

The 18th Arab Economic Forum

AMID A BROAD AND DISTINCT ARAB AND REGIONAL PRESENCE THAT EXCEEDED 800 PARTICIPANTS REPRESENTING 250 COMPANIES FROM 20 COUNTRIES, THE PRIME MINISTER, SAAD AL HARIRI, INAUGURATED THE 18TH ANNUAL MEETING OF THE "ARAB ECONOMIC FORUM", HELD AT PHOENICIA INTERCONTINENTAL HOTEL.



The opening ceremony was followed by honoring his royal highness, Prince Khalid Al-Faysal, and the Deputy Prime Minister for Economic Affairs and the Minister of State for Development Affairs and Housing Affairs in Kuwait, H.E. Al Sheikh Ahmad Al-Fahed Al-Ahmad Al-Jaber Al-Sabbah.

RAOUF ABOU ZAKI

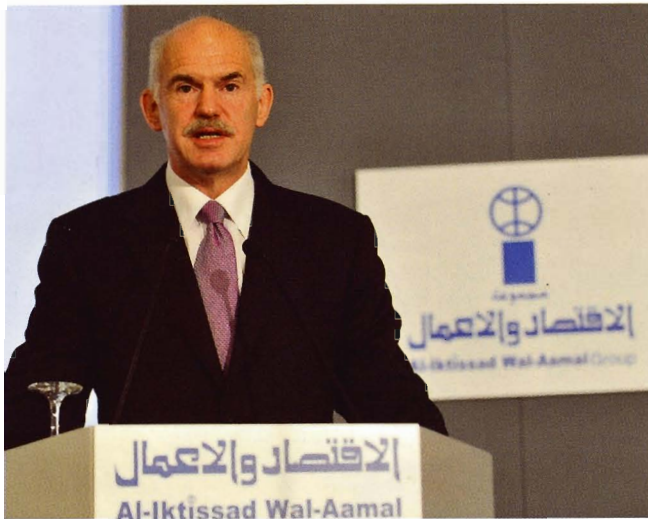
Develop the "Forum" to become the week of Arab encounter in Beirut. After welcoming the participants from Beirut-Capital of culture, openness, diversity and freedom- Abou Zaki highlighted that the number of

conferences organized by Al iktissad Wal-Aamal Group, is 160 conferences in 21 Arab, African, Asian and European countries, which attracted more than 100 leaders, businessmen, investors and experts.

JOSEPH TORBEY

Producing a real investment climate requires the integration of life standards, social and economic development.

The assets of the Lebanese banking



sector exceeded 120 billion dollars. The chairman of the board of directors of the Association of Banks and the chairman of the World Union of Arab bankers, Dr. Joseph Torbey, said: "the entrance of Lebanon in a high economic growth supported by relative political stability during the economy global recession and market collapse, might grant the Forum a special feature in the approach of international financial crisis and its continuous effects that still cause turmoil and risks in large groups and economies.

“He added: it has been proved that the global economy crossed in the last period in an unprecedented stringent experience. Even if we considered that it resembles in its symptoms to previous major crisis, it is different in its results and effects. The biggest damage is not only the trillion losses in resources, but the deterioration of living standards in many countries and the emergence of serious social turmoil. What is interesting is that the global financial crisis that started by the default of banks and giant companies, is threatening today to cause default to states, thus seems that risk doesn't surround only one state but many states.”

He mentioned that "the most serious thing is that, if the struggling banks

and companies were supported by their governments, the bankruptcy of states affects definitely their people, because it causes austerity measures, salary reducing, and taxes increasing. This affects the life standards of poor and middle classes, causes public anger, stimulates class struggles, and threatens the civil peace. The lessons learned from the last financial crisis in Europe, confirm that there is no alternative for our states but strengthening public finance, cut spending, reducing budget deficits, rein the public debt and stimulate growth, which cannot be achieved but through structured reforms. Lending states that suffer from excessive borrowing does not solve the problem, but represents delay to execute the reforms, which can realize rescue.

Torbey added: we admit that our states and economies are weak in front of this type of storms. The fragmentation of Arabs, and their subordination to wars and conflicts since decades, their divergence in political systems and fundamental structures, their dissimilarity and contradiction in economic systems, wealth and income, visions and directions, aggravate this weakness. The budgets in many Arab countries suffer from deficits that threaten that the debts may become out of control. The efforts have been intensified by the monetary authorities in our countries, and the last effort addressed the last

Kuwait economic summit for the compliance in achieving the common Arab markets, which promises of a better progress in the Arab economic situation in the coming years, in addition to what we are witnessing of establishing finance, investment and Arab development funds, and realizing the projects of electric link, and oil and cross-border gas pipelines.

Torbey mentioned that in the midst of these complex and risky climates, I must talk about my country Lebanon which faces many challenges, that some are related to the regional situation, and some caused by the internal complex of its composition. Despite all these risks, the economic indicators in Lebanon look stable and in a positive process, unlike the repercussions of the global crisis. The formation of the new government on the base of the political consensus was positive, and Lebanon achieved during the last two years, the highest rates of economic growth in the region, and it was among many countries that over passed the average regional and international growth. This was assured by statistics and figures, which some are related to the balance of payment surplus and the accumulation of foreign exchange reserves at the central bank, and also the stability of the remittances amounts received from Lebanese working abroad and expatriates, the qualitative progress in investment



and real estate development, the improvement of Lebanese exports, the increase of transport and tourism at highest level, and the decrease of interests which has direct positive effect on government debts, and catalyze the expansion of the credit operation for the institutions and individuals.

He noted that the most important in the national economic cycle is the Lebanese banking sector that lead currently national assets that exceed 120 billion \$, and it has a direct presence in most countries of the region and in large international markets. This is also the most important bridge for the foreign economic expansion, on capital, investment, credit, and finance sides, and the presence in the international and regional markets and the acquisition of competitive features to face the requirements of globalization and liberalization of markets.

On the other hand, he declared that we must not omit the negative issues that are represented by the continuing problems of Lebanon. The economic growth, despite its

importance, does not represent sufficient indicator for comprehensive growth. It needs to be accompanied with the reestablishing of the internal and external confidence, and introducing improvements in the people's life standards, health and social grants, increasing and facilitating the education levels to have a balance with the households budgets, and developing infrastructure and public utilities, in order to have an integration in the economic, social and living standards growth and to produce a real investment climate.

RIYAD SALEMEH
Continue in the policy of liquidity control

The Central Bank Governor Riyad Salameh assured that the importance of the "Arab economic forum" is confirmed year after year, for being always in the center of the economic events.

He said that the financial markets in Lebanon were maintaining their stability and the trust in the financial sector was very high. According to the economic indicator of the central bank of Lebanon, it is expected that

the real growth this year will be between 7 and 8 percent while the inflation rate will be between 4 and 5 percent. The deposits growth achieved 2.5 percent in the first quarter of 2010 and the expected annual growth will be around 10%, and the current deposits amount today to \$105 billion. He added that the balance of payments recorded an excess of \$978 million in the first quarter of 2010 compared to \$298 million in 2009.

Salameh pointed out that during the first quarter of 2010, the credit for the private sector (resident or non-resident) increased by 8.3 percent, compared to 1.6 percent during the first quarter of 2009. Moreover, the profits of the banks increased despite the excess in liquidity and the reduction of interest rates.

Salameh emphasized that the Central Bank is monitoring closely the internal and external developments, and maintaining its goal of having low inflation rates. Hence the Central Bank is maintaining its control on the Lebanese pound, which is supported



by liquid assets in foreign currency which reached \$30 billion and the increase in gold prices. This led us to control the liquidity in lower interests and costs.

“ Lebanon’s central bank governor said: we are working with this policy of controlling liquidity in order to provide the financial needs of the private and public sectors, and we are sterilizing liquidity surplus in order to prevent any inflation, particularly consumption prices, which will have an effect on the purchasing power in Lebanon and on the competitiveness of our sectors in the international markets and mainly the tourism sector. Moreover, this policy prevents increasing the public sector, and the threat of real estate speculation, noting that the increase in the real estate prices resulted from real demand and the real estate credit (contracting and construction) does not exceed 15.85 percent of the total credit, while the housing credit constitutes 9.2 percent of the total credit. ”

Salameh said: “the internal and external bodies are wondering about the necessity of all this liquidity in Lebanon and its cost. We consider that this liquidity contributed in increasing the confidence and decreasing the interest rate, which had a positive outcome on the growth rate in Lebanon, and reduced the leverage cost for the private and public sector. These benefits exceed its cost; especially that Lebanon in its private and public sectors has only a domestic finance, because of its credit rating.

“ He added: “we let the market to set the interests, and we consider that banking interests in Lebanon reached a balance point. The movement of the interest remains limited during this year. ”

He mentioned the declaration of the Prime Minister of China, who said that the global economic growth is not based on strong pillars, and the declaration of Paul Volker, chief of

the most important bank in Germany, who said that sovereign risks in Europe are high and there is a possibility of Euro zone decomposition. Salameh assured that under this circumstance, the central bank remains careful about the applicable banking model, holding rates of investment abroad relative to private funds in our banks, but without reducing it with control of the quality of these investments. Briefly, we need to hold high liquidity and stimulate it to develop growth and internal demand with controlling the inflationary consequences. We don’t want for this liquidity to be exposed to risks in external markets without being isolated from the markets.

He finished by saying that the economic and monetary conditions are favorable because of the high confidence, for reforms that reduce the deficit and for launching projects that provide the sustainability of high growth and creates job opportunities. We hope a quick political agreement on these things.



AMRO MOUSSA

The biggest challenges faced by the Arab world are: Development, democracy, regional integration, cohesion with the world.

The Arab League General-Secretary Amro Moussa began his speech by saying: "it is my pleasure to meet in this forum, friend and colleagues leading our Arab country, for the credibility, mentality and a strong will, and leading our country with unprecedented challenges.

He added: I would like to talk in the presence of the prime minister of Lebanon who reflects the youths of Lebanon and their will. I would like also to greet HRH Prince Khalid Al Faisal, Governor of Holy Makka, and Chairman of Arab Thought Foundation, that contributed effectively in opening new prospects for Arab intellectuals. I also greet my dear friend the Greek prime minister Papan-dreou and welcome him in this Arab gathering and wishing for him luck in facing the danger crisis that the Greek people suffer at this time.

Moussa drew attention to the magnitude of the challenges facing the Arab world. On the top of these challenges comes the development, especially human develop-

ment, and that is as important as democracy and good governance. Then comes the regional integration, particularly Arab integration and its economic success, as well as integration with the world. It is not acceptable that the Arab World remains an observer of development of the world without being a contributor in this development. He stressed: We must defeat the so-called clash of civilizations by working on supporting our civilization and our culture by working hard and reconstruction.

Moussa continued: I am keen not to be among those who enjoy self-flogging, and listen to these numbers. Total Arab exports in 2009 reached approximately 1.5 trillion dollars which represents a growth rate of 20%. This represents about 7% of total global exports. The total inter-Arab exports in 2009 are estimated to more than 85 billion dollars. Inter-Arab imports amounted to 78 billion dollars in the same year. Inter-Arab investments reached more than 34 billion dollars in 2008 with an annual growth rate of 2.2%. The volume of total direct investments flows to Arab countries until the end of 2008 amounted to about 40 billion dollars, representing 2.1% of the global FDI in the same year.

He continued: We stressed during the last summit for development in Kuwait in January 2009, that 2010 should witness the beginning of the work towards the transition from a free trade zone to the stage of the Arab Customs Union to expand the size of the market and take advantage of the economic benefits of the economies of the Union, which will lead to increased local and foreign investments and will create more job opportunities in the region.

Moussa pointed out that the Highest Coordination Committee of joint Arab action within the Arab League that includes under its umbrella about thirty Arab financial and specialized organizations and institutions that operate in the areas of agriculture, industry, management, and investment and others, in order to organize the work among these organizations and institutions, to avoid duplication among them, and to direct the Arab capital in the optimal way. I would like in this context to give a model for common Arab investments in the field of agriculture, in which the Arab Organization for Agricultural developments contributes as a specialized institution. We find encouraging figures and ambitious projects that make us feel optimistic. I'd like here to refer to the number of Arab investment projects existing in the Arab republic of Sudan from Egypt, Saudi Arabia, Jordan, Qatar, Kuwait and United Arab Emirates, and the beginning of the investment process in southern Sudan, and we are now preparing investments plans in Darfur. This is in addition to the beginning of the investment process in the Comoros and in the different Arab neighboring countries. Moreover, we have to add to this what we have achieved as an Arab common action in our relations with a number of countries and international organizations. Arab trade with China increased to 110 billion dollars last year from 36 billion five to six years ago, and Arab trade with Brazil increased three or four times,

as well as with Russia, Japan and others. This comes in addition to the huge efforts we are making together to attract investment and promote foreign tourism to our country.



PRINCE KHALED AL-FAISAL:

The Arab Thought Foundation and the "Arab Economic Forum" share the same expectations

HRH Prince Khaled Al-Faisal, Governor of the Holy city of Makkah, and Chairman of the Arab Thought Foundation, started his speech by addressing a tribute to Lebanon, saying: "Lebanon, crossroads of cultures and civilizations which has long embraced the Arab initiatives Arabs, and the headquarters of the Arab Thought Foundation, which is a civil Arab independent organization which aims primarily at the development of pride in the parameters of the nation and opening up to the century with its sciences and knowledge and stimulating creativity. It is perhaps fortunate that your important forum coincides with the celebrations of its tenth anniversary, as the idea started in Beirut in May 2000. As part of this celebration to which is inviting us Mrs Bahia Hariri, Member of the Board of Trustees of the Arab Thought Foundation, workshops are held to read the achievements of the foundation over the last ten years, review the negative and positive as-



pects of looking to the future in a way to "achieve the objectives of the association".

He considered that, through a quick glance at the conference program, it becomes clear to us that we, at the Arab Thought Foundation, share the same aspirations, and we think about the same issues. All of us in the Arab world are interested in dealing with the implications of the global financial crisis on the Arab economies, and, what we, as Arabs, can do in terms of governmental incentive initiatives, systems of economic management, with the participation of the private sector and the oil sector. We were able to discuss some of these important issues in the annual conference of the Arab Thought Foundation.

He added: The issue of reform of the global financial system, on the agenda of the conference, is of great importance, especially that the Arab world has become in the core of the issue, with the entry of Saudi Arabia as a member of the Group of Twenty, entrusted to discuss the issues of the global financial system. This group has held a meeting last month to discuss the issues of development and the reform of the international financial institutions and the global safety networks.

Prince Khaled Al-Faisal considered that because of the delicacy of this stage, "we have to think thoroughly to raise the prospects of stability and meet the challenges and risks in the light of the developments and changes that shake the region and the world, there is no doubt that the discussion of this topic at the conference will result in good proposals.

“Concerning the Arab Thought Foundation, he said: The Foundation has been created on an initiative along intellectuals and capital with the aim to contribute to the advancement of the Arab nation. Friends from most Arab countries joined the Foundation and supported it, as a result of their deep conviction in their social responsibility towards their nation. Because the Foundation deals with thought in its comprehensive sense, economy is essential in its interests and actions, because the majority of the trustees have a very deep economic knowledge, and this represents a common factor between the goals of the Forum and the Foundation.”

As for the beliefs of the Foundation, he said: it is represented by the accumulation of efforts and integration of



roles for the progress of cultural and development work among government institutions, the private sector, and the civil society, and the encouragement of any initiative that aims to bridge the gap among these three components. The Foundation seeks to establish partnerships, and the most recent example is "Partners for the Arab book" in Beirut during October 2009, and the creation of an annual prize of one hundred thousand dollars dedicated to the most important book in arabic. It is also worth noting that the idea of an Arab cultural summit was launched in one of the activities of the institution, and it was adopted by the Arab League, and was included in the resolutions of the recent Arab summit. We are now preparing for this summit, with the participation of ALESCO and IS-ESCO and the Arab Thought Foundation under the umbrella of the Arab League.

He added: All this comes in the context of our interest in creating a better future for the Arab nation in general and the youth in particular, as the young generation became part of the formation of the Foundation in its advisory committee and its board of directors which include a group of Arab intellectuals.

PRIME MINISTER SAAD HARIRI
The confidence of the investor is an essential factor in preserving stability

We work for preserving Lebanon from regional tensions.

“Prime Minister Saad Hariri said: “It is a pleasure to welcome all of you in the Arab Economic Forum, which has been held for the 18th consecutive year and which has evolved to become an exceptional financial and economic event awaited by decision makers and businessmen from the Arab World. The Forum achieved successes after successes, and persons in charge of this forum have always shown a high level of dialogue and discussions abilities.”

He added: “Our forum this year has a particular importance. The economic changes in the world are so many and so big. As the global economy is on its way to recovery after the global financial crisis that began late 2008, many European countries are facing significant challenges today, at the level of the sovereign debt, or the banking sector, or the exchange rates. Perhaps the multifac-

eted challenges have driven the concerned persons to think of new ways to contain the crisis and its implications. All these means or solutions pour in one direction: to maintain the confidence of the investors, as this is the essential factor in preserving stability. The loss of this factor is at the center of the crisis. In the end of 2008, we witnessed the acceleration of action of the investors, and we noted that in the absence of confidence, the investors would prefer to remain neutral rather than investing. With the growing interdependence among economies, it became difficult to distinguish between secure and unsecure investments.

Prime Minister Hariri wondered: How do we maintain investor confidence? In my opinion, the political stability, the economic reforms, the sound fiscal policy, and the solid dialogue with the investors, are all essential to maintaining the confidence. The confidence was a key factor that helped Lebanon to avoid the repercussions of the global financial crisis and become a safe resort for capital and achieve high real growth rates in the past two years.

He confirmed: We are keen today to maintain the confidence of investors in Lebanon and strengthen it. From here our determination to follow a



but I am against the opinion of all the advocates of confinement under the pretext of protecting national economies. Protecting our national economies takes place first and foremost, through the adoption of legislations, policies and sound control systems. The confinement would waste many opportunities for the advancement of our region, and I think that our Arab countries are entitled to be an important partner with the European Union countries and a key partner for Turkey, too. As Europe is our neighbor, so is Turkey as well. Many Arab countries decided to proceed with this course, and I am confident that will pay off in the medium term. ”



Finally, Mr. Hariri welcomed again all the precious guests of Lebanon, which is entering a new stage in its political, economic and development. In spite of all difficulties, the current government, with the solidarity of all its members, works to protect Lebanon from regional tensions. The goal to which we aspire today, and I am confident that it is within our reach, is "to promote all the successes we have achieved and improve the future of Lebanon to a promising and prosperous future".

sound fiscal policy that aims primarily at maintaining economic stability by keeping the ratio of the debt to GDP in a descending trend. In this context, I would like to emphasize that the draft budget for 2010 reconcile the social and development needs of citizens and the requirements of economic stability. It aims to achieve two basic goals: first, activating and improving the social contributions and raising the level of government investments in the essential sectors, and second, follow-

ing up the containment of the size of public debt to the domestic economy. An increase in investment spending of the state on development projects in various sectors and in all Lebanese regions could lead to economic recovery and thus raise the standard of living of citizens.

“ President Hariri noted that the Arab economies that had been affected by the crisis started today to find their way to recovery,