

# **IMPACT OF ARAB SPRING ON REGIONAL PRIVATE BANKING AND DEVELOPMENT**

By

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- I am very pleased and honored to participate in the Arab-German Finance and Investment Conference. Let me first thank the Arab-German Chamber of Commerce and Industry (Ghorfa) for inviting me as a speaker in this important and timely conference, and at the same time to congratulate the Chamber's Secretary General, H.E. Mr. Abdul Aziz Al-Mikhlafi, for his untiring efforts in promoting economic and investment cooperation between Germany and the Arab world.
- I intend to focus on the so-called Arab Spring, with a view to assess its impact on regional private banking, as a means to promote economic growth and development. I realize that this topic is a thorny one, as it has many uncertain aspects. Yet it is worth trying.
- The Arab Spring was triggered by the drive of the youth for change, and the need to create wider opportunities for work and employment. It started in Tunisia and then spread to other countries. The cost of the

uprisings seems to be substantial, and tentatively is estimated at USD 56 billion.

- There should be future benefits resulting from the change in environment towards democracy. This will give private initiative a space to involve itself more in the process of growth and development. Added to this, is the presence of the Gulf Cooperation Council countries (GCC) which have not been affected negatively by the uprisings, and their public financing has been strengthened by their oil and gas resources. This will spill over some wealth into the other countries of the region. Incidentally, the two monarchies Jordan and Maghreb have been invited to join the GCC.
- It can be anticipated that the economic performance of the Arab Spring countries would improve after the present decline. It is estimated that the social and political stability in the region calls for the creation of employment opportunities for the rapidly growing labor force. In this regard, it is estimated that about 75 to 80 million new jobs will be needed during the coming decade, in order to attain economic recovery.
- Towards that end, a new model for development needs to be conceived. This model would be based on economic freedom and the mobilization of markets and resources, locally and regionally. This requires the presence of an active private sector that has easy access to financing, modern technology and wide markets. Only under such circumstances, the private sector can produce competitive goods for domestic consumption

and export. In conjunction, an efficient public sector is needed to create industry-oriented infrastructural projects, to rationalize investments.

- The Arab countries are characterized by low productivity of the factors of production operating in them. This is not arising from the meagerness of natural resources and low investment rates. But is basically due to the fact that the financial markets are not capable of channeling financial resources into the most productive and efficient uses.
- The financial markets in the Arab countries are narrow in scope and need to be developed and be more extensive to attract all possible private savings of the society, and made them accessible for productive investments. There is a marked absence of stock exchanges in some of the Arab countries, and the financial technology is underdeveloped in them, in terms of the availability of stocks and bonds.
- It has been said that the prosperity of any people depends on its ability to have access to capital through the financial markets. Hence, there is a need in the Arab region for the “democratization of capital”, so as to shift its control from private banking institutions to public financial markets that would be accessible to a wider range of entrepreneurs, to bring about small and medium-sized enterprises. Through entrepreneurship in a free and democratic society, it is possible to create enterprises that would generate employment and income.

- A concluding remark is that the Arab region needs the mobilization of its resources, and this can only be made through efficient financial means, whether through developed traditional private banking, or Islamic banking which I presume is the main concern of the speakers who will take the floor now.

Thank you.