

## Arab Bankers and Finance Professionals: An Engine of Growth and Development in Arab Economies



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*We, as bankers and finance professionals, are witnessing today, perhaps, the greatest transform of our World's economy and financial markets towards greater openness in all directions.*

### ***Growing Globalization***

The wave of accelerated globalization, liberalization of trade in financial and non-financial markets, continuous developments in the e-business, and increased partnerships between regions of the world, have been creating, a time of tremendous challenges, nevertheless a time of significant opportunities.

The Arab region is perceiving the importance of being an effective part of the global economy, affected by the ongoing changes, and also affecting in the direction of these changes. It has been witnessing an ongoing economic boom over the past few years, stimulated mainly by the observed outstanding oil price increases which injected great liquidity in domestic markets.

There is currently some USD1.3 trillion pursuing viable investment opportunities in the region. This constitutes a valuable opportunity for the Arab countries to support their economic and social development programmes, and to foster the openness of their markets in the face of much-needed integration moves.

### ***Reforms - Reforms - Reforms***

The Arab countries have well benefited from the reforms that have been implemented in their economies and financial markets. Today, several Arab economies are well outperforming many emerging economies in the world, with overall economic growth for the region exceeding 10% as of end-2005. The largest part of the region is growing today as a major eco-

conomic and financial hub for business, finance and investment.

In addition, some Arab markets specifically, Bahrain, Dubai, Qatar and Saudi Arabia are building competitive financial centers to attract both Arab and international capital as well international financial and banking institutions.

### **Strong Economic Potentials**

The Arab region possesses huge economic, financial and human potentials, which are not yet comprehensively exploited. The oil wealth, natural resources wealth, capital wealth inside and outside the Arab region (some USD 1.5 trillion in foreign assets), competent and well-experienced human resources, emerging petro-dollars from the observed oil boom, and a strong banking and financial sector in general are just some examples of the Arab economic and social power.

These are definitely positive elements and developments. On the other front, however, the Arab region is currently facing several socio-economic problems, which are hindering further growth and development.

### **Socio-Economic Problems**

Today, the Arab countries, in general, face high unemployment rates reaching 15% of total labor force, and some 80 million new individuals are expected to enter the labor markets by the year 2020. Also, the Arab countries (especially non-oil countries) are witnessing low personal incomes, which reduce aggregate demand and hence hamper further economic growth. In addition, poverty is both high and growing in the Arab region, owing to low incomes and limited new job opportunities.

Besides, the Arab world faces the problems of limited economic diversification, low rates of economic exchanges (inter-Arab trade constitutes only 10% of total trade, and inter-Arab investments constitute less than 1% of GDP), and limited integration in the world economy (the region's share in global trade and FDI is less than 4%).

### **Banker's Role in Strengthening Inter - Regional Relations**

In this sense, then, the Arab bankers and finance profes-

sionals have a significant role to play in opening up the Arab financial markets for better inter-regional banking ties, especially now several Arab banks have succeeded in expanding in some regional markets. This cross-border regional expansion by the Arab banking sector, if it continues in the future in the same fast pace, shall help in supporting the regional economic integration, especially if the sector enhances its role in promoting inter-regional economic and investment exchanges.

Also, Arab bankers and finance professionals should seek feasible business solutions for the significantly emerging petrodollars which are chasing viable investment opportunities in the region. They should work closer together today to direct these funds to the currently needing Arab economies which

have promising prospects and have proved a significant record of impressive performance in the past few years. This could certainly help these economies in combating unemployment problems and support the growth and development of their banking sectors.

### **International Links**

This is on the regional level; on the international level, the Arab bankers and finance professionals have a strategic role to play in getting the Arab economies and financial sectors on one side, international partners on the other side, to come closer together, so as to shape a better future for our region and the world at large.

Arab banks must join forces and synergize their

potentials to support the financing of infrastructure and economic projects in our economies. We can also act as catalysts for attracting investments, both FDI and portfolio investment, to our nations. In addition, we can further our role in expanding the scope of mutual trade, investment and financial exchanges.

Certainly all these activities will reposition our role, as bankers and finance professionals, as an engine of growth and development in our economies, creator of better job opportunities, and alleviators of poverty in our nations.

I guess, this is the profound and logic reason behind our presence and role. □

