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Gulf economies to 'drop the dollar'

Gulf economies will move away from a dollar currency peg and shift foreign exchange reserves away from dollar to other currencies, including the Chinese yuan, the chief executive of Dubai International Financial Centre (DIFC) has said.



Nasser al-Shaali noted that the UAE central bank had already started buying euros - part of its strategy to move about 10 per cent of its reserves into the single European currency before the end of the year.

"We've seen, for example in the case of the UAE central bank, a movement into the euro," al-Shaali told the Reuters Middle East Investment Summit.

"In the future, most likely, we predict some of the economies in the region will adopt the Chinese yuan currency as well," he said, noting that he was not aware of that happening at the moment.

He said the appetite of the region as a whole was to increasingly diversify exposure.

"The investment strategies of Dubai Holdings entities, Kuwait Investment Authority and so on ... you will see a lot of these bodies start looking at Eastern Asia more aggressively along with a lot of institutional and private investors in the region," he said.

Deadlines

Saudi Arabia, the largest Gulf Arab economy, as well as Qatar, Oman and Bahrain have ruled out changes to their dollar pegs, adopted in preparation for a monetary union planned for 2010.

But the UAE and Kuwait, the third largest economy, have questioned the peg after the dollar fell about 10 per cent against the euro last year.

A Reuters poll of 15 analysts last week showed Gulf Arab states will probably not meet the deadline for currency union as member nations grapple with inflation and budget criteria, but Kuwait may revalue its currency before then.




Twelve of the 15 analysts, surveyed between March 16-20, said it was unlikely or very unlikely that the six members of the Gulf Corporation Council (GCC), representing the world's biggest oil exporting region, would meet its single currency target in three years.

Source: Agencies

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