

A decorative graphic in the top left corner consists of overlapping yellow, red, and blue squares with a black crosshair.

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# Middle East and Oil Exporters' Perspectives on Reserve Holdings and Pegging Relationships

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## Backdrop

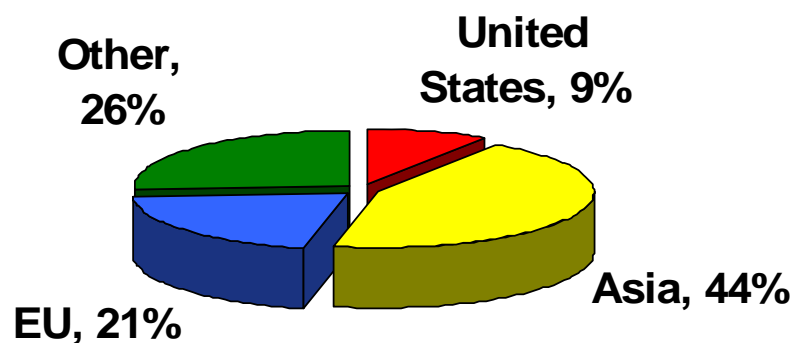
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- Role of the Euro in MENA
  - Trade
  - Holdings of reserve assets
  - Exchange rate regimes

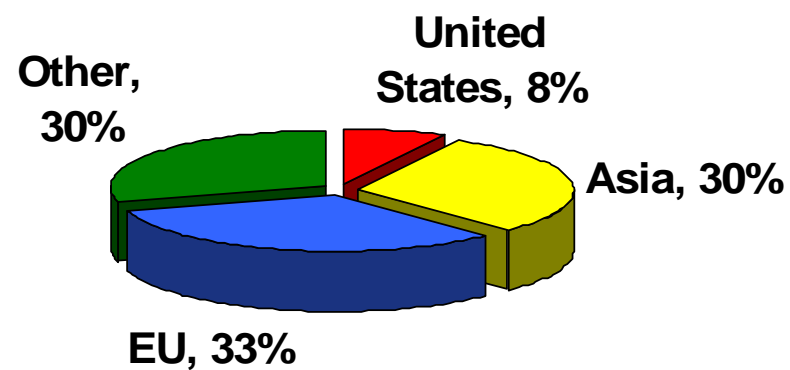


## Direction of MENA Trade

Destination of MENA Exports  
2007



Origin of MENA Imports  
2007

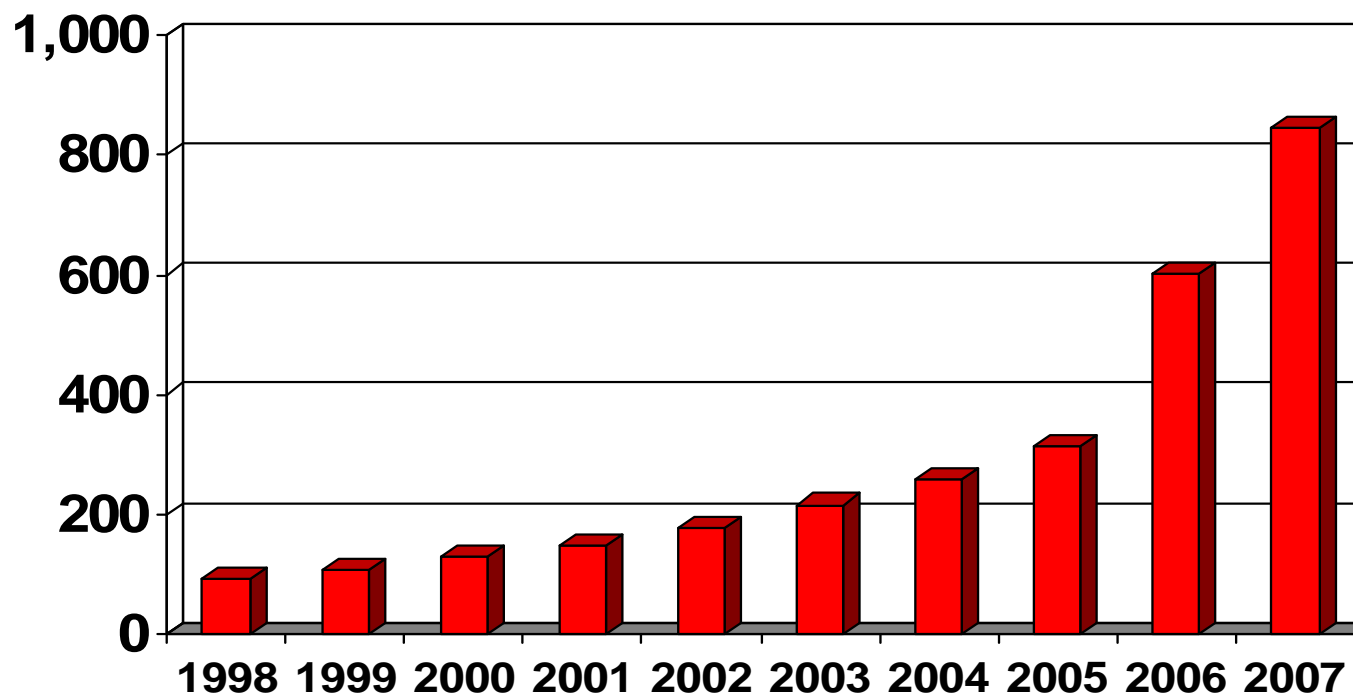


Dollar transactions dominate.



# MENA's Gross Official Reserves

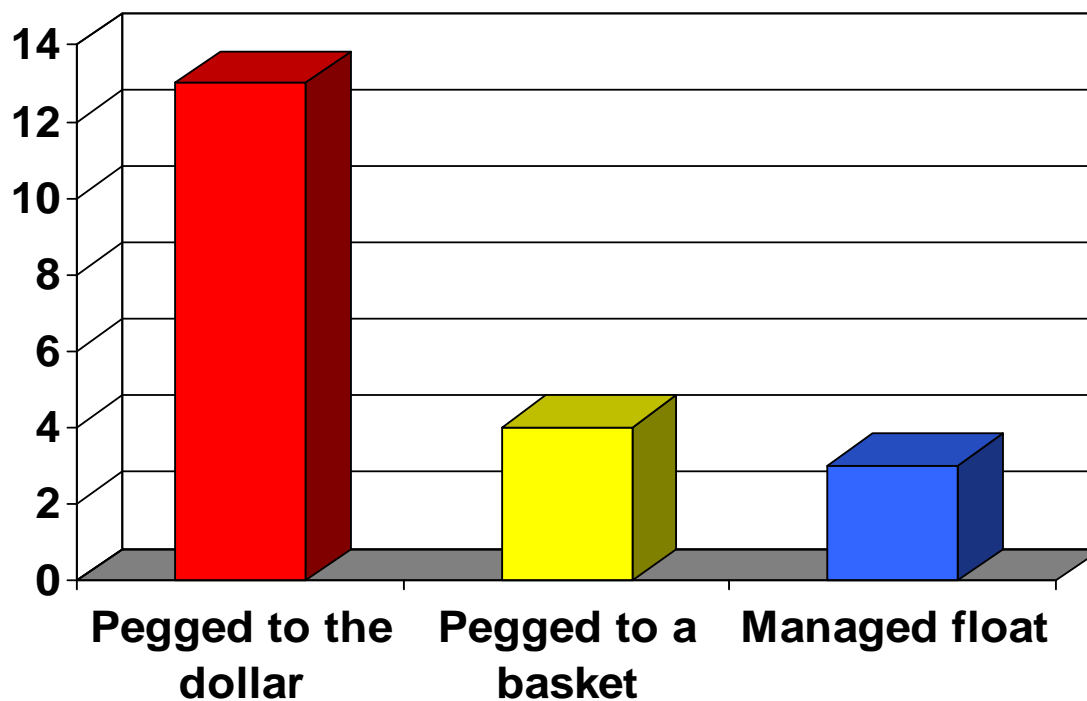
(In billions of U.S. dollars)



Distribution is undisclosed.



## Exchange Rate Arrangements in MENA



Most countries are pegged to the dollar.



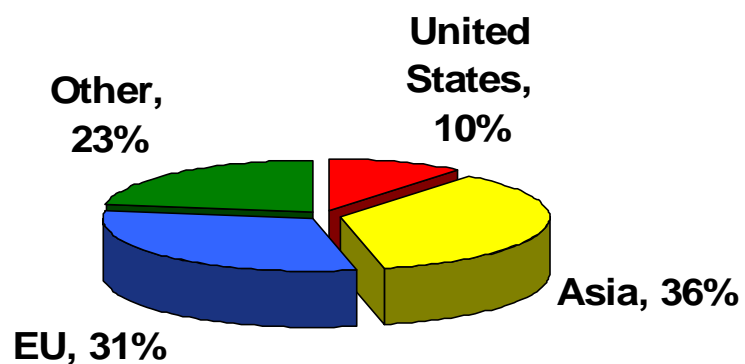
## Recent Focus on the GCC

- Increased interest on the GCC
  - Record high oil prices
  - Pegged to U.S. dollar (except Kuwait), but monetary policy needs of U.S. and GCC differ.
  - Should they change their exchange rate regimes?

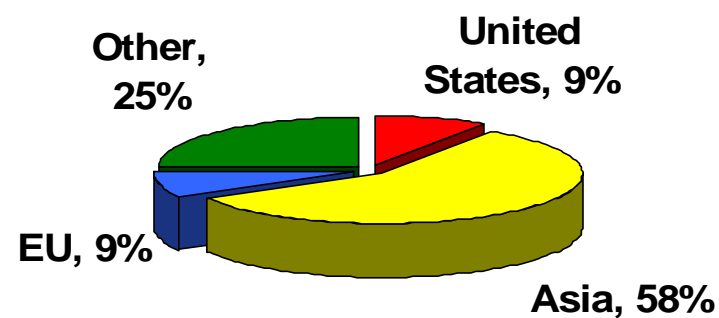


## Direction of GCC Trade

Origin of Imports  
2007



Destination of Exports  
2007

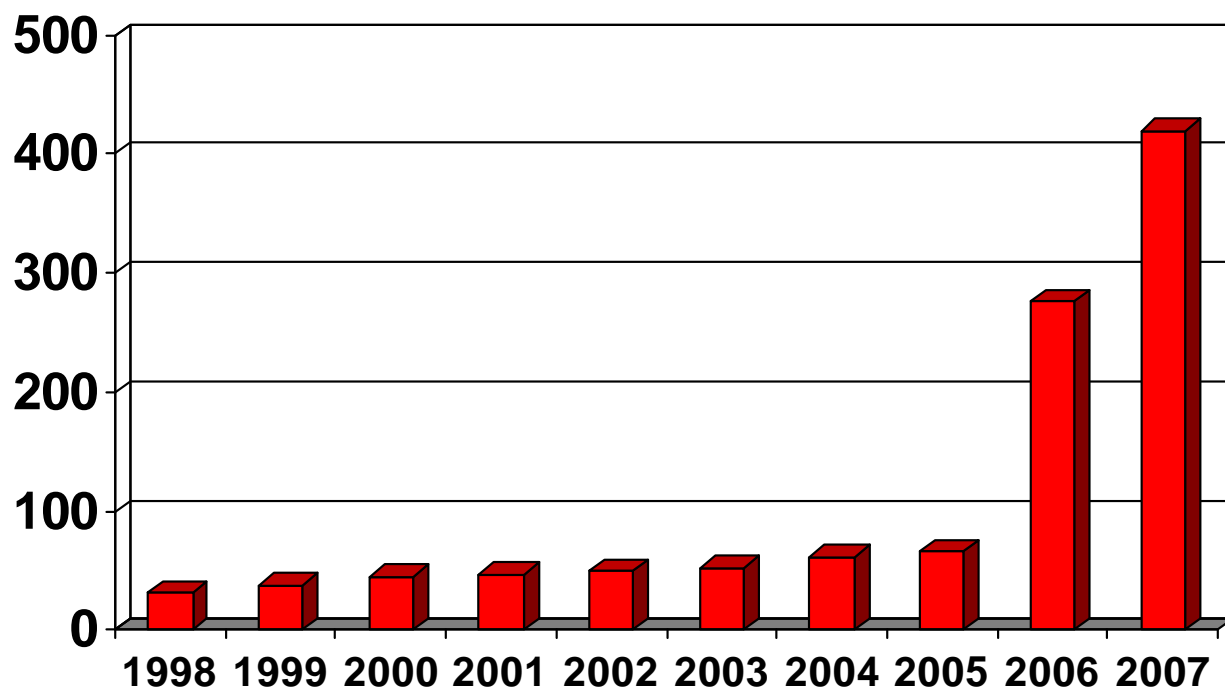


Transactions with dollar-area even larger than for MENA.



# GCC Gross Official Reserves

(In billions of U.S. dollars)



Reserves are mainly in dollars.



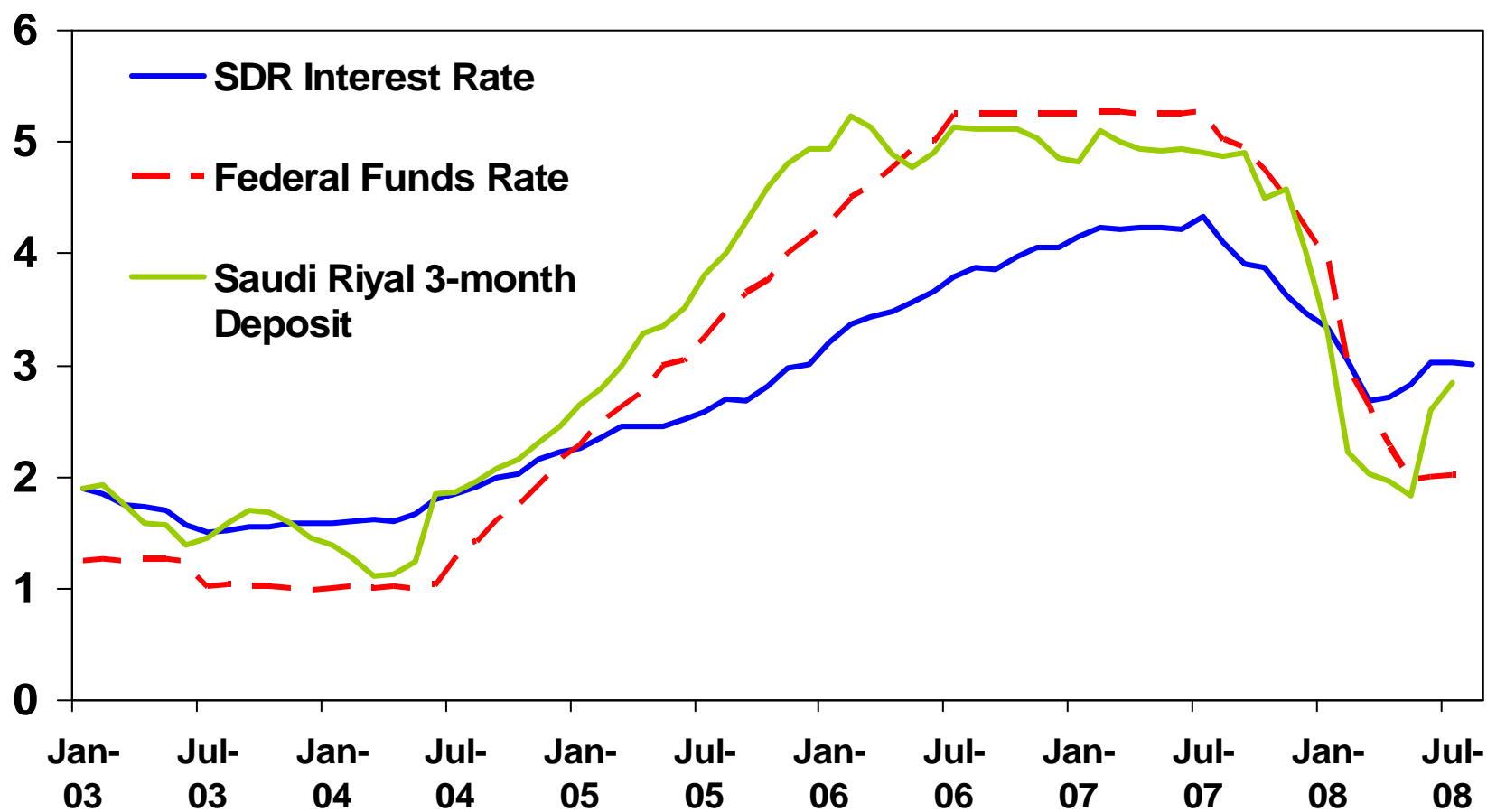
## Exchange Rate Regimes

- Pegging
  - Adopted to facilitate transition to single currency in 2010.
  - Revaluation ?
- Floating
- Pegging to the Oil Price
- Basket peg



# Interest Rates, Jan. 2003 – Aug. 2008

(In percent per annum)





## Looking Ahead

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- If external surpluses continue and inflation persists, GCC countries may have to consider alternative arrangements.
- Floating is not an option at this time.
- A basket peg could be considered.



## Looking Ahead

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- After GCC Monetary Union, a basket peg could be a bridge to longer-term flexibility.
- Euro/dollar basket peg is an option.