

Regionalised Globalisation & Building Markets to Overcome Disruptions

Presentation at the DIFC event “The New Pursuit of Alpha”

Dr. Nasser Saidi
21 Feb 2024

Agenda: New Opportunities arising from disruptions

Main disruptions

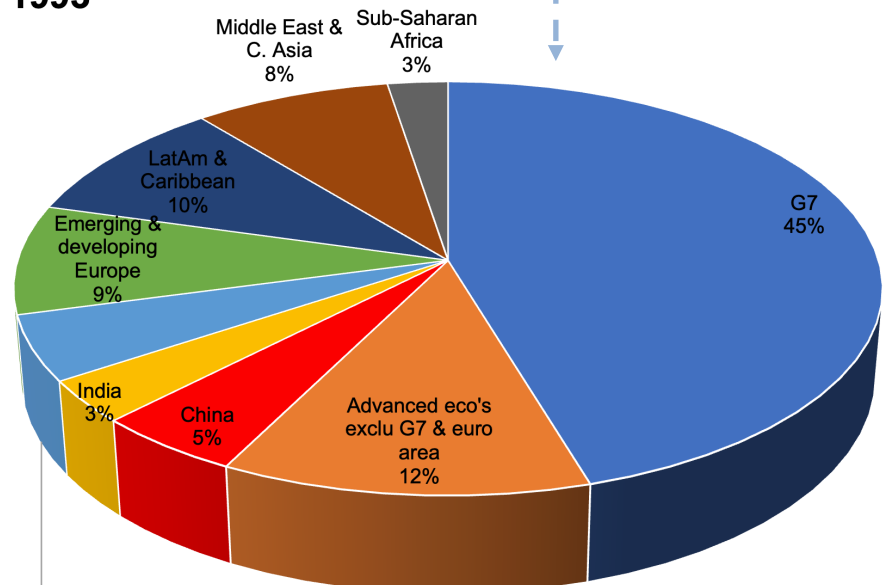
- **Shifting economic geography**
- **Global macro-policy uncertainty**
- **Fragmentation & dislocation; Geopolitics & New Cold War**
- **Climate change**
- **Digital Economy; AI & tech**

Themes for financial services and markets

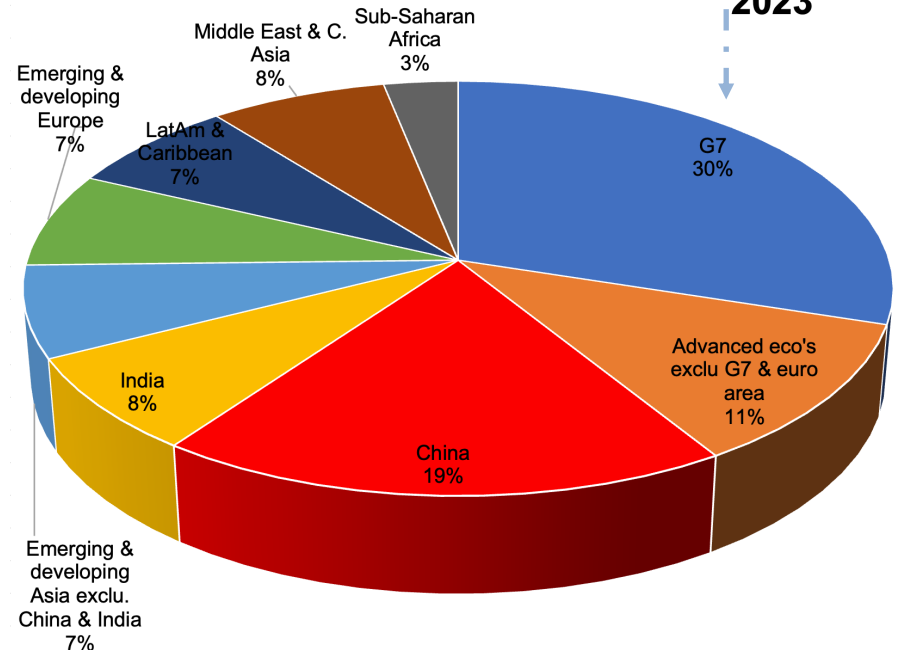
Shift in Global Economic Geography towards Emerging Asia

GDP based on purchasing-power-parity (PPP), share of world total

1993



2023



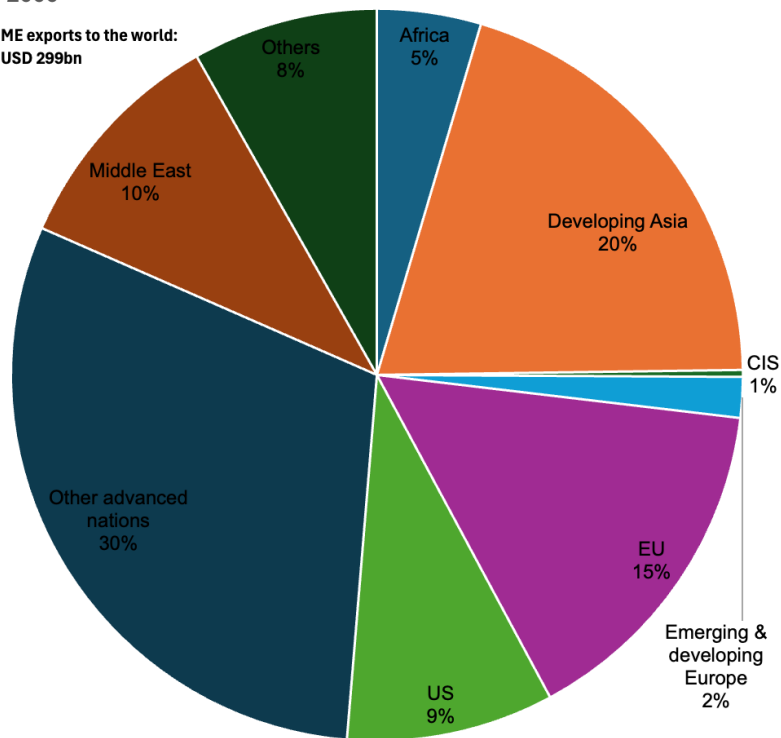
Emerging & developing Asia exclu. China & India 5%

Emerging & developing Asia exclu. China & India 7%

Global Trade rapidly expanded with Globalisation: Asia is the dominant trade partner for the Middle East region

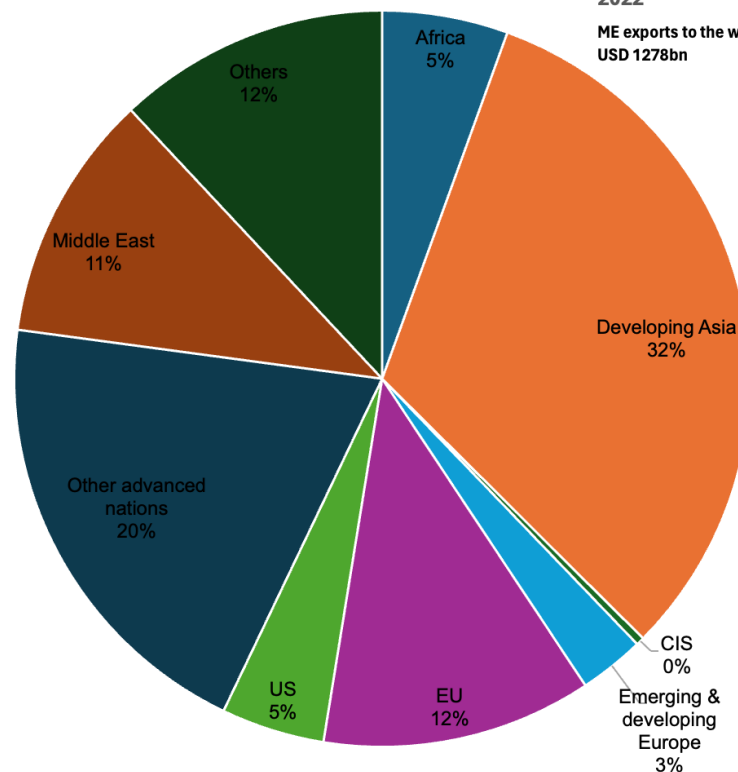
2000

ME exports to the world:
USD 299bn



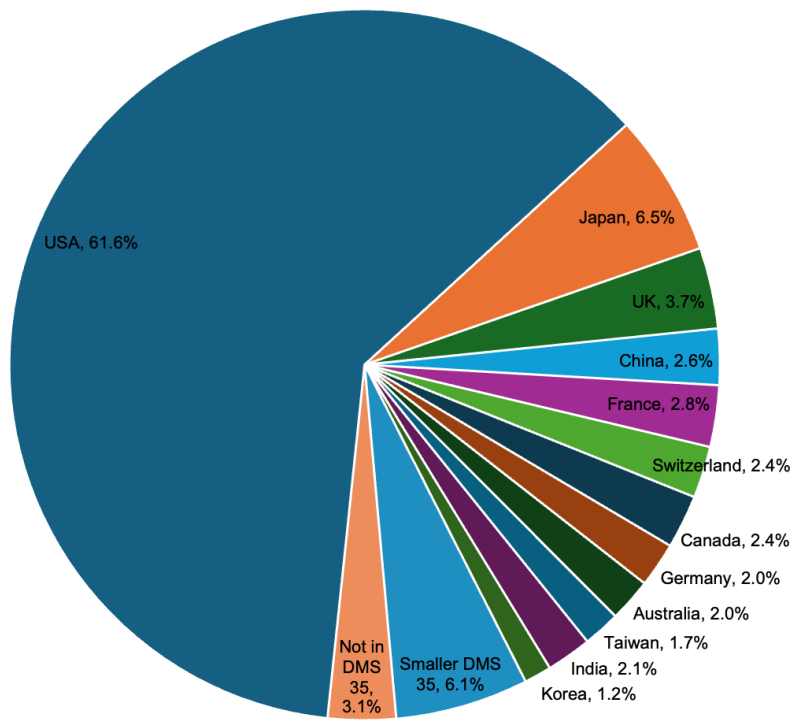
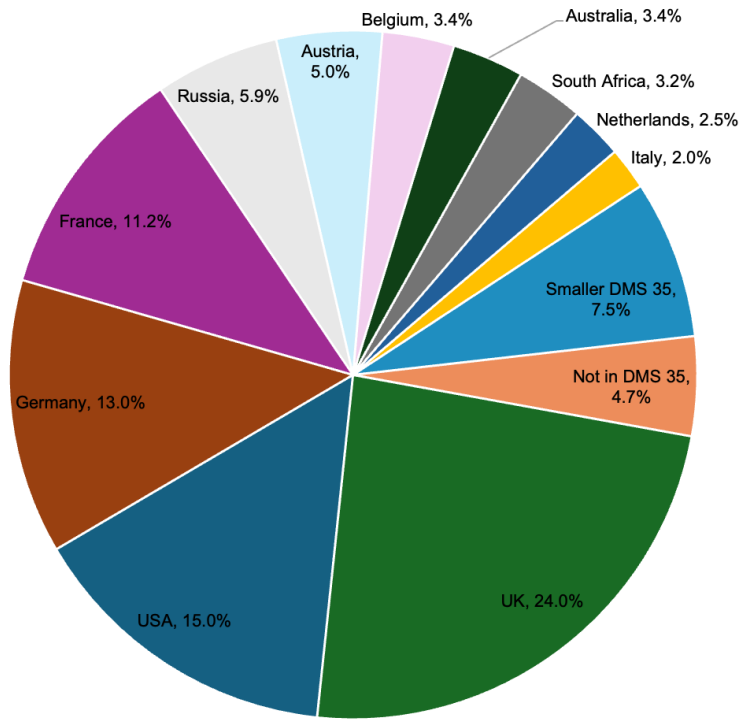
2022

ME exports to the world:
USD 1278bn



But Global Equity Markets Remain Dominated by Developed Nations

Relative sizes of world stock markets, end-1899 (left) versus end-2023 (right)

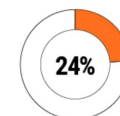
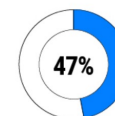
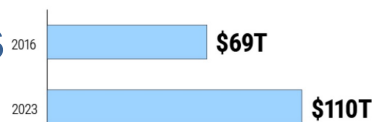


Source: Credit Suisse Global Investment Returns Yearbook Summary Edition 2023 (updated 2023 data using FTSE Russell All-World Index Series Monthly Review, January 2024)

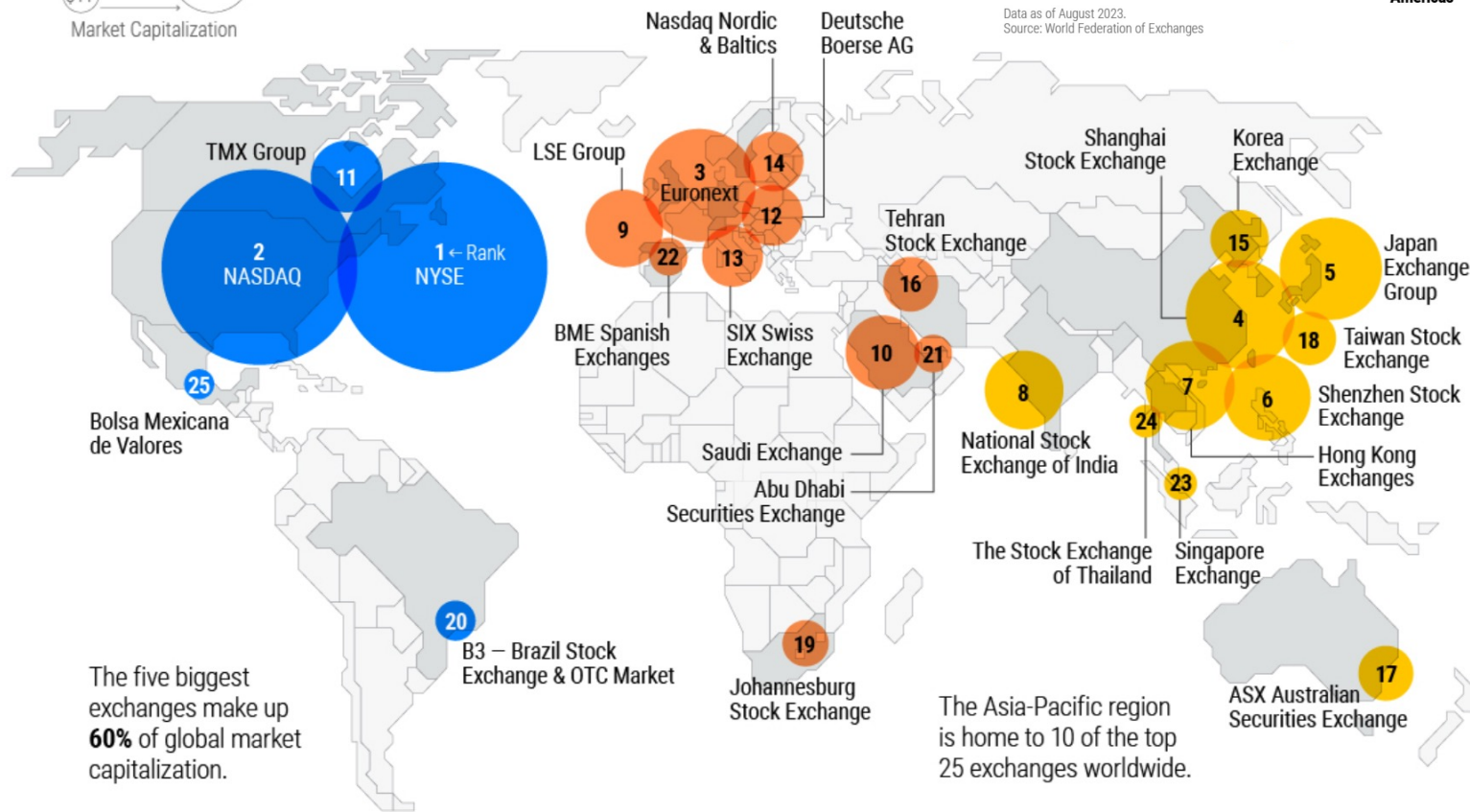
The World's Top 25 Stock Exchanges

Total Market Value All Major Stock Exchanges

Market Share All Major Stock Exchanges



Data as of August 2023.
Source: World Federation of Exchanges



The five biggest exchanges make up **60%** of global market capitalization.

The Asia-Pacific region is home to 10 of the top 25 exchanges worldwide.

Global macro-policy uncertainty & main disruptions facing the global economy

Macroeconomic Policy Uncertainty

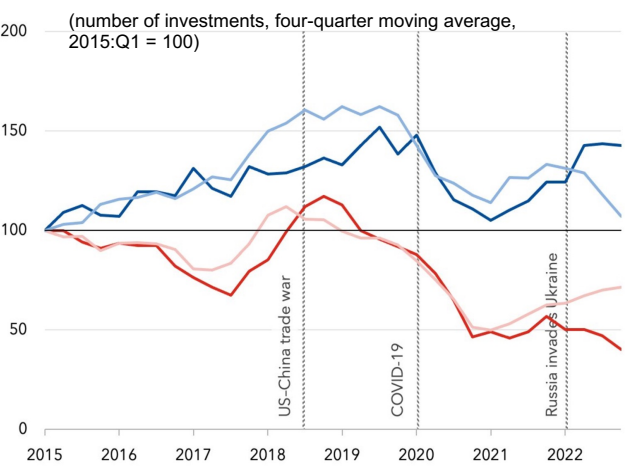
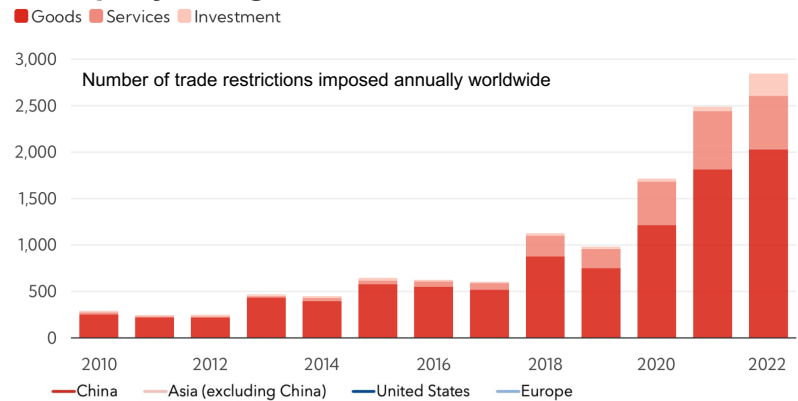
- Inflation levels exceeding central bank targets
- Higher-for-longer interest rates
- Rising debt levels & interest payments
- Burgeoning fiscal burdens
- *Beware market short-termism*

Disruptions & Opportunities

- Fragmentation & transformation
- Geopolitics & New Cold War
- Climate Change & Adaptation
- Digital Economy & divide; AI & Tech
- Space: integration with earth services

Greater fragmentation & New Cold War; If global economy fragments into two blocs & trade eliminated, global losses are estimated to be ~2.5% to 7% of GDP

Global economic integration slowed over the past decade, with rapidly rising trade restrictions. *Source: IMF, Aug 2023*

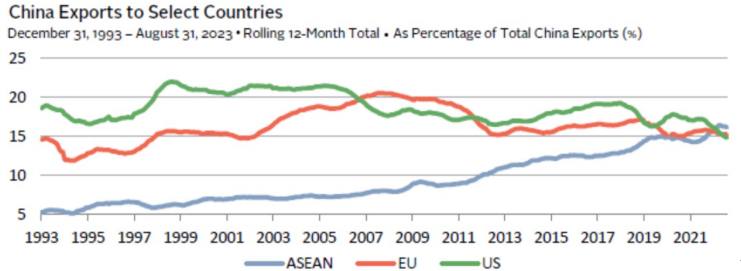
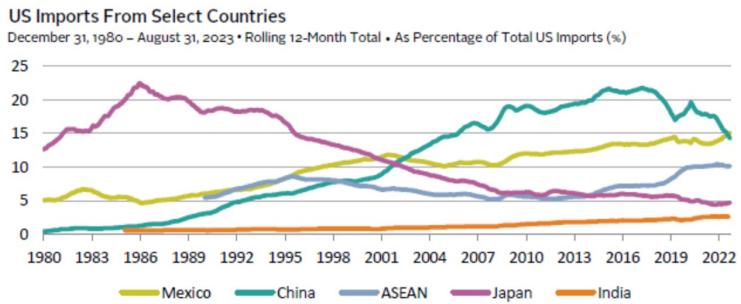


FDI fragmentation. FDI flows in strategic sectors are diverging across regions, with China losing market share
Source: IMF WEO, Apr 2023

- Restructuring of **global supply chains** will reduce productivity, raise costs and disrupt FDI and investment flows.
- **China non-US trade partners benefiting** from dislocation including Asian/ ASEAN, Mexico and others. **US now imports more from Mexico than it does from China.** China's share of total US imports has fallen to levels not seen since 2005.

US-China trade flows are decoupling

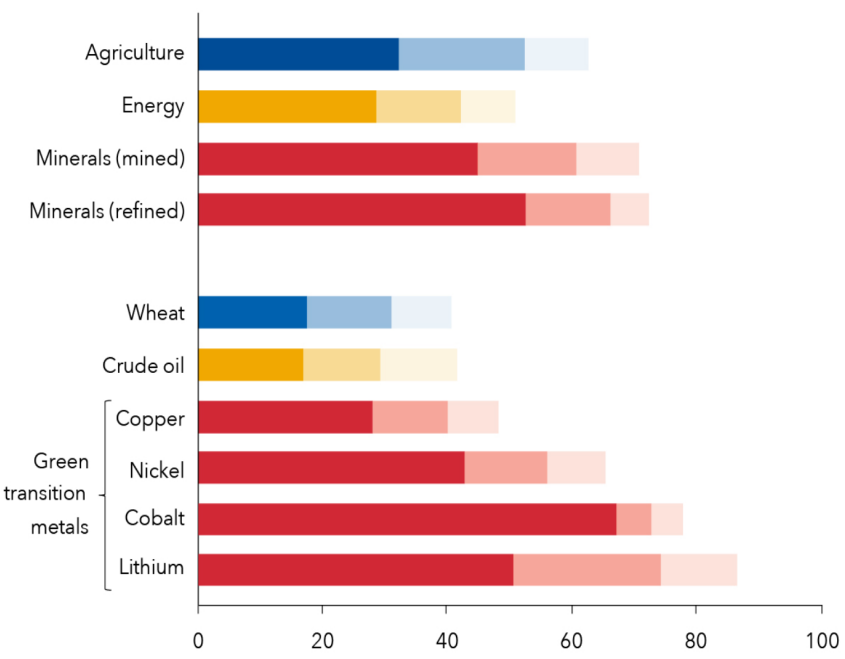
Source: Cambridge Associates (Oct 2023)



Fragmentation threatens food security & clean energy transition, given concentrated production & surge in trade restrictions

A few countries supply most of each of the world's commodities

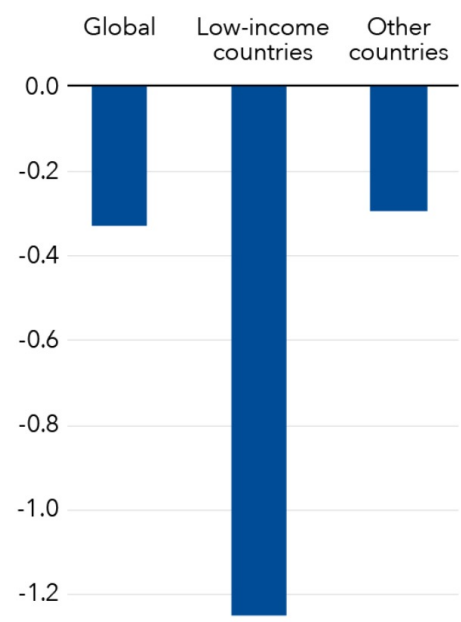
(top 3 producing countries as % of global production)



Fragmentation hits low-income countries harder, could hinder investment in renewable energy & EVs

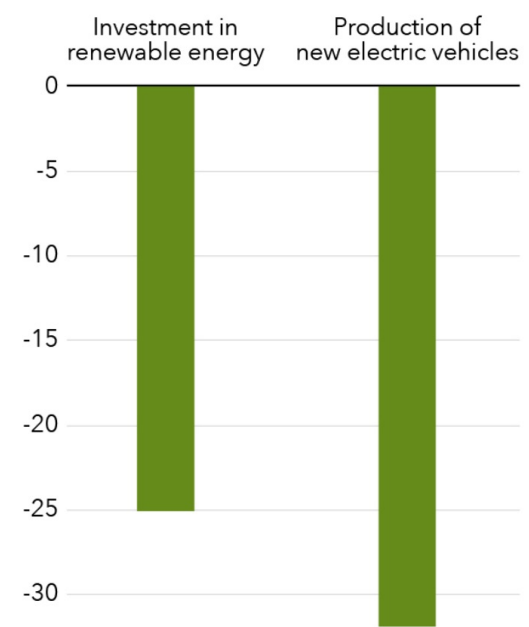
GDP impact (Trade Model)

(percent deviation from baseline)



Green transition impact (GMMET)

(percent deviation from baseline)



Source: IMF blogpost titled "Goeconomic Fragmentation Threatens Food Security and Clean Energy Transition", Oct 2023

Climate risk mitigation & adaptation: need for finance

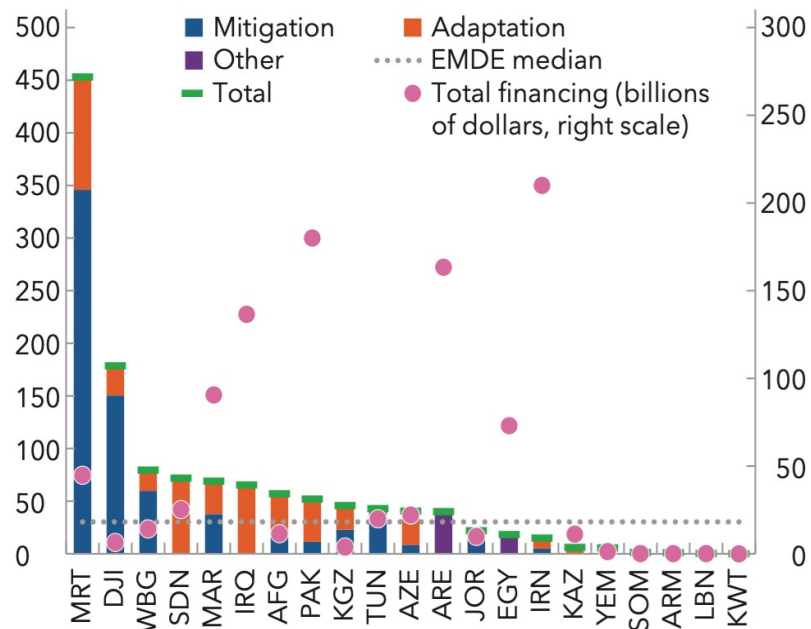
- **New geopolitical & energy market realities accelerate the strategic partnerships & quest for long-term affordable, sustainable, clean and secure energy.**
- **Energy requirements:** massive investments required in clean energy & tech, as well as O&G.
- **ME faces high climate risks but has immense clean energy potential + climate adaptation is an urgent priority**
- **Address Climate Risks & Transmission Channels to the Banking Sector**
- **Market-based policy instruments + Energy efficiency policies:** phase out subsidies, carbon taxes, electricity markets, carbon markets, building codes & standards.
- **GCC as part of energy transition will increasingly be exporting renewable energy-based energy**
- **GCC can become global hubs for Climate Finance**

Dependence on the Middle East will grow. But New Global Energy Map requires massive financing (*debt instruments, external financing, public green financing, carbon markets, ClimateTech investments*).

21 ME&CA countries require \$2.6-\$3.1trn+ for climate change-related financing between 2023-2030

ME&CA Financing Needs, Upper Range

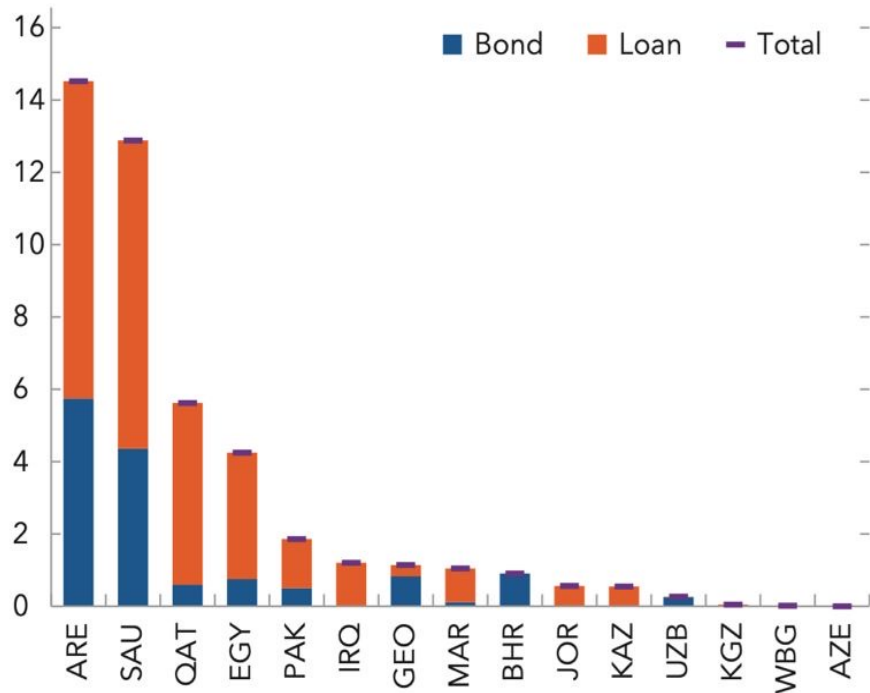
(% of 2021 GDP, unless otherwise indicated)



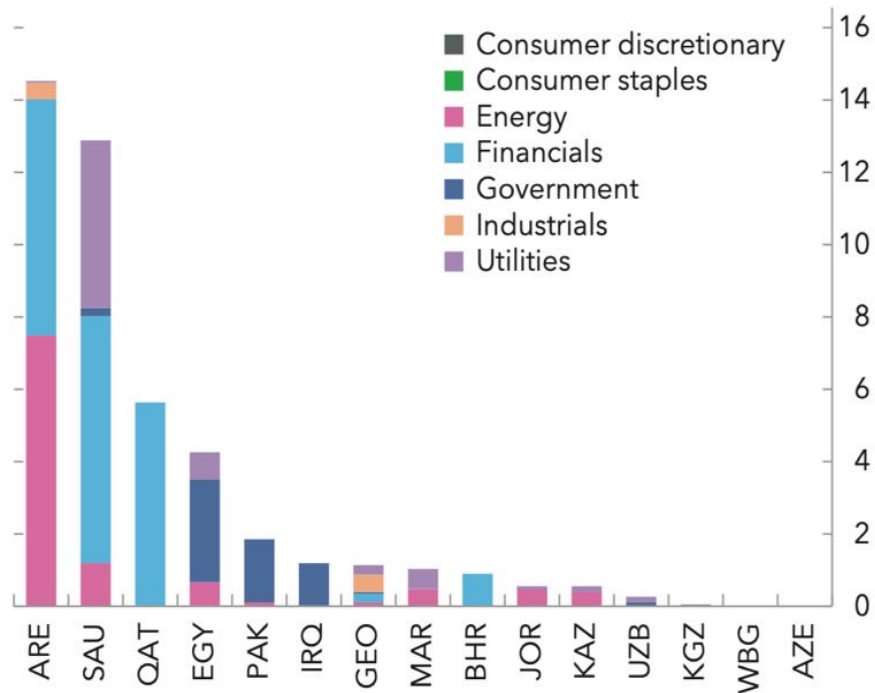
Source: "Preparing Financial Sectors for a Green Future", IMF Departmental Papers, Feb 2024.

Green financing still in infancy in Middle East & Central Asia

1. Green Financing, by Instruments



2. Green Financing, by Industry

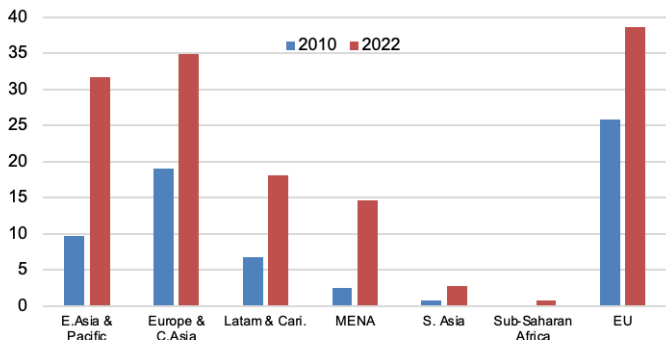


Source: "Preparing Financial Sectors for a Green Future", IMF Departmental Papers, Feb 2024.

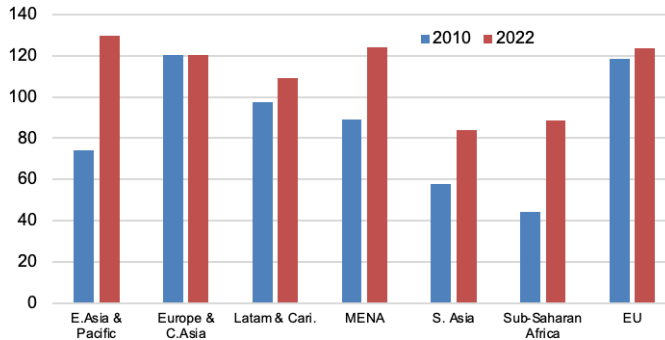
Investments in the Digital Economy in the MENA region has the potential to reduce digital divide & spur growth

Digital Divide Across Regions; also exists within regions

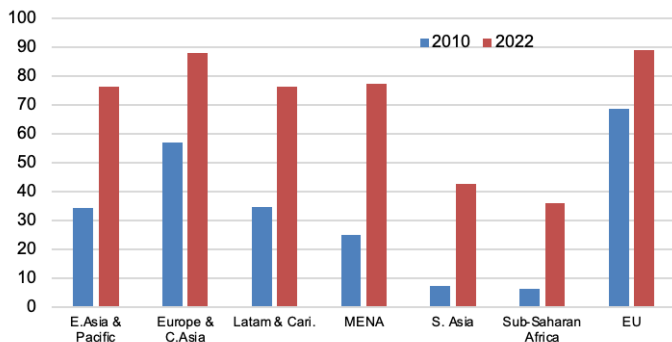
Fixed broadband subscriptions (per 100 people)



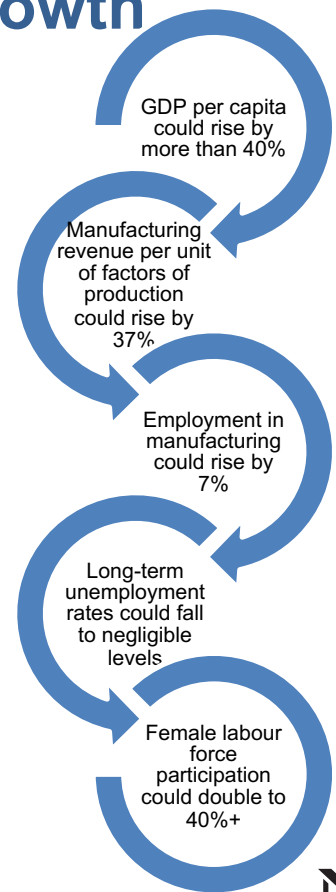
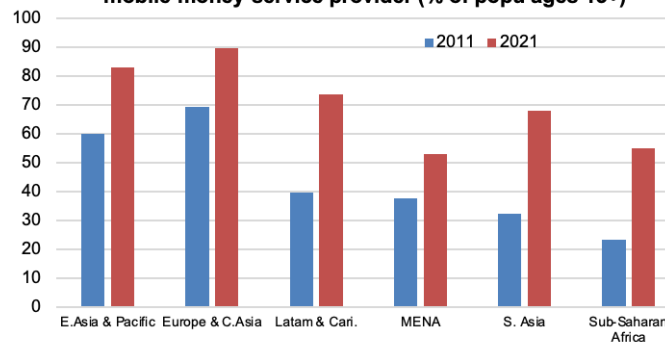
Mobile cellular subscriptions (per 100 people)



Individuals using the Internet (% of population)



Account ownership at a financial institution or with a mobile-money-service provider (% of popu ages 15+)



Source: World Development Indicators dataset, retrieved 19th Feb 2024

Source: "The Upside of Digital for the MENA: How Digital Technology Adoption Can Accelerate Growth and Create Jobs", World Bank, Mar 2022

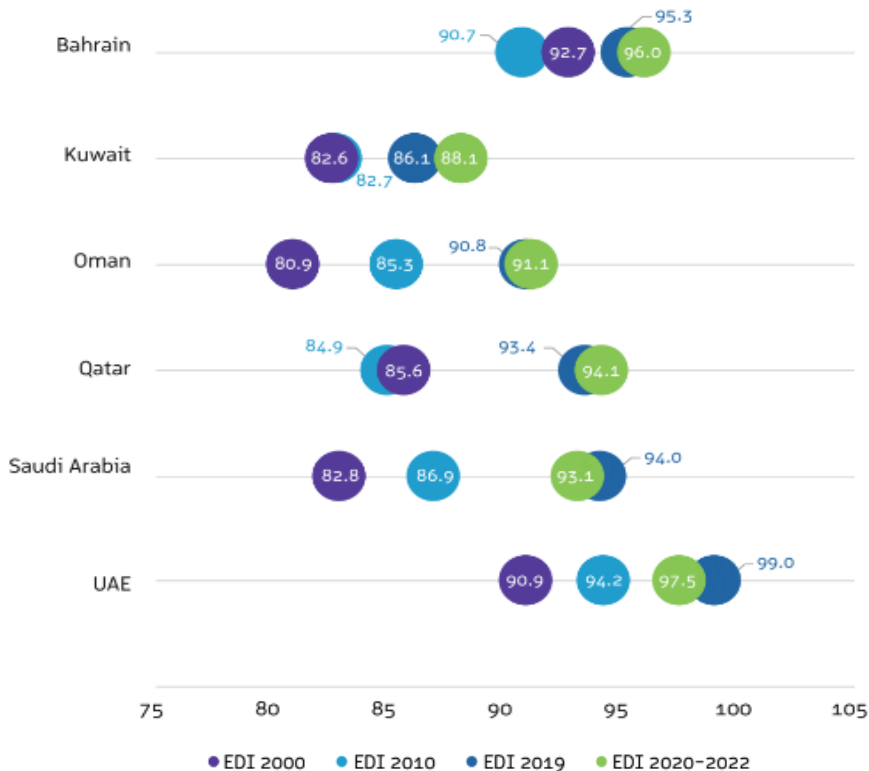
Applications of AI/LLMs: AI is evolving into a GPT

	Open Source					Commercial				
Legal	AdaptLLM Law-LLM	law-LLM-GGUF	Legal-BERT	nlpaueb Legal-BERT-base-uncased	rufimelo Legal_BERTimbau	Harvey AI	ROSS Intelligence	Callidus	THOMSON REUTERS	Neota Neota Logic
Healthcare	cvhariharan MediSearch	BioGPT	John Snow LABS BioGPT JSL	PubMedBERT	BioBERTpt	Med-PaLM2	NAVER CLOVA KOREA UNIVERSITY BioBERT	medicalAI ClinicalBERT	Flan-T5	merative Merative
Financial Services	AdaptLLM Finance-LLM	AI Finance FinGPT	EleutherAI GPT-NeoX	bardsai Finance-sentiment-finer	Financelnc Auditor_sentiment_finetuned	Bloomberg BloombergGPT	AlphaSense AlphaSense	S&P Global Kensho	BlackRock BlackRock Aladdin	
Marketing / Sales	Charlie	dekomori09 Llama2-7b-marketing	n-f Marketing_email_bloom-17b	shavatsalm Vatsals_LLM_Text Generation_marketing		OpenAI GPT 4 GPT 3.5 DALL-E 2	flamingoAI OpenFlamingo	Midjourney	NAVER CLOVA HyperClova X	
Energy / Climate	G42 JAIS Climate	UNSW-MasterAI EnergyBERT	Harbin Institute of Technology Houyi	HongyangLi energybert-finetuned-squad		HUAWEI Pangu-Weather	C3.ai	AutoGrid AutoGrid	tomorrow Gale	GE Predix

GCC Falcons can benefit from fragmentation via increasingly diversified, integrated and globally connected economies

Economic Diversification Index Across the GCC

Source: Global Economic Diversification Index 2024



GCC Falcons have built **soft power** through successfully hosting international events (Expo, COP28, World Cup, AFC..) and diplomatic mediation. Next step is the **building of economic and financial power**.

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

- 1. GCC's geography between Africa and Asia** and their promising demographics & growth prospects.
- GCC are unique in being **old and new/renewable energy powerhouses**.
- 3. Growing economic diversification of the GCC & integration in GVC:** Trade & investment agreements, FZs, MNEs & investments in trade facilitating logistics, transport, and infrastructure.

These factors underpin the evolving “regionalised globalisation” policies of the GCC

The GCC can use this as an opportunity to shape MENA region into an interlinked trade and investment hub.

Opportunity to build new markets to capitalize on the New Normal



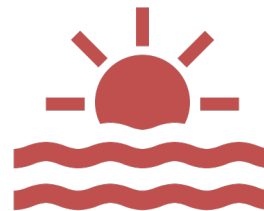
Markets: Deepen & Increase financial access

Government debt markets

Mortgage & REITs markets

Finance Structural Change: Privatisation, PPP, efficient management of State assets

Energy Transition & de-risking fossil fuel assets



New avenues

Finance Climate Adaptation, & Climate Tech

Digital economy & AI

Regionalised globalisation:

- Markets for infrastructure services
- Integrating regional economies into the GCC
- Integration & linkages of financial services, financial markets & payment systems (e.g., with Asia)

Space: augmenting and integrating land, sea, air

Themes for financial services and markets

- **Tectonic shift towards Asia** => growing energy, trade, payments & investment links.
- Global fragmentation, China decoupling, opens **new opportunities for Gulf Falcons**
- CEPAs, FTAs (GCC-China?), BRICS+ and India-Middle East-Europe Economic Corridor: **reshape ME Geo-eco-pol map**
- **GCC Falcons driven by Saudi & UAE are maturing economies**, implementing Economic Diversification 2.0 => less volatile, sustainable, growth & development & greater GCC integration
- **Gulf Falcons will drive regional structural transformation through:**
 - ✓ **Finance New Global Energy Map**, Energy Transition & combating Climate Change
 - ✓ **Finance Structural Change:** Privatisation, PPP, efficient management of State assets...
 - ✓ **Finance Regionalised Globalisation**
 - ✓ **Digitalisation & New Economy** (e.g., AI, Space)
 - ✓ **Manage growing wealth & assets of the region** + increase financial access/ deepening

Regionalised Globalisation & Building Markets to Overcome Fragmentation

Dr. Nasser Saidi

nsaidi@nassersaidi.com