	58.9	49.5	51.0	51.4	43.3
Nov-20	56.7	57.8	53.8	55.6	49.0	54.9	56.3	49.5	54.7	50.9	42.4
Dec-20	57.1	58.3	55.2	57.5	50.0	53.0	56.4	51.2	57.0	48.2	n.a

Source: Refinitiv Datastream, Nasser Saidi & Associates

be were released this week. **Overall, recovery seems to be the keyword with improvements in Dec** – in spite of the recent Covid19 surge, the Covid variant and ongoing lockdowns/restrictions – with new orders and export orders supporting sentiment, with some stability in job creation. However, supply chain issues continue to be a sticking point: the JP Morgan global manufacturing PMI – which remains at a 33-month high of 53.8 in Dec – identifies “marked delays and disruption to raw material deliveries, production schedules and distribution timetables”.

In the Middle East, while **UAE and Saudi Arabia PMIs improved** (the former recovering from 2 straight months of sub-50 readings), **Egypt slipped to below-50** after 3 months in expansionary territory. While Egypt’s sentiment dipped on the recent surge in Covid19 cases, the 12-month outlook improved on optimism around the vaccine rollout. However, the UAE’s announcement of the rollout of Sinopharm vaccine in early-Dec seems to have had little impact on the year-ahead outlook, with business activity expected to remain flat over 2021 (survey responses were collected Dec 4-17) and job losses

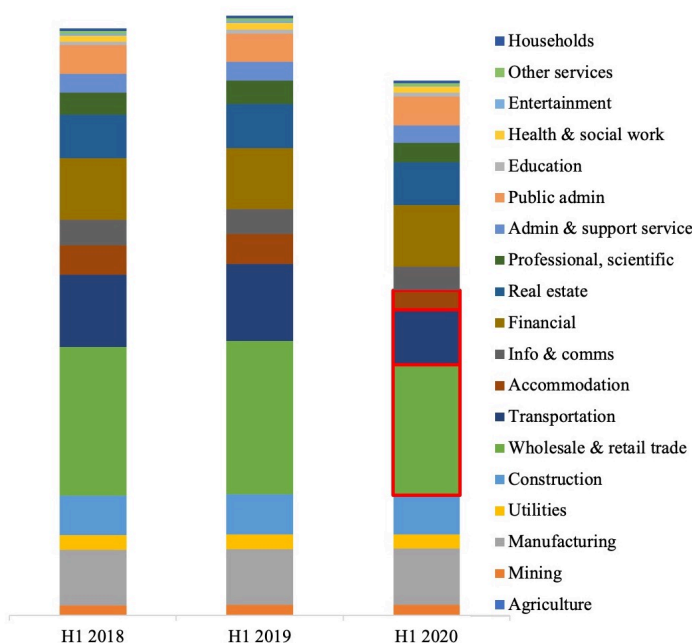
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continuing to fall at an accelerated rate.

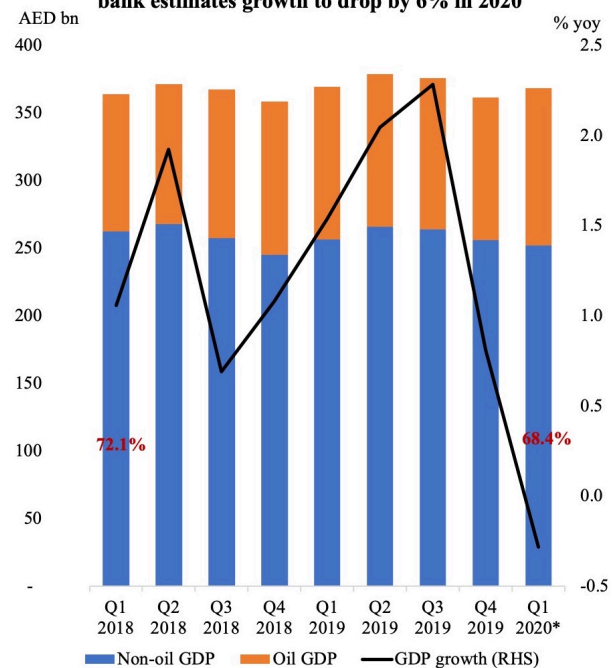
## 2. Covid19 & impact on Dubai & UAE GDP

The UAE has seen a negative impact from Covid19: the central bank estimates growth this year to contract by 6% yoy, with both oil and non-oil sector expected to contribute to the dip (this is less than the IMF's estimate of a 6.6% drop in 2020). Oil production fell in Q2 and Q3 by 4.1% and 17.7% yoy respectively, in line with the OPEC+ agreement, and spillover effects on the non-oil economy saw the latter's growth contract by 1.9% yoy in Q1 (vs oil sector's growth of 3.3%). The latest GDP numbers from Dubai underscore the emirate's dependence on trade and tourism to support the non-oil economy: overall GDP dropped by 10.8% yoy in H1 2020; the three sectors (highlighted in red border below) trade, transportation and accommodation (tourism-related) which together accounted for nearly 40% of GDP declined by 15%, 28% and 35% respectively. Dubai forecasts growth to decline by 6.2% this year, before rising to 4% in 2021.

Dubai GDP dropped by 10.8% yoy in H1; official forecast stands at 6.2% dip in 2020



UAE GDP dropped by 0.28% yoy in Q1; central bank estimates growth to drop by 6% in 2020



Source: Dubai Statistics Centre, FCSA, Nasser Saidi & Associates

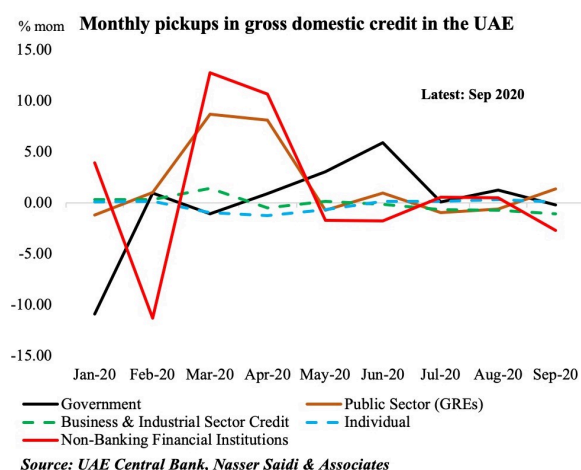
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ulus package worth AED 315mn (announced on 6<sup>th</sup> Jan) for Dubai – an extension of some incentives till Jun 202, refunds on hotel sales and tourism dirham fees, one-time market fees exemption

for establishments that did not benefit from reductions in previous packages and decision to renew licenses without mandatory lease renewal among others – **will support growth this year, as well as the uptick from Expo 2021** (based on widespread vaccinations across the globe and potential resumption of air travel by H2 this year). With plans to inoculate 70% of the UAE population by 2021, we remain optimistic about UAE/ Dubai prospects subject to the effective implementation of the recent spate of reforms (including the 100% foreign ownership of businesses, retirement & remote working visas etc.) as well as embracing new and old synergies – Israel and Qatar respectively. Medium-term prospects can be further enhanced by accelerating decarbonization and digitisation – [read a related op-ed published in Dec.](#)

### 3. UAE credit and SMEs

The UAE central bank has extended support to those persons and businesses affected by Covid19 by launching the **Targeted Economic Support Scheme**, which is now extended till Jun 2021. Overall credit disbursed till Sep 2020 was up 2.9% yoy and up 1.2% ytd: but during the Apr-Sep 2020, the pace of lending to GREs (+22.7% yoy) and government (+19.6%) have outpaced that to the private sector (-1.0%).



**Table: Bank lending to MSMEs in the UAE**

<i>in AED bn, unless specified</i>	Dec-19	Mar-20	Jun-20	Sep-20	% qoq (latest)	% ytd
Microenterprises	11.4	10.9	10.5	10.6	1.0%	-7.0%
Small enterprises	28.2	29.4	29.6	28.9	-2.4%	2.5%
Medium enterprises	49.9	53.1	52.3	52.9	1.1%	6.0%
Total lending to MSMEs	89.5	93.4	92.4	92.4	0.0%	3.2%
Total lending to private sector	1150.0	1164.9	1156.3	1138.4	-1.5%	-1.0%
Total domestic lending	1592.6	1595.0	1626.9	1611.7	-0.9%	1.2%
Share of MSMEs as % of private sector lending	7.8%	8.0%	8.0%	8.1%		
Share of MSMEs as % of domestic lending	5.6%	5.9%	5.7%	5.7%		

Source: UAE Central Bank, Nasser Saidi & Associates

	Mar-20	Jun-20	Sep-20	Jun 2020 (% qoq)	Sep 2020 (% qoq)
<b>Microenterprises</b>	30,625	32,021	30,843	4.6	-3.7
<b>Small enterprises</b>	60,150	63,147	54,514	5.0	-13.7
<b>Medium enterprises</b>	29,137	29,767	29,004	2.2	-2.6
<b>Total MSMEs</b>	120,272	124,935	114,361	3.9	-8.5

Source: UAE Central Bank, Nasser Saidi & Associates

**n a difficult period for MSMEs** (Micro, Small and Medium Enterprises): the number of MSMEs declined by 8.5% qoq in Sep 2020, following an uptick of 3.9% qoq in Jun 2020, signaling deteriorating business conditions that may have forced such firms to close. This also suggests a potential increase in

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NPLs once the current banks' support (e.g. deferring loan periods) come to a close. Overall domestic lending also fell by 0.9% qoq as of Sep 2020. The largest share of loans within the MSME sector continues to be to the medium-sized firms (57.3%) and about 1/3-rd to the small enterprises. Considering the amount disbursed per firm, medium enterprises pocketed AED 1.8mn in Q3: this is 3.4 times the amount disbursed per small firm and 5.3 times the amount disbursed to microenterprises.

**SMEs also need to think beyond the financial pain point to survive in the post-pandemic era.** In addition to reducing/streamlining operational costs[1], learning digital skills, boosting online profiles and hosting a robust payments and collections platform will also support SMEs to be more bankable in the future.

#### 4. Back to “business as usual” for the GCC

	2015	2016	2017	2018	2019
<b>Share of Qatar's exports to</b>					
Oman	0.2%	0.3%	0.8%	1.0%	0.8%
Saudi Arabia	1.1%	0.9%	0.4%	0.0%	0.0%
United Arab Emirates	6.1%	6.6%	3.8%	1.7%	1.5%
<b>Share of Qatar's imports from</b>					
Oman	1.1%	1.2%	2.5%	3.1%	3.4%
Saudi Arabia	4.3%	4.3%	2.1%	0.0%	0.0%
United Arab Emirates	8.8%	9.1%	5.5%	0.2%	0.1%

*Source: UN Comtrade, Nasser Saidi & Associates*

The recent GCC Summit saw Qatar's blockade (imposed in 2017)

being lifted: this improves and will support political stability (a “united GCC” front) and is likely to restore UAE and Saudi businesses direct trade and investment links. **Allowing bilateral tourist movements will support upcoming mega-events in the region like the Dubai Expo this year and Qatar's 2022 World Cup.** Trade will be restored among the nations: imports from the UAE had dropped to a negligible 0.1% last year, from close to 10% in the year before the blockade. Oman, meanwhile, had gained – with businesses opting to re-route trade with Qatar through Oman's ports.

**Greater GCC regional stability, implies lower perceived sovereign risk, including credit risk which –other things equal- will lead to an improvement in sovereign credit ratings, lower spreads and CDS rates and encourage foreign**

portfolio inflows as well as FDI.

*[1] Even Mashreq Bank, Dubai's 3<sup>rd</sup> largest lender, is planning to reduce operational costs by moving nearly half its jobs to cheaper locations in the emerging markets (to be completed by Oct 2021), according to a [Bloomberg report](#).*

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## Weekly Insights 23 Dec 2020: V or W-shaped recovery? Surge in Covid19 cases & new strain to dampen growth in Q4

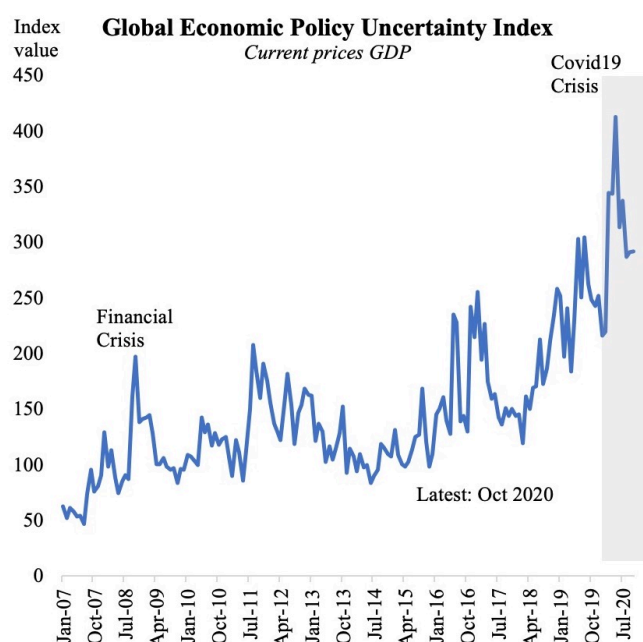
*Download a PDF copy of this week's insight piece [here](#).*

### **Chart 1: Uncertainty in the time of Covid19**

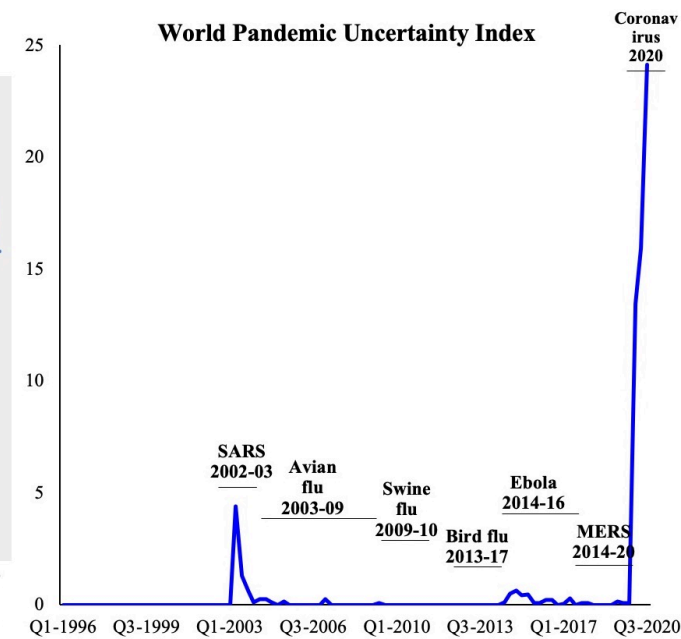
Both **Economic Policy Uncertainty and Pandemic Uncertainty indices touched record-highs during the Covid19 crisis**. Even with vaccines being rolled out, a new strain of Covid19 in UK has led to stricter lockdown measures, border closures and travel bans.

Policy Uncertainty has been severely high this year, when compared to the global financial crisis or Brexit referendum or the US-China trade war phase. With fiscal and monetary

responses continuing to support economies, care should be taken to **ease the withdrawal of support in the future**. Countries need to **be prepared for a phase of unemployment and wave of business closures when exiting the crisis**.



Source: [https://www.policyuncertainty.com/global\\_monthly.html](https://www.policyuncertainty.com/global_monthly.html)



Source: <https://worlduncertaintyindex.com/data/>

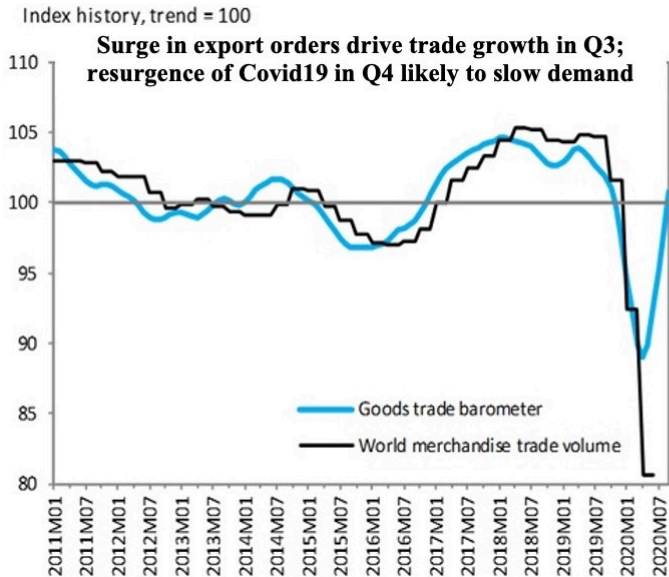
**Chart 2: Trade bounced back in Q3, but will the current surge lead to another drop? Tourist Arrivals remain dismal**

**Trade growth recovered in Q3**; but recent surge in cases, a new strain and related closures will likely result in lower demand & dip in trade in Q4.

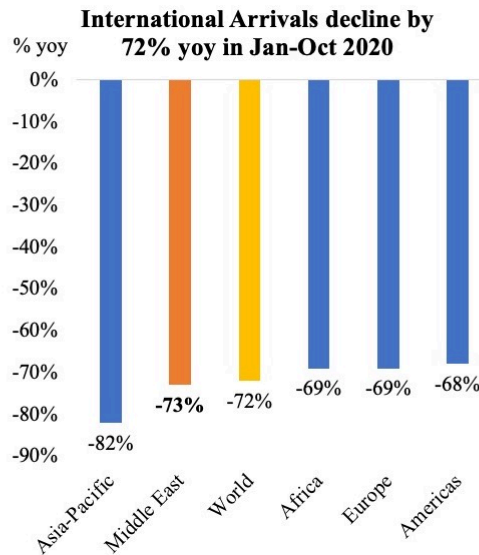
Meanwhile, **thanks to the recovery in new export orders**, both shipping & cargo indicators are turning positive.

As international air travel as not picked up, **air cargo has suffered**, thereby directing demand towards shipping. However, as the holiday season got underway towards end-2020, demand ticked up, but **container shortages are leading to higher shipping rates**.

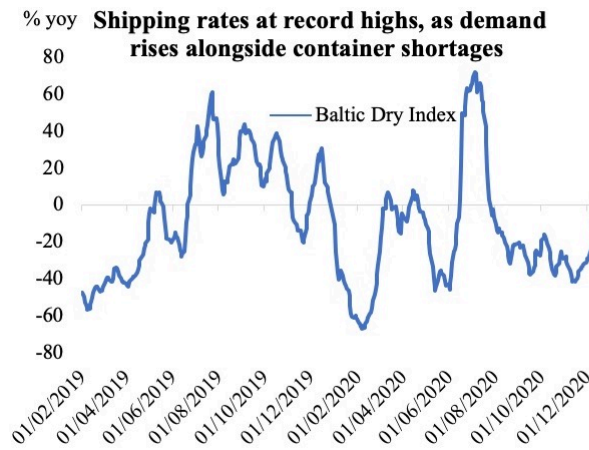
Tourism remains unlikely to recover to near pre-pandemic levels till vaccines reach a substantial proportion of global population. Prior to the recent surge in cases, **domestic tourism (& therefore air travel) had picked up in Europe and Americas**.



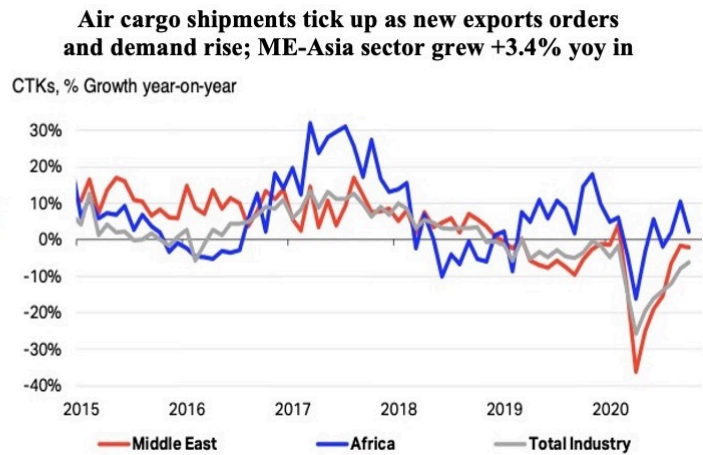
Source: WTO Trade Barometer, Nov 2020



Source: World Tourism Organisation (UNWTO)



Source: Refinitiv Datastream, Nasser Saidi & Associates



Source: IATA Economics

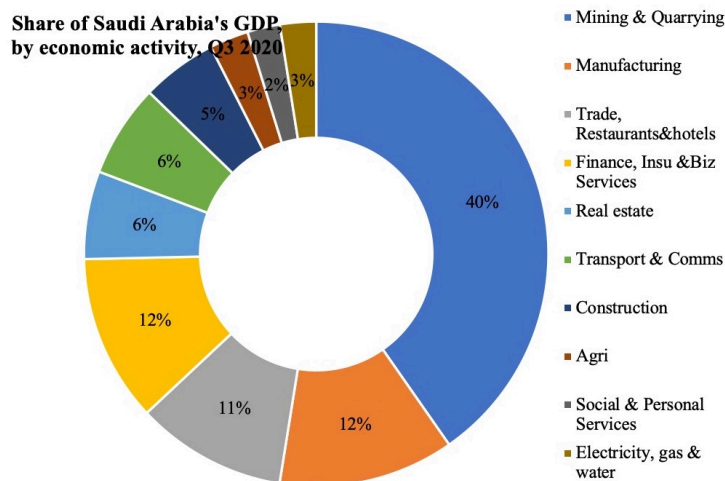
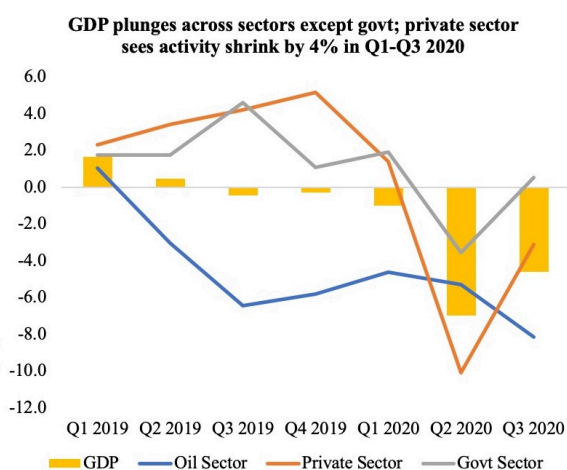
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### Chart 3: Saudi Arabia's GDP shows recovery in Q3; private sector growth declines by 4% ytd

**Saudi Arabia's GDP declined by 4.3% in Q3**, rebounding from Q2's 7% plunge, with declines across oil and non-oil sectors (-8.2% and -2.1% respectively). Within the non-oil sector, most sectors posted declines in Q3 ranging from manufacturing (-10.1%) to trade, restaurants & hotels (-5.2%) while finance, insurance & real estate edged up (+1.1%). Share of GDP by economic activity shows that oil sector continues to dominate (40% of overall GDP), followed by manufacturing (12%) and trade & hospitality (11%).

**Signs of recovery are evident: PMI** for KSA is the strongest in the region, with output and export orders all increasing. The latest reading for employment also increased for the first time since Jan. **Credit to the private sector, cement sales and**

**PoS transactions** have all been rising. **Allocation of funds towards the public health system and social spending in the 2021 budget** underscores the government's commitment to support the economy as vaccines are rolled out next year. The reduction in Covid19 health concerns and uncertainty will encourage increased consumption and investment by the private sector, helping to boost growth. Similarly, **roll out of vaccines will help restore the flow of non-religious tourism and the Hajj** which are important contributors to the economy.



Source: Saudi Arabia's GaStat, Nasser Saidi & Associates

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**Weekly Insights 27 Jul 2020:  
Charts on the spread of  
Covid19 in the GCC + Global**

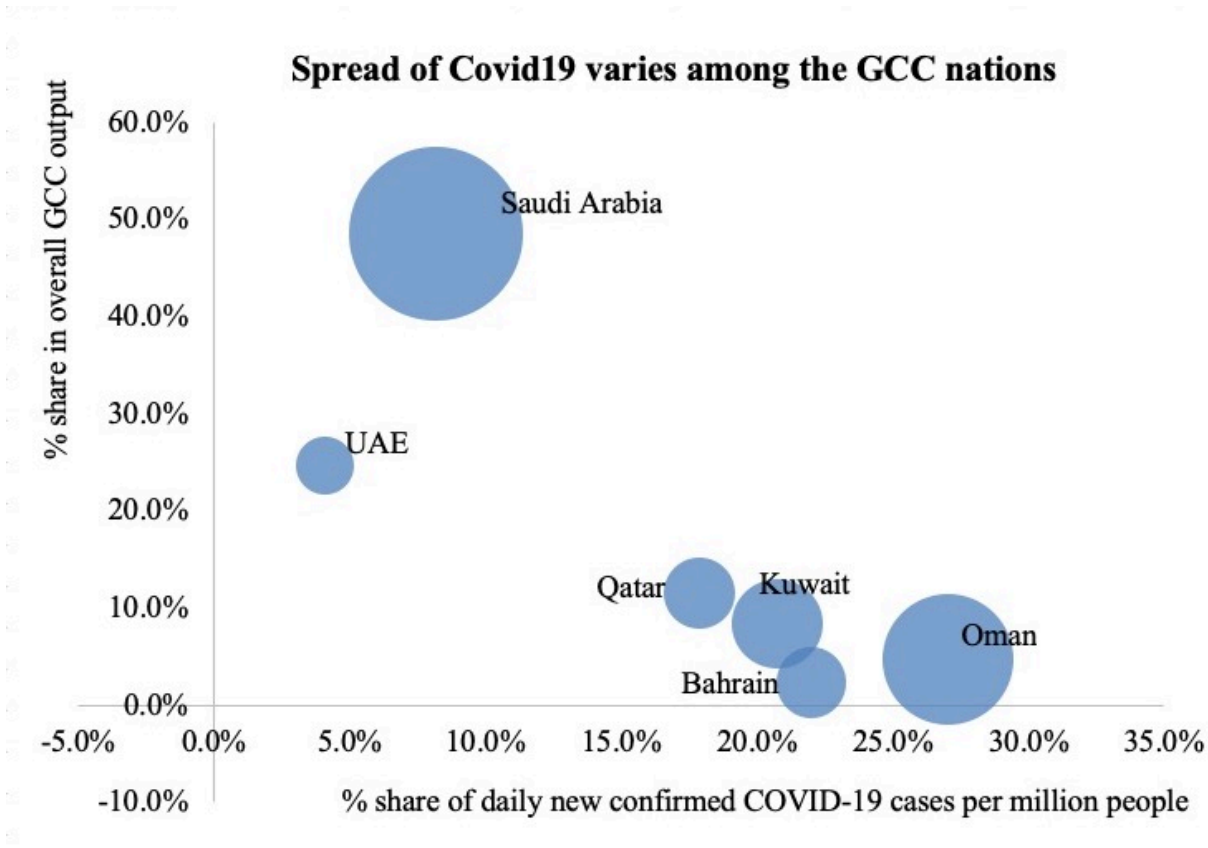
# trade

## Charts of the Week

### 1. Spread of Covid19 in the GCC

Most GCC nations have begun a phased re-opening of their economies after being in partial/ complete lockdown for weeks. Some restrictions still remain (e.g. partial capacity at mosques, restaurants, movie theatres, gyms etc.) in countries that have reopened (like the UAE); where cases are high, partial nighttime curfews and targeted lockdowns are in place. The spread of the outbreak is varied among the GCC nations.

The chart maps the share in total daily increase in confirmed cases per million persons (x-axis) against the share of the country in overall output (y-axis), with the size of the bubble denoting the 7-day average of the daily increase in cases. Among the GCC nations, the UAE seems to be performing better – when it comes to both the 7-day average of daily increase in Covid19 cases as well as the daily confirmed cases per million people.

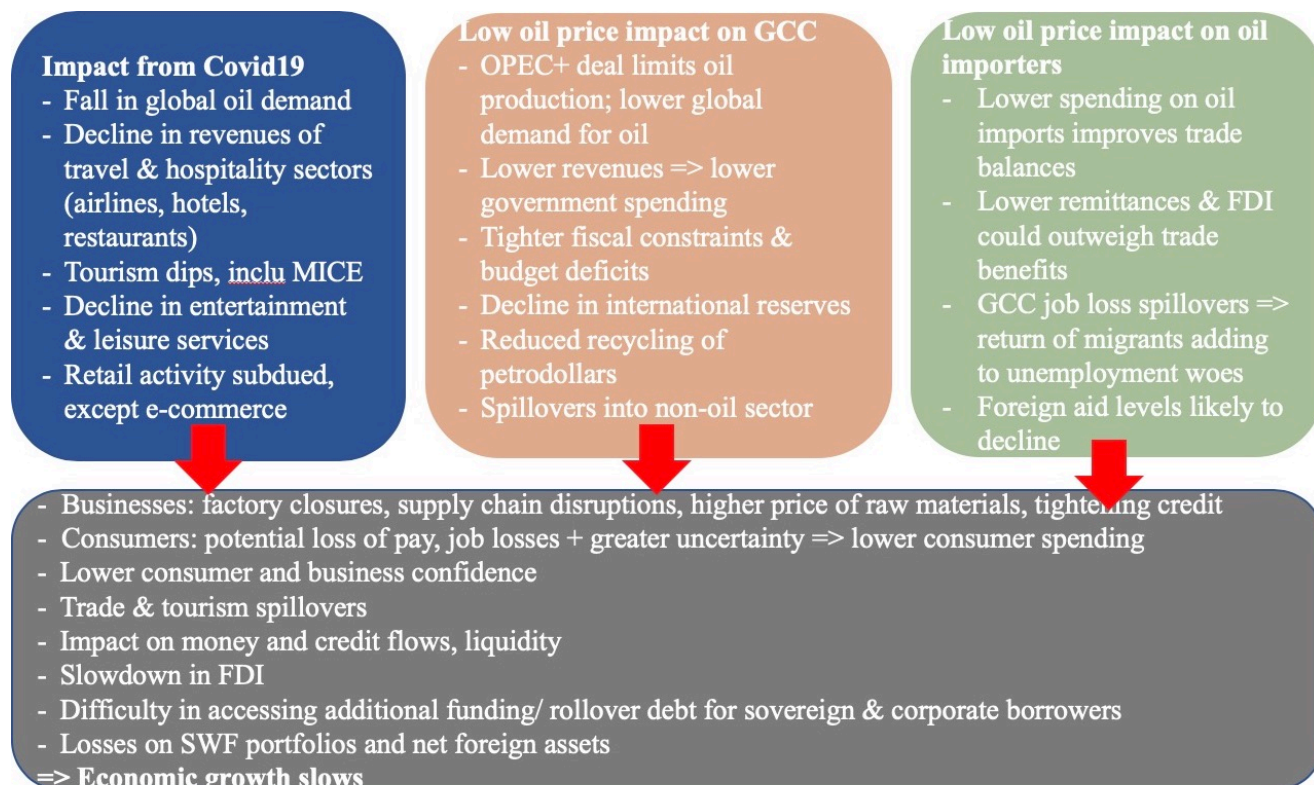


Source: Our World in Data, IMF, Nasser Saidi & Associates. The size of the bubble denotes the 7-day average of daily increase in cases

counts for the lion's share in GCC's GDP, also has the highest 7-day average of daily increase in Covid19 cases (size of the bubble). This implies a sharper downturn in GDP this year due to the outbreak, but the effects of lower oil prices and the OPEC+ led cut in oil production will worsen the growth outlook. It is then little wonder that the rhetoric has shifted to diversifying revenue base with more privatisations and a hint of the introduction of an income tax in the future. The GCC nations with the highest share in total daily increase in count (the highest being Oman) are among those with a lower share of overall GDP. For these nations, the worries are multiplied manifold: not only will growth be affected by both the outbreak and lower oil prices, fiscal constraints and lower credit ratings will restrain their access to borrow from international capital markets. While governments have tightened purse strings, reducing capital and infrastructure spending will be detrimental to economic growth (especially the private sector).

A decline in growth in oil-exporters also has a negative impact on many oil-importing nations: ranging from job losses (& the return of these residents to home countries that already face relatively higher unemployment rates), lower remittances as well as lower foreign aid and investments.

## Chart 2. Economic Impact of Covid19 and low oil prices on the Middle East's oil exporters & importers

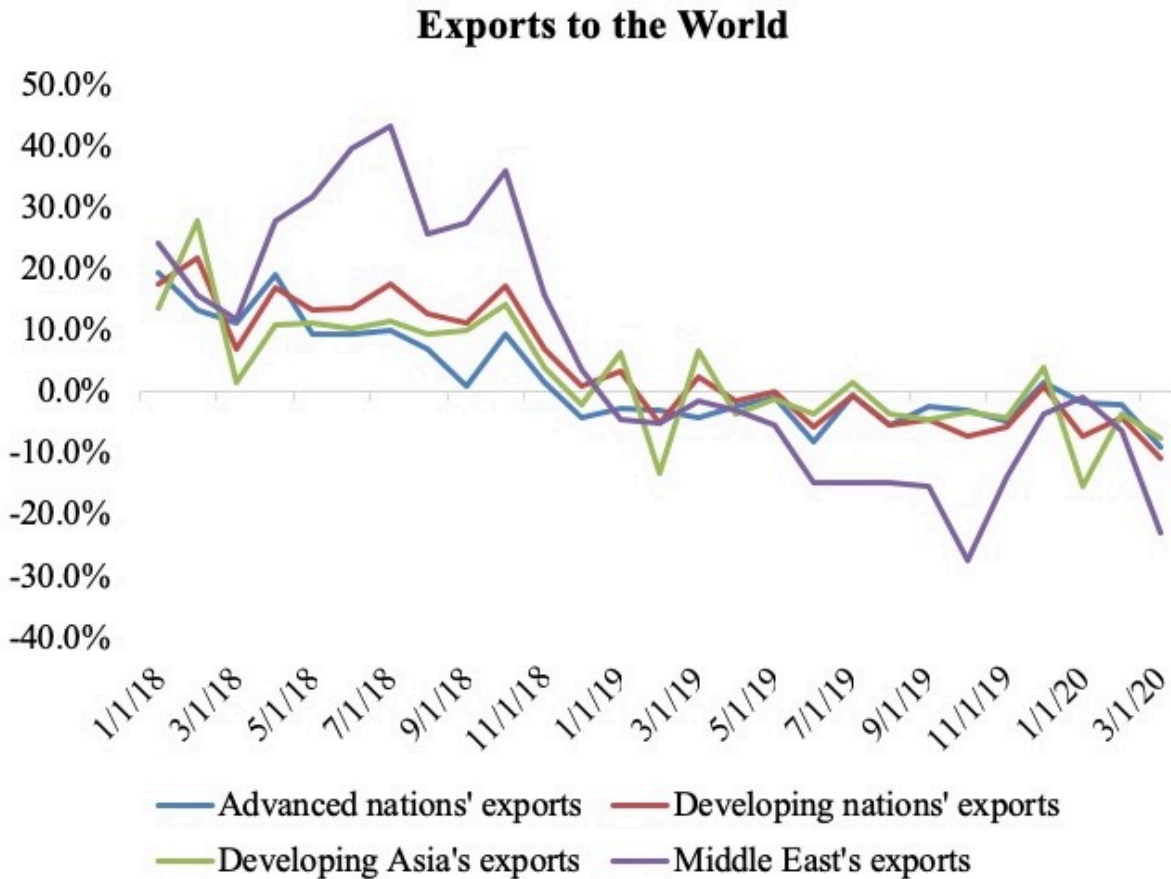


Source: Nasser Saidi & Associates

## Global trade

Along with tourism, global trade has been one of the most-hit by the global Covid19 outbreak. Trade growth had been slowing for the past year, and the pandemic has only accelerated its pace. Monthly data from the IMF's Direction of Trade Statistics reveal that the drop in export growth touched two-digits in Mar, and given lockdown measures and factory shutdowns it can be estimated that data for Apr-May will be far worse.

**Chart 3. Global trade continues to decline**



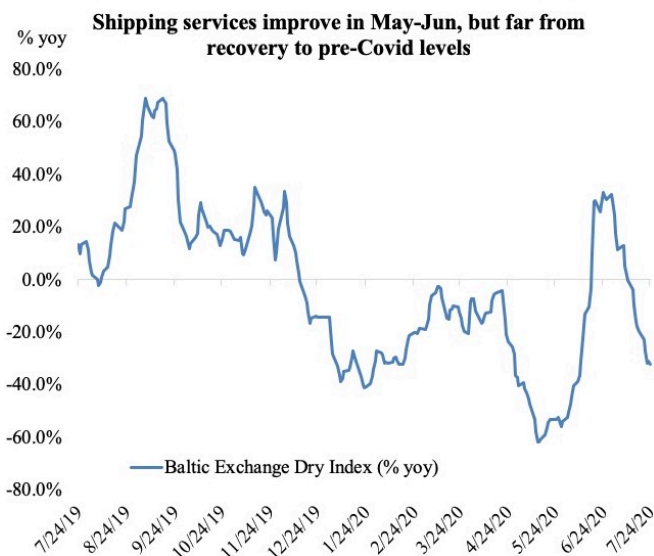
*Source: IMF Direction of Trade Statistics, Refinitiv Datastream, Nasser Saidi & Associates*

trade will drop by 18.5% in Q2 this year, with a full year dip of between 13% (optimistic) to 32% (pessimistic scenario). For the Middle East, the 13.9% decline in total exports in Mar is a result of both lower oil production and lower demand for oil.

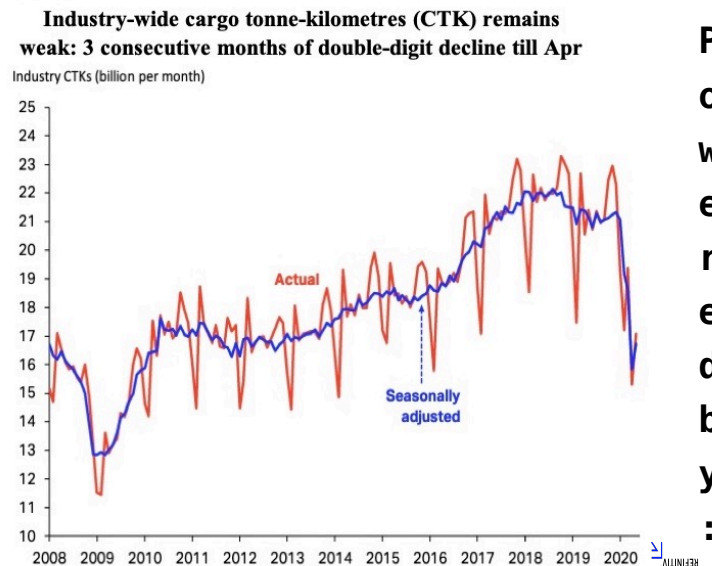
Shipping estimates, denoted by the Baltic Exchange's sea freight index, touched a 9-month high in early Jul after recovering in Jun: this should translate into an improvement in global trade after May. Air cargo traffic data from IATA also denote that the cargo levels have shown a slight rebound in Apr (the latest available data). However, note that in both cases, there is a long way to recover to their pre-Covid19 levels. Supply chains remain disrupted though there has been a rebound in manufacturing activity across the globe (latest PMI numbers from Europe and Asia).

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Chart 4. Shipping & Cargo services rebound, but remain below pre-Covid19 levels



Source: Refinitiv Datastream, Nasser Saidi & Associates



Source: IATA Economics, IATA Monthly Statistics

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# How Can the UAE Minimize Vulnerability to the Next Crisis, Article in the Dubai Policy Review, Jan 2019

The article, "[Breaking the Cycle: How the Great Financial Crisis Can Prepare Us for the Next One](#)", written by Dr. Nasser Saidi for the inaugural issue of the Dubai Policy Review (published in Jan 2019) can be downloaded in both [English](#) and [Arabic](#).

## Breaking the Cycle: How the Great Financial Crisis Can Prepare Us for

# the Next One

*“It takes all the running you can do to keep in the same place. If you want to get somewhere else, you must run at least twice as fast as that”*

– the Red Queen in Through the Looking Glass by Lewis Carroll

*What can policymakers learn from the painful times of the Great Financial Crisis (GFC) that hit the region hard a decade ago?*

This article examines the economic landscape in the UAE prior to the Great Financial Crisis (GFC), the factors leading up to the crises, and the ongoing economic & financial policies that must be addressed to minimize economic downturn in the future. It extracts lessons and recommends responses to remedy identified policy gaps and fortify economic development while striding towards the future. Economic diversification, digitalisation, strengthening monetary and fiscal policy toolboxes, improving STEM education and looking East in foreign trade and investment strategies, are a few critical responses identified. These policy responses provide valuable lessons for policymakers across the region, while preparing for uncertain economic times in a region going through socio-economic and geopolitical turbulence.

## **A Decade Ago..**

.. the Great Recession and the Great Financial Crisis (GFC) reverberated globally, with its destructive waves enveloping both advanced and emerging economies. Ten years later, the global economy is yet to fully recover, with the financial sector facing a debt bubble generated by ultra-loose monetary policy, historically low interest rates and quantitative easing (QE). The aftermath has seen sovereign states, corporations, and households build up debt in excess of \$250

trillion worldwide. The Gulf Cooperation Council (GCC) countries were not immune to the Great Recession and the GFC, left vulnerable and exposed through their large foreign direct and financial investments, and the oil market. Despite being the most diversified economy among its GCC counterparts, the United Arab Emirates still experienced a major hit from the sudden downturn. Ten years on, it remains oil-dependent and vulnerable to financial and oil market shocks. Oil exports and revenues in 2017 accounted for an estimated 34 percent of total exports (excluding re-exports) and 43 percent of government revenues, while the sovereign wealth funds (ADIA, DIC, Mubadala and others) are directly exposed to international financial market risks. Given the size of the oil sector and the dependence of government funding and spending on oil revenues, the economy of the UAE, is sensitive to commodity price shocks: boom-bust cycles driven by oil price volatility, as evidenced by the high correlation between oil prices and real economic activity.

In addition, the Dubai development model, which is partly dependant on a “build-it-and-they-will-come” attitude to economic development, is subject to real estate and housing induced business cycles. Evidence of this can be found in the aftermath of the GFC and in the current downturn since 2016. Given the UAE’s exposure to international as well as region-specific and domestic shocks, are there lessons that can be learned from past crises? What policy adjustments are required to mitigate the risks of another crisis?

## **Exuberance, the 2008-2010 crisis and aftermath**

Prior to the Great Recession and the GFC crisis, the Dubai/UAE economic development model was based on supportive demographics driven by a liberal policy of international labour mobility and high domestic population growth. The UAE economy also depended on investment in infrastructure – such as ports, airports and logistics – that facilitated

international economic integration and development of the services sector (retail, trade and tourism). Business friendly policies, as well as an industrial policy based on economic clustering embodied in a multitude of Free Zones allowing 100 percent foreign ownership, with low or no taxation, resulted in large foreign direct investment flows, competition and economies of scale and economies of scope (generating a wider variety of goods and services). High population growth fuelled the construction industry, the real estate, housing and retail sectors as well as health and education to serve a young, fast-growing consumer base. Dubai's economic growth, with its low direct dependence on oil (about 1% of GDP), was supported by a high contribution from its services sector – trade, retail, hospitality, tourism and transportation. Liberal domestic economic policies, along with political and macroeconomic stability, benefited from a supportive global environment of the “Great Moderation”, of decreased macroeconomic volatility and reduced volatility of business cycles. Altogether, this resulted in a dynamic business environment and high growth rates. Investors, businesses and consumers were exuberant – but vulnerabilities were building. Buoyant economic activity, supported by the oil price boom of 2003-08, rising consumer and investor confidence, and abundant liquidity led to credit growth, inflation, and asset price inflation, including real estate. But, investor exuberance and ‘animal spirits’ faced legacy institutional and policy vulnerabilities: an absence of a fiscal and monetary framework and policies geared at economic stabilization; an absence of coordination and lack of guiding strategy on foreign investment by State Owned Enterprises (SOEs) and Government Related Enterprises (GREs); a real estate market bubble financed by foreign borrowing (in US dollars); and absence of centralized oversight and control over foreign borrowing by SOEs & GREs and the absence of a public debt policy and management. The stage was set for a domestic economic and financial crisis. At the onset of the GFC in 2008, banks in the Middle East, and more so in the GCC, were not highly

leveraged and did not have any direct linkage or exposures to the US sub-prime crisis which triggered the GFC. Financial instruments like mortgage-backed securities (MBS), collateralized debt obligations (CDOs), collateralized loan obligations (CLOs) and other instruments that became toxic assets, were absent from the local markets. Though the UAE banks were adequately capitalized and profitable, the fast pace of growth of personal, consumer and real estate loans, along with the uncertain outlook for asset prices in the UAE were worrisome signs alongside growing concerns about counterparty risk. Real, inflation adjusted, average credit growth was a blistering 26 percent a year during 2003–08 fuelling growth and the accompanying real estate bubble. Credit to the private sector rose by 51 percent year-on-year by Sep 2008, up from 40 percent in December 2007, driven by the economic boom and highly negative real interest rates – with credit, financed by strong deposit growth and large foreign borrowing in 2007. On the corporate sector side, the boom was associated with a sharp rise in leverage, including inter-company and supplier debt, increasing the sector's vulnerability to funding availability, rollover risk and cost. Eventually, the bubble burst. Project cancelations, postponements and amendments amplified in the fourth quarter of 2008 and first quarter of 2009. About \$39 billion of GCC debt (half from the UAE) was maturing, to be repaid or refinanced in 2009, at a time when liquidity had evaporated from the international and regional markets.

## **Twin Oil and Financial Shocks**

The collapse of oil prices accompanying the GFC and the Great Recession was a twin shock, both economic and financial. The oil price shock directly impacted government and export revenues and the current account, with a spill over and an direct impact on financial market, banking and corporate liquidity. Funding costs jumped as speculative capital inflows reversed and investor confidence collapsed. Asset prices

plunged, and when the Nakheel/Dubai World issues surfaced in Q4 2008, Dubai's CDS rates (credit default swaps) skyrocketed, trading at nearly 2000, while Saudi Arabia's rates were at 125. Pressures on bank funding and liquidity led to tight credit conditions. Dubai was engulfed in the GFC tsunami. What followed, with a lag, was the rollout of short-term policy measures including deposit guarantees, monetary easing and injection of liquidity which helped stabilize interest rates and liquidity conditions, alongside medium-term measures like real estate regulations geared to countering leverage and speculation. Ultimately, the crisis highlighted vulnerabilities related to the unsupervised leverage and foreign borrowing of SOEs and GREs, classical asset-liability mismatching, banks' exposure to asset markets and their growing dependence on foreign correspondent bank financing, and a general weakness in their liquidity and risk management frameworks. It also exposed instances of weak regulatory and supervisory frameworks and enforcement at both banks and non-bank financial institutions. The crisis also brought to the forefront the need for greater government revenue diversification, given the macroeconomic and systemic risks of high dependence on volatile oil revenues. Last, but not least, the crisis uncovered the near absence of sound corporate governance practices and transparency, especially in the case of SOEs and GREs.

## **The 'New Oil Normal' Crisis**

Oil prices have dipped from the three-digit heights of 2014 to as low as \$30-40 per barrel in the past few years before a partial recovery in 2018. This "New Oil Normal" reflects new realities: technology and high oil prices have driven improving growing global energy efficiency (energy/GDP ratios are falling), COP 21 policy commitments are changing the energy mix away from fossil fuels, while disruptive technological innovations are making shale oil and gas, along with renewable energy sources like solar and wind, directly

competitive with fossil fuels. In short, both demand side and supply side factors imply downside risks for oil prices, despite short-term supply disruptions due to geopolitical developments or attempts by OPEC to limit production, including through unsustainable non-OPEC alliances. Over the medium and long-term, the UAE and other oil exporters run the risk of owning stranded fossil fuel assets, which are not economical to exploit. Developing and investing into higher value-added uses of oil & gas, downstream activities, and privatization through the public listing of energy assets should be part of a national fossil fuel de-risking strategy.

## **Pro-cyclical fiscal policy exacerbates oil price boom-bust cycles**

Oil boom-bust crises, including those in the UAE, were exacerbated by the pro-cyclical fiscal policies followed by oil exporters: driven by a balanced budget policy stance, governments tend to increase spending when oil prices are high and scale back spending when prices dip. This has direct and spill over effects on the non-oil sector (in particular infrastructure, construction, real estate) which experiences a slowdown in economic activity. The current mix of monetary tightening due to the 'normalization' of US monetary policy and the onset of Quantitative Tightening (QT) and fiscal austerity directly conflicts with the need to conduct a counter-cyclical stabilization policy. In order to adjust to the New Oil Normal, the policy mix should be changed to one that is monetary easing with lower interest rates along with fiscal stimulus, combined with structural reforms. However, monetary policy is constrained by the tight peg to the US dollar and the classical policy trilemma: you cannot simultaneously have monetary policy independence, fixed exchange rates and freedom of capital flows. The downside risk for oil prices weighs on the growth prospects for oil exporters, making greater economic diversification a policy imperative and requiring structural policy reforms and

enabling and supportive fiscal policy.

## **Economic Diversification is a Policy Imperative**

Economic diversification leads to more balanced economies and is crucial for more sustainable economic growth and development. For the UAE (and other fossil fuel exporters), diversification is critical to reducing exposure to the volatility and uncertainty of the global oil market and related boom-bust cycles. Greater diversification is needed across three dimensions: structure of production (supporting the non-oil private sector), trade (developing non-oil exports) and at the fiscal level (diversifying sources of revenue). A successful diversification strategy would: re-orient the economy towards more knowledge based and innovation-led activities (including higher value-added in the energy sector), raising productivity growth and creating new jobs; directly support greater private sector activity, including in the tradable sector; provide more sustainable public finances that are less dependent on revenues from natural resources; generate greater macroeconomic stability and gradually de-risk fossil fuel assets through gradual privatization and divestment in the financial markets.

## **Economic policy and Reform: Minimizing Vulnerability to Next Crisis**

**Build local currency financial markets and develop a counter-cyclical fiscal policy toolbox for economic stabilization to allow for deficit financing, along with the institution of fiscal rules for long-term fiscal sustainability.** A major lesson from the GFC and from the Asian crisis, is the danger of over reliance on foreign currency bank financing for cyclical sectors like housing, real estate and long gestation infrastructure investment. The UAE needs to focus on developing local currency financial markets starting with a

government debt market to finance budget deficits, infrastructure and development projects, along with a housing finance/mortgage market. Market financing for infrastructure and development projects is more appropriate for longer-dated investments than bank financing.

**Unification of local financial markets.** There are three operational financial markets in the UAE – the Abu Dhabi Securities Exchange, the Dubai Financial Market, and Nasdaq Dubai in the DIFC. These fragmented markets should be consolidated to create a deeper, broader, and more liquid and active market, regulated and supervised by an Emirates Capital Markets Authority.

**Establish a modern and credible legal and regulatory financial infrastructure.** Enhance debt enforcement regimes by decriminalizing bounced cheques and building the capacity of the courts; develop insolvency frameworks to support out-of-court settlement, corporate restructuring and adequately protect creditors' rights. Introduce laws to facilitate mergers and acquisitions, as well as securitization to support the development of asset backed and mortgage backed securities and other structured debt instruments.

**Develop a counter-cyclical fiscal policy toolbox for economic stabilization.** This requires reforming the budget law framework, inherited from colonial days, to allow for deficit financing, along with the institution of fiscal rules for long-term fiscal sustainability. Given the recent passage of the UAE Federal Debt Law, the government should accelerate the set-up of the public debt management office.

**Favour greater exchange-rate flexibility and monetary independence.** The peg to the US dollar has exacerbated the negative impact of pro-cyclical fiscal policy. While the policy peg gives the UAE dirham policy credibility, it has prevented real exchange rate depreciation and fails to reflect the deep structural changes in the UAE's economic and financial links over the past three decades – particularly the shift away from the United States and Europe and toward China and Asia. The timing is opportune to move to a peg to a

currency basket including the euro, Yen and Chinese Yuan, along with the US dollar.

**Trade policy reform to adapt to the new global economic geography.** Given the global shift in trade and investment patterns towards emerging markets and Asia, the UAE (with or without the GCC) should aim to negotiate trade and investment agreements with Asian countries (China, India, ASEAN-Plus-Six) as well as the COMESA countries. India is the UAE's largest trading partner, while China is the strategic economic partner going forward (notably in light of the recently announced \$10 billion UAE-China investment fund and the win-win potential from participating in China's Belt & Road initiative).

**Labour market reforms.** The UAE has taken the first steps towards creating a more efficient labour market with the establishment of visas for part-time work/internship/apprenticeship and long-term residence rights (for selected professionals). The next steps would be permitting greater labour mobility, as well as flexible hours and the ability to work from home facilitated by modern technology. Abolishing the Kafala system may not be realized anytime soon, but is a necessary and important structural reform to retain expatriate human capital. The other major reform is continuing to break down the barriers to the economic participation and empowerment of women.

**Education market reforms and building knowledge human capital.** The educational system continues to focus on preparing students for public sector jobs, with a persistent skill mismatch and low educational quality compared to market requirements. Though spending per capita is high and student-teacher ratios are comparable to OECD levels, the outcomes are not strong. The PISA scores, for example, reveal that UAE students are placed 47th in math, 46th in science, and 48th in reading. Radical modernisation of education curricula is essential for creating a 21st century able workforce. It is time to invest in 'Digital Education-for-Digital Employment', vocational, and on-the-job training. Increasingly the focus should be to promote STEM (Science, Technology, Engineering

and Mathematics) – especially given the official policy focus on innovation and a shift to the digital e-economy and -services in the UAE and the region.

**Competition and liberalisation of rights of establishment:** Effective implementation of the new Investment Law (2018) to remove barriers to FDI by allowing 100 percent foreign ownership and the protection of property rights would galvanise the benefits of competition. It would encourage expatriates to invest locally, reducing the outflow of capital and remittances. Dubai's free-trade zones are a testament to the success that comes with liberalization and the removal of barriers to foreign ownership and management. Permitting companies in the free zones to also operate in the "domestic economy" would stimulate investment and create jobs. Some companies have completed this transition, given recent regulatory changes in the DIFC, DED, and more recently in Abu Dhabi. Phasing out of the commercial agency system needs to be the obvious next step.

**Digital transformation:** The UAE has been the first mover in the region in embracing new digital technologies, including Blockchain/DLT (Distributed Ledger Technologies) and Artificial Intelligence. However, the Blockchain/AI movement needs regulatory support with the passage of enabling laws to facilitate AI, Blockchain, Big Data, and related technologies. Integrate and link public and private sector e-services databases through Blockchain (similar to Estonia's X-Road). Leap ahead by teaching coding in kindergarten, to securing digital identities for every citizen and resident, allowing an "e-citizen" programme, an "onshore" Fintech regulatory sandbox, and eventually a UAE Digital Currency to facilitate digital transacting. Supporting and financing start-ups with incubators and accelerators and co-investing with the private sector (seed, VC, Angel and PE investors) would help drive the UAE's digital transformation. Digitalisation also requires broad, deep, unencumbered and cheap access to digital highways: the telecoms sector should be open to competition both in the backbone and in services. China provides a good

example of what can be achieved.

**New energy & industrial policy:** the UAE should rapidly diversify its energy mix by ramping up investment in clean energy (wind and solar) and technology (including desalination) which can become the basis of a new export industry. This frees up oil for export and contributes to decarbonisation and reducing pollution levels. Diversification should be private sector based to create new jobs. This requires liberalisation and competition for SOEs and GREs and establishing the legal and regulatory framework needed for privatization and public-private partnerships (PPPs). Privatization and PPPs in infrastructure, new and old energy, health, education, transport, telecoms and logistics would could attract massive domestic and foreign investment. Similarly, SWF investment strategy should shift to further support economic diversification policies and co-invest with domestic and foreign investors in new technologies and innovative sectors including clean energy, robotics, AI, Blockchain/DLT, Machine Learning, Fintech, and related tech.

## **Principles of Stabilization in Turbulent Times**

Arab countries and oil and natural resource based economies face multiple economic, geostrategic, and climate change challenges as they seek to adapt and integrate into a rapidly changing global economic landscape and geography. The high level of dependence of both oil exporters and oil importers on oil revenues and oil assets poses an existential risk. The “New Oil Normal” and global move to decarbonisation imply permanently lower real oil prices and the risk that oil assets become stranded assets, with marginal economic value, in the absence of new innovations and new, clean, uses for fossil fuels. The UAE’s experience and economic diversification achievements provide a broad policy framework for Gulf oil producers. However, there is no ‘one-size-fits-all’. Moving forward, five principles should guide strategists and policy

makers: (i) Economic diversification is a strategic imperative encompassing production, trade and government revenue diversification; (ii) Facilitate and enable the rapid digitalisation of the economy and society by, among other, removing barriers in the telecoms sector; (iii) Pivot policy towards emerging economies, towards India, China, ASEAN and the COMESA countries through innovative trade and investment agreements. The UAE and the region needs to participate in the new global value chains emerging from the Belt & Road and its ramifications. (iv) Education curricula require radical reform towards STEM and enabling 'Digital Education for Digital Employment'. (v) Develop a modern economic – monetary and fiscal – policy toolbox allowing policy makers to undertake economic stabilization and counter-cyclical measures.

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## **Speaker at the Arab Strategy Forum, 12 Dec 2018**

Dr. Nasser Saidi participated in the Arab Strategy Forum, held in Dubai on 12th December 2018.

Part of the panel session discussing the State of the Arab World Economy in 2019, Dr. Saidi spoke at length about the volatile prospects for oil market, impact of US-China economic war, and how the risks of a new global financial crisis in 2019-2020 are rising (thanks to global debt, high interest and low growth rates).

Below are some key quotes from the panel session:

*“Arab countries should focus on digitization because it is the future of the world, infrastructure, and work to transform our economies into digital economies”*

*“The economic war between China and America – the two biggest engines of growth globally – goes beyond just trade & will*

*negatively affect the world”*

*“Renewable Energy policies should be a priority: need to invest in it and export it abroad”*

*“The Arab region needs new trade & investment agreements to reflect the shift in trade partners- “pivot East & South”*

البيان الصادر عن الاجتماع السنوي للمنتدى الاستراتيجي العربي في دبي 2019 أكد على أهمية الاستثمار في الطاقة المتجددة كإحدى الأولويات الاستراتيجية للمنطقة العربية. البيان يدعو إلى تطوير سياسات استثمارية جاذبة للاستثمار الأجنبي المباشر في قطاع الطاقة المتجددة، مع التركيز على تعزيز التعاون التجاري والاستثماري مع الشرق وجنوب آسيا. البيان يدعو أيضاً إلى تحديث الاتفاقيات التجارية والاستثمارية القائمة مع الشركاء التجاريين الرئيسيين للمنطقة العربية، بما في ذلك الصين والولايات المتحدة الأمريكية، لتعكس التحولات الجارية في الشراكات التجارية العالمية. [pic.twitter.com/53nNW2CEFG](https://pic.twitter.com/53nNW2CEFG) [#ArabStrategyForum](#)

– Arab Strategy Forum | المنتدى الاستراتيجي العربي (@arab\_strategy) [December 12, 2018](#)

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# **Trends in trade and investment policies in the MENA region: Policy Brief prepared for the OECD MENA-OECD Working Group on Investment and Trade, Nov 2018**

The MENA-OECD Working Group on Investment and Trade’s 2018 meeting was held in Dead Sea, Jordan on 27-28 Nov, 2018. (More: <http://www.oecd.org/mena/competitiveness/investment-and-trade.htm>)

A policy brief titled “Trends in trade and investment policies in the MENA region” was prepared by Nasser Saidi & Associates to aid discussions during this meeting.

**The executive summary is shared below; the paper can be downloaded [here](#).**

## **Executive summary**

The Middle East and North Africa (MENA) region accounted for only 5% of global exports and 4.3% of total imports in 2017. Merchandise exports from the MENA region to the rest of the world stood at 893bn USD in 2017 (up from just under 250bn USD at the start of this century). MENA countries are particularly vulnerable to terms-of-trade shocks because of the volatility of their export earnings, caused by the high concentration of exports in primary commodities and exacerbated by the high concentration of export markets. The region can achieve greater economies of scale if each country can better use its comparative advantage through production sharing networks and integration into global value chains.

There has been a significant shift in the region’s trade patterns toward Asia over the past few decades. Asia now accounts for about 55% of the region’s total trade compared to around 40% in 1999. **Regional trade remains dismal at under 10%.** MENA oil importers’ share of trade within the region remains relatively high: Lebanon (44% of total exports in 2017) Jordan (43%), and Egypt (22%). Maghreb countries export the least within the region (under 10%), with much of their exports going to Europe.

FDI inflows into the region increased between 2000 and 2008, thanks to efforts to improve the business environment and investment climate and to related structural and institutional reforms. Slowdown appeared after the financial crisis in 2008 followed by regional turbulences, with limited recovery. **In 2017, investment flows into the GCC were 15.5bn USD, almost 3.5 times lower than in 2008 at their peak.** The bulk of FDI

inflows into the region have gone into energy, real estate, financial services and consumer products.

Overall, the MENA region remains less regionally integrated in terms of trade and investment flows. **The main barriers to growth in trade and investment (including intra-regional) are multi-fold:**

- Though average tariffs have reduced over time, they remain very high; non-tariff barriers (e.g. burdensome technical regulations, import authorisation procedures, cumbersome customs clearance and border controls) are obstacles to both regional and global integration;
- MENA's trade facilitation performance – in terms of procedures, harmonisation, transparency, border agency cooperation and so on – leaves much to be desired;
- Though regional trade agreements are in place, their implementation and enforcement are lacking and benefits are not visible;
- Lack of diversification is a serious drawback, given that oil and agricultural products remain by far the most important exports;
- Regional economic integration has seen very little progress due to different factors including weak institutions, the lack of infrastructure and state-owned enterprises;
- Cumbersome licensing processes, complex regulations and opaque bidding procedures create both business and investment barriers;
- Competition legislation is particularly needed in countries where markets are highly concentrated and where barriers to imports are still high;
- Trade has been negatively affected by the wars, sanctions and political barriers in the region; and
- The scarcity of quality data and statistics on both domestic and foreign investment means a lack of evidence-based public policy and increases perceived investment risk.

While the region has undertaken significant reforms to support trade and investment – ranging from lowering tariffs to improving infrastructure to protecting minority investments to institutional investment reforms – it is evident that there is **a long way to go for greater trade integration. In this context, it is recommended that the MENA region:**

- Invest heavily in trade-related infrastructure and logistics;
- Deepen intra-regional trade through trade facilitation;
- Invest in moving towards greater digital trade facilitation;
- Use GCC countries as engines of economic integration;
- Reflect the shift in trade partners in new trade and investment agreements;
- Improve legal and institutional framework to support private sector growth and diversification
- Make a digital transformation in order to support trade and investment: from transport (electric vehicles), to banking and financial services (Fintech), commerce (e-commerce), to health and agriculture (Agrytech), and the government sector ;
- Ensure the availability, harmonisation and dissemination of regular, timely, comparable and quality statistics, which are essential to conduct sound trade and investment policies.

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**MENA-OECD Working Group on  
Investment and Trade meeting,**

## 27-28 Nov 2018

Dr. Nasser Saidi participated in the MENA-OECD Working Group on Investment and Trade meeting held over 27-28 Nov 2018 at Dead Sea, Jordan.

Titled “Making trade and investment policies work for all”, the meeting’s first panel session discussed the state of play of investment and trade trends and reforms in the region in a changing world economy. It also took stock of the global debate on trade and investment, while analysing the impact on regional and national policies of the growing scepticism about the benefits of international economic co-operation, and looking at ways MENA countries and societies can better benefit from trade and investment.

Click [here](#) to download Dr. Saidi’s presentation which focused on the findings of the policy paper prepared for the OECD titled “[Trends in trade and investment policies in the MENA region](#)”.

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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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## **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.*

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# Infrastructure as an Engine of Growth in MENASA

<http://nassersaidi.com/wp-content/uploads/2012/04/Economic-Note-15.pdf>

DIFC Economic Note 15 titled "[Infrastructure as an Engine of Growth in MENASA](#)" provides a descriptive analysis of the infrastructure in the Middle East North Africa and South Asia region. Drawing from the key driving factors behind development of hard and soft infrastructure in the region, the paper also discusses the role of the public and private sector in its investment.

The MENASA region is experiencing a secular wave of transformation with two epicenters, India and the GCC. In the former, the main drivers are a "Goldilocks" demographics and the long lasting impact of reforms enacted in the 1990s by Dr. Singh (India's current PM) are expected to solidify and extend this transformation process. In the GCC, the main driver is an energy commodity windfall that for the first time in history is not merely amassed in offshore assets, but is increasingly deployed domestically to transform the Arabian Peninsula into an advanced XXI century knowledge based economy.

Two factors will be keys to the future of the region: demographics and urbanization. With fertility rates still well above 2.2, the MENASA region will enjoy the goldilocks of an

expanding labor force, while massive internal migration will feed a powerful process of urbanization. These secular waves require a massive commitment to build indispensable infrastructure to sustain the increased population and economic growth. In the two epicenters this need is well understood by policy makers, but a fundamental difference is noticeable. While in the GCC infrastructure projects are anticipating the demand and actually stimulating it (supply side effect), in the rest of MENASA the existing infrastructure are strained due to poor maintenance and intensive usage.

Investment in infrastructure sets in motion a virtuous circle: higher productivity and competitiveness translate into higher incomes and higher government revenues and in turn more public investment in a mutually reinforcing pattern, as has been the case of China over the past two decades and the GCC since the turn of the century. In the process, other positive spill-overs are felt in the form of learning-by-doing effects, efficiency gains in companies, human capital improvement, research and development in construction techniques, technology transfers and process innovation.

Governments' role as the largest provider of infrastructure financing in the region needs to be redefined given the crisis and resultant fiscal constraints. The role of private sector needs to be enhanced through privatization and Public-Private Partnerships (PPPs). The availability of capital is a key to spur an investment cycle – given the long-gestation nature of infrastructure projects, there is a need to attract private sector funds and more importantly, a need to develop deep and liquid local currency debt markets to improve access to finance.