



**Speech
of
Mr. Adnan Ahmed Yousif
Chairman of the Board of Directors
Union of Arab Banks**

**At the Opening of the
“International Arab Banking Summit for 2011”**

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Ladies and Gentlemen,

On behalf of myself and on behalf of the Board of Directors of the Union of Arab Banks and its Secretariat General, I welcome all of you in this great historical city.

I extend my thanks and appreciation to the Italian Republic, its president, its government and people for all their efforts and support that enabled us to hold this international conference that we wanted to be an important phase of establishing a Mediterranean partnership by the Italian government and highlighting the importance of economic integration in the Mediterranean and the Middle Eastern markets.

Ladies and gentlemen,

The Union of Arab Banks gathers today about 340 Arab banks. It is a regional organization operating under the umbrella of the Arab League. The Union has worked for many years in its region on consolidating the ties and enhancing the communication among Arab banks and financial institutions. We also tried with all our capabilities to transform challenges into opportunities, especially in light of the difficult conditions facing the world and the Arab region over the past few years. In spite of all circumstances, our Arab banking institutions were able to face the challenges and avoid the negative repercussions,

armed with expertise, close cooperation, true and honest transparency, prudential management, and professionalism in institutional work, which has become the center of attention and appreciation of the whole world.

I would like here to shed light upon the performance of the Arab banking sector. During the first quarter of this year, most of the Arab banking sectors achieved good growth rates, and the total assets of the Arab banking sector reached about 2.5 trillion dollars, while deposits reached 1.5 trillion dollars and loans about 1.1 trillion, and the total capital about 300 billion dollars.

With exception of few countries that experienced political and security disturbances, and have witnessed a very limited decline in their assets, many of the Arab banking sectors achieved in contrast high growth rates such as Saudi Arabia (4.64%), United Arab Emirates (5.62%), Qatar (10.24%), Kuwait (7.06%), Morocco (5.01%), Syria (5.71%) and Tunisia (5.46 %).

In general, the Arab banking sector realized during the first quarter of this year, an overall growth rate of 2.5% compared to a growth rate of 5.14% during 2010, and the same applies to deposits and loans and capital.

As for capitalization ratios during the same period, this ratio reached 12%. It is worth noting that the assets of the Arab banking sector were approximately 2.4 trillion dollars at the end of 2010, while deposits reached 1.4 trillion, loans about one trillion, and capital about 265 billion dollars.

With this good performance of the Arab Banking sector, which was not significantly affected by the financial crisis of 2007, or the revolutions and protests taking place in some Arab countries, this sector represents a geographical and financial strategic importance and a target for investment from all over the world, especially from Europe that considers it as a safe heaven for investments.

Ladies and Gentlemen,

The revolutions in the Arab countries affect directly the aspirations of the people and their eagerness to political freedom and economic opportunities.

In this context, the economic modernization is a key element for building a stronger foundation for prosperity and demonstrating the benefits of democratic change.

It is normal that the process will last for many years, similarly to the transformations that took place in some European countries; however, the people needs enough time to choose its way towards democracy.

Ladies and Gentlemen,

The Middle East and North Africa region is formed of diverse communities with different characteristics, and includes more than 400 million people living in countries exporting 18 million barrels of oil per day, as well as a group dependent on oil imports from its neighbors. These countries possess unexploited potentials, which can provide – if used - wider economic opportunities for their population.

Some of these countries became rich due to oil and gas revenues and their ability to convert them into ambitious programs for infrastructure. Other countries exporting non-oil goods attracted more direct foreign investments, and accelerated their economic growth. However the economic reform in the region is not identical and the corruption is a widespread challenge. Despite the availability of natural resources and human capital, the economic growth in the region was not quickly achieved as in other emerging markets.

Given that the majority of the population is under the age of thirty, and that more than 4 million people enter the job market every year, the demographical issue of the Middle East and North Africa represent clear challenges.

Unemployment rates are high across the region, especially among young people. This requires large structural changes and fundamental economic reforms, in addition to economic stability, combined with economic modernization in the long run, which must be based on four pillars:

- Support the development of economic management.
- Support the economic stability.
- Support the economic modernization.
- Establish a framework for trade integration and investment.

Here comes the role of the Euro-Mediterranean Partnership Fund that aims to promote economic integration and the establishment of a large free zone capable of sponsoring productive investments and projects, especially small and medium-sized ones, and injecting feasible investments in the reform of education, training, technology and social and health care. Through strong collaboration and partnership among

governments and the private sector, particularly the European Investment Bank and the African Development Bank and the Union of Arab Banks and of course with the blessing of the World Bank and IFC.

Ladies and Gentlemen,

The Arab situation today is dominated by developments and protests that will bring new political regimes, but far from going in-depth in the reasons and backgrounds, the general trend may eventually lead to strengthening the economies of the region. These economies are currently facing a harsh path because of high unemployment rates and inflation. This pushes us to look seriously at creating more job opportunities and fighting the corruption, as a first step to address the economic crisis that caused the turmoil in the region.

On the other hand, it has become clear that unemployment rates have increased more than before in the Arab world, because of the revolutions and protests, as the political and legislative instability has become in many countries a factor influencing negatively investments and employment. This puts us in front of a new level of unemployment

that may reach 12% next year, and the total number of unemployed Arabs may reach about 20 million, with an increase of two million.

The events that occurred in Europe during last year due to the sovereign debt crisis in some European countries, in addition to the measures taken by the European Union and the International Monetary Fund to stabilize the economic situation, had its impact on the Middle East and North Africa, especially the decrease of the value of Euro. For oil-exporting countries in the region where the dollar is the currency for revenues, most of the purchases of capital and consumption goods are from Europe and in euro. The decline of the euro gave a boost to their purchasing power.

In front of these dramatic developments that have affected some of the European Union countries, and in front of a lack of implementable solution, I think that if we go back and look at precedent sovereign debt crisis, which is very much like the current situation in Europe, and specifically the debt crisis that hit Latin America in the eighties of the last century, where Mexico threatened in 1982 to go into default, and was followed by other countries such as Argentina and Brazil. The contagion almost lead to the collapse of the banking system in all the major industrialized countries and drove the world into a financial

crisis. We must mention here the plan of the former American Treasury Secretary Nicholas Brady, who developed a new methodology under which banks got a list of options that included lower interest rates on debt, and transformed the debt into bonds partially guaranteed by U.S. Treasury bonds and tradable, and 30% of the debt was written off four years after the crisis. It was possible under this plan to use the international institutions to buy back debts at discounted prices, and reschedule debts where short-and medium term debt was transformed into long-term debt with interest rates divided into two parts: fixed interest rate and variable interest rate.

It is worth mentioning that the Brady plan achieved a great success, and capital flow returned back to Latin America, and the capital markets were willing to provide funding. Every time we hear or read about bonds issued by developed countries to re-schedule debt of developing countries, we remember Brady bonds.

Ladies and Gentlemen,

There is a belief that the Brady plan is a “good” model for the crisis of the European countries. So what prevents us from working on

launching a similar rescue operation which may solve the European debt crisis?

Ladies and Gentlemen,

The Union of Arab Banks works with all its energy today to be beside the Italian Government in its Mediterranean partnership project, and we believe that this project will achieve great benefit for the Middle East and North Africa region, as well as for the European countries.

I wish all the success for this conference, and I hope that it will achieve the desired goals and come up with practical recommendations that are at the level of the challenges facing the region.