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ARAB BANKS

CURRENT SITUATION AND FUTURE PROSPECTS IN THE LIGHT OF THE FALL IN OIL PRICES, WORLD DEBT CRISIS AND DEVELOPMENTS IN THE INTERNATIONAL FINANCIAL MARKETS

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TECHNICAL NOTE

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I. INTRODUCTION

The fall in oil prices, the world debt crisis and the developments in the international financial markets have placed Arab banks in a situation where they have to make decisions if their option is to secure continuity.

Most Arab banks were set up in the 1970s. The factors that spurred their growth then, however, may not carry them into the 1990s. The present period of banking business is a period of structural changes in which Arab banks face various issues which should be dealt with.

For the large banks, the issue is whether to reach into the tough international financial markets or consolidate at home. For the smaller banks, the pressing question concerns the limiting size of their capital, the need for internationally competitive expertise and which market niches to concentrate on.

During the "oil-boom period" of the 1970s and early 1980s, lending was the major activity of domestic Arab banks. It evolved around the trade and construction sectors, providing working capital facilities, opening and confirming letters of credit, issuing bills of exchange and contract bonds and providing guarantees on forfaiting deals funded abroad. While the boom in these businesses lasted, Arab banks did not find it necessary to look beyond it, nor did they acquire the expertise to do so. They were willing to lend funds on the basis of name rather then balance sheet and, in many cases, they were serving the interests and businesses of their major shareholders.

The simplicity and volume of these businesses, as well as the short maturity and thus high turnover that characterized financial trade and construction activities, made it possible for the banks to reap high profits. However, the drop in oil revenues and the resulting cut in government expenditures on which all of the booming sectors of the economy in the 1970s and early 1980s were directly or indirectly dependent, has created a new regional reality of slower economic growth and economic maturity. As a result, Arab banks experienced an overall drop in commercial lending, coupled with a shift in demand for credit from such traditional sectors as commerce, construction and real estate to industry, finance and personal sectors.

Almost all banks whose lending revolved around trade, construction and real estate sectors have been adversely affected by the fall in oil prices. The sharp decline in these businesses, coupled with changing patterns of private sector borrowing, have been further complicated by a rise in repayment problems and rescheduling arrangements for past loan recipients. In some ESCWA Gulf countries, estimations indicate that around 40 per cent of outstanding loans have become non-performing loans, for which banks are increasingly allocating more of their profits as provision. Under the present economic conditions, good lending opportunities have become rare and there is not only the thorny problem of collateral, but of finding good projects. Faced with limited lending opportunities and mounting non-performing loans, major ESCWA Arab banks have been questioning the basic rationale behind their operations, as a major proportion of the decrease in their profits is due to the increased provisions for non-performing loans.

In some ESCWA countries, the issue of non-performing loans has been further worsened by the absence of a legal code. The debtors' ability to hide behind "Islamic codes of banking" has been exacerbated by the authorities' reluctance to rule on the question.

Domestic problems of Arab banks have been further compounded by the world debt crisis, which seriously affected the volume of operations in the important syndicated Eurodollar loans sector in which many Arab banks were heavily involved by virtue of their advantageous access to petro-dollar capital. By the early 1980s, when the Latin American debt sent ripples all over the world, Arab banks involved in this debt found their books stuffed with statistics on balance of payments. This was the price Arab banks had to pay to become club members of the big "Ivy League syndicates".

Arab banks involved in the world debt crisis are either offshore banks in Bahrain, where they are relatively free from tight regulatory control, although they follow the Bahrain Monetary Agency's (i.e., Bahrain Central Bank) guidelines, or consortia banks in the international market, such as the Saudi International Bank (SIB) and the Union des Banques Arabes et Francaise (UBAF), which had to get involved in the international lending business, to gain acceptance by and entrance into the international banking community. However, a CITICORP style decision[1/] by Arab banks to provide for their foreign bad loans' exposure would cost them something in the order of $2.5 billion, which is the equivalent of around 60 per cent of their end-1986 combined shareholders' equity and would entail declaring a loss of some $2 billion, given the static profitability of these banks in recent years.

The rise of asset-based syndicated lending during the 1970s and early 1980s gave a new turn to the international thrust of Arab banks. Syndicated Eurocurrency lending, whereby professional banking is not required due to the simplicity of arranging a syndicated loan or underwriting such a loan, became the largest international banking activity of Arab banks aside from the bread-and-butter business of trade financing, followed by direct investment and, to a more limited extent, Eurobond dealing.

However, the continued overwhelming dependence of many, if not most, Arab banks on the business of trade financing has led inevitably to serious problems for these banks as imports declined in response to lower oil revenues. Furthermore, the Arab banks' penetration of the international syndication markets was checked by the dramatic shift away from the syndicated lending that had characterized Arab banks' activities in the late 1970s and early 1980s towards securitization of practically all of the international transactions.

For the Arab banks scattered in the international financial markets, the issue is whether they are prepared to cope with the new trends invading these markets. Phrases like deregulation, securitization and globalization are coming into a common use. They bring changes in the whole concept of banking, especially in the transition they require from the reliance on huge capital resources as a means to boost banking activities to the reliance on staffing

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1/ CITICORP decided in May 1987 to take provisions of $3 billion or 25 per cent of its exposure to developing countries.

and sophisticated human resources. The new trends also bring changes in income sources, with fees, rather than spread lending, becoming the major source of funds.

With these trends, however, many Arab banks have found themselves facing difficulties in the international financial and banking markets, because of their lack of trained and qualified personnel, and their traditional reliance on the interbank market to finance their operations. The challenge faced by Arab banks world-wide is threefold:

- First, the lack of qualified and sophisticated staff to handle and manage the new activities, especially with that available to banks of the developed world;

- Secondly, the diversion of the Arab clientele and wealth from Arab banks to more competitive foreign banks;

- Thirdly, the Arab banks' need for innovation to create new business opportunities and to carve out special market niches of comparative advantage that could enable them to generate profit.

Regarding the behaviour of some newcomers among foreign banks in the region, their accelerating withdrawal from some ESCWA countries, particularly Bahrain, the United Arab Emirates, Saudi Arabia, Egypt and Jordan, indicates that their interest in establishing a presence in the region during the oil-boom period was motivated solely by their desire to tap surpluses and channel them to their home countries to assist in activating their recessed economies - all this in addition to a fast-profit-making concern.

However, the events of the last few years, associated with the dramatic downturn in government expenditures in the region and subsequent government retrenchment, have all heightened the concern of international banks and led them to scrutinize carefully their loan portfolio and reassess their lending and marketing strategies in the ESCWA region. Moreover, the static and/or (partly) deteriorating profit situation of the Arab banks owing to the decreased domestic banking business opportunities and increased provision for non-performing loans, have led international banks to reduce or cut their lines of credit to many Arab banks in the Arab markets, and to raise rates of interbank market business on which many Arab banks, particularly the internationally involved ones, depend to finance their operations. This has resulted in the reduction of the volume of international banking activities of the Arab banks and the search for new sources of funding.

This study intends to examine the current situation and future prospects of Arab banks in the light of the above-mentioned.

Chapter II will deal with recent developments in the domestic Arab banking markets, whereby the effects of the fall in oil prices and the subsequent drop in oil revenues and the corresponding restraints in government expenditures will be considered.

Chapter III is devoted to a consideration of problems of domestic banking credit, whereby implications of credit supply and demand and issues associated with basic facts of banking operations in ESCWA countries will be of major concern.

Chapter IV will deal with Islamic banking - a system of finance that has taken shape and gained importance in the last decade, not just in the ESCWA region, but around the world. It will also try to show to what degree this banking system can co-operate with commercial banks, and what are the problems Islamic banking is facing in the light of the economic slowdown in the region and whether it can cope with these problems.

Recent developments, including fundamental structural changes in the international financial markets, are analysed in Chapter V.

Chapter VI considers internationalization of Arab banks and the implications followed.

The international activities of Arab banks, their involvement in Latin American debt problems, and the attempts undertaken by these banks to adjust to new developments in the international financial markets are the subject of Chapter VII.

Chapter VIII contains reflections on the presence of foreign banks in the Arab world, particularly in the Bahrain offshore centre, the penetration of these banks into the Arab markets and their reaction to the decline of business opportunities in these markets owing to the drop in oil revenues.

Relations between Arab banks and foreign banks - how they were initiated, their progress and present state - will be considered in Chapter IX.

Chapter X offers some reflections on the identity of Arab international banks and what the business of these banks is all about. These reflections, however, try to put Arab banks in perspective in the light of the present situation, domestically as well as internationally.

The future prospects of Arab banks, and the alternative courses of action offered to them to secure continuity and to succeed domestically as well as internationally, are examined in Chapter XI.

Finally, Chapter XII summarizes the study, draws the respective conclusions and makes some recommendations.

Owing to lack of information on the banking business in some ESCWA countries, and owing further to the very marginal role banking plays in some other countries, the study will concentrate on Gulf banking, but will offer detailed statistics on banking activities of other countries. It is hoped that the study will be of use and interest to those who are concerned with the development of Arab banking.

II. DEVELOPMENT IN DOMESTIC BANKING MARKETS

Starting in 1985, the oil boom, which had fuelled a decade of hectic growth in the ESCWA region, lost much of its momentum. The turn-round in the Gulf economies, stemming principally from structural realities (low-absorptive capacity and near-completion of basic infrastructure) was compounded by conjunctural factors such as the oil glut and the fall of the dollar.

The slow-down in economic activities engineered by the cut in government expenditures due to the drop in oil revenues; the deterioration of sovereign and corporate as well as personal credit risk; and, further, the prevalence of belt-tightening economic adjustment policies - all these have made domestic banking a very competitive industry in an over-banked environment, especially in the ESCWA Gulf countries.

With the decline in oil revenues following the peak of the early 1980s (table 1), ESCWA banks have been forced to adjust to an unaccustomed environment of austerity, wherein they experienced an overall drop in credit business coupled with a shift in credit demand from their traditional clients in the construction, trade and real estate sectors to new clients in industry, government and service sectors.

The sharp drop in activities of traditional lending areas and the changing pattern of credit demand of the private sector were further worsened by a deterioration in repayment morale and by rescheduling arrangements of borrowers. In some Gulf countries, particularly in Saudi Arabia, Kuwait and the United Arab Emirates, estimations indicate that some 45 per cent of outstanding loans have been considered non-performing loans (annexed tables A.7, A.8 and A.9).

Lending on the basis of name, social as well as political standing, and connections rather than on a balance sheet basis during the oil-boom era, and the - obviously - high proportion of unsecured loans have contributed to the complication of the current situation of some banks in the region, particularly in the Gulf region.

Indeed, boosting or doubling capital, the increasing provision and the declining profit of many ESCWA banks, exemplify the trend among banks in the region. In some ESCWA countries, for example Saudi Arabia, Kuwait and the United Arab Emirates, provisions have been made on an average of around 65 per cent, 55 per cent and 45 per cent respectively, and profits have dropped by around 50 per cent, 40 per cent and 35 per cent respectively. Loans and advances fell by around 30 per cent, 20 per cent and 18 per cent respectively, thus demonstrating the virtual freeze on new lending.

More important for the private sector, especially in the Gulf region, is that loans and advances to the private sector declined by an average of around 25 per cent during the last four years (table 2). This reflects a common Gulf banking trend: trimming the loan portfolio, making greater provision, seeking more deposits and boosting capital (annexed tables A.7, A.8 and A.9).

Arab banks had grown to take for granted the continuing prosperity of the oil-exporting countries. Not only had business been expanding in volume terms; the actual rate of expansion had itself been increasing over time.

Table 1

Oil revenues of major oil-exporting countries in the ESCWA region, 1973-1986

(Billion US dollars)

	Saudi Arabia	Kuwait	Iraq	UAE	Qatar	Total Total	Total OPEC	ESCWA as percentage of OPEC
1973	4.3	1.7	1.8	0.9	0.4	9.1	---	---
1974	22.6	6.5	5.7	5.5	1.4	41.7	90.5	46.1
1975	25.7	6.4	7.5	6.0	1.7	47.3	94.7	49.9
1976	30.8	6.9	8.5	7.0	2.1	55.3	109.3	50.6
1977	36.5	7.6	9.6	9.0	2.0	64.7	123.6	52.3
1978	32.2	8.0	10.2	8.2	2.2	60.8	115.8	52.5
1979	57.5	16.9	21.3	12.9	3.6	112.2	195.2	57.5
1980	102.0	17.9	26.0	19.5	5.4	170.8	278.8	61.3
1981	113.2	14.9	10.4	18.7	5.3	162.5	252.9	64.3
1982	76.0	10.0	9.5	16.0	4.2	115.7	201.9	57.3
1983	46.1	9.9	8.4	12.8	3.0	80.2	157.0	51.1
1984	43.7	10.8	10.4	13.0	4.4	82.3	157.0	52.4
1985	28.0	9.0	12.0	12.0	3.0	64.0	134.0	47.8
1986	20.0	6.0	7.0	7.0	1.0	41.0	75.0	--

Source: OPEC Annual Statistical Bulletin, 1984; Alam al Naft (Arabic only), 19 August 1980 and Petroleum Economist, June 1986 and July 1987.

Note: Following nationalization of some oil companies, their revenues have had to be estimated with some uncertainty. Therefore, figures should be treated with caution and may be under revision. There is sometimes a difference between oil revenues as quoted by the Organization of Petroleum Exporting Countries (OPEC) and oil revenues as noted by the Organization of Arab Petroleum Exporting Countries (OAPEC).

Table 2

Development of bank credit* in ESCWA countries, 1975-1986

(Percentages)

	Average 1975-1980	1981	1982	1983	1984	1985	1986	Average 1981-1986
GCC countries								
Bahrain	29.0	8.5	13.9	10.4	15.5	-6.9	-13.6	3.9
Kuwait	70.2	29.2	23.7	10.9	6.2	0.3	-19.7	4.3
Oman	28.2	17.1	15.0	26.0	20.0	27.1	-3.3	17.0
Qatar	42.8	22.0	23.7	8.6	-10.9	18.5	-4.2	7.1
Saudi Arabia	63.4	16.1	16.0	13.3	4.9	0.3	-42.4	-1.6
United Arab Emirates	60.0	17.1	9.8	6.7	2.6	12.5	-15.6	3.2
Diversified economies								
Egypt	9.6	25.0	19.3	20.9	27.4	23.9	-3.7	17.6
Jordan	15.8	29.1	43.2	19.8	16.2	15.5	-2.5	18.4
Lebanon	8.6	40.0	44.4	31.4	21.1	17.4	---	---
Syrian Arab Republic	33.0	47.2	1.6	13.2	-5.1	1.5	-1.0	2.0
Yemen Arab Republic	131.6	1.5	17.6	8.5	27.9	18.6	-3.0	13.9
Democratic Yemen	38.4	11.5	-4.1	-5.4	20.1	-4.1	---	---

Source: ESCWA calculation based on International Monetary Fund, International Financial Statistics, "Unified Arab Economic Reports", (Arabic only) and other national and international banking sources.

* Bank Credit = Claims of commercial banks on private and public sector.

In this climate of unbridled optimism, it was not uncommon for investments in real estate to be recovered in very short periods ranging from two to three years, at most.

Consequently, it was possible for many banks to realize large profits by trading off short term deposits for longer term deposits. Such a practice, necessarily dependent upon a sustained growth in the deposit base over time in order to regain liquidity, has been largely adopted by many ESCWA Arab banks. As oil revenues declined, business activities and opportunities contracted, and - especially - the booming market for real estate and stocks (the preferred loan collaterals held by the banks) came to an abrupt halt. The deposit base began growing at considerably lower rates than before, ultimately declining in absolute terms (table 3).

Table 3

Development of bank deposits in ESCWA countries, 1975-1986.

(Percentages)

	Average 1975-1980	1981	1982	1983	1984	1985	1986	Average 1981-1986
GCC countries								
Bahrain	42.0	32.0	5.7	15.0	12.0	7.8	8.2	9.7
Kuwait	41.6	35.1	13.0	3.7	3.4	-1.0	-0.6	3.7
Oman	45.5	42.0	22.8	18.9	19.6	8.2	3.2	14.5
Qatar	52.2	39.0	11.7	0.3	20.6	12.4	5.1	10.0
Saudi Arabia	76.3	45.2	21.5	5.7	8.5	0.6	-7.9	5.7
United Arab Emirates	62.5	20.0	14.6	6.8	30.6	6.5	1.1	11.9
Diversified economies								
Egypt	50.7	44.4	31.5	24.5	22.1	19.6	24.4	24.4
Jordan	28.6	23.5	19.6	18.4	12.3	9.6	14.9	15.0
Lebanon	53.3	43.8	19.8	26.5	25.2	30.3	25.1	25.4 a/
Syrian Arab Republic	38.6	34.6	17.8	27.3	20.0	10.0	18.8	18.8
Yemen Arab Republic	48.6	22.9	24.3	34.7	38.6	19.0	28.9	29.1
Democratic Yemen	19.2	12.8	23.1	26.2	22.9	9.5	5.1	17.4 a/

Source: ESCWA calculations based on IMF International Financial Statistics, "Unified Arab Economic Reports" (Arabic only) and other national and international banking sources.

a/ Estimation.

Results of almost all ESCWA Arab banks, particularly ESCWA Gulf banks, indicate a trend towards large provisions and a steep drop in profits, a trend that actually has been going on for more than three years in most of these banks (annexed tables A.7, A.8 and and A.9). However, a series of changes and new policies of supervision introduced in the past two years by the monetary authorities of many ESCWA countries should prepare the ground for a recovery in the near future. For example: were it not for the decrease in banks' cost of funds (i.e., deposit rates) which took place in many ESCWA countries in the recent past, the drop in banks' profits would have been much steeper.

However, despite the considerable progress ESCWA banks achieved during the oil-boom era, these banks still lack a genuine corporate and institutional base. Few of these banks can, indeed, claim to have a strong "natural" customer base. Under the impulse as well as pressure of heightened competition, retail banking, and particularly the so-called relationship banking, has gained new favour among ESCWA Arab banks. Relationship banking, which is contrary to "order-taking" or "deal-making" banking, provides the base for enhancing genuine retail customer banking.

The current economic situation in the ESCWA region has adversely affected the bank credit markets and consequently the credit depth measured as the ratio of bank credit in gross domestic product (GDP). Indeed, in 1986, the bank credit/GDP ratio, which also reflects the depth of the money market, has deteriorated considerably in almost all ESCWA countries, though in varying degrees (table 4).

Table 4

Bank credit* as a percentage of GDP in ESCWA countries, 1980-1986

	1980	1981	1982	1983	1984	1985	1986 a/
GCC countries							
Bahrain	50.9	49.2	40.0	39.2	41.8	35.1	26.3
Kuwait	62.7	51.3	57.4	70.0	87.8	80.8	62.3
Oman	32.0	28.6	19.7	20.5	23.4	26.2	19.4
Qatar	23.5	21.2	19.5	19.2	21.1	32.2	25.3
Saudi Arabia	16.5	17.3	13.0	10.9	15.6	17.6	7.4
United Arab Emirates	47.7	12.3	33.9	32.8	34.1	45.2	32.3
Diversified economies							
Egypt	77.2	73.2	71.5	67.4	85.3	80.1	71.2
Jordan	100.2	100.8	100.3	100.2	99.9	87.5	80.2
Lebanon	206.7	228.4	262.7	296.7	479.1	---	---
Syrian Arab Republic	55.2	67.5	52.1	45.9	38.6	36.2	35.3
Yemen Arab Republic	28.2	23.1	23.2	22.8	26.2	24.2	17.6
Democratic Yemen	57.2	54.5	45.2	41.9	41.4	---	---

Source: ESCWA calculation based on IMF International Financial Statistics and "Unified Arab Economic Reports", (Arabic only) and other national and international banking sources.

* Bank credit = Claims of commercial banks on private and public sector.

a/ Preliminary estimates.

However, the deterioration has been highest in ESCWA oil-exporting countries (GCC countries) whose economies are still, more or less, one commodity economies. Contrary to other ESCWA economies, these economies have been directly affected, i.e. without a time lag, by the decline in oil revenues as well as the drop in the purchasing power of these revenues owing to the fall in the US dollar, which is still the largest payment currency for the oil export of these countries.

Among all ESCWA countries, Jordan has experienced the highest and relatively most stable credit/GDP ratio, thus reflecting the comparatively sophisticated depth of the Jordanian money market. Among ESCWA oil exporting countries, credit/GDP ratio in Saudi Arabia has been lowest (7.4 per cent in 1986), thus reflecting a money market of least depth and a banking market mostly affected by the drop in oil revenues.

It could be said, however, that the depth of credit markets (the credit/GDP ratio) in some ESCWA countries, particularly in Kuwait and Jordan, has either approached or exceeded those of some developed countries and has been further ahead of those of most newly industrialized countries (NICs) or areas, such as Brazil, the Republic of Korea and Taiwan.

Table 5

Total external (public and private) debt of Arab countries, 1980-1986

(millions of US dollars)

	1980	1981	1982	1983	1984	1985	1986a/
Algeria	12,312	15,112	16,923	18,001	18,391	17,225	15,932
Bahrain	289	300	612	772	840	913	978
Djibouti	63	81	95	110	150	230	276
Egypt	22,623	25,378	29,621	31,233	33,650	38,925	45,367
Iraq	1,212	1,750	3,210	6,213	8,210	9,556	14,733
Jordan	1,778	2,021	2,267	3,123	3,534	3,692	3,967
Kuwait	3,224	2,629	4,321	7,623	8,950	9,253	10,222
Lebanon	1,310	1,621	1,823	2,201	2,655	3,041	3,968
Libyan Arab Jamahiriya	2,425	950	2,821	3,413	3,755	4,370	5,611
Mauritania	665	812	986	1,122	1,353	1,511	1,721
Morocco	4,222	7,651	9,321	11,622	13,256	15,260	19,235
Oman	826	401	723	1,222	1,923	22,256	2,887
Saudi Arabia	18,623	12,667	1,321	13,721	14,259	16,290	19,678
Somalia	655	1,008	1,273	1,426	1,620	1,753	1,965
Sudan	2,252	4,870	5,213	5,932	6,266	7,231	9,675
Syrian Arab Republic	2,322	3,121	3,523	3,867	4,297	5,560	7,779
Tunisia	1,356	3,823	4,321	4,867	5,302	6,263	7,625
United Arab Emirates	3,523	6,232	9,212	9,823	10,221	12,031	14,968
Yemen Arab Republic	334	623	875	1,002	1,270	1,292	1,623
Democratic Yemen	1,252	1,723	1,978	2,012	2,212	2,673	3,353
Total	82,018	93,076	112,787	129,855	142,764	160,164	192,326

Source: ESCWA calculation based on publications of Bank for International Settlements (BIS)/OECD, Middle East Economy Survey (MEES), AMEX Bank International, Bank of America and others.

a/ Preliminary estimates

However, the increase in external debt of Arab countries (table 5) and thus the deterioration in sovereign risk of many of them has added a further restraint on Arab banks, as bank loans to Arab countries constitute a significant portion of their loan portfolios. Indeed, Arab countries share in Arab banks' syndicated lending was around 42.5 per cent on average over the last nine years and reached a peak of over 57 per cent in 1984 (table 6).

Table 6

Development of Arab banks' international syndicated loan market (1978-1986)

	1978	1979	1980	1981	1982	1983	1984	1985	1986
Euro currency Syndication ($mn)	70.18	82.81	77.39	133.38	85.21	60.76	125.82	117.34	91.33
Arab Banks ($mn)	2.32	2.49	3.58	9.10	9.80	6.94	5.72	4.44	3.30
Arab Banks' Share (%)	3.31	3.01	4.63	6.82	11.50	11.42	4.55	3.80	3.60
Arab Countries ($mn)	1.70	1.40	0.91	3.00	4.30	3.60	2.60	2.10	1.40
Arab Countries/ Arab Banks (%)	51.4	46.50	20.00	44.00	37.40	31.50	57.1	55.30	38.90

Source: ESCWA calculation based on MEES and international banking sources.

Given these restraints as well as the increased rate of non-performing loans in total outstanding loans, the depreciation of many banks' held assets in the form of collaterals, the changing pattern of credit demand and, last but not least, the decrease of deposits in absolute terms, it could be said that Arab banks have tried to consolidate their liquidity position (i.e., their bonity) by increasing capital and making provisions.

Indeed, the ratio of bank capital to total assets was raised in 1986 by an average of around 2 per cent for most banks of ESCWA GCC countries and by an average of around 1.5 per cent for some banks in other ESCWA countries, thus reaching an average of around 12 per cent in the first group and 7 per cent in the second. Both rates compare very favorably with those of major international banks in developed countries (table 7).

Bank capital as a percentage of bank deposits has been relatively high in 1986, averaging in the group of ESCWA oil-exporting countries between 11.2 per cent for Qatar (lowest) and 31.2 per cent for the United Arab Emirates (highest) (table 8). In ESCWA non oil-exporting countries, the ratio has been considerably lower, averaging between 3.3 per cent for Democratic Yemen (lowest) and 9.2 per cent for the Yemen Arab Republic (highest).

However, even the low ratios of banks in the second group of countries still compare favourably with foreign banks. Compared with other ESCWA countries, Egyptian banks are considered undercapitalized with a ratio of just around 2.5 per cent on average over the last seven years (table 8). The

Table 7

Capital assets ratio of commercial banks in the ESCWA region, 1973-1986

(Percentage)

	1973	1975	1978	1980	1981	1982	1983	1984	1985	1986
GCC countries										
Bahrain a/	2.36	3.51	4.72	6.53	11.4	11.20	9.86	11.52	16.28	
Kuwait a/	8.87	12.75	6.66	5.96	5.41	6.31	6.65	8.59	9.35	9.26
Oman b/	---	---	---	4.64	5.26	5.32	6.93	7.03	7.41	8.24
Qatar	10.48	10.43	5.60	8.44	6.33	6.95	8.34	8.34	8.10	9.29
Saudi Arabia a/	4.15	4.32	3.25	5.59	5.23	5.74	7.14	7.67	8.50	---
United Arab Emirates a/	3.42	2.68	9.91	10.63	12.48	13.90	14.53	13.12	14.6	---
Other diversified economies										
Egypt	0.76	0.45	0.77	1.17	1.24	1.49	1.50	1.46	---	---
Iraq c/	---	---	1.57	0.87	0.94	0.87	0.72	0.56	0.48	---
Iraq a/ (with reserves)	---	---	4.24	4.61	4.66	5.30	4.83	4.35	4.47	---
Jordan d/	4.23	4.85	6.76	5.16	4.72	5.28	4.40	3.90	4.21	3.92
Lebanon d/	4.51	4.08	3.34	3.17	3.15	3.50	3.79	3.38	2.34	0.92
Syrian Arab Republic a/	6.04	3.75	3.64	2.98	3.14	2.95	2.73	2.90	2.68	---
Yemen a/	8.42	3.90	9.48	12.51	12.73	11.69	9.58	4.84	5.10	---

Source: Calculated from consolidated balance sheets of commercial banks in ESCWA countries, (annexed tables A.10-A.22).

a/ Capital and reserves ratio.

b/ Capital and reserves and retained earnings.

c/ Authorized and paid-up capital.

d/ The 1986 declining ratios for both Jordan and Lebanon are the result of greater increases in assets than in capital.

slow-down of economic activities in Egypt implied by the sharp drop in most of Egypt's foreign income sources, such as oil export and workers' remittances, has hit strongly the country's market businesses and opportunities and evolved into a notable decrease of banks' deposits in absolute terms, and in a more than 40 per cent rise in the ratio of non-performing loans in total outstanding loans. The 1986 rise of over 63 per cent in the ratio of bank capital/bank deposits is attributed to the larger drop in growth rate of bank deposits rather than to the growth rate of bank capital.

Table 8

Bank capital as a percentage of bank deposits in ESCWA countries, 1980-1986

	1980	1981	1982	1983	1984	1985	1986
GCC countries							
Bahrain	7.7	8.6	15.9	15.6	13.2	15.2	16.3
Kuwait	12.1	11.0	13.6	15.1	18.1	18.6	19.3
Oman	7.4	10.3	13.0	13.9	14.2	14.9	15.8
Qatar	11.1	8.1	8.0	10.9	11.0	10.6	11.2
Saudi Arabia	7.5	6.9	8.0	9.2	10.0	11.4	12.3
United Arab Emirates	21.0	27.9	31.2	31.5	25.0	27.0	31.2
Diversified economies							
Egypt	2.5	2.2	2.3	3.1	2.4	2.2	3.6
Jordan	11.3	11.0	13.1	11.9	11.5	11.3	9.0
Lebanon	4.6	4.6	4.9	5.4	4.9	4.2	4.3
Syrian Arab Republic	5.1	5.7	5.4	4.7	4.5	4.2	4.0
Yemen Arab Republic	23.8	21.9	19.2	15.1	8.0	8.3	9.2
Democratic Yemen	6.9	7.2	6.7	5.8	5.0	4.6	3.3

Source: ESCWA calculations based on national and international sources.

The best capitalized and thus best liquidity-positioned banks in any of the ESCWA non-oil-exporting countries have been the Jordanian banks with a ratio averaging over 11 per cent over the last few years.

Boosting or doubling capital and the virtual freeze on bank lending are mirrored in the disproportion of bank capital/bank credit ratio (table 9) which reflects the bonity of banks or the banks' credit-worthiness. Indeed, the ratio has increased in the banking systems of all ESCWA countries, thus reflecting the conservative policy adopted by these systems to accommodate bad debts and the decline in banks' lending opportunities.

Table 9

Bank capital as a percentage of bank credit
in ESCWA countries, 1980-1986

	1980	1981	1982	1983	1984	1985	1986
GCC countries							
Bahrain	9.2	13.5	21.4	21.8	18.0	24.8	26.3
Kuwait	12.6	18.8	13.4	14.0	16.3	16.8	19.2
Oman	8.2	13.7	18.4	18.6	19.0	16.9	17.3
Qatar	15.2	12.7	12.6	14.2	19.1	17.5	19.6
Saudi Arabia	11.1	12.9	15.6	16.6	18.8	21.6	25.3
United Arab Emirates	19.1	24.8	28.9	29.2	29.5	31.1	33.6
Diversified economies							
Egypt	3.2	4.6	4.9	3.1	3.3	2.6	3.7
Jordan	12.8	11.9	13.9	12.3	11.4	11.6	13.3
Lebanon	6.4	6.5	5.9	6.2	5.8	5.7	---
Syrian Arab Republic	3.3	3.4	3.8	3.7	4.4	---	---
Yemen Arab Republic	23.5	26.2	24.3	23.7	13.6	14.1	16.3
Democratic Yemen	9.3	10.2	12.2	13.3	11.7	---	---

Source : ESCWA calculations based on national and international sources.

Bank capital = Capital and reserves
Bank credit = Claims of commercial banks on private and public sector

Rather than deterring expansion outside the region, the constraints in domestic banking markets gave a new impetus to ESCWA Arab banks, particularly the Gulf banks, to seek foreign banking markets. In consequence of this, net foreign assets of banks of almost all ESCWA countries increased considerably in the lean year 1986 (table 10).

Foreign assets of these banks have also increased in relation to total assets. Although much of the increase in foreign assets was registered in the early 1980s in the wake of internationalization of Arab banks and when returns were significantly high on US dollar-denominated assets, the continued rise of foreign assets in the last few years, and especially in 1986, indicates the further decline of domestic bank market opportunities.

Actually, domestic markets, particularly those of the Gulf countries - which are narrow markets by nature as they are limited to trade (i.e., import), construction and speculation in real estate - and which constitute the main domestic bank credit markets, have been hard hit by the drop in oil revenues and the corresponding cut in government expenditures. This has left the banks with no choice but to extend business to outside the region.

Table 10

Net foreign assets of commercial banks in ESCWA countries, 1981-1986
(Millions of local currencies)

	1981	1982	1983	1984	1985	1986
GCC countries						
Bahrain	220.28	232.86	320.16	330.83	459.14	543.00
Kuwait	983.20	725.60	750.80	946.90	864.30	965.10
Oman	76.00	99.40	191.90	220.90	149.10	99.4
Qatar	3,656.20	3,732.50	2,721.10	5,430.60	6,086.50	5,784.00
Saudi Arabia a/	44.29	55.03	55.58	59.27	60.28	65.29 b/
United Arab Emirates	6,503.00	8,512.00	10,346.00	23,619.00	24,403.00	26,242.00 c/
Diversified economies						
Egypt	706.00	1,641.00	1,946.00	1,487.00	1,774.00	2,675.00
Jordan	55.87	54.31	57.66	14.93	47.34	55.110
Lebanon	12,681.00	,7,289.00	9,228.00	13,847.00	24,937.00 d/	81,567.00 e/
Syrian Arab Republic	-2,228.00	-1,669.00	-2,927.00	-3,089.00	-3,337.00	---
Yemen Arab Republic	488.70	729.00	803.10	721.40	256.00	632.00
Democratic Yemen	18.81	15.53	8.14	-12.86	-18.37	---

Source: IMF, International Financial Statistics.

a/ Billions of Saudi Arabian riyals.

b/ Third quarter, 1986.

c/ Second quarter, 1986.

d/ First quarter, 1985.

e/ Third quarter, 1986.

The better managed banks in the ESCWA region have taken advantage of the decline in domestic bank market opportunities to pay more attention to cost cutting and staff efficiency, the introduction of more sophisticated electronic banking, improved management, tightened loan analysis and more innovative retail banking services. It remains to be seen whether these measures, initiatives and series of changes undertaken by the monetary authorities of some ESCWA countries can turn the present unfavourable trend towards a favourable one.

Table 11

Bank deposits as a percentage of GDP in ESCWA countries, (1980-1986)

	1980	1981	1982	1983	1984	1985	1986a/
GCC countries							
Bahrain	60.7	71.4	54.0	55.0	57.0	55.1	60.2
Kuwait	65.0	55.5	56.8	64.8	78.9	71.1	92.1
Oman	35.2	38.1	28.0	23.5	31.3	29.8	54.6
Qatar	32.2	33.1	27.4	25.0	30.2	54.0	75.0
Saudi Arabia	24.5	32.2	25.3	20.2	29.3	33.2	78.6
United Arab Emirates	41.5	37.6	31.4	30.4	42.7	49.9	89.3
Diversified economies							
Egypt	69.9	77.8	82.4	80.5	91.2	92.3	106.9
Jordan	106.8	110.8	100.0	98.7	91.8	100.2	105.6
Lebanon	288.3	327.8	312.7	340.1	567.7	---	---
Syrian Arab Republic	37.7	41.1	36.7	36.4	38.7	40.7	48.3
Yemen Arab Republic	27.8	27.6	29.3	35.9	44.6	49.4	58.3
Democratic Yemen	72.6	76.9	88.7	93.5	95.6	57.2	107.6

Source: ESCWA calculations based on IMF International Financial Statistics, "Unified Arab Economic Reports" (Arabic only) and other national and international banking sources.

a/ Preliminary estimates.

III. PROBLEMS OF DOMESTIC BANKING CREDIT

The domestic credit problems facing commercial banks in the ESCWA region are attributed to the following implications of bank credit business:

A. Credit demand (borrowing)

Credit demand increased considerably during the oil boom period of the 1970s and early 1980s. It was strongly anticipated by governments and government-associated organizations and enterprises (in the following, referred to as "government") as well as by the private sector.

However, credit demand by government, particularly in ESCWA diversified countries, was mostly in the form of borrowing in the "capital markets" by issuing development bonds and/or treasury bills.

During the oil-boom period, governments of ESCWA countries, particularly those with diversified economies, enjoyed a good credit rating and therefore easy access to the domestic capital markets when circumstances permitted.

In recent years, however, debt repayment by many of these governments could not be made owing to the declining opportunities of foreign exchange generation. Consequently, debt repayment has been undergoing a year-to-year rescheduling. Regarding bank credit to the private sector, the situation has been different though not better: collaterals for personal credits, particularly those given to bank directors and major shareholders, were either overvalued, insufficient or did not exist at all, as many credits were given on the basis of name rather than balance sheet.

In addition, corporate lending for project financing was often made on the basis of imaginary projects or projects not associated with proper financial accounting. In many cases, loans were made to projects with fictive accounting made for the purpose of tax evation or the use of undeclared assets as collaterals for borrowing in "irregular" markets.

B. Credit supply (lending)

The problems associated with credit supply are attributed to failures of bank credit management - prior, during and after arrangement of credit. The failures have been particularly obvious at newly established banks set up in the 1970s and early 1980s. These banks form the majority of banks in the region.

The pushing by these banks to get into the markets for the sole purpose of gaining a foothold, without equipping themselves with qualified professionals in credit management, has contributed to these failures. The following issues reflect the problems associated with bank credit supply:

- Insufficient examination of project feasibility studies, if any;

- Insufficient efforts undertaken by banks to follow-up predetermined use of credit;

- Relaxed banking supervision and regulations regarding personal credit;

- Unqualified control of banks' lending practices by monetary authorities;

- Insufficient testing of credit-worthiness of borrowers.

C. Factors affecting banking operations in ESCWA countries

The decline in oil revenues of ESCWA oil-exporting countries and the drop in spill overs to ESCWA diversified economies resulted in a cut in government expenditures and a retrenchment in business activities. Although the sharp fall in oil prices started in late 1985, several governments started to implement rationalization measures early in 1984, owing to their inability to maintain expenditure increases of about 15 to 20 per cent a year (table 12). The cut in government expenditures, which are the main catalyst in the economy, affected most of the sectors in which banks were operating and caused a drop in demand for credit to these sectors (table 13).

The cut in government expenditures came at a time when the infrastructure of the economy, particularly of ESCWA Gulf countries, was nearly completed. As a result, the maturing Gulf economies were moving away from the public sector projects to industrial and agricultural sectors. This meant that the banks started to experience a shift in the borrowing needs in the economy (table 13).

The dependence of export activities of ESCWA countries on the sale of a limited number of goods, mostly raw materials, whose sale prices and volumes are largely affected by developments in foreign markets, makes economic activities and consequently banking activities vulnerable to these developments. The economic recession in the ESCWA region which started in 1982/1983 has led to a decrease in the import business of this region and consequently to a drop in a major area of activities of commercial banks, namely import financing, as reflected in the drop in contra accounts in balance sheets of these banks (annexed tables A.10 and A.22).

The economic interdependence between ESCWA countries and the outside world also makes difficult the competitive position of the few semi-finished goods produced by these countries, as the countries increasingly turn to the import of finished goods. These and other problems have contributed to the slow-down in economic activities in the region and affected the cash flow position of the private sector, thus contributing to exacerbating the problem of non-performing loans of the banks.

In ESCWA Gulf countries, however, the issue of non-performing loans has been greatly aggravated by the exorbitant amounts of personal loans and the sharp decline in market value of collaterals given to the banks as loan guarantees.

Actually, the market value of these collaterals, particularly buildings, depends largely on the level of their turnover, which in turn depends on the occupancy rate made possible by expatriates. With the economic slow-down in these countries and the consequent decline in the number of expatriates occupying these buildings, turnover of the buildings and thus their market value as collaterals dropped sharply.

Table 12

Government revenues and expenditures in the ESCWA region, 1981-1987*
(millions of national currency units)

	1981	1982	1983	1984	1985[a]	1986[b]	1987[b]
GCC countries							
Bahrain							
Total revenues	540.6	556.1	484.8	548.8	533.2	550.0	560.0
-Oil	399.2	401.9	328.6	355.4	375.0	335.0	346.0
-Non-oil (of which)	141.4	154.2	108.5	118.4	118.8	215.0	214.0
-grants and loans	62.2	57.7	47.7	75.0	39.4		
Total expenditures	472.6	532.2	535.2	538.6	508.5	550.0	560.0
-Current	298.3	309.9	313.2	325.6	344.2	358.0	364.0
-Development	174.3	222.3	222.0	213.0	164.3	192.0	196.0
Kuwait[c]							
-Total revenues	6,403.2	4,349.2	4,223.7	4,439.2	3,884.2	3,105.0	1,912.7
-Oil	4,434.2	2,764.1	2,334.6	2,923.6	2,493.7	2,801.9	1,656.6
-Non-oil	225.1	221.1	232.0	227.0	236.5	303.1	256.7
-Investment income	1,743.9	1,364.0	1,657.1	1,288.6	1,154.0	---	---
Total expenditures	3,377.9	3,783.0	3,732.0	3,660.3	3,383.5	3,420.5	3,052.9
-Current	2,493.8	2,675.4	2,850.2	2,682.8	2,491.1	2,349.0	---
-Development	492.3	658.4	661.9	750.2	756.4	921.5	---
-Land purchase	391.8	449.2	219.9	227.3	136.0	150.0	---
Oman							
Total revenues	1,362.7	1,231.8	1,467.4	1,564.2	1,693.0	1,813.0	---
Internal revenues	1,262.2	1,175.4	1,253.9	1,340.7	1,559.8	1,653.6	1,335.0
-Oil	1,125.9	1,057.9	1,108.3	1,132.7	1,307.5	1,409.0	1,080.0
-Non-oil	136.3	117.5	145.6	208.0	252.3	244.0	---
-Grants and loans (net)	100.4	56.4	213.5	223.5	133.2	160.0	---
-Total expenditures	1,174.3	1,364.4	1,488.3	1,700.1	1,953.0	1,869.0	1,616.0
-Current	856.9	969.2	1,111.3	1,235.4	1,419.4	1,322.0	1,179.0
-Development	317.4	395.2	377.0	464.7	533.6	547.0	431.0
Qatar[d]							
-Total revenues	19,123.0	17,103.0	14,961.0	12,849.0	11,238.0	10,124.0[a]	---
-Oil	---	---	12,688.0	---	---	---	---
-Non-oil	---	---	2,273.0	---	---	---	---
Total expenditures	12,840.0	14,261.0	13,780.0	12,518.0	12,341.0	11,429.0[a]	---
-Current	9,387.0	10,581	10,038.0	9,457.0	10,311.0	9,479.0	---
-Development	3,453.0	3,680	3,742.0	3,061.0	2,030.0	1,950.0	---
Saudi Arabia[e]							
-Total revenues	348,119.0	368,006.0	246,180.0	206,418.0	171,510.0	111,200.0[a]	117,300.0
-Oil	319,305.0	328,594.0	186,006.0	145,123.0	119,000.0	61,200.0	65,200.0
-Non-oil and investment income	28,814.0	39,412.0	60,176.0	61,294.0	52,510.0	50,000.0	52,100.0
Total expenditures	236,570.0	284,648.0	244,910.0	230,190.0	216,363.0	180,900.0	170,000.0
-Current	65,147.0	82,723.0	89,885.0	---	87,699.0	---	---
-Development	123,141.0	145,664.0	124,431.0	---	128,664.0	---	---
-Foreign Aid	24,557.0	24,286.0	13,594.0	---	---	---	---
-Transferred to specialized institutions	23,705.0	31,975.0	17,002.0	---	-	-	-

Table 12 (continued)

	1981	1982	1983	1984	1985[a]	1986[b]	1987[b]
United Arab Emirates (federal)							
Total revenues	23,193.7	16,100.4	13,807.6	12,826.3	11,182.0	12,837.0	---
-Emirates contribution	22,164.8	15,616.6	13,088.2	11,525.0	10,138.0	11,808.0	---
-Other revenues	578.9	483.9	719.4	1,300.7	10,440.0	1,029.0	---
Total expenditures	20,633.6	19,979.8	16,310.3	15,669.2	13,444.0	14,023.8	---
-Current	17,682.6	17,648.2	14,737.4	14,826.6	12,816.0	13,313.8	---
-Development	1,345.4	1,630.6	1,286.0	740.5	564.0	595.0	---
-Equity participation	1,605.6	700.9	286.9	102.1	64.0	115.0	---
Diversified economies							
-Egypt[c]							
Total revenues	---	7,890.0	8,693.0	11,197.0[b]	12,877.0[b]	15,010.0[b]	14,386.0[b]
-Tax	---	5,480.0	5,924.0	6,916.0	---	9,075.6	9,126.3
-Non-tax	---	2,410.0	2,769.0	30,580.0	---	5,934.4	5,259.7
Total expenditures	---	11,416.0	13,538.0	16,209.0[b]	18,277.0[b]	19,910.0[b]	20,001.0[b]
-Current	---	7,148.0	8,754.0	11,114.0	13,412.0	14,480.0	12,535.0
-Development	---	4,268.0	4,784.0	5,095.0	4,865.0	5,430.0	7,466.0
-Invest. budget	---	3,112.0	3,101.0	3,594.0	---	---	---
-Capital transfers	---	1,156.0	1,683.6	1,501.0	---	---	--
Jordan							
Total revenues	598.5	627.2	676.7	666.8	842.4	886.0	979.0
Total local revenues	309.2	362.0	400.0	413.0	434.5	497.9	586.0
-Tax	233.0	263.1	293.6	305.9	327.6	---	---
-Non-tax	76.2	98.9	106.4	122.2	106.8	---	..
-Grants and Loans	282.0	264.9	273.8	252.5	408.0	388.1	393.1
Total expenditures	647.1	693.6	765.3	729.4	818.8	923.7	1018.7
-Current	391.5	443.0	453.7	485.2	542.0	563.8	585.1
-Development	255.6	250.6	251.6	244.2	276.8	359.9	433.6
Lebanon[b]							
Total revenues	3,255.0	3,024.6	5,080.0	7,032.0	11,020.0	12,712.0	15,750.0
-Tax	790.0	935.0	---	---	---	---	---
-Non-tax	2,465.0	2,089.0	---	---	---	---	---
Total expenditures	5,220.0	5,945.0	8,610.10	10,757.0	11,830.0	17,940.0	27,250.0
-Current	4,560.6	4,669.0	---	---	---	---	---
-Development	660.0	1,276.0	---	---	---	--	-
Syrian Arab Republic[b]							
Total revenues	30,480.0	33,345.0	37,253.0	41,289.0	42,984.2	43841.0	---
-Tax	5,519.6	7,947.0	9,582.0	11,867.0	10,407.0	12040.0	---
-Non-tax	24,960.4	25,398.0	27,670.1	29,422.0	32,577.2	31801.0	---
Total expenditures	30,480.6	33,345.0	37,253.0	41,289.0	42,984.2	43841.6	---
-Current	16,700.5	16,750.0	18,672.0	23,438.8	23,548.6	24507.8	---
-Development	13,779.5	16,595.0	18,581.0	17,850.2	19,435.6	19333.2	---
Least developed countries							
Democratic Yemen							
Total revenues	135.3	148.2	155.0	159.6	---	---	---
Domestic revenues	124.5	128.9	145.0	133.4	---	---	---
- Tax	88.5	90.1	99.6	94.8	---	---	---
- Non-tax	36.0	38.8	45.4	38.6	---	---	---
Foreign grants	10.8	19.3	10.0	26.2	---	---	---
Total expenditures	230.6	259.2	294.0	299.2	---	---	---
- Current	139.5	138.5	156.6	167.1	---	---	---
- Development	91.2	120.8	138.0	132.1	---	---	---
- Others	22.6	-6.7	21.0	---	---	---	---

Table 12 (continued)

	1981	1982	1983	1984	1985a/	1986b/	1987b/
Yemen							
Total revenues	--	5,455.6	5,562.6	5,145.5	6,216.7	7,179.0	8,000.0
-Tax	---	3,048.9	3,698.4	3,898.7	4,519.3	---	---
-Other	---	2,406.7	1,864.2	1,246.8	1,697.4	---	---
Total expenditure	---	9,119.3	9,276.9	9,166.2	10,635.7	9,944.0	11,833
-Current	---	3,906.5	2,975.9	3,022.4	3,760.5	---	---
-Development	---	3,182.5	2,007.4	1,688.7	3,038.5	---	---
-Unclassified	---	2,030.4	4,293.5	4,455.1	3,836.7	---	---

Source: Economic and Social Commission for Western Asia (ESCWA), based on national and international sources.

* Excluding Iraq because of lack of data; revenues and expenditures are actual figures except where mentioned.

a/ Provisional/preliminary

b/ Budget estimates.

c/ Fiscal year ending 30 June.

d/ A.H. fiscal year; 1981 and 1982 figures correspond to calendar years; 1983 corresponds to A.H. 1402/03 fiscal year and so on.

e/ A.H. fiscal year. 1987 fiscal year was changed to start as of the 10th of the Zodiac month of Capricorn, corresponding to 31 December 1986.

Furthermore, the market value of these collaterals, particularly buildings, depends largely on the level of their turnover, which in turn depends on the occupancy rate made possible by expatriates. With the economic slow-down in these countries and the consequent decline in the number of expatriates occupying these buildings, turnover of the buildings and thus their market value as collaterals dropped sharply.

On the other hand, the limiting of trade in collaterals to nationals of the countries concerned has further narrowed their markets and made difficult their selling, thus further reducing their values.

The development of market value of other collaterals such as "commercial papers" which consist mainly of trust receipts and promissory notes has not been much better, since valuation of these papers depends, more or less, on the credit-worthiness of the borrower, which in the last few years has not been high.

Given the above factors, the following logical sequence has taken place in ESCWA countries:

(1) The increase in oil revenues led to an increase in government expenditures.

(2) The increase in government expenditures induced a domestic liquidity increase.

(3) This in turn led to a rise in the liquidity of banks, making it possible for them to meet the rising credit demand.

(4) However, the strong competition among banks led many of them to ignore good banking practices for the purpose of having a bigger share in the market, regardless of bad credit risk of borrowers.

(5) The absence of reliable information on economic development made banks over-optimistic in respect of continued high levels of government expenditures.

(6) Private individuals and companies made the same mistake in that they extended their business by increasing borrowing.

(7) However, the credit risk seems to have affected mostly smaller banks which were extending credit for the sole purpose of gaining a foothold in the market.

(8) The lack of professionals in credit management and the insufficient supervision of bank credit business by the respective authorities, have further worsened the problem.

The high domestic liquidity of the early 1980s that could not be absorbed by the limited domestic investment opportunities led to trading mainly in stocks and real estate, which resulted in raising speculation in these assets, thus leading to unrealistic increases in their prices and consequently in their face value as collaterals for bank loan guarantees.

Table 13

Distribution of commercial bank credit by type of economic activity, 1981-1986

(Percentage)

	Agriculture	Industry	Mining and quarrying	Commerce and trade	Transport and tourism	Construction	Professionals and individuals	Government	Others	Total
GCC countries										
Bahrain										
1981	0.2	9.0	---	29.4	2.8	30.1	18.0	1.6	8.9	100.0
1982	0.2	6.8	---	30.9	2.3	29.3	21.3	4.2	5.0	100.0
1983	0.2	9.7	---	27.6	1.9	31.2	20.3	4.0	5.1	100.0
1984	0.3	15.1	---	24.4	2.9	26.5	20.7	4.2	5.9	100.0
1985	0.1	14.2	---	24.8	1.7	26.6	21.7	5.1	5.8	100.0
1986	0.2	11.9	---	21.4	1.6	25.9	22.5	10.8	5.7	100.0
Kuwait										
1981	1.3	5.5	---	26.6	---	16.5	28.0	---	22.1	100.0
1982	1.1	5.0	---	24.5	---	17.3	25.6	---	26.5	100.0
1983	0.7	3.8	---	24.7	---	17.3	24.3	---	29.2	100.0
1984	0.6	3.5	---	24.1	---	16.6	25.3	---	29.9	100.0
1985	0.5	2.9	---	22.2	---	16.2	28.3	---	29.9	100.0
1986	0.4	2.5	---	21.3	---	16.2	29.1	---	30.5	100.0
Oman										
1981	0.4	1.5	1.1	54.9	1.5	16.1	15.0	0.3	9.1	100.0
1982	0.3	1.5	2.3	52.8	2.6	16.1	15.4	1.1	7.2	100.0
1983	0.2	4.3	1.6	46.9	2.2	13.5	19.1	1.9	9.2	100.0
1984	0.6	3.3	1.9	46.7	1.2	14.1	20.8	2.3	8.3	100.0
1985	0.7	3.4	1.4	40.4	1.8	16.8	18.8	8.2	8.4	100.0
1986	0.7	3.2	2.0	38.0	1.6	18.9	18.5	7.0	9.3	100.0
Qatar										
1981	---	3.3	---	47.8	3.0	16.9	12.6	10.9	5.4	100.0
1982	0.2	4.2	---	47.7	1.7	13.9	21.2	7.8	3.4	100.0
1983	---	4.0	---	41.6	1.8	13.6	27.8	6.0	5.0	100.0
1984	---	5.0	---	40.9	2.3	16.4	23.8	5.9	5.6	100.0
1985	---	4.4	---	36.2	1.5	13.6	34.9	4.5	5.0	100.0
1986	---	3.7	---	31.6	1.2	11.2	43.7	3.9	4.7	100.0
Saudi Arabia										
1981	0.7	8.8	1.7	36.9	---	21.2	3.9	---	28.4	100.0
1982	0.9	9.9	0.6	35.8	3.2	21.5	---	---	28.1	100.0
1983	1.0	9.0	0.4	35.1	6.2	22.2	---	---	26.1	100.0
1984	1.6	9.8	0.3	33.0	6.2	22.4	---	---	26.7	100.0
1985	1.7	9.9	0.7	31.0	6.8	21.4	---	---	26.9	100.0
1986	1.7	8.9	1.1	32.7	6.6	23.0	---	---	26.0	100.0
United Arab Emirates										
1981	0.3	1.5	1.5	37.5	2.7	32.4	---	7.1	12.5	100.0
1982	0.3	5.4	0.5	37.7	2.4	28.2	---	9.9	15.6	100.0
1983	0.7	5.0	1.0	37.1	2.3	27.4	---	10.7	16.1	100.1
1984	0.4	4.9	1.1	34.9	2.5	26.1	---	10.8	19.3	100.0
1985	0.2	4.4	0.9	36.8	2.0	23.5	---	21.1	18.4	100.0
1986	0.4	4.5	0.7	28.2	2.0	24.4	---	23.5	13.4	100.0

Table 13 (continued)

	Agriculture	Industry	Mining and quarrying	Commerce and trade	Transport and tourism	Construction	Professionals and individuals	Government	Others	Total
Diversified economies										
Jordan										
1981	2.7	11.4	1.0	31.3	5.4	27.9	8.4	6.2	5.7	100.0
1982	2.8	11.1	1.6	32.1	6.0	24.4	7.8	7.3	6.8	100.0
1983	2.5	11.5	2.0	26.8	7.4	26.3	10.5	6.4	6.6	100.0
1984	2.2	12.0	2.3	25.0	6.9	27.4	10.2	7.2	6.8	100.0
1985	2.1	12.3	2.5	24.2	7.4	26.0	10.0	9.2	6.3	100.0
1986	2.4	12.7	3.2	24.3	6.2	25.3	9.8	10.2	5.9	100.0
Lebanon										
1981	2.6	17.0	---	54.1	---	11.2	---	---	15.0	100.0
1982	2.8	17.1	---	52.4	---	11.9	---	---	15.7	100.0
1983	2.1	15.8	---	49.8	---	12.8	---	---	19.5	100.0
1984	2.2	15.7	---	51.0	---	12.6	---	---	18.6	100.0
1985	1.7	13.8	---	47.8	---	12.7	---	---	24.1	100.0
1986	1.5	10.6	---	52.8	---	9.3	---	---	25.9	100.0
Syrian Arab Republic										
1981	4.1	43.2	---	43.3	---	8.5	---	---	0.9	100.0
1982	3.6	44.7	---	39.4	---	11.3	---	---	0.9	100.0
1983	3.8	34.7	---	48.4	---	12.1	---	---	1.0	100.0
1984	5.1	27.2	---	50.9	---	15.4	---	---	1.5	100.0
1985	6.7	15.8	---	57.2	---	18.2	---	---	2.1	100.0
1986	---	---	---	---	---	---	---	---	---	---
Egypt	Agriculture	Industry	Commerce	Services	Other	Total				
1981										
1982										
1983	2.4	34.2	40.7	16.0	6.6	100.0				
1984	2.7	32.8	38.3	16.8	9.4	100.0				
1985	2.5	31.3	38.6	17.1	10.4	100.0				
1986	2.7	33.3	36.5	19.8	7.7	100.0				

Source: ESCWA, Review of Fiscal, Monetary and Banking Developments, 1985.

Note: CB = Central Bank

With the recession of 1982/1983 and the subsequent sharp depreciation in the values of these collaterals, banks became confronted with assets of values far below the face value of their loans. The deteriorating cash flow position of the borrowers made them unable to come to terms with their loan repayment obligations.

The attempts of some banks to cash their credits by selling depreciated assets on the market has only further depreciated the banks' loan portfolios, for the volume of these assets was too big to be absorbed by the market on "reasonable" terms. Thus, the value of the assets has dropped further.

In some ESCWA Gulf countries, the issue of non-performing loans has been further worsened by the absence of a legal code. The debtors' ability to hide behind Islamic codes of banking and finance has been exacerbated by the authorities' reluctance to rule on the question.

These credit problems indicate, however, that causes of domestic non-performing loans, though different in nature, have one thing in common: failures of bank credit management and policy.

The sharp drop in oil revenues has brought, particularly in the Gulf countries, previously ignored issues to the surface, most prominent among which are proper bank credit policy, qualified bank internal revision, proper banking supervision and basic business infrastructure and, last but not least, proper banking legal codes.

During the oil-boom period, the high bank liquidity and the founding fever of new banks did not allow the banks enough time to set up professional and qualified cadres that could proceed with a properly organized credit management, nor - it seems - were the banks willing to scrutinize lending to customers, mainly because of the prevailing fierce competition among banks.

However, although most of the banks were equipped with some written forms of credit policy, procedures, rules, regulations and norms, the structure of their portfolios was not made flexible enough to respond quickly to changes in lending and investment markets. Moreover, credit policy was not established or organized in the light of available financial resources and management cadres, nor did it take into account current and prospective banking services to the community. While banks are usually supposed to set up proper structures of organization for an effective credit management with built-in mechanisms for the ultimate objective of avoiding non-performing loans, in their lending policies banks in ESCWA countries, particularly the Gulf countries, have in many cases ignored these principles and provided exorbitant loans to bank directors and major shareholders or people of political and social influence against overvalued or no collaterals at all. In other words, they gave priority to lending profit rather than lending risk.

However, the absence of proper bank internal revision has not been less aggravating in contributing to the evolving of non-performing loans than the relaxed credit policy. In taking for granted continued huge oil revenues and therefore opulent liquidity in the economy, many Arab banks in the region did not consider seriously setting up a proper system of internal bank revision for credit arrangements, that would have enabled them - through built-in early warning systems - to detect, in time, any deterioration in credit-worthiness of borrowers, so as to undertake adequate measures to prevent loans becoming non-performing. With proper bank internal revision, Arab banks would have been able to classify credits according to development in credit risk rating of borrowers, so as to make respective loan provisions.

Central banks and monetary authorities, aware of the relaxed bank credit business of commercial banks, have set up some reserve ratios and liquidity and loan to equity ratios. In addition to the failure of these authorities to encourage setting up some kind of "credit information agencies" to supply banks with necessary information on borrowers, the fierce competition among banks in the credit market has enabled risk borrowers to obtain more than one loan at more than one bank with the same collateral.

IV. ISLAMIC BANKING

A new system of banks, investment companies and finance houses and other similar institutions operating on the basis of profit-sharing, mark-up sales and equity participation1/ has taken shape not just in the ESCWA region, but also around the world during the last 10 to 12 years.

Since the establishment of the Dubai Islamic Bank and the Jeddah-based multinational Islamic Development Bank in the mid-1970s, more than 100 Islamic banking, investment and finance institutions have opened doors for business around the world. Although most of these banks are in the Arab world and owned by Arabs, Islamic banks have been established in South Africa, China, Denmark, the United States, India, Luxembourg, Bangladesh, Indonesia, Thailand, Pakistan, Iran, Niger, Nigeria, Senegal, Guinea, Malaysia and Brazil. There are also two multinational conglomerates, the Al-Baraka Group and the Dar Al-Mal Al-Islami, each with a balance sheet of more than $2 billion and branches or subsidiaries in over a dozen of countries.

The Islamic banks have attracted deposits of more than $13 billion and have experienced fast growth rates that in many cases were deliberately slowed down by management for lack of sufficient investment outlets for existing deposits.

Actually, retail deposits rushed into Islamic banks much faster than had been anticipated by even the most fervent bank managers. One reason was that Islamic banks attracted the funds of Moslems who refused to use the interest-paying commercial banks. These Moslems did so because of personal religious convictions.

Islamic banks that have opened for business since the mid-1970s have had largely to break new ground in developing financial services that comply with the Islamic prohibition on interest payments. Islam dictates that capital should earn a profit only if it is invested in productive ventures or in the provision of tangible services involving human efforts and an element of risk. Money has no interest value in itself, but is only a store of value and a means of exchange, so it should not be allowed to earn more money simply by being deposited idly in a bank.

The Islamic banks' performance has closely followed economic trends in the region, rising sharply during the boom of the mid-1970s and early 1980s, and then dipping since 1982/1983 with the regional recession.

Islamic banks have proved that Islamic banking and financing principles can be applied profitably to modern banking practices, having attracted substantial deposits to invest in or create productive ventures across all economic sectors, and have paid depositors and shareholders reasonable profits.

1/ See Economic and Social Commission for Western Asia, Growth of Development Finance Institutions and Financial Resource Needs of Selected ESCWA Countries, (E/ESCWA/DPD/86/6), "Islamic banking and financing principles", pp. 38-40.

Between 1980 and 1986, for example, the Jordan Islamic Bank's gross average return on deposits ranged between 5.4 per cent and 8.2 per cent. Faisal Islamic Bank of Egypt has paid depositors an average of 9 per cent in the last few years. Qatar Islamic Bank has paid depositors between 4.4 per cent and 8 per cent while shareholders reaped 8 per cent and 10 per cent dividends in the past two years, respectively. Kuwait Finance House (KFH) paid depositors slightly less, namely between 2.7 per cent and 4 per cent in 1985, reflecting the more depressed Kuwaiti economy. In 1984, KFH, like many other Kuwaiti banks that suffered from the drop in stocks and real estate values, paid no dividends and instead ploughed its profits back into provisions and reserves.

Most Islamic banks are flush with deposits but are unable to find enough profitable investments, leaving them with high liquidity ratios of 40 to 60 per cent and no interbank market to fall back on. Several of the major ones, including the Al-Baraka Group and the Islamic Development Bank, are trying to create mechanisms by which liquid banks and investors could buy and sell negotiable securities and certificates of shares in Islamic funds, which would provide a short-term outlet for excess funds and serve to channel excess capital into viable investments.

In the last few years, however, Islamic banks and interest-paying commercial banks have devised means of working together according to criteria that satisfy the moral and commercial dictates of both. Islamic banks are off-loading substantial funds - estimated at nearly $5 billion a year - to commercial banks, which in turn invest them according to guidelines established jointly with Islamic banks. These guidelines prohibit investments in fixed interest securities or deposits, or in firms dealing with alcohol, gambling and similar things prohibited by Islam. In practice, commercial banks invest most of the 3 to 12-month funds in short-term commodities or trade deals and split the profit with Islamic banks. Both sides benefit from the arrangement, which provides a vital outlet for excess funds until Islamic bankers can devise the equivalent of an interbank or negotiable securities-based capital market to absorb short-term excess liquidity or provide capital where it is needed but not available.

Islamic banks also fund equity portfolios devised for them by Western banks, based on shares of designated companies whose activities do not contravene Islamic religious dictates. Such co-operation between Islamic banks and interest-paying banks is increasing, and suggests that in the long term the two systems can work together profitably.

V. DEVELOPMENTS IN THE INTERNATIONAL BANKING MARKETS

Lending in the international banking markets is moving gradually from traditional bank loans to securities, and from sovereign risk lending towards project finance.

Bank loan terms such as interest rate, maturity and exposure are separated and unbundled and becoming tradable. Banks are changing their character; they are going from being mere risk-takers and assets managers extending loans, to becoming underwriters, investors, securities traders, fund managers, brokers and advisors.

The securitization of the banking industry coincided with the decline of sovereign lending to developing countries, owing mainly to the world debt problems and the deregulation of the international financial markets worldwide.

The 1986 "Big Bang" in the London Stock Exchange and the changes in the Federal Republic of Germany bond market where foreign banks have been allowed, for the first time, to underwrite DM-bond issues, are a manifestation of this deregulation, as is the waning distinction between commercial banks and securities houses in the United States. The dominance of the securities market means that members of the international financial community are starting to think in global terms and to become securities conscious. It should be noted that the main beneficiaries of this trend towards securitization - and away from loans - are the developed countries with their (more) sophisticated capital markets.

However, the securitization of markets tempts banks to direct more attention to their domestic markets as most issuers of securities are domestically located. Consequently, some banks have reduced on-balance sheet operations (i.e., bank loans and interbank business) to raise capital/assets ratios since the securities business is an off-balance sheet business.

The development in the international financial markets makes it clear that the trend is driving many leading international banks away from traditional Eurolending and lending to the developing countries. This withdrawal into the securitized club of the rich also reflects the increasing desire of these institutions to reduce exposure outside their own countries. Apart from a few truly international banks, most banks, after the Latin American debt crisis, decided to look inward rather than outward. This means simply that fewer and fewer banks are interested in taking Middle East risks - or, indeed, any foreign risk - on to their books. As a result, much needed lending to the region is diminishing rapidly. (table 14).

However, margins in the Euromarkets for the credit-worthy borrowers are becoming increasingly thin, and liquidity in the form of ready flow of interbank deposits is far less abundant than in the past. International banks have been rethinking their business strategies to depend more on off-balance sheet fees as the main source of income rather than spread lending. They are shifting emphasis away from commercial banking into investment banking and financial services.

Table 14

Volume of loans and NIFs to Arab countries, 1984-1987

(Million dollars)

	1984	1985	1986	1987 June
Algeria	690.8	834.0	1,234.1	163.4
Bahrain	24.6	125.0	110.4	75.0
Egypt	196.8	149.7	11.4	---
Iraq	256.6	832.6	---	---
Jordan	307.9	639.0	20.0	184.0
Kuwait	474.6	153.0	50.0	---
Lebanon	---	---	---	---
Morocco	227.5	133.4	---	50.0
Oman	190.5	400.0	500.0	---
Qatar	---	---	100.0	---
Saudi Arabia	1,391.9	951.3	176.1	---
Syrian Arab Republic	57.5	90.0	---	---
Tunisia	133.8	218.7	164.7	---
United Arab Emirates	321.0	266.8	650.0	---
Yemen Arab Republic	7.8	16.0	50.0	---
Total	4281.3	4809.5	3081.6	472.4

Source: Middle East Economic Digest (MEED), 18 July 1987.

In the new era of international finance, institutional investors (pension funds, insurance companies and others) are withdrawing deposits from banks to earn more by investing them in securities. Sophisticated borrowers are letting their bank loans expire and turning instead to the capital markets for cheaper funding opportunities. They no longer need to draw on traditional commercial bank services in raising funds. They can do this directly from investors by issuing notes and financial facilities whereby the banks' role would be limited to that of intermediaries.

"Dis-intermediation" is another development in the international financial markets. This development has further led to the demise of commercial bank syndicated lending and has made possible an increased rate for investment banking in terms of underwriting, trading and positioning risk variables that used to be associated with commercial bank loans.

The securitization of assets is altering the role of banks. The ability to package securities to meet the changing needs of potential borrowers, and to sell and maintain markets in these securities, diminishes the role of banks as lenders and minimizes the distinction between banks and securities houses. This in turn undermines the process of evaluating credit risk and requires banks to adjust their management structure and methods of risk control to adapt to the new market instruments.

The standard analysis of the borrower's financial condition is no longer sufficient. With an increasing portion of bank assets being tradable in the marketplace, much of what was previously credit risk has now become transformed, through the process of securitization, into market risk. Movements of financial markets will, therefore have an immediate impact on the bank balance sheet.

Seen from the other side of the spectrum, borrowers, i.e., corporate treasurers, are revising their relationships with the banks, which, in the end-effect, are losing clients to the new market products. This development means that the clients' loyalty is vanishing, and all that counts in the international financial markets is cost-effectiveness, i.e., the ability of banks to provide corporate treasurers with competitive rates to get business.

In an era of securitization, banks with sufficient trading expertise, and the capacity to understand and manage market risk, as well as the traditional credit risk, would be able to produce the new types of unbundled and innovative financial products at the lowest costs.

The above-mentioned structural developments in the international financial markets have been stimulated by the following policy measures implemented by monetary and financial authorities of major developed countries during the last decade:

First, freeing capital flows through removal of exchange restrictions and thus allowing borrowers to seek competitive and convenient sources of finance;

Secondly, removing of restrictions on foreign borrowers seeking to borrow in the national currency and/or in the national capital markets;

Thirdly, freeing interest rate payments to non-residents from withholding taxes, which has increased the interest of foreign investors in these markets;

Fourthly, liberalizing laws that restricted foreign banks from establishing themselves in these countries;

Fifthly, innovation of financial instruments and the rapid diffusion of information, thus encouraging accommodation of these instruments;

Sixthly, the movement of capital through computer technology and the direct availability of information to anybody with access to a computer, has greatly facilitated the internationalization of financial markets and led to a 24-hour day trading in these markets.

Table 15

<u>Aggregate international financial market activity by market sectors and borrowers, 1981-1986</u>
($billion)

Market sector / Borrowers	United States	Japan	Other industrial countries a/	Other developed countries	Eastern Europe	OPEC countries	Other countries	Other countries b/	International institutions	Total
International bond issues										
1981	7.2	4.8	19.3	1.6	-	0.3	2.9	0.2	7.7	44.0
1984	24.8	15.8	45.0	6.1	0.1	0.4	2.3	0.2	13.2	107.9
1985	40.2	20.3	66.9	9.5	0.4	0.6	5.6	1.5	18.7	163.7
1986	40.7	31.6	109.3	15.6	0.6	0.4	2.5	1.5	18.1	220.3
Syndicated bank loans c/										
1981	8.3	-	30.8	6.0	1.1	12.8	35.2	2.0	0.3	96.5
1984	3.6	0.3	8.3	4.3	2.5	3.9	13.2	0.4	0.1	36.6
1985	2.1	-	5.0	2.3	3.7	1.2	6.7	0.1	-	21.1
1986	3.8	0.3	10.6	3.6	2.0	3.5	12.9	0.7	0.4	37.8
Euronote facilities d/										
1981	-	-	-	0.5	-	-	0.5	-	-	1.0
1984	3.0	0.2	9.4	4.8	0.1	0.2	0.4	0.1	0.6	1.0
1985	16.6	0.5	20.3	9.8	0.1	-	0.6	0.4	0.8	49.5
1986	18.3	10.4	27.0	11.0	0.1	-	1.6	0.6	1.1	69.5
Total lending or new facilities										
1981	15.5	4.8	50.1	8.1	1.1	13.1	38.6	2.2	8.0	141.5
1984	31.4	16.3	62.7	15.2	2.7	4.5	15.9	0.7	13.9	163.3
1985	58.9	20.8	92.2	21.6	4.2	2.2	12.9	2.0	19.5	234.3
1986	62.8	42.3	146.9	30.2	2.7	3.9	16.4	2.8	19.6	327.6

<u>Source</u>: Bank for International Settlements (BIS).

a/ Countries reporting and contributing to BIS <u>International Banking Statistics</u>.

b/ Offshore centres plus unallocated items.

c/ Excluding existing loans newly negotiated where only spreads are changed.

d/ Covers all Euronote facilities including NIFs, RUFs and non-underwritten or uncommitted facilities/ECP programmes.

VI. INTERNATIONALIZATION OF ARAB BANKS

The evolving of Arab international banking has been a major result of the increase in Arab oil revenues. In fact, the era of internationalization of Arab banks is intimately linked to the so-called "OPEC decade" between the mid-1970s and early 1980s. This decade is often considered the era when Arab oil-exporting countries tried to make oil serve their national interests first, although a sense of injustice was aroused, in the West, viz. the use of emotional phrases such as "oil shock" and "oil weapon".

This Western point of view conveniently ignores the fact that much of the post-war reconstruction of Western Europe and Japan, and much of Western economic welfare in general, was based upon the exploitation of cheap Arab energy resources and primary commodities from other developing countries. Nor were the Arab oil-exporting countries immune from the inflationary effects of respective monetary policies in the West. As economic development in the Arab world relied to a great extent upon Western technology, much of this inflation was imported. Furthermore, the oil-induced boom experienced by the Arab countries served as a stimulus to activity in Western countries, by providing rapidly expanding markets for industrial goods and services, and by the flow of surplus funds to Western banks.

Well before the major increases in oil prices, modern banking had established itself throughout the Arab world with both local and foreign banks involved in the monetization of the economies of the region. But the entree of Arab banks into international banking business can be traced back to the 1940s when correspondent banking for conducting the business of remittances and letters of credit provided a link between the West and emerging States in the Arab world. Not until the mid-1970s, in the wake of the oil boom, did, however, the internationalization of Arab banks take place. The oil price rises ushered in a decade of internationalization of Arab banks as the oil exporters' newly acquired capital-exporting role necessitated a local presence in global financial centres.

However, some of the Arab international banks were established long before the above-mentioned rise in oil prices. It is worth mentioning that most of these banks originated in Arab non-oil exporting countries.

While a small number of Arab banks could boast an international representation before the 1970s, the numbers actively engaged in establishing branches, joint ventures, or representative offices rose dramatically during the oil-boom era. However, the response to the changing international environment came in a quite specific way: the Arab-Western consortium framework which the Arab banks thought was the answer to the growing challenge. With no customer base to follow in international financial markets and little exposure, if any, to the institutionalized framework of the world's banking industry, Arab banks saw in the consortium formula a chance to have a more assertive role in financing the booming trade and investment flows and in deploying the surplus funds, and further in gaining access to Western banking and financial technology and know-how. For the Western partners, the consortia offered a valuable entree into Arab markets and access to well-established regional connections.

However, with only a few exceptions, it seems now that the consortia experience, which once appeared to be the best formula, did not live up to expectations. The Western partners have been disappointed that their institutions failed to attract steady and/or significant flows of petro-dollars. On the Arab side, concern was voiced that reliance on Western banks was too great and that transfer of banking know-how remained quite a slow process. Moreover, there has been a general feeling that the consortia failed to play any significant role in promoting Arab economic development, particularly in non-oil Arab countries. Arab shareholders tended then to absorb their Western partners.

As already mentioned, the Arab banks' role during the oil boom era seems to have been largely limited to recycling petro-dollars and Arab funds. In fact, between the end of 1973 and mid-1985, the level of externally invested funds of Arab oil-exporting countries is estimated to have increased by about a factor of 30. While the volume of bank deposits grew in absolute terms, the share of these deposits in total investments fell from around two thirds to one third.

This implies that oil-exporters' foreign investments have become increasingly diversified and decreasingly liquid. On the other hand, during the two most liquid phases, in 1973/1974 and 1979/1980, there is no evidence that Arab international banks benefited directly from massive inflows of Arab deposits (table 16).

Growing financial interdependence provided a setting in which Arab international banks could make their mark at the international level. To this extent, Arab banks have been part of an international trend. In the process, Arab banks, like a host of other institutions, have acquired a momentum and extended their influence over an ever-broadening financial and geographical market spectrum.

In addition to the presence of foreign banks in the region, the rise of Arab banks in the international financial arena provided a sustainable financial link between the region and the Western world.

Arab banks' regional expertise and privileged access has been combined with Western banks' technical lead and international expertise. Arab banks have, therefore, helped to compensate for the limitations of Arab capital markets by forming a bridge between the region and its development finance needs on the one hand, and the international financial markets on the other. At the same time, this helped the Western banks to establish a much greater presence in the region.

The oil-boom era heralded a new stage in the international drive of Arab banks. By then, an increasing number of wholesale Arab banks - seeking to establish a foothold in major financial centres - started to set up offices abroad. This stage has been characterized by a general optimism among Arab banks about the continuation of the oil boom. In most cases no feasibility studies were carried out to identify specific weaknesses and strengths.

Table 16

Investments of oil-exporters* surpluses, 1974-1987

Table 16

Investments of oil-exporters* surpluses, 1974-1987

($US billion)

Analysis by country	1974	1975	1976	1977	1978	1979	1980	1981	1982	1983	Cumulative 1984	1985	September 1986	March 1987
United Kingdom														
Sterling bank deposits	1.7	0.2	-1.6	0.3	0.1	1.5	1.4	0.5	1.2	0.1	4.7	5.5	6.1	6.9
Government papers	3.6	-0.5	-0.9	-	-0.4	0.2	2.0	0.8	0.1	0.2	2.2	2.8	4.0	5.9
Eurocurrency deposits	13.8	4.1	5.6	3.1	-6.7	15.5	14.5	7.8	-9.2	-7.0	41.2	42.4	39.4	35.6
Other investments a/	1.9	0.5	1.3	0.6	0.1	0.2	0.2	0.2	-0.6	-0.5	5.0	5.4	7.3	9.9
TOTAL	21.0	4.3	4.4	4.0	-6.9	17.4	18.1	9.3	-8.5	-7.2	53.1	56.1	56.8	58.3
% of total investments	40.3	11.4	11.8	10.0	-38.2	31.9	19.9	17.1	-104.9	-33.8	15.7	16.4	12.7	13.1
United States														
Bank deposits	4.2	0.6	1.9	0.4	0.8	5.1	-1.3	-2.0	4.6	0.9	21.2	21.6	22.2	19.7
Treasury bills, notes, bonds	5.5	2.4	3.2	3.4	-2.4	2.1	9.6	10.5	7.3	-6.7	31.2	29.5	27.4	22.8
Other investments a/	1.8	4.9	6.0	3.5	2.0	-0.2	8.8	9.3	0.8	-3.7	31.1	28.0	26.2	27.3
TOTAL	11.5	7.9	11.1	7.3	0.4	7.0	17.1	17.8	12.7	-9.5	83.5	79.1	75.8	69.8
% of total investments	22.0	21.0	29.8	18.3	2.2	12.8	18.8	32.7	157.0	-44.6	24.8	23.2	16.9	15.7
Other industrial countries														
Bank deposits	8.9	5.0	6.1	14.1	13.1	18.5	29.7	-3.8	-8.9	-5.3	6.9	7.2	11.0	10.4
Eurocurrency deposits	-	-	-	-	-	-	-	-	-	47.5	47.7	52.0	45.2	42.4
Other investments a/	3.4	7.4	5.9	5.7	3.7	3.6	16.2	19.7	6.7	-1.6	71.3	70.0	107.8	113.0
TOTAL	12.3	12.4	12.0	19.8	16.8	22.1	45.9	15.9	-2.2	40.6	125.9	129.2	164.0	165.8
% of total investments	23.6	33.0	32.3	49.5	94.3	40.5	50.5	29.2	-27.1	59.0	37.4	38.0	36.6	37.3
IMF and IBRD	2.4	5.0	1.7	0.4	-0.3	-0.8	1.7	2.1	2.1	4.3	8.0	8.4	39.0	37.1
Bank credit to non-banks	-	1.5	1.6	1.5	1.6	0.1	1.7	2.1	0.1	2.8	8.5	10.9	12.0	12.4
placements with LDCs	4.9	6.5	6.4	7.0	6.2	8.7	6.3	7.2	3.9	1.2	14.8	14.5	59.5	59.5
Bank deposits in offshore centres	-	-	-	-	-	-	-	-	-	36.6	42.4	42.2	40.8	41.6
TOTAL IDENTIFIED INVESTMENTS	52.1	37.6	37.2	40.0	17.8	54.5	90.8	54.4	8.1	68.8	336.2	340.4	447.9	444.5
PORTFOLIO STRUCTURE														
Bank deposits	14.8	5.8	6.4	14.8	14.0	25.1	29.8	-5.3	-3.1	-8.5	32.8	34.3	39.3	37.0
Eurocurrency deposits	13.8	4.1	5.6	3.1	-6.7	15.5	14.5	7.8	-9.2	40.5	88.9	94.4	84.6	78.0
Government papers	9.1	1.9	2.3	3.4	-2.8	2.3	11.6	11.3	7.4	-6.5	33.4	32.2	31.4	28.7
Placements with LDCs	4.9	6.5	6.4	7.0	6.2	8.7	6.3	7.2	3.9	1.2	14.8	14.5	59.5	59.5
Other investments a/	7.1	12.8	13.2	9.8	5.8	3.6	25.2	29.2	6.9	-5.8	107.4	103.4	141.3	150.2
Bank credit to non-banks	-	1.5	1.6	1.5	1.5	0.1	1.7	2.1	0.1	2.8	8.5	10.9	12.0	12.4
IMF & IBRD	2.4	5.0	1.7	0.4	-0.3	-0.8	1.7	2.1	2.1	4.3	8.0	8.4	39.0	37.1
Bank deposits in offshore centres	-	-	-	-	-	-	-	-	-	36.6	42.4	42.2	40.8	41.6

Source: ESCWA calculations based on Quarterly Reports of the Bank of England and other international sources.

a/ Equities, properties and other investments.

* Including OPEC countries and non-OPEC oil-exporting LDCs.

Expansion came as a reaction to events rather than the result of pro-active planning. Depending on specific objectives of individual banks, the internationalization process materialized in a variety of forms and structures. These ranged from setting up representative offices or establishing branches to the acquisition of existing financial institutions. Whereas some banks created subsidiaries to handle their business in foreign markets, others sought to alleviate their tax burden by setting up holding companies in countries like Luxembourg, the Netherlands and other tax havens. Geography and history - namely economic and cultural ties - played a major role in the choice of the first overseas location for physical expansion. Not surprisingly, Western Europe, and particularly the United Kingdom, were the favorites. London, which drew all categories of Arab banks seeking international presence, soon became the centre of the biggest concentration of Arab banks. The consolidation of the first-generation international network in "neighbouring" Western Europe set the stage for a further expansion, first westward in North America, then eastward in the fast-growing Asia Pacific region. While still timid, the relatively recent penetration into the south is a reflection of the desire to enhance co-operation between developing nations.

VII. ARAB BANKS' INTERNATIONAL ACTIVITIES

The first questions that come to mind in considering international activities of Arab banks, are the following:

- What businesses are Arab banks geared to in the international banking markets?

- In conducting international banking business, have Arab banks been following their customers?

- Have Arab banks been able to establish a customer base in the international financial markets?

- Have Arab banks been able to adapt to the changes in the international financial markets?

- Has the Arab banks' international expansion been exaggerated?

- Has the expansion abroad been strategically planned?

- To what extent have Arab banks international activities been affected by the world debt crisis?

- Have Arab banks been able to establish a formidable power base?

This chapter will try to give answers to these questions.

Up until a year ago, the main international activities of Arab banks were in the Eurosyndicated loan markets and in financing international trade of the Arab countries.

However, the sharp drop in oil revenues - which coincided with the near completion of basic infrastructure in most ESCWA countries, especially in ESCWA Gulf countries - and the corresponding slow-down in economic activities have resulted in a substantial reduction of the ESCWA region's foreign trade and thus in trade-related banking business.

Actually, Arab banks played a major role in financing the dramatic boom in Arab imports which followed the expansion in oil revenues. From an annual aggregate average of barely $3 billion during the 1960s, total imports of Arab countries amounted to about $6 billion in the early 1970s, $31 billion in the mid-1970s, and $77 billion by the end of the decade; they peaked at about $104 billion in 1982. Arab banks, together with foreign banks, found themselves in a unique position to exploit the opportunities created by the financing of this unprecedented expansion in the flow of trade.

On the other hand, figures compiled and calculated by the Bank of England and other international banking sources, indicate that the oil countries' accumulated surpluses prior to the current recession, reached a peak of $340 billion in 1984 (table 16). These surpluses, which "jumped" from a mere $8.1 billion in 1982 to the above 1984 level owing to new calculation methods of the Bank of England, further increased to $447.9 billion in September 1986 but then dropped by around $3.5 billion to $444.5 billion at end-March 1987.

Estimations indicate that around $350 billion of these surpluses are Arab surpluses, the bulk of which are being deployed with Western financial institutions. The existence of this vast reservoir of capital surpluses for individual national development requirements led Arab private as well as institutional investors to look to the international scene for profitable investment opportunities.

A new banking formula especially tailored to the needs of Arab banks in the 1970s, that of joint-venture banks, and the rise of Arab banks were both functions of the need to recycle these surpluses. Syndicated Eurocurrency lending (i.e., the straightforward sovereign syndicated credits) became the largest international banking activity of Arab banks aside from trade financing and direct investment. This business of Arab banks flourished up until 1981 when the market (including stand-by syndications raised in connection with United States merger activities) peaked at over $133 billion (table 6). At that time Arab banks were also heavily involved in large scale syndicated performance and payment facilities connected with major economic development projects in almost every Arab country, but since then there has been a falling-off in syndicated lending and division of the market between what has been called "spontaneous" syndicated credit and "new money" loans and rescheduling.

Table 6 indicates the declining business of international syndicated lending, with total volume of $125.8 billion in 1984 falling to $117.3 billion in 1985 and to $91.0 billion in 1986, with spontaneous lending estimated for less than half of these sums.

Arab banks' syndicated lending, which reached a peak of around 11.5 per cent in total international syndicated lending in 1982 and 1983, has not been immune from this negative trend and has fallen gradually from $5.7 billion in 1984 (or 4.6 per cent of total international syndicated lending) to $4.4 billion in 1985 (3.8 per cent) and further to $3.3 billion in 1986 (3.6 per cent), (table 6).

However, overall international market activity in 1985 was about 25 per cent up on 1984, and in 1986 about 60 per cent up on 1985, and way above the early 1980s levels, with around 65 per cent of this activity in 1985 and 83 per cent in 1986 attributed to bond (i.e., securities) sectors, where the emergence of the fixed rate bonds has been as dramatic as the progress of newer instruments such as the NIFs and RUFs, many of which are arranged on a syndicated basis (table 15).

In 1977, Arab banks lead-managed only $1 billion worth of syndicated Euroloans. However, between 1978 and 1986, Arab banks' participation in Eurosyndication amounted to $48 billion, out of which some $21 billion or 45 per cent were for Arab borrowers. It should be noted that the decline of Arab banks' syndicated lending in 1986 to just $3.3 billion indicates a shift away from the Arab market, whose share dropped from over 55 per cent of total Arab banks' syndicated lending in 1985 to less then 39 per cent in 1986 (table 6). The syndicated lending, which has been a major international business of Arab banks, represents a fairly simple financial commodity that does not require professionalism or qualified expertise, neither of which was acquired by the newly established Arab banks involved in international business.

The syndicated lending spree can, in a sense, be associated with the emergence of a new generation of consortia: the Pan-Arab banks, which are well-capitalized institutions, basically founded by oil-rich governments with strong growth potential.

In terms of geographical distribution of Arab banks' syndicated lending, Arab countries, Western Europe and Asian countries together formed an average of over 80 per cent of total Arab banks' syndicated lending, with Arab countries sharing way above 40 per cent of the total and reaching a peak of over 51 per cent in 1983 (table 17).

However, 1986 witnessed a diversification away from the Arab market, which nevertheless still accounted for 41 per cent of total Arab banks' syndicated lending. This diversification came about as a result of Arab banks' note issuing activities

Measured as a share in pure loan activities, the Arab market still took 46 per cent of the total, the same share as in 1985. But, because of the scarcity of credit-worthy names in the region, and the predominance of western names in the NIF market, the Arab market only accounted for 24 per cent of Arab banks international activities, whereas the United States and New Zealand alone accounted for over 32 per cent of the total.

In terms of Arab banks' Eurobond market business, Arab banks' activities have been much less than in the syndicated business. The Arab banks' share fell gradually from $6.0 billion in 1983, or 6.9 per cent of total Eurobond business, to $5.2 billion in 1984 (3.7 per cent) and $4.3 billion in 1985 (2 per cent). In 1986 Arab banks' share in total Eurobond business was minor, making up just 0.08 per cent of the total, mainly because of the spectacular increase in Eurobond volume which reached over $440 billion, way above the 1985 level of $214.5 billion (table 18).

Arab banks' syndicated Eurolending has been strongly affected by the world debt crisis precipitated by Latin America's debt problems. Actually, in the heyday of international liquidity, Arab banks were heavily involved in syndicated lending to Latin America which took around one fifth of total Arab syndicated lending and was almost equal to Western Europe. With the emergence of the debt crisis in 1982, Arab banks virtually made no new loans to Latin America, aside from a few commitments to "new money" facilities under international rescheduling arrangements.

Table 19 shows that only a few Arab banks have been involved in Latin American debt, with three of these banks (Arab Banking Corporation (ABC), Arlabank and Gulf International Bank) holding more than half of the Latin American debt to Arab banks between 1974 and 1983. The three lenders are offshore banks in Bahrain where they are relatively free from tight regulatory control, although they follow the guidelines of the Bahrain Monetary Agency. Of the three, however, only ABC routinely reveals its actual exposure to Latin America. According to the 1986 ABC annual report, Latin America accounted for only 12.9 per cent of its earning assets compared with 14 per cent in 1985, but this proportional decline masked an actual increase from $1.684 million in 1985 to $1.734 million in 1986, despite what the bank referred to

Table 17

Regional distribution of Arab banks' syndicated lending, 1980-1986

	Arab countries Amount ($mn)	Arab countries Share (%)	Western Europe Amount ($mn)	Western Europe Share (%)	Soviet Union and Eastern Europe Amount ($mn)	Soviet Union and Eastern Europe Share (%)	Central and South America Amount ($mn)	Central and South America Share (%)	Asian countries Amount ($mn)	Asian countries Share (%)	Sub-Saharan Africa Amount ($mn)	Sub-Saharan Africa Share (%)	Other countries Amount ($mn)	Other countries Share (%)	Total Amount ($mn)	Total Share (%)
1980	914.55	25.5	775.44	21.6	333.35	9.3	762.36	21.3	627.33	17.5	169.99	4.7	-	-	3,583.02	100
1981	3,009.18	33.1	1957.23	21.5	684.76	7.5	1,943.54	21.4	1,236.54	13.6	236.05	2.6	35.00	0.4	9,102.39	100
1982	4,283.56	43.7	1,496.24	15.3	362.73	3.7	1,772.54	18.1	1,625.59	16.6	122.69	1.3	135.00	1.4	9,798.35	100
1983	3,583.32	51.3	1,527.20	21.9	128.14	1.8	62.49	0.9	1,486.21	21.3	65.12	0.9	132.74	1.9	6,985.42	100
1984	2,576.91	45.1	951.45	16.6	323.43	5.7	224.29	3.9	1,512.82	26.5	1.86	-	125.68	2.2	5,716.44	100
1985	2,054.62	46.4	750.10	16.9	449.70	10.2	52.70	1.2	1,104.45	25.0	15.33	0.4	-	-	4,426.90	100
1986	1,355.66	41.0	542.10	16.4	30.96	0.9	23.00	0.7	1,062.15	32.1	7.69	0.2	175.37	5.3	3,306.23	100

Source: MEES, 16 February 1987.

Table 18

Euromarkets and Arab banks' lending, 1983-1986
($billion)

	1983	1984	1985	1985
Eurobond markets				
1) FRNs	19.5	38.2	58.4	75.8
2) Fixed Rate Bonds (Straights)	57.6	73.3	109.3	260.2
3) NIFs (Convertible)	9.5	28.8	46.8	104.3
4) TOTAL	86.6	140.3	214.5	440.3
5) Arab banks	6.0	5.2	4.3	3.4
6) Arab banks' share (%)-5/4-	6.9	3.7	2.0	0.08
7) Arab countries	3.5	4.2	3.8	3.1
8) Arab countries' share (%)-7/6-	58.3	80.8	88.3	91.2
Syndication markets				
9) TOTAL	60.8	125.8	117.3	91.3
10) Arab banks	6.9	5.7	4.4	3.3
11) Arab banks' share (%)-10/9-	11.4	4.6	3.8	3.6
12) Arab countries	3.6	2.6	2.1	1.40
13) Arab countries share (%)-12/10-	31.5	57.1	55.3	38.9

Source: Derived from MEES and other international banking sources.

as its "active management" during the year through asset swapping and debt capitalization to reduce its exposure. The ABC apportioned share of lead-managed loans to Latin America in 1977-1983 amounted to $1.426 million, indicating that the use of this measure as a proxy for Latin America exposure is, if anything, conservative. A CITICORP-style decision by ABC to provide for its Latin America exposure would cost the bank something in the order of $700 million, which is equivalent to 55 per cent of its end-1986 shareholders' equity and would entail declaring a loss of some $600 million, given its static profitability in recent years.

At Gulf International Bank, the situation is easier to assess. According to the bank, 8 per cent of its risk assets were in Latin America in 1985, and its apportioned share of lead-managed loans in 1977-1983 amounted to $647 million, indicating provisioning in the order of $260 million (35 per cent of shareholders' equity) in the event that Latin American loans are discounted to market prices.

At Arlabank International, however, any such move would have disastrous consequences. The bank's loan portfolio, which stood at $1.155 million at the end of 1986, is dominated by Latin American risk, and its profitability is not high enough to generate sufficient provisions. In 1986, Arlabank increased its loss provisions from $5.8 million to only $9 million, and any requirement by the Bahrain Monetary Agency to take CITICORP-style provisions would wipe out the bank's equity base.

With the debt crisis, certain problems emerged for the Arab banks. The crisis has alerted some Arab banks to risks in syndicated lending that inexperience and the buoyancy of the market had prevented them from perceiving earlier. As a result, some involved Arab banks shied away from committing themselves to new money facilities under the international rescheduling arrangements. This reluctance has gained publicity way out of proportion to the money involved. The attitude of the few Arab banks unwilling to commit themselves is not different from that of United States and West European regional banks. However, Arab banks as the youngest member of the international banking community and emerging during a period of volatility were not able to build up the experience, or the profits and provisions, to deal immediately with such an extraordinary situation. Furthermore, the continuous shifts in market conditions that prevailed throughout the lifespan of Arab banks have resulted in their shareholders' waning commitment to longer term capital investments. This has coincided with a reduction of international credit facilities available as a result of banks' general reappraisal of exposure to the Arab world. Arab banks are also at a disadvantage in the size of their deposits and their international deposit base.

Table 19

Arab banks' lead-management syndicated loans to Latin America, 1977-1983
(Million of US dollars)

1. Arab Banking Corporation	1.426
2. Arlabank International	0.671
3. Gulf International Bank	0.647
4. AL-UBAF Group	0.433
5. Saudi International Bank	0.335
6. KFTCIC	0.305
7. BAII	0.246
8. National Commercial Bank (Saudi Arabia)	0.205
9. Other Arab banks	0.759
TOTAL	5.028

Source: ESCWA calculation from various international sources.

Note: KFTCIC = Kuwait Foreign Trade Contracting and Investment Company.
BAII = Banque Arabe Internationale d'Investissements.

Table 20

Arab banks in the international syndicated loan market, 1984-1986

	1984 Amount ($mn)	1984 Share (%)	1985 Amount ($mn)	1985 Share (%)	1986 Amount ($mn)	1986 Share (%)
Gulf International Bank	733.49	12.8	789.82	17.8	703.58	21.3
Arab Banking Cooperation	746.69	13.1	683.97	15.5	632.10	19.1
Saudi International Bank	141.91	2.5	151.01	3.4	242.48	7.8
Al-UBAF Group	236.61	4.1	294.58	6.7	157.33	4.8
BAII	158.54	2.8	77.82	1.7	120.35	3.6
National Bank of Kuwait	758.15	13.3	441.79	10.0	117.00	3.5
Other Arab banks	2,955.01	51.0	1,998.21	45.0	1,330.36	40.3
Total	5,730.40	100.0	4,437.20	100.0	3,303.20	100.0

Source: ESCWA calculation based on MEES and MEED.

Note: BAII = Banque Arabe Internationale d'Investissement.

Table 21

Participation of Arab banks in Eurobond markets, 1984-1986

Issues lead and co-managed by individual banks	Number of banks 1984	Number of banks 1985	Number of banks 1986	Total number of management positions 1984	Total number of management positions 1985	Total number of management positions 1986
26-30	-	-	2	-	-	55
20-25	3	2	-	67	59	-
15-19	1	3	-	15	47	-
10-14	2	2	1	28	23	11
5-9	4	2	7	32	15	42
2-4	7	6	8	14	15	27
1	8	3	4	8	3	4
	25	18	22	164	162	139

Source: ESCWA calculation based on MEES and various international banking sources.

Table 22

Participation of top 30 Arab banks in Euroloan markets, 1982-1986

Number of lead managements by individual banks	1982			1983			1984			1985			1986		
	No. of banks	Total No. lead managed	Total value ($mn)	No. of banks	Total No. lead managed	Total value ($mn)	No. of banks	Total No. lead managed	Total value ($mn)	No. of banks	Total No. lead managed	Total value ($mn)	No. of banks	Total No. lead managed	Total value ($mn)
50 plus	1	56	1,340	---	---	---	---	---	---	---	---	---	---	---	---
24-50	3	96	1,870	3	115	2,034	2	68	1,480	---	---	---	2	55	1,336
15-24	5	91	2,155	3	60	1,004	2	36	1,049	2	48	1,474	---	---	---
10-14	9	107	1,987	6	66	1,985	3	39	515	3	33	931	2	20	400
5-9	4	25	408	10	65	1,094	13	80	1,495	4	22	463	7	47	826
2-4	6	22	242	5	15	336	10	30	801	17	55	1,341	8	27	558
1	2	2	29	3	3	41	---	---	---	4	4	171	11	11	281
TOTAL	30	399	8,032	30	324	6,494	30	253	5,340	30	162	4,380	30	160	3,401

Source: Derived from MEES.

VIII. FOREIGN BANKS IN THE ARAB WORLD

During the oil boom period of the mid-1970s through the early 1980s, the Middle East became a top priority for the world economic powers. The huge oil revenues of the region's oil-exporting countries resulted in tremendous public and private spending and led to the accumulation of huge financial reserves. Banking was one of the sectors that witnessed stupendous growth, derived from the bank's role in recycling these surpluses.

Foreign banks moved into the region in great numbers to get a piece of the action, and they had every reason to do so. Their activities encompassed most aspects of banking.

With the ongoing recession in the region, banks, be they Arab or foreign, have found themselves facing a new operating environment characterized by great uncertainty as a result of the sharp decline in the general level of economic activity.

The year 1981 marked the end of the boom and the emergence of a new era. Government expenditures, which are the main driving force behind the region's economies, were drastically cut. Nearly all foreign banks operating in the region saw their profits plummet during 1985; this decrease is all the more striking in comparison with the record profits in 1981 and 1982. Lending opportunities have almost dried up. Loan losses are continuously mounting. Provisions for doubtful loans are being beefed up. Owing to the acceleration of the downturn, banks are finding more and more of their clients unable or unwilling to service their debt.

Up to mid-1987, around 28 foreign banks had pulled out either totally or partially from the region. The remaining banks are going through a deep retrenchment period. For many foreign banks, the operating environment has become unfavourable.

Furthermore, most foreign banks are not optimistic about development of economic conditions in the region in the coming few years. The instability of the oil markets is increasing uncertainty on the economic scene. It is expected that an even greater decline in business activities is coming. Demand for consumption and industrial goods will continue to fall and imports, therefore, will be further cut.

As for the banks, this would reflect on their ability to recuperate their loans. In addition most foreign banks will witness a further drop in profits and may incur some losses with the dwindling of opportunities to sustain all the banks in the markets.

In addition to the prevailing economic conditions, foreign banks complain about the lack of a clear legal framework for modern banking in some parts of the Gulf. Banking practices are in many cases in direct conflict with the law of the Islamic Sharia, and this makes the banks very hesitant to resort to courts for the settlements of their claims. Many borrowers are finding real difficulties in repaying their debts. Many others are exploiting the legal environment to escape repayments or to get better terms from the banks, which have been hesitant to sue clients since courts are seen as sympathizers with customers.

Despite these discouraging problems, many foreign banks and especially the large international ones appear hesitant to cut totally links with the region. This in part is due to the assumption that the oil-producing countries may once again play a major role in the global economy, in case the present oil glut disappears in the 1990s.

Furthermore, although oil revenues have dropped sharply in recent years, the Gulf countries still dispose of huge foreign assets which could be tapped by the foreign banks. It should also be noted that the large international banks still consider their presence in the region an integral part of their global commitment. In fact, the presence of many of them in the region preceded the boom.

The economic recession has forced all banks to review their strategies in the region and to shift their focus to different areas. Most banks have restricted their corporate lending activities to only a few names because of the perceived high risks under the existing economic and legal environments. Many others are finding it rewarding to capitalize on the outflow of private capital, hence the prosperity of private banking in the region.

The attraction of Bahrain's central location between Europe and the Far East seems to have faded with the advance of the revolution in communications technology which has made it more effective to conduct treasury and corporate business out of the main international financial markets on a 24-hour basis and without having to be located in small regional centres such as Bahrain.

In spite of this negative development, Bahrain has, witnessed the arrival of more Japanese banks and finance houses (i.e., securities houses) concentrating their business on the financing of Japan's trade to the region, in addition to the business of brokerage services and fund management for private Arab investors interested in investing in the Japanese market and seeking to diversify their investment portfolios.

The main business of the Bahraini offshore banking centre has, in fact, been playing a major role in channelling Arab financial surpluses to outside the region. Table 23 indicates that offshore banking units (OBUs) in Bahrain whose assets have decreased steadily in the last few years, from $62.74 billion in 1983 to $55.68 billion in 1986, still raise more funds or take more deposits from the Arab countries than they deploy in or lend to these countries. Indeed, liabilities of OBUs to Arab countries far exceed their assets in these countries. While liabilities to Arab countries increased from $34.08 billion in 1981 (or 67.18 per cent of total liabilities) to $37.27 billion in 1986 (or 66.93 per cent of total liabilities) after peaking at a level of $41.15 billion in 1984, assets of OBUs in Arab countries have in effect remained constant between 1981 and 1986.

Regarding regional business of OBUs, the share of total business accounted for by regional currencies declined to 21.57 per cent of liabilities and 14.44 per cent of assets in 1986, in line with restrictions placed on the internationalization of the Saudi Arabian riyal by the Saudi authorities.

Table 23

Highlights of Bahrain offshore banking units, 1981-1986
(Billion of US dollars)

	1981	1982	1983	1984	1985	1986
Total assets/liabilities	50.72	59.01	62.74	62.69	56.81	55.68
Assets in Arab countries	24.82	28.99	29.37	29.29	26.27	24.93
% of total assets	48.92	49.13	46.81	46.72	46.24	44.77
Liabilities to Arab countries	34.08	39.45	41.10	41.15	38.40	37.27
% of total liabilities	67.18	66.85	65.51	65.64	67.59	66.93
Assets of regional currencies	10.57	10.80	10.79	9.93	9.13	8.04
% of total assets	20.84	18.30	17.20	15.84	18.07	14.44
Liabilities in regional currencies	12.44	13.30	15.00	13.66	13.41	12.01
% of total liabilities	24.52	22.54	23.91	21.79	23.60	21.57
Deposits from non-banks	11.97	13.70	14.73	14.87	13.10	13.07
% of total liabilities	23.60	23.21	23.48	23.72	23.06	23.47
Loans to non-banks	11.24	14.32	15.98	18.39	15.87	13.86
Loans of more than one year	7.73	10.22	12.07	11.51	10.88	10.93

Source: Derived from Annual Report 1986 of Bahrain Monetary Agency and from MEES.

Table 23 indicates that, outside the interbank market, the OBUs deposit base has held up firmly. Deposits from non-banks accounted for 23.47 per cent of total liabilities in 1986 compared with 23.72 per cent share when these deposits reached their peak level in 1984. Long-term lending, i.e. for more than one year, recorded a slight increase in 1986, although loans to non-banks dropped sharply.

However, of the total assets of OBUs, the two giants, Arab Banking Corporation and Gulf International Bank, had between them at end-1986 assets of some $22.6 billion (i.e., 40.6 per cent of total assets), although a significant part of ABC assets are not booked in Bahrain. It is estimated that the Arab-owned and Bahrain-based OBUs accounted for around 48 per cent of total OBU assets in 1986, compared with less than 21 per cent of the total in 1981. This indicates that the volume of business handled by foreign banks operating as OBUs in Bahrain dropped by about a quarter during the last few years, from some $40 billion by 1981 to around $30 billion by 1986, which explains why a number of foreign OBU have closed or scaled down their Bahraini operations in the last two years.

Table 24

Profitability ratios of Bahrain Offshore banking units, 1985-1986
(selected financial ratios)

Name of bank	Return on capital %		Return on shareholders' equity %		Return on assets %		Interest earned/ Assets %		Loans to deposits %		Assets/ shareholders' funds		Deposits/ shareholders' funds		Loans/ shareholders' funds	
	1985	1986	1985	1986	1985	1986	1985	1986	1985	1986	1985	1986	1985	1986	1985	1986
Arab Banking Corporation	16.1	16.3	10.2	9.6	0.9	0.8	1.9	1.8	49.6	51.6	11	11.6	8.7	9.2	4.3	4.8
Gulf International Bank	13.5	14.1	9.5	9.5	0.9	0.9	1.2	1.2	63.7	67	10.9	10.8	9.1	8.9	5.8	6
Arab Latin American Bank (Arla Bank)	6.1	4.9	5.0	4.2	0.8	0.7	1.7	0.7	84.2	102	6.6	6.2	5.5	4.3	4.6	4.4
Bahrain Arab African Bank	0.3	(6.5)	0.3	(7)	0.04	(10)	0.003	(1.0)	74.5	79.8	7.0	7.2	5.9	6.1	4.4	4.9
Riyadh Gulf Bank	25	16	7.7	5.8	0.5	0.5	0.8	1.2	47.4	48.1	16.5	12.5	15.1	11.2	7.2	5.4
Kuwait Asia Bank	4.0	1	3.3	0.8	0.6	0.2	1.8	2.1	47.1	64.5	5.3	4.0	4.2	2.9	2.0	1.9
UBAF Arab International	6.0	7.7	2.8	3.6	0.4	0.5	1.0	1.1	38.1	39.9	6.7	6.6	5.6	5.5	2.1	2.2
Bank of Bahrain and The Middle East	0.2	2.2	0.2	1.9	0.05	0.6	2.1	2.2	82.9	93.5	3.5	3.1	2.1	2.5	2.1	1.3
Bahrain International bank	7.8	8.9	7.0	7.8	4.4	4.6	6.3	7.2	33	33.6	1.6	1.7	8.5	0.6	0.2	0.2
United Gulf Bank	(5.0)	3.0	(4.2)	2.6	(2.0)	2.0	3.0	4.2	88.9	261.3	2.1	1.3	1.1	0.3	0.9	0.3
Faisal Islamic Bank	10.0	10.0	7.7	8.6	5.1	3.2	---	---	---	---	---	---	---	---	---	---
TOTAL	7.6	7.1	4.5	4.3	1.1	1.2	2.0	2.1	60.9	81.1	7.1	6.5	5.8	5.2	3.4	3.1

Source: Annual reports of the above banks.

IX. RELATIONS BETWEEN ARAB BANKS AND FOREIGN BANKS

The major role played by Arab banks in financing the dramatic boom in the region's imports following the expansion in oil revenues has been a principal factor in the rise of these banks in the international financial arena. This rise has provided a sustainable financial link between the region and the outside world. Arab banks found themselves, together with foreign banks, operating in Arab countries uniquely placed to exploit the opportunities created by the financing of the unprecedented expansion in the flow of trade.

Another form of banking co-operation specially tailored to the needs of the 1970s began to take root - that of joint-venture banks. This form of international co-operation involved a quid pro quo; access of Western banks to Arab financial surpluses in return for Arab banks having an exposure to modern techniques and an international clientele.

Although most joint-venture banks were designed primarily to promote Arab-European business relations, they soon grew to encompass a host of activities including commercial banking, trade financing, FOREX (foreign exchange) dealing, money market activities and loan syndication.

Others responded to the tide of investor sentiment by introducing real estate management and insurance and stock market facilities aimed at particular market niches. Joint ventures were negotiated and established with leading international banks. Elsewhere, joint-venture banks established branches in the Far East to take advantage of investment transactions with this dynamic part of the world economy. Consequently, relations between Arab banks and foreign banks have embraced a wide geographical and operational sphere.

Being concentrated at the wholesale end of the market and often lacking a domestic deposit base, Arab international banks have relied traditionally on interbank funding. This has meant establishing and maintaining strong reciprocal relations with the international banking community.

In terms of lending business, Arab banks were at the forefront of the rapid growth of the syndicated credit market. By participating in, and moreover lead managing Euroloans particularly but not exclusively for Arab borrowers, Arab banks entered a domain hitherto the preserve of Western banks. An essential feature of the syndicated credit market was the building up of relations between Arab banks and foreign banks.

Another area of relations between Arab banks and foreign banks has been foreign trade and project finance. The co-operation in this field of international banking activities has in fact succeeded in fostering trade in many areas where otherwise transactions probably would not have taken place. The same could be said of project finance. It is in these two particular areas that the liquidity of Arab banks and the expertise of foreign banks have been combined to mutual advantage.

However, the recent changes in the international financial markets have started modifying traditional relations between Arab banks and foreign banks.

The most dramatic change has been the growth in global securities markets accompanied by a host of capital market instrument innovations. Accordingly, a shift has occurred from syndicated lending, i.e., commercial banking towards a range of securities and negotiable papers, i.e., investment banking. Obviously, as global securitization becomes increasingly a la mode, the "best-dressed" banks initially tend to be those with long experience in investment banking activities. With their former stronghold of syndicated banking business occupying a decreasing share of the market, Arab international banks are having to renew their wardrobes.

This situation affects the traditional relations built up with the foreign banks in lending operations. Moreover, the rise in disintermediation and innovatory instruments has reduced the need to use the interbank market which is the Arab banks' traditional source of funding. Actually, tightening the interbank market has not been directed against the Arab banks in particular, but this problem could well be compounded by the drop in Arab oil revenues. Certain foreign banks, viewing the Arab region as the natural market of the Arab banks, have started revising their interbank positions vis-a-vis Arab banks in general.

This line of conduct of foreign banks has not been limited to interbank business with Arab banks. It has been extended to withdrawal of credit lines for Arab companies which therefore have been forced into difficulties, although the credit risk of many of them was not in question until these precipitous moves. So far, not all Arab banks have been treated alike by foreign banks, but to many of them due recognition, has been accorded regarding their particular circumstances. Nevertheless, there has been a certain over generalized attitude.

The fall in oil prices has posed some serious difficulties for a number of Arab banks in their relations with foreign banks. The current economic situation and the adjustment measures that have been undertaken have had significant repercussions on these relations.

The lower levels of bank financing in the sectors of trade and construction caused by reduced government spending programmes have adversely affected the opportunities open to Arab banks to play their traditional roles, notably with respect to offering privileged access to foreign banks in this financing.

Arab banks are facing therefore a tightening of their funding sources while a major regional source of their income is under substantial constraints. The fact that some foreign banks are finding themselves in the same situation, has been of no consolation to the Arab banks.

X. REFLECTIONS ON ARAB INTERNATIONAL BANKS

A crisis has developed for the international Arab banker. At home as well as abroad, he has been slow to respond to the dynamism of the new securitized global markets. But respond he must, since for the unimaginative banker the future can be bleak.

Serious and committed Arab bankers have enjoyed varying amounts of success in their international ventures. They have journeyed from the Middle East in different vehicles and with different passengers for the past 10 to 12 years. In the early 1970s, they formed consortia with European banks. These were joined a few years later by hugely capitalized consortia formed by Arab governments. The most recent forays have been made in the form of branches and representative offices, some of which thrived on spread-lending and syndicated loans

Now, for both the prestige-seekers and the various forms of commercial banks, things are beginning to, and must, change. The importance of the syndicated loan market has diminished dramatically. And there has been a four-year recession in the region which has involved tumbling oil prices and has curtailed trade-related banking activities.

Today, there is no excuse for any Arab banker, financier or corporate treasurer to be unaware of the depth and pace of international change. It is a financial revolution springing from successive rapid-fire advance in communications, and his money business is at the heart of it.

The absence of developed capital markets in the region has prevented the Arab banks from gaining first-hand, domestic knowledge. And it has now become imperative that they attune their international outlets in the major financial centres to the demands of the global securities markets.

There are more Arab banks in London than there are Japanese banks. But whereas the latter, as new to international financial markets as the former, are riding high at the top of Eurobond book-running league tables and are fast making inroads into the international equity markets, the Arab banks are noticeably absent from the upper echelons of these rankings. It is already being asked if they are not too late.

Developments in the international financial markets have shown that there is an unfortunate time-lag in Arab bankers' reflexes with regard to changes in the markets. Most often they are very late in catching up, and when they finally start moving, the market will have taken another turn. Many Arab banks and investment houses were established when inflation was still a serious problem, and when investing in real estate made some sense as a hedging instrument. But these banks continued going for real assets despite disinflationary development in the market. This has been a source of their being late and behind developments in the market.

In the 1970s and early 1980s, Arab banks were riding high on the crest of the syndicated lending market. When the market collapsed, they were ill-prepared to master the challenges of investment banking and the host of other "high-tech" financial instruments.

Investment banking, unlike commercial banking, requires the accumulated skill and sophistication that most Arab banks have not had the time to develop yet. Although so many Arab banks boast now that they are shifting their gears to investment banking, it is hard to identify an Arab bank practising investment banking according to its "purest" definition. No Arab bank has yet developed and introduced any financial instrument into the market. It seems that Arab banks are still working as investment vehicles rather than investment banks.

In today's fast-changing markets, investment banking requires several "natural" advantages. A large amount of capital is important but not everything. The placing power and strong relations and contacts with the major international corporations, which are the biggest consumers of the new banking products, are also very important requisites.

Although Arab banks would score well on the capital side and might be able to develop a relatively good placing power by engineering the right products that fit the needs of the region's wealthy individuals and institutional investors, the lack of a regional capital market will impede their progress in mastering the techniques of investment banking. Arab banks further face major obstacles owing to lack of a "track record" and a shortage of experienced staff.

Another problem is that Arab banks have taken too much time to discover the need for developing bond underwriting capability, the irony is that the banks rushed to create dealing rooms only after most of the business excitement was over, and bond yield started to level off at a lower margin over inflation and investors' preferences clearly moved to the Euroequity market.

Another repetition of this symptom has been the misleading optimism of Arab international bank managers. In the early days of the Arab international banking era, these managers made extravagant pledges to which they could not live up. They were over-confident and they expected too much too soon from themselves, while shareholders, dazzled by their windfall profits at home, kept up the pressure for similar results on their investments abroad. The question was not whether they were going to make a profit, but whether it was going to be 20 or 30 per cent on equity.

Some of these banks are now having a real credibility problem. Most of them have not had a track record long enough to enable investors to judge them, and where there is one kind of track record, the results are not often very encouraging.

Another miscalculation of Arab international bank managers was to concentrate on building deal-making oriented structures, instead of accumulating expertise in a diversified range of investment services.

The credibility problem has made it increasingly difficult for Arab banks trying to jump on the fee bandwagon, and for Arab investment banks to tap the interbank market for their vital financing needs. In fact, most of these banks are paying a premium on their borrowings.

A more serious problem for Arab banks has been the underdevelopment of a corporate base which could provide the necessary depth for corporate finance and placement capability.

Most Arab money is still in the hands of individuals or family clans. Their trade-dominated business is traditionally conservative and self-sufficient; their investment in industry is not noteworthy.

Arab investors, when they have had cash surpluses which they could not invest locally, have deployed them with a saving, rather than with an investment mentality. The availability of cash did not necessarily imply the existence of a market for placing investment deals. That is just one reason why Arab banks could not compete with international banks.

While the natural advantage of Arab banks should have been in the existence of a captive client base in the Arab market, this market turned out to be still very limited and this problem has been made worse by the virtual inaccessibility of most Arab markets, where Arab investment banks are not allowed to have even representative offices.

The limited depth of the Arab investment syndication market has led to another serious distortion. Acquisition and take-over deals are normally undertaken by corporate investors for clear strategic reasons such as growth, diversification and integration. Arab deals, however, were often conducted by Arab banks on behalf of wealthy Arab individuals with no real common cause with the targeted company. In many cases the aim of the acquisition was an expected high return on investment as a result of a turnaround. On the other hand, participation in the management of the investment was sometimes left to Arab investment banks and companies. Inevitably, this meant that, with new deals, these banks and companies had to spread their limited manpower even more thinly, and to tie up their senior staff in time-consuming trouble-shooting activities.

Many disillusioned Arab bankers now believe that the present crisis was not caused only by economic and political conditions, but by an ill-judged conception of the role and market niche of Arab investment banks.

The personnel problem is an affliction of Arab international banks. Even in their home countries, particularly those in the Gulf region, most of the senior management are Arab expatriates or foreigners working under technical management contracts struck with foreign shareholders.

Furthermore, the dearth of fully trained Arab nationals to man branches abroad means that Arab banks need to have recourse to the expensive labour markets of the European and American banks. For the smaller Arab banks, the personnel problem has become unbearable, since most of the profits they make are absorbed by the salaries and bonuses of those who generate them.

With the personnel problem squeeze remaining a pressing and persistently nagging problem for the Arab banks, product diversification is the slogan of the late 1980s. Investment banking has become the banner under which forward-thinking Arab institutions are launching their campaigns to become competitive in the product-driven world of modern international finance.

Most of the Arab banks were formed first and foremost as commercial banking enterprises. Now they have found that they must develop the sort of skills the few Arab investment corporations and the capital market wings of some major Arab banks have, to gain an edge over foreign rivals.

To survive in the late 1980s, Arab banks are being forced to move into markets that are already global. It is no longer enough for them to maintain an international presence and make a profit through some traditional banking businesses. Those that are consciously seeking new products and new instruments to offer customers have the best chance of being successful. Those that have not, must do so quickly. New developments in the international financial markets are forcing all bankers to look beyond their next deal and ask some awkward questions about what their business is and what it should be. Arab bankers are no exception. They too must adapt.

Table 25

Top 30 Arab banks in 1986

Rank 1986	Rank 1985		Total group shareholder's funds ($ mn)	Growth in shareholders' funds 1986-6 (%)	net income ($ mn)	Growth in net income 1986-1986 (%)	Total assets ($ bn)	Growth in assets 1985-1986 (%)	Total No. of employees
1	1	Rafidain Bank Baghdad, Iraq	1,772.84	18.81	1,120.56	20.06	44.22	32.45	12,684
2	2	Arab Banking Corp Bahrain	1,261.00	6.14	107.60	-1.28	14.58	11.60	5,365
3	3	Riyad Bank a/ Jeddah, Saudi Arabia	1,090.54	1.19	45.04	-68.26	8.78	4.71	4,617
4	5	BCCI Holdings (Luxembourg)	1,040.86	29.85	31.22	-49.40	17.50	5.59	13,515
5	-	Banque Nationale b/ d'Algerie Algiers, Algeria	908.74	-	148.61	-	13.49	-	-
6	4	National Commercial Bank c/ Jeddah, Saudi Arabia	854.47	-5.63	21.34	-21.96	17.01	12.48	6,123
7	7	Gulf International Bank, Bahrain	747.81	4.59	69.97	4.38	8.02	3.63	538
8	8	National Bank of Kuwait, Kuwait	738.97	8.24	86.90	9.19	10.37	6.14	1,717
9	6	Banque Exterieure d'Algerie Algiers, Algeria	721.05	-5.60	206.70	26.19	9.41	-18.81	2,792
10	9	Gulf Investment Corporation Kuwait	686.75	6.70	70.11	22.57	1.31	25.11	138
11	12	Arab Bank, Amman, Jordan	676.56	17.33	76.07	2.04	12.65	7.20	3,500
12	10	National Bank of Dubai Dubai, United Arab Emirates	654.94	2.47	102.17	0.03	5.50	7.18	730
13	11	Arab Petroleum Investments Corp Dhahran, Saudi Arabia	610.82	3.70	41.56	1.37	1.07	22.39	103
14	13	The Gulf Bank d/ Kuwait	550.15	1.63	14.93	-	6.20	-1.66	968
15	14	Burgan Bank e/ Kuwait	537.94	2.18	17.30	-	3.58	3.45	538
16	17	Al UBAF Banking Group Paris, France	511.59	20.25	42.33	21.62	12.48	8.02	1,090
17	15	National Bank of Abu Dhabi	506.57	0.35	16.13	367.32	5.32	-5.86	1,364

Table 25 (continued)

Rank 1986	Rank 1985		Total group shareholder's funds ($ mn)	Growth in shareholders' funds 1986-6 (%)	net income ($ mn)	Growth in net income 1986-1986 (%)	Total assets ($ bn)	Growth in assets 1985-1986 (%)	Total No. of employees
		Abu Dhabi, United Arab Emirates							
18	18	Alahli Bank of Kuwait	472.75	16.53	15.43	14.04	5.11	-2.35	694
19	22	Libyan Arab Foreign Bank Tripoli, Libyan Arab Jamahiriya	449.35	27.84	30.95	-7.12	3.22	7.79	220
20	16	Commercial Bank of Kuwait d/ Kuwait	443.51	1.70	12.35	---	5.43	-4.06	1,390
21	21	Credit Populaire d'Algerie Algiers, Algeria	410.98	15.59	87.13	-2.70	8.51	5.40	2,657
22	19	Saudi American Bank Riyad, Saudi Arabia	390.31	-1.95	21.55	-54.97	4.05	5.58	1,087
23	37	Arab African International Bank Cairo, Egypt	376.94	104.37	-6.29	58.03	3.42	-4.56	550
24	20	The Arab Investment Company Riyad, Saudi Arabia	360.17	0.66	20.46	-21.31	0.65	-7.98	105
25	24	Arab National Bank Riyadh, Saudi Arabia	333.78	5.61	40.60	-20.06	3.23	15.86	2,333
26	23	Abu Dhabi Commercial Bank Abu Dhabi, United Arab Emirates	324.14	-5.41	-18.42	-138.21	1.97	34.93	600
27	26	Bank of Kuwait and the Middle East Kuwait	282.54	2.61	10.35	105.13	3.01	-0.43	698
28	28	Al Bank Al Saudi Al Fransi Jeddah, Saudi Arabia	265.19	1.17	25.34	13.55	3.87	4.94	1,689
29	25	Arlabank International Bahrain	264.54	-4.15	10.50	-26.55	1.65	-2.72	100
30	29	Bank of Bahrain and Kuwait d/ Bahrain	251.08	-0.72	0.00	-	1.74	-15.51	566

Source: Euromoney, November, 1987

a/ Year end March 1986.

b/ Year end June 1986.

c/ Year end September 1986.

d/ No per cent change calculated: previous year's net income zero.

XI. FUTURE OF ARAB BANKS

Considering the saying that the rise in Arab international banking and the syndication boom were both functions of the need to recycle Arab financial surpluses during the 1970s and early 1980s, can Arab international banks be expected to survive in today's and future international financial and banking business environment?

Present day international banking is characterized by a dynamically changing environment. Arab banks venturing into the arenas of international banking are facing a growing challenge abroad and more stringent constraints in their home markets. This throws in the spotlight the crucial question as to what extent Arab banks - some of which have grown beyond adolescence - are equipped to cope with the versatile global and local environment.

While recent developments in the international financial markets reveal a clear trend away from the syndicated credit market which has constituted a major portion of Arab banks' international business, they do not herald the total disappearance of this type of lending, nor do they identify the dramatic change in the type of borrowers in the international financial markets that underlies this shift.

Many developing and Eastern bloc countries saw their borrowings cut back dramatically following the outbreak of the world debt crisis, but then these names quickly resurfaced thanks to what is called nowadays compulsory lending. Thus, it was these countries that were and remain the core clients for syndicated lending.

Arab banks were by no means alone in following the major international banks into the fever of syndicated lending that developed in the heyday of Arab financial surpluses in the 1970s and early 1980s, and the fact that they secured so rapidly over 11 per cent of the market has been considered an achievement. Furthermore, with their free capital resources and their obvious willingness to gear up their balance sheets with an acceptable established ratio of risk assets, the newly established Arab banks have contributed in no small part in alleviating an even greater debt crisis than that which developed.

It should also be noted that it was not only the relatively youthful Arab banking sector that encountered some difficulties in coping with the pressures of the syndicated lending and the reconciliation of international and domestic lending activities and problems. Most of the major banking systems in the world have had their casualties in recent years, none more so than in the United States, where the problem with smaller banks and "new money" facilities is particularly acute.

Banks of some developing countries which followed somewhat blindly in the footsteps of the major international banks are also now finding it necessary to make some adjustments in business strategy aimed at their particular situation and needs.

These developments notwithstanding, difficulties in the domestic Arab market, induced by the drop in oil revenues and the corresponding cut in government expenditures, were compounded by the international debt crisis which seriously affected the volume of operations in the important Eurosyndication market in which many Arab banks were heavily engaged by virtue of their advantageous access to "petro-dollar" capital.

Globalization, deregulation and securitization of markets and institutions are changing the face of international banking. The risk profiles that have emerged as a consequence of such development are very difficult for the conventional banker to assess. A greater volume of liquidity is flowing into a global market which, because of the debt crisis, has fewer outlets than before. This has substantially intensified competition for good borrowers and put pressure on interest margins. Furthermore, this has rendered liability management one of the most difficult of modern arts. International banking has thus become more difficult and banks have grown more risk-conscious.

The drive towards the securitization of debt, i.e. making it tradable, inflicted a heavy battering on the then thriving Eurocurrency syndication market at a time when Arab banks were becoming increasingly dependent on it for non-domestic asset growth. Soon investment banking became a catch-phrase in the Arab world and numerous Arab banks started to shift their gears into fee-generating activities. This added a new dimension to the process of internationalization of Arab banks.

As investment banking requires far more expertise and sophistication than syndicated lending, only a few among Pan-Arab or large indigenous banks can hope to make some headway on this front. Arab banks' limited success, so far, in capital markets, can, to a certain extent, be attributed to lack of consistent funding and weakness of placing power.

There are other reasons for the lack of success of Arab banks in the capital markets.

First, nature of the market. Unlike syndicated loans, Eurobond issues have remained the preserve of the select group of securities houses which pioneered the capital market instruments two decades ago. Mandates for Eurobond issues have tended to be awarded either to this club of houses or houses which have historical ties with the issuers.

Secondly, lack of experience in the securities business. Arab banks and financial intermediaries have been predominantly confined to deposit and loan activity and the mentality associated with it. In this respect, they are largely orientated towards spread lending and on-balance sheet income and have little experience in risk-taking in new issues underwriting.

Thirdly, shortage of Arab investment banks with sufficient experience, and connections. There is an absence of the systems, procedures and limits necessary for prompt decisions and risk-monitoring in companies.

Fourthly, lack of capabilities to direct securities to final takers. Arab banks have been limiting the scope of their placement, largely to their own governments, or buying for their own accounts.

In recent years, Arabs have become involved in the Euromarkets as borrowers. The issuers have mainly been banks such as ABC, BAII, the French Arab Bank and the National Commercial Bank of Saudi Arabia. This is a natural development, as the Eurobond market is becoming increasingly the banker to banks. The potential is excellent for Arab banks to lead-manage Eurobond issues for Arab sovereign, corporate and bank names. This will, nevertheless, require that Arab banks show much more professionalism, innovation, placement ability and track record.

Speaking of track record, if an Arab bank is to win the mandate to manage an Arab government's bond investment portfolio, it will have to show two things: first, proof that its track record is as good if not better than that of international suitors, and secondly a list of satisfied non-Arab clients. The first qualification is reassuring technically, the second psychologically.

To date, much of Arab investment banking has been "own account" business owing to weak placing power of Arab banks, and there is still a need to develop greater trading power within the Arab world primarily.

There have been examples of Arab banks helping in large-scale share purchases and merger and acquisition activities in European and United States markets and several Arab banks have performed well following the 1986 London "Big Bang". Real estate advisory and company formation services have also been marketed, though in terms of a flow of Arab funds outside the Arab world.

In the present era of international banking, a trend from saving in deposits towards investing in securities is taking place, and commercial banks are losing while investment banks and securities houses are growing. These and other changes are a result of the information revolution which enables the instant transfer of prices, funds and securities electronically. A number of implications follow from this:

1. Eurolending is moving very rapidly away from bank loans to bonds.

2. A market for cross-border equity issues is rapidly developing. It will follow the pattern of Eurocredits and Eurobonds, but will develop much faster.

3. Investors and borrowers have become so sophisticated that bankers can earn their fees only if they provide a value added financial intermediation that is efficient in amount, costs, maturities and currencies.

4. Financial products offered have to be competitive everywhere, irrespective of the nationality of the firm producing them.

5. Human resources are the most important factor in the financial services industry.

6. Strategic planning is the main issue of the new services. This means that the right products must be introduced at the right time and place.

7. The banks have to be either everything to everybody, (i.e., a full-time firm) or specialize in a few financial products in which the bank has a competitive edge (a special niche bank).

8. Off-balance-sheet fees not spread lending should be the main source of income.

These implications are forcing all international bankers to look beyond their next deal and ask themselves some questions about what their business is and what it should be. Arab banks are no exception. They too must adapt and consider the changes and start developing a broadly-based and efficient distribution network aimed at the Arab middle-class, i.e., the architect, the doctor, the accountant, etc.

There now exists a cadre of established and somehow experienced and efficient Arab international banks which should pursue a strategy of diversification away from syndication, with greater regionalism and catering to the Arab market and further penetration into investment banking. This cadre must develop the capability to compete with other banks even in their own markets. This would not necessarily imply protectionism, but since such a cadre of Arab banks exists, there is also a price for loyalty, and it is with appeal to this thinking that a better business environment for Arab banks within the Arab world can be envisaged.

On the asset side of Arab banks' balance sheets, and specifically within the area of syndicated lending, one has seen a greater concentration of Arab business in recent years.

Arab banks' syndicated lending directed to the Arab market averaged around 46 per cent during the last four years. The drop of the rate from over 55 per cent in 1985 to less than 40 per cent in 1986 is due to the deteriorated credit risk of Arab borrowers, many of whom were forced into difficulties by the sudden withdrawal of credit lines from their traditional non-Arab bankers, who interpreted the fall in oil revenues as an indication of a deterioration of the credit-worthiness of Arab borrowers - a situation that has also deterred Arab banks from conducting large amounts of business with these borrowers. This development suggests that the future of Arab economies and business is better served by less erratic and wavering support from their bankers. Considering this and the present economic climate in the Arab world, means that there is a greater role for successful and efficient inter-Arab financial intermediation to be carried out by Arab banks just so long as Arab banks can depend on a greater degree of direct funding support from the Arab world.

There is scope for more investment banking activities within the ESCWA region and the Arab world although the legislative framework for much inter-Arab investment is still weakly defined. Over the last few years, some Arab banks and companies have been relatively successful in raising funds through security instruments such as FRNs, NIFs and RUFs, although the arrangers of such deals have often been non-Arab. There have also been mergers in the banking, industrial and construction sectors. The survival of many private sector companies in the Gulf region and in other Arab countries is currently at stake because of the economic recession, and there exists a wide opening for Arab banks in restructuring such companies.

XII. SUMMARY AND CONCLUSIONS

Arab banking is standing at the crossroad in this period of structural change of the overall banking business. In their domestic markets, the fast growth rates were disrupted in 1984, owing to the sharp decrease in loan demand as a result of the recession. The sharp drop in oil revenues in 1986 has further worsened the situation by the corresponding cut in government expenditures and the consequent impact on the private sector.

After a decade of uninterrupted growth, during which Arab banks operated by taking a continued boom for granted, the fall in oil prices has led to important modifications in the levels and sectors of economic activity in the region.

In the GCC countries, combined oil revenues, which account for around 90 per cent of government revenues, dropped from $165 billion in 1981 to less than $40 billion in 1986. Imports, which represent a major banking business activity (import financing), fell by around 25 per cent in GCC countries and some 20 per cent in other ESCWA countries. Prices of real estate and stocks, which together make up the main collateral for bank lending guarantees, dropped by around 35 per cent.

New building activity stagnated because of the high vacancy rate caused by the return of large numbers of expatriates to their home countries, thus forcing construction and contracting companies to close down or cut their activities to more realistic levels. In this regard, Arab banks started to adjust to the new business environment in which credit demand shifted from trade and construction to industry, services, agriculture and project finance. The results have shown that most banks in the last two years have had minimal or zero growth in their balance sheets, and a sharp drop in net income. With very few exceptions, most Arab banks reported lower earnings and dividends. Saudi banks were particularly hard hit. They showed the worst profit performance in over seven years. Their total net profit fell from $709 million in 1982 to $221 million in 1985 and to less than $160 million in 1986.

The main reason for the decrease in Arab banks' profits is the increase in provisions for bad and doubtful debts imposed by monetary authorities in the region. Many bankers were surprised by the big volume of doubtful loans, although some of them are much to blame for lending recklessly during the boom period to clients with shaky financial positions. The decline of domestic banking business, reflected in the decline in the share of domestic lending in relation to total assets, has driven many Arab banks to look for outside markets.

The result has been an increase in foreign assets holdings. There was a sharp rise in these holdings in the early 1980s when returns were particularly high on dollar-denominated assets and banks appear to have maintained their foreign assets holdings, partly as an effort to match foreign liabilities which also registered a marked rise in the last two years.

Regarding the course of action taken by some foreign banks in the region, their accelerating withdrawal from the area indicates that their eagerness to establish a presence in the region during the oil boom period was only motivated by fast profit-making concerns and tapping of surpluses and their rechannelling to their original sources to activate the recessing Western economies.

Relations between Arab banks and foreign banks started as early as in the 1940s when then existing Arab banks established correspondent banking relations with foreign banks to conduct business involving letters of credit, remittances and foreign exchange. The relations were strengthened in the 1970s to cope with the needs of rising Arab financial surpluses. The most noticeable form of these relations was that of joint-venture banks or consortia. Although most consortia banks were designed primarily to promote Arab-European business relations, they soon grew to include investment as well as commercial banking business activities.

Unfortunately, the development of consortia banks has shown that these banks have not fully lived up to expectations, as most of their business was directed towards Euro- and other international financial markets rather than promoting Arab-European co-operation, nor have they notably contributed to the transfer of banking management techniques.

Difficulties in domestic Arab markets were further complicated by the international debt crisis, which is taking a heavy toll on involved Arab banks. However, Arab banks with their free capital resources and their obvious willingness to gear up their balance sheets with an acceptable established ratio of risk assets contributed to alleviating an even greater debt crisis than that which developed. Subsequently, certain problems have emerged for Arab banks. The debt crisis has alerted some of them to risks in syndicated lending that inexperience and the buoyancy of the market had prevented them from perceiving earlier. As a result, some Arab banks shied away from committing themselves to new money facilities under the rescheduling arrangements.

International perception of Arab banking are closely tied to syndicated lending. Actually, Arab banks' emergence on an international level coincided with the heyday of Arab financial surpluses, and therefore it was easy for such banks to adopt syndicated lending as their main activity. Furthermore, syndicated lending represented a fairly simple banking product from an administrative and operational point of view, and to that extent it appealed to Arab banks. Syndicated lending became a major business of Arab banks, which secured rapidly over 11 per cent of this market in 1982. But since then, and with the emergence of the world debt crisis, syndicated business has been gradually replaced by investment banking business.

Attention in international banking business has shifted from traditional bank loans towards globalization, deregulation and securitization of markets and institutions. Owing to their lack of trained and skilled personnel in investment banking, their traditional reliance on interbank market funding, their lack of track records, traditional relations and connections with securities houses and established borrowers and, finally, their lack of placing power, Arab banks are finding themselves isolated in this new era of banking business.

In this new era of international finance, savers seem to be withdrawing deposits from their banks to earn more by investing them in securities; borrowers seem to be letting their bank loans expire and turning to the capital markets for cheaper funds. Consequently, commercial banks seem to be losing while securities houses are gaining. The problems Arab international banks are facing in this regard is that they have neither a solid customer base in the Arab world, nor a depositor block in the international capital markets. Moreover, their size is a further constraint on their ability to establish international profiles. Since issuers of securities are located, more or less, in the home markets of international banks, many of these banks are directing their investment business inland and reducing their exposure outside their home markets. With the drop in Arab oil revenues and thus in Arab financial surpluses and the accompanying cut in government expenditures, which are the main financial source of Arab banks' related activities, international banks have raised the interbank rate for Arab banks, and forced many Arab companies into difficulties by withdrawing their credit-lines. International banks have also shied away from lending to developing countries, including the Arab countries, thus creating a lending gap in the region. The implications that follow from the changes in the international financial markets are forcing Arab bankers to look beyond their next deal and ask some awkward questions about what business they are in and what it should be. On the other hand, they should start aggressively marketing their products on a regional base, i.e., building up a placing power. In so doing, Arab banks would help to close the lending gap which has resulted from international banks shying away from the risk of booking new Arab countries.

The withdrawal of credit-lines for Arab companies by foreign banks offers a chance for Arab banks to vouch for these companies, whose well-being offers vast opportunities for these banks. Given the present economic recession, there are more opportunities for Arab banks to lend to Arab companies.

The decline in syndicated lending and oil revenues, and the currently advantageous interest rate situation, should give impetus to Arab countries which were previously inactive to come to the market for their requirements. Here again, there is a chance for Arab banks to take advantage of such new business opportunities.

The changing banking environment calls for a flexible and innovative approach and building appropriately on banking client-based relations (i.e., relationship banking). It is also crucial that scarce managerial resources be used to maximum effect, if increasingly demanded sophisticated products are to be offered. All of this entails consolidation and strengthening of existing institutions and an end to the proliferation of banks witnessed in the recent past, a practice now exposed by lower oil revenues.

To improve the present banking situation and to build up profiles in the markets, Arab banks may consider the following:

First, move into securities for quality sovereign and corporate risks. This form of off-balance sheet lending would be cheaper for borrowers and would provide a challenge for the banks and advantages for investors;

<u>Secondly</u>, continue to offer significant lending spreads to less credit-worthy Arab borrowers who cannot tap the international securities market. This form of lending may attract banks as they should have a better understanding of entailed risks than their foreign competitors;

<u>Thirdly</u>, continue the gradual substitution of commercial banks' lending by equity flows and the region's emerging capital markets.

The core of the problem is that, without a secondary market, financial instruments cannot be traded and the system will not work. On the other hand, the governments are providing neither the financial environment nor the deposits. There are four main issues that governments have to tackle to provide a sound and healthy atmosphere for Arab banks in the region. These issues are:

- Availability of a comprehensive and flexible legal system;
- Respective accounting standards;
- Accurate business informations;
- Adequate liquidity in the banks.

The region's banking and financial systems have reached a turning point. The failure to devise an adequate financial strategy has allowed global banking developments to overtake the region. Without determined efforts to revive both the institutions and their infrastructure, the financial systems in the region may become rather vulnerable.

Annex I

EGYPT

Economic activity in Egypt is largely dominated by the public sector. It accounts for about two thirds of Egypt's gross domestic product. Civil servants are estimated to number about 5 million, constituting more than 37 per cent of the labour force. The number of Egyptians working abroad is estimated to be about 2.5 million. The private sector, on the other hand, is estimated to account for about one third of GDP and has been allocated about 24 per cent of the 1982-1987 development plan. This figure is expected to increase to around 45 per cent when major infrastructural developments are included. Such big projects used to be formerly the sole domain of the public sector, but increasingly private companies are being allowed a share in them.

In terms of domestic credit, too, the private sector is faring better, as official policy has swung towards allowing it an increasing role in the importing and exporting of certain products. In 1975, the public sector allocation was 2.5 times that of the private sector; by 1985 the private sector's allocation was 3.5 times that of the public sector. However, the advance of the private sector should not be over-estimated.

One of the problems faced by the private sector is the widespread, deep-rooted mistrust of government intentions. Even the money kept in Egypt is held in banks, rather than invested. There is an estimated $9 billion lodged in foreign currency accounts. Although official inflation is running at 10 per cent and the interest rate is only 8 per cent, it is almost impossible to persuade people to invest in equity. There are very limited government incentives and the tax system militates against risk-taking and the building of assets.

Although tax on dividends from bonds and shares is waived up to the highest rate of return declared by the Central Bank, dividends above that are subject to a 32 per cent tax. There is even an additional 50 per cent tax penalty at higher levels of dividends.

Most private businessmen are not willing to invest in the manufacturing sector, which requires long lead-times; few have the nerve to wait three to six years for a return. The banks, on the other hand, would not lend for that kind of period. For this reason, no large private industrial sector is in the making which would move into medium-scale production of, for example, machine tools and spare parts which cost the country more than $1 billion in foreign exchange each year.

For those businessmen willing to invest in the manufacturing sector and trying to compete in tough international markets, the impediments they face are not just frustrating, but extremely damaging to the country. Egypt desperately needs to export; its foreign exchange reserves are in a perilous state following the fall in oil prices, workers' remittances, and Suez Canal revenues.

Egypts's total foreign debt was estimated to have reached around $47 billion by end-March 1987. Of this, the public sector debt accounted for $32 billion (excluding military debt estimated at around $12 billion), thus representing an increase of over 26 per cent over the same period of the preceding year. Long-term debt of the private sector is estimated to have been around $0.8 billion and its short-term debt $2.2 billion. The mounting foreign debt imposes a heavy burden on the Egyptian economy. In 1985/1986, external debt of Egypt was around 54 per cent of the country's GDP and more than 3 times its exports earnings. Servicing the debt deprives the country of as much as 35 per cent of exports of goods and services. The squeeze on foreign exchange sources which resulted, despite some corrective measures undertaken by the Government in 1985, has led to substantial arrears in servicing the country's external debt as well as to a clamp-down on imports with adverse effects on investment output and price performance.

Egypt's external debt has increased substantially over the past two years, namely from around $34 billion at end-1984 to around $45 billion at end-1986 and $47 billion at end-March 1987, owing to the above-mentioned factors. In 1986, oil revenues, which are the second major foreign exchange source after workers' remittances, were about $2.5 billion lower than in 1985 owing to the drop in oil prices and the rising domestic energy consumption - a high loss indeed, considering that total government revenues were just around $15 billion, (table 12).

With government revenues falling, budget deficits widened. The 1986/1987 budget estimates project a budget deficit of around 6 billion Egyptian pounds, which is about 14 per cent over the deficit of the preceding fiscal year (see annexed table 27).

At the heart of Egypt's problem is the highly unfavourable trade balance - a deficit in the order of $6 billion - resulting mostly from huge outlays on food imports. The export sector, apart from oil, is extremely weak. The extent of Egypt's external debt and the squeeze on its prime sources of foreign exchange are a major concern for foreign creditors who have witnessed in the last couple of years a deterioration in local economic conditions and worrying indications of the extent of foreign exchange shortages. Egypt is in arrears with a number of creditors, and it appears that, rather than decreasing, arrears are building up.

A breakthrough came in May 1987, when Egypt reached a stand-by agreement with the International Monetary Fund in which the IMF authorized Egypt to purchase up to the equivalent of special drawing rights (SDR) 250 million over the period to November 1988, in support of the Government's economic and financial programme. Together with its former outstanding obligations of SDR 18.8 million, Egypt's obligations to the IMF have risen to the equivalent of SDR 268.8 million. The main issues the stand-by agreement with the IMF is supposed to support are: a sustained economic growth; a gradual streamlining of the complex exchange rate system into a single market-related exchange rate; a gradual liberalization of interest rates; a slowing of energy consumption by raising domestic energy prices and further adjusting to international price levels over time; a stabilization of the current account deficit of the balance of payments while improving the international reserve position of the banking system; raising procurment prices of agricultural production; and, last but not least, a more stringent policy of government expenditures.

Together with the increase in external foreign exchange resources in the mid-1970s and early 1980s, the rapid build-up of external debt induced a heavy reliance on imports, increased consumption of energy and encouraged a capital-instead of labour-intensive pattern of production. The drop in oil prices and the growing domestic rate of inflation brought accumulated structural economic and financial weakness to the surface.

Egypt's capital market is still moribund. A joint committee of officials from the Egyptian Government, the Republic of Korea and the World Bank's International Finance Corporation has been set up to resuscitate this market. The new organization established for this purpose, the Egypt Investment Finance Corporation (EIFC), will receive long-term technical help from Korean Securities in Seoul, which in turn was helped into existence by the International Finance Corporation.

EIFC is expected to initiate underwriting and share-trading on Cairo's Stock Exchange. It faces huge difficulties, most prominent among which are obtaining experienced staff and persuading Egyptians to raise capital through equity.

In addition, the Commission of Cairo's Stock Exchange is a pale shadow of its former self. Before socialization of the Egyptian economy 30 years ago during the Nasser era, the Cairo stock exchange was the world's sixth largest in terms of both capital and shares traded. Its sister exchange in Alexandria concentrated on commodities and was the third largest after Chicago and London. Both exchanges were allowed to play only a minor role under Nasser. Now, official policy is to develop a capital market. Despite the difficulties, the Capital Markets Authority (CMA) is pressing ahead. There are more than 300 companies registered on the exchange, boasting a paid-up capital of around $75 million. That is very small even by Middle Eastern standards but some achievement in Egypt where the private sector is considerably under-capitalized.

CMA hopes to increase the number on the exchange to around 500 by the end of the 1980s which, on paper, is not entirely impossible. There are around 600 stock companies registered under Public Law 43. As with many aspects of Egypt's changing economic scene there are those, mainly in the middle to higher echelons of the public sector, who are resisting change. The banks would like to play an increasing role in the capital markets but are prohibited by law. Foreign branch banks have asked that they be allowed to buy, sell and hold Egyptian pound-denominated assets such as shares.

The banks argue that one of the prime objectives of setting up branches in Egypt was to encourage equity investment in local productive enterprises. But because they cannot hold shares in Egyptian pounds nor receive sale proceeds, this investment has not taken place. Moreover, this has prevented the branch banks from participating in the local stock exchange. The banks suggest that this omission has deprived the exchange of both key economic expertise and liquidity.

However, the Egyptian capital market faces more fundamental problems. It needs a proper legal framework within which to work as well as adequate disclosure procedures for corporate accounting. If the present commitment to the private sector is maintained and if government tackles urgently the structural changes the economy clearly needs, then it may take the capital market not less than another five years to get on its feet.

Annex II

SYRIAN ARAB REPUBLIC

The Syrian Arab Republic is a centrally planned and directed economy with a weak private sector. There are businessmen who are not employed by the public sector and there are public sector employees with private business interests. But there is no free market economy where a private sector operates within the dictates of supply and demand.

Everything is determined by government, from hiring and firing of staff to the salaries that may be paid and when increases may be given. Government sets prices and determines the levels of profit that the private sector may make. Agriculture is largely in the hands of the private sector, but pricing and marketing are in the hands of the government. However, the absence in government circles of commercial considerations constitutes a fundamental impediment in developing this sector towards self-sufficiency, which was the situation in the country just two decades ago.

One of the most important complaints of the small private sector is about the Government's inconsistent handling of the economy. Policy is conducted in an ad hoc way and subject to sudden change. Furthermore, the absence of a strong private industrial sector and of a consistent long-term policy militates against the private sector being prepared to countenance medium- to long-term investments. While the country's present economic woes have in many respects been of its own making, the main reason has been the recession caused by the slump in world oil demand and prices. This has led to a drop in oil exports from the Syrian Arab Republic, in workers' remittances and a cut-back in payments by oil-rich Arab countries supplied under the 1978 agreement, reached at the Arab summit held in Baghdad, in support of the Syrian Arab Republic's role as a front-line State facing Israel.

Debt-service payments are estimated to be more than $550 million a year, but the true extent of the Syrian Arab Republic's external debt is hidden by a wide range of barter deals. The country's domestic output is limited, and most of it is in hock to Eastern European countries. The country's trade deals with Romania alone are estimated to have reached 2 billion Syrian pounds. Romania now takes up to 25 per cent of the Syrian Arab Republic's export in payment, mainly in oil and cotton. There is little else available for barter. Therefore, the Syrian Arab Republic's East European debt is seriously in arrears.

Annex III

GLOSSARY OF BANKING AND FINANCIAL TERMS

Acid Test Ratio: simple ratio of a company's liquid assets to current liabilities. Such assets include cash, marketable securities and accounts receivable.

Arbitrage: trading strategies designed to profit from price differences for the same or similar goods in different markets. Historically the term implied little or no risk in the trade, but more recently it has come to suggest some risk of loss or uncertainty about total profits.

Commercial Paper: a short-term unsecured promise to repay a fixed amount (representing borrowed funds plus interest) on a certain future date and at a specific place. The note stands on the general credit-worthiness of the issuer or on the standing of a third party that is obligated to repay if the original borrower defaults. The most active commercial-paper market is in the United States. (See also Letter of Credit.)

Conversion: an arbitrage strategy in options involving the purchase of underlying instrument offset by the establishment of a synthetic short position in options on the underlying (the purchase of put and sale of a call). The overall position is unaffected by price movements in the underlying instrument. This trade would be established when small

price discrepancies open up between the long position in the underlying and the synthetic short position in the options.

Convertible Bond: bond giving the investor the option to convert the bond into equity at a fixed conversion price.

Country Risk: the risk that most or all economic agents (including the government) in a particular country will for some common reason become unable or unwilling to fulfill international financial obligations.

Currency Swap: a transaction in which two counter parties exchange specific amounts of two different currencies at the outset and repay over time according to a predetermined rule which reflects interest payments and possible amortization of principal. The payment flows in currency swaps (in which payments are based on fixed interest rates in each currency) are generally like those of spot and forward currency transactions.

Currency Warrants: usually, detachable options included in securities issues giving the holder the right to purchase from the issuer additional securities denominated in a currency different from that of the original issue. The coupon and price of the securities covered by the warrant are fixed at the time of the sale of the original issue. Can also be a currency option in negotiable form.

Euro-Commercial Paper (ECP): notes sold in London for same-day settlement in US dollars in New York. The maturities are more tailored to the needs of issuer and investor than the standard Euronote tenors of one, three and six months. This is a recent development in the Euromarket.

<u>Floating Rate Note</u>: debt security with a maturity of five to seven years. The interest rate is adjusted to money market conditions usually every six months (some are three months) with a minimum rate normally guaranteed (not to be confused with FRN below).

<u>Forward Rate Agreement</u> (<u>FRA</u>): an agreement between two parties wishing to protect themselves against a future movement in interest rates. The two parties agree on an interest rate for a specified period from a specified future settlement date based on an agreed principal amount. No commitment is made by either party to lend or borrow the principal amount; their exposure is only the interest difference between the agreed and actual rates at settlement.

<u>FRN</u>: a medium-term security carrying a floating rate of interest which is reset at regular intervals, typically quarterly or half-yearly, in relation to some predetermined reference rate, typically LIBOR. (See <u>LIBOR</u>.)

<u>Interest Rate Cap</u>: an option-like feature for which the buyer pays a fee or premium to obtain protection against a rise in a particular interest rate above a certain level. For example, an interest rate cap may cover a specified principal amount of a loan over a designated time period such as a calendar quarter. If the covered interest rate rises above the rate ceiling, the seller of the rate cap pays the purchaser an amount of money equal to the average rate differential times the principal amount times one quarter.

<u>Interest Rate Swap</u>: a transaction in which two counter parties exchange interest payment streams of differing character based on an underlying notional principal amount. The three main types are coupon swaps (fixed rate to floating rate in the same currency), basis swaps (one floating rate index to another floating rate index in the same currency), and cross-currency interest rate swap (fixed rate in one currency to floating rate in another).

<u>LDC Loan Swaps</u>: the exchange by one lender of some or all of its exposure to a particular borrower in an LDC with a second lender for its exposure to a borrower in the same or a different LDC. In some transactions loans are sold for cash or swapped for equity.

<u>Letter of Credit (LC) (also Standby Letter of Credit)</u>: the most common form is an obligation on the part of a bank to a third party to redeem a customer's maturing security if the bank's customer cannot perform. Banks in North America often extend letters of credit to back securities issued by tax-exempt borrowers or to back commercial paper. <u>Standby letters of credit</u> call upon the bank to redeem issues upon the default of the borrower. Under <u>direct-pay letter of credit</u>, the bank pays off all maturing obligations and obtains reimbursement from the borrower.

<u>LIBOR</u>: London Interbank Offered Rate. The rate at which banks offer to lend funds in the international interbank market.

Margin: funds or collateral posted as a good-faith performance guarantee. In repurchase agreements lenders of funds often make borrowers post margin by requiring them to deliver securities in excess of the amount of money borrowed. Futures and options exchanges often require traders to post initial margin when they enter into new contracts. Margin accounts are debited or credited to reflect changes in the current market prices on the positions held. Members must replenish the margin account if margin falls below a minimum. In similar fashion, customers must post margin on positions held for them at the exchange clearing house by member firms.

Market Liquidity Risk: the possibility that a financial instrument cannot be sold quickly and at full market value.

Note Issuance Facility (NIF): a medium-term arrangement enabling borrowers to issue short-term paper, typically of three or six months' maturity, in their own names. Usually a group of underwriting banks guarantees the availability of funds to the borrower by purchasing any unsold notes at each roll-over date, or by providing a standby credit. Facilities produced by competing banks are called, variously, revolving underwriting facilities, note purchase facilities, and Euronote facilities.

Off-Balance-Sheet Activities: banks' business, often fee-based, that does not generally involve booking assets and taking deposits. Examples are trading of swaps, options, foreign exchange forwards, stand-by commitments and letters of credit.

Option: the contractual right, but not the obligation, to buy or sell a specified amount of a given financial instrument at a fixed price before or at a designated future date. A call option confers on the holder the right to buy the financial instrument. A put option involves the right to sell the financial instrument.

RUF: revolving underwriting facility.

Secondary Market: (a) Telephone/telex and over the counter market for the sale and purchase of international and foreign bonds or domestic securities after initial issue on primary markets. The proceeds of the sale are received by an investor and not by the corporation or governmental unit underlying the transaction.
(b) In commodities, sale or resale by an intermediary rather than a first-hand seller.

Securitization: the term is most often used narrowly to mean the process by which traditional bank or thrift institution assets, mainly loans or mortgages, are converted into negotiable securities which may be purchased either by depository institutions or by non-bank investors. More broadly, the term refers to the development of markets for a variety of new negotiable instruments, such as NIFs and FRNs in the international markets and commercial paper in the United States, which replace bank loans as a means of borrowing. Used in the latter sense, the term often suggests disintermediation of the banking system, as investors and borrowers bypass banks and transact business directly.

Warrant: tradable instruments conferring on the holder the right to purchase from, or sell to, the warrant issuer a fixed-income security or equity stock under specified conditions for some period of time. Recently, the most common warrants have been sold in conjunction with Eurobond offerings and enable the holder to obtain a security identical to the original issue.

Zero Coupon Bonds: single-payment long-term securities which do not call for periodic interest payments. The bonds are sold at discounts from par and the investor's entire return is realized at maturity.

Source: Bank for International Settlements Recent Innovations in International Banking, April 1986, and Reuters Glossary of International Economic and Financial Terms, August 1982.

ANNEXED TABLES BY CATEGORY

Table A.1

Growth of assets of commercial banks in the ESCWA region, 1980-1986

(Percentage)

	1981/1980	1982/1981	1983/1982	1984/1983	1985/1984	1986/1985
GCC and Iraq						
Bahrain	6.6	11.5	14.8	8.1	9.7	6.6
Iraq	54.1	8.2	20.5	29.5	15.3	--
Kuwait	29.1	17.0	4.0	7.0	-2.3	2.8
Oman	25.3	22.0	13.4	21.0	6.4	-1.5
Qatar	35.6	11.5	2.2	21.1	11.7	9.4
United Arab Emirates	29.5	15.0	3.0	15.0	6.8	--
Saudi Arabia	43.9	18.4	2.5	13.3	2.7	--
Other ESCWA countries						
Egypt	25.7	26.8	23.7	18.3	37.9a/	-
Jordan	24.3	16.7	19.9	14.6	12.0	10.1
Lebanon	42.4	16.5	27.2	27.4	61.9	181.3
Syrian Arab Republic	42.8	20.1	19.2	7.8	18.3	--
Democratic Yemen	--	--	-	--	--	--
Yemen	11.1	18.8	29.4	45.3	16.4	--

Source: Calculated from consolidated balance sheets of ESCWA countries, (annexed tables A.10-A.22).

a/ 1985 (after evaluation).

Table A.2
Profit/assets ratio*, 1982-1986
(Percentage)

	1982	1983	1984	1985	1986
BAHRAIN					
Major Offshore Banks					
Arab Banking Corp.	1.46	1.22	1.00	0.83	0.73
GIB	---	---	---	0.86	0.87
Arlabank Intern.	---	1.15	1.38	0.78	---
Bahrain Intern. Bank	---	-3.36	3.74	4.46	---
Gulf Riyad Bank	---	0.32	0.43	0.50	---
Trans-Arabian Invest. Bank	---	2.05	1.93	-2.01	---
United Gulf Bank	---	1.88	-0.48	-2.01	---
Domestic Banks					
National Bank of Bahrain	---	---	1.66	1.50	0.77
Bank of Bahrain and Kuwait	---	---	1.36	1.0	---
KUWAIT					
National Bank of Kuwait	0.68	---	---	0.81	0.84
Gulf Bank	0.67	---	---	0.0	0.24
Commercial Bank of Kuwait	0.71	---	0.60	0.0	0.23
Al-Ahli Bank of Kuwait	0.57	---	0.62	0.26	0.30
Burgan Bank	0.73	---	0.56	0.0	0.49
Bank of Kuwait and the ME.	0.56	---	0.74	0.17	0.34
IRAQ					
Rafidain Bank	3.97	1.69	2.48	2.80	2.53
OMAN					
National Bank of Oman	---	---	1.64	1.18	---
Oman Intern. Bank	---	---	0.83	0.64	---
Bank of Oman, Bahrain & Kuwait	---	---	1.27	1.23	---
Oman Arab Bank	---	---	---	1.47	---
Comm. Bank of Oman	---	---	1.35	0.87	---
Union Bank of Oman	---	---	0.84	0.90	---
Bank of Oman and the Gulf	---	---	1.24	-0.83	---
Al-Bank Al-Ahli Al-Omani	---	---	0.20	1.51	---
Oman Overseas Trust Bank	---	---	0.27	0.51	---

Table A.2 (continued)

	1982	1983	1984	1985	1986
QATAR					
Al-Ahli Bank of Qatar	---	---	---	1.82	---
Doha Bank	---	---	2.46	2.09	---
Qatar National Bank	---	---	1.28	1.11	---
Comm. Bank of Qatar	---	---	3.53	2.69	---
Arab Bank	---	---	0.92	0.41	---
Bank Al-Mashrek	---	---	1.29	0.67	---
Bank of Oman	---	---	0.23	0.24	---
Banque Paribas	---	---	0.12	0.32	---
British Bank of the ME	---	---	0.91	1.14	---
Citibank	---	---	0.45	0.40	---
Grindlays Bank	---	---	0.23	0.0	---
Standard Chartered Bank	---	---	0.13	-0.05	---
United Bank	---	---	0.92	0.66	---
SAUDI ARABIA					
National Commercial Bank	---	---	0.87	0.18	0.13
Saudi-American Bank	---	---	2.04	1.23	0.53
Al-Bank Al-Saudi Al-Fransi	---	---	1.31	0.80	0.64
Arab National Bank	---	---	2.65	1.78	1.23
Al-Bank Al-Saudi Al-Hollandi	---	---	1.25	0.20	0.08
Saudi British Bank	---	---	1.39	0.11	0.11
Saudi Investment Bank	---	---	0.26	-0.34	0.03
United Saudi Comm. Bank	---	---	-0.06	-0.52	-0.41
Riyad Bank	---	---	1.80	1.68	0.58
UNITED ARAB EMIRATES					
Domestic Banks					
National Bank of Abu Dhabi	---	---	0.17	0.06	---
National Bank of Dubai	---	---	2.08	1.99	---
National Bank of Sharjah	---	---	1.17	1.24	---
National Bank of Ras Al-Khaimah	---	---	0.99	1.14	---
The National Bank of Umm-al-Qiwain	---	---	3.14	3.77	---
National Bank of Fujairah	---	---	---	0.47	---
Bank of Oman	---	---	0.49	0.45	---
Arab Bank for Invest. Foreign Trade	---	---	0.45	0.08	---
Bank of Credit and Commerce (Emirates)	---	---	0.66	1.12	---
Investment Bank for Trade and Finance	---	---	1.85	1.44	---
The Commercial Bank of Dubai	---	---	2.09	1.77	---
United Arab Bank	---	---	0.01	0.64	---
First Gulf Bank	---	---	2.46	1.78	---
Bank of Sharjah	---	---	2.63	2.14	---
Al-Ahli Bank	---	---	-3.31	5.41	---

Table A.2 (continued)

	1982	1983	1984	1985	1986
Foreign Banks					
Banque Libanaise pour le Commerce a/	---	---	+1.87	+1.09	---
Banque due Liban et d'outre Mer a/	---	---	-0.37	-1.22	---
LLoyds Bank Intern. a/	---	---	-1.74	-1.56	---
National Bank of Oman a/	---	---	0.64	0.58	---
The Royal Bank of Canada a/	---	---	0.02	-0.10	---
National Bank of Bahrain a/	---	---	2.59	-4.30	---
Barclays Bank	---	---	7.61	1.02	---
The British Bank of the ME a/	---	---	2.86	1.71	---
Standard Chartered Bank a/	---	---	-0.26	-0.03	---
Citibank	---	---	1.03	-1.74	---
Banque Indo-Suez a/	---	---	-3.13	0.13	---
Banca Commerciale Italiana	---	---	0.01	0.30	---

Source: Based on results calculated for major commercial banks in the Gulf Co-operation Council, (see annexed tables A.7, A.8 and A.9).

* Net profit.

a/ Pre-tax profit.

Table A.3
Profit/equity ratio* of banks in some GCC countries
(Percentage)

	1983	1984	1985	1986
BAHRAIN				
Major offshore banks				
Arab Banking Corp.	10.41	9.87	9.23	8.49
Gulf Intern.-Bank	12.05	11.16	9.37	9.36
Arlabank Intern.	8.76	10.41	-	---
Bahrain Intern. Bank	-4.50	5.50	---	---
Gulf Riyadh Bank	7.19	8.36	---	---
Trans Arabian Invest. Bank	9.32	8.78	---	---
United Gulf Bank	9.60	-2.20	---	---
KUWAIT				
National Bank of Kuwait	---	---	11.39	11.68
Gulf Bank	---	---	0.0	2.74
Commercial Bank of Kuwait	---	8.75	0.0	2.57
Al-Ahli Bank of Kuwait	---	8.61	3.33	3.26
Burgan Bank	---	3.48	0.0	3.24
Bank of Kuwait and the Middle East	---	8.58	1.88	3.66
OMAN				
National Bank of Oman	---	31.72	20.47	---
Oman Intern. Bank	---	8.70	8.51	---
Bank of Oman, Bahrain and KT.	----	11.63	9.73	---
Oman Arab Bank	---	---	20.00	---
Commercial Bank of Oman	---	16.67	10.00	---
Al-Bank Al-Ahli Al-Omani	---	1.96	15.09	---
Oman Overseas Trust Bank	---	2.94	4.17	---
Union Bank of Oman	---	8.51	6.12	---
Bank of Oman and the Gulf	---	10.71	-8.00	---

Source: Based on bank results in Gulf Co-operation Council, (see annexed tables A.7, A.8, and A.9).

* Net profit.

Table A.4

Foreign assets of commercial banks in the ESCWA region, 1973-1986

(million of national currency units)

	1973	1975	1978	1980	1981	1982	1983	1984	1985	1986
GCC and Iraq										
Bahrain	45.2	160.6	243.8	320.0	343.1	358.1	470.0	435.8	586.8	694.6
Iraq	---	---	---	---	---	---	---	---	---	---
Kuwait	479.0	614.4	1,214.4	1,880.1	2,245.5	2,251.0	2,301.1	2,507.6	2,229.6	2,214.4
Oman	14.8	23.0	36.8*	139.1	161.2	192.3	285.5	311.8	235.2	229.4
Qatar	325.5	1,108.7	2,213.0	2,535.2	4,384.4	4,626.4	3,855.1	6,283.2	6,984.0	7,217.4
Saudi Arabia	1,902.0	3,617.0	13,581.0	25,241.0	48,472.0	55,689.0	56,432.0	67,602.0	69,228.0	---
United Arab Emirates	1,587.8	7,171.7	9,918.1	19,406.4	29,053.5	35,052.4	35,013.9	44,421.3	44,309.0	---
Other ESCWA countries										
Egypt	163.0	495.0	1,730.0*	3,244.0	3,298.0	5,211.0	6,344.0	5,864.0	6,142.0	9,246.0
Jordan	6.6	12.4	74.6	208.2	233.3	255.4	304.4	330.5	384.9	403.3
Lebanon	3,624.0	5,112.0	6,063.0	13,400.0	20,057.0	14,081.0	18,033.0	26,208.0	---	---
Syrian Arab Republic	126.3	326.5	287.0	425.9	272.1	1,144.4	956.7	554.8	597.5	---
Democratic Yemen	2.9	9.2	16.0	44.1	38.3	36.3	28.9	10.2	---	---
Yemen	66.0	278.0	407.0	739.0	761.0	1,072.0	1,068.0	1,283.0	1,781.0	2,990.0

Source: International Monetary Fund, International Financial Statistics, June and July 1987, IFS Yearbook 1986, and national sources.

* Change in series.

Table A.5

Domestic liabilities of commercial banks in the ESCWA region, 1973-1986

(million of national currency units)

	1973	1975	1978	1980	1981	1982	1983	1984	1985	1986
Gulf Co-operation Council										
Bahrain	--	267.7	500.6	664.9	837.1	945.0	1,078.2	1,222.6	1,329.0	1,400.5
Kuwait	566.4	832.4	2,677.0	3,762.2	5,058.0	5,866.1	6,138.9	6,665.0	6,674.3	8,091.6
Oman	48.9	125.3	256.0	469.9	642.4	905.2	913.1	1,127.7	1,210.1	1,147.1
Qatar	877.0	2,191.2	4,438.0	6,026.1	8,303.4	9,177.4	9,162.0	11,618.4	13,029.4	--
Saudi Arabia	5,437.0	13,923.0	49,806.0	68,900.0	94,651.0	121,044.0	125,918.0	137,065.0	140,456.0	--
United Arab Emirates	3,214.4	12,890.9	25,188.4	35,163.0	44,711.2	50,840.9	55,028.9	70,835.7	77,926.0	--
Other ESCWA countries										
Egypt	1,686.1	2,892.6	6,273.2	10,492.3	12,884.7	16,048.6	19,868.2	24,326.4	35,230.5	--
Jordan	109.0	215.8	577.1	922.3	1,153.3	1,352.4	1,615.7	1,820.4	2,054.5	2,286.7
Lebanon	8,180.0	10,626.0	17,365.0	31,445.0	45,605.0	54,926.0	69,691.0	87,674.0	--	--
Syrian Arab Republic	2,911.9	6,750.1	11,736.4	18,901.4	26,602.0	32,113.7	37,781.6	41,264.9	48,574.6	--
Democratic Yemen	--	--	--	--	--	--	--	--	--	--
Yemen	648.4	1,840.0	2,529.7	4,110.9	4,566.9	5,404.3	7,176.3	10,246.1	10,544.7	--

Source: - Consolidated balance sheets of commercial banks in ESCWA countries, (annexed tables No. A.10-A.22);

- Foreign liabilities (IMF International Financial Statistics, June 1987, and IFS Yearbook 1986).

Table A.6

Foreign assets/domestic liabilities, 1973-1986

(Percentage)

	1973	1975	1978	1980	1981	1982	1983	1984	1985	1986
Gulf Co-operation Council										
Bahrain	--	60.0	48.7	48.1	41.0	37.9	43.6	35.6	44.2	49.6
Kuwait	84.6	73.8	45.4	50.0	44.4	38.4	37.5	37.6	33.4	27.4
Oman	30.2	18.3	14.3	29.6	25.0	21.2	31.2	27.6	19.4	20.0
Qatar	37.1	50.6	49.8	42.0	52.8	50.4	42.0	54.0	53.6	--
Saudi Arabia	34.9	25.9	27.2	36.6	51.2	46.0	44.8	49.3	49.2	--
United Arab Emirates	49.4	55.6	39.3	55.1	64.9	68.9	63.6	62.7	56.8	--
Other ESCWA countries										
Egypt	9.6	17.1	27.5	30.9	25.6	32.4	31.9	24.1	17.4	--
Jordan	6.0	5.7	12.9	22.5	20.2	18.8	18.8	18.1	18.7	17.6
Lebanon	44.3	48.1	34.9	42.6	43.9	25.6	25.8	29.8	--	--
Syrian Arab Republic	4.3	4.8	2.4	2.2	1.0	3.5	2.5	1.3	1.2	--
Democratic Yemen	--	--	--	--	--	--	--	--	--	--
Yemen	10.1	15.1	16.0	17.9	16.6	19.8	14.8	12.5	16.9	--

Source: Based on annexed tables A.4 and A.5.

Table A.7

Results of major Arab commercial banks, 1982-1986

	1982	1983	1984	1985	1986
BAHRAIN					
Major Offshore Banks (US $ mn)					
Arab Banking Corp.					
Total Assets	7,892.0	8,762.0	11,055.0	13,066.0	14,582.0
Loans and advances	2,558.0	3,358.0	4,649.0	5,095.0	5,999.0
Marketable securities	356.0	420.0	544.0	863.0	1,056.0
Deposits	6,706.0	7,440.0	8,780.0	10,281.0	11,629.0
Shareholders funds	966.0	1,028.0	1,114.0	1,181.0	1,261.0
Net Profit	115.0	107.0	110.0	109.0	107.0
Loss provisions	4.0	20.0	45.0	61.0	53.0
Non-interest income	14.0	15.0	60.0	98.0	141.0
Return on avg.assets%	1.8	1.4	1.1	0.9	0.8
Return on shareholders' equity%	12.4	10.7	10.3	9.5	8.7
Return on capital %	15.3	14.3	14.7	14.5	14.3
Gulf International Bank					
Loans (net of loan loss provision)	3,343.8	4,039.0	4,170.0	4,150.3	4,459.2
Total assets	6,161.2	7,437.0	7,149.0	7,781.6	8,064.9
Time deposits	5,424.1	6,468.4	6,339.0	6,514.3	6,659.2
Shareholders equity	413.3	477.0	580.0	715.0	747.8
Profit and loss account	--				
Net interests' fee income	--			96.0	92.8
Other income	10.4	15.6	14.9	15.2	26.3
Total	--	--	--	111.4	119.2
Operating expenses	--	--	--	43.5	48.5
Net income before tax	--	--	--	67.9	70.7
Net income after tax	50.8	57.5	64.7	67.0	70.0
Return on assets %	--	0.77	0.87	0.90	0.88
Arlabank International					
Assets		1,724.0	1,853.0	1,699.6	
Loans		1,182.0	1,209.0	1,184.3	
Equity		226.0	245.0	--	
Provisions				5.8	
Net Profit		19.8	25.5	13.3	
Return on assets %		0.5	1.4	0.8	
Return on equity %		8.8	10.4	--	

Table A.7 (continued)

	1982	1983	1984	1985	1986
Bahrain International Bank					
Assets		268.0	294.0	316.0	
Loans		15.0	31.0	33.1	
Equity		200	200.0	--	
Provisions	--	--		--	
Net profit		-9.0	11.0	14.1	
Return on assets %		--	3.7	4.50	
Return on equity %		--	5.5	--	
Gulf Riyad Bank					
Assets		1,269.0	1,186.0	1,070.4	
Loans		523.0	522.0	466.0	
Equity		57.0	61.0	--	
Provisions		--	--	--	
Net Profit		4.1	5.1	5.3	
% Return on assets		0.6	0.4	0.5	
% Return on equity		7.2	8.3	--	
Trans-Arabian Investment Bank					
Assets		331.0	374.0	307.9	
Loans		69.0	82.0	98.7	
Equity		73.0	82.0	--	
Provisions	---	--	--	2.0	
Net profit	---	6.8	7.2	6.2	
Return on assets %		2.8	1.9	2.0	
Return on equity %		9.3	8.8	--	
United Gulf Bank					
Assets		1289.0	1126.0	502.7	
Loans		472.0	433.0	224.7	
Equity		252.0	246.0	--	
Provisions		--	--	9.2	
Net profit		24.2	-5.2	-10.1	
Return on assets %		9.6	--	--	
Return on equity %		1.8	--	--	

Source: MEED Special Report, April 1985
MEED, 26 September, 1986.
MEED, 2 March 1987.
MEED, 7 March 1987.

Table A.7 (continued)

	1982	1983	1984	1985	1986
Local Banks (BD mn)					
National Bank of Bahrain					
Total Assets			631.5	533.0	569.0
Deposits				319.0	333.0
Operating income				12.3	11.4
Loans			248.1	197.0	146.0
Loan loss provisions			2.3	4.3	7.0
Net profits			10.5	8.0	4.4
Bank of Bahrain and Kuwait					
Assets			829.2	772.0	
Loans			509.9	576.0	
Provisions			--	--	
Net Profit			11.3	7.8	
Return on assets %			1.3	1.0	
KUWAIT (KD mn)					
National Bank of Kuwait					
Total assets	2,961.2			2,823.5	3,031.0
Shareholders' equity				201.9	217.5
Loans	1,002.6			1,256.8	1,286.6
Net profit	20.0			25.4	20.0
Cash dividend %				20.0	20.0
Gulf Bank					
Total assets	2,180.6			1,820.8	1,811.1
Shareholders' equity				156.4	160.8
Loans	881.2			997.6	986.4
Net Profit	14.7			0.0	4.4
Cash dividend %				0.0	0.0
Commercial Bank of Kuwait					
Total assets	2,183.9		1,813.2	1,635.7	1,587.2
Shareholders' equity			126.0	126.0	124.5
Loans	887.8		970.3	970.3	1,017.1
Net profit	15.4		10.8	0.0	3.6
Cash dividend %			7.0	0.0	0.0

Table A.7 (continued)

	1982	1983	1984	1985	1986
Al-Ahli Bank of Kuwait					
Total assets	1,850.9		1,593.4	1,511.8	1,493.0
Shareholders' equity			115.0	117.2	138.2
Loans	651.4		789.2	778.2	878.2
Net Profit	10.6		9.9	3.9	4.5
Cash dividend %			5.0	5.0	0.0
Return on assets %			0.62	0.26	0.30
Return on shareholder's equity %			8.61	3.33	3.26
Burgan Bank					
Total assets	619.6	--	944.1	999.2	1,045.5
Shareholders' equity		--	152.1	152.2	157.2
Loans	372.9	--	481.3	543.9	601.8
Net profit	4.5	--	5.3	0.0	5.1
Cash dividend %		--	0.0	0.0	0.0
Bank of Kuwait and the Middle East					
Total assets	1,186.7	--	906.2	874.8	881.0
Shareholders' equity		--	78.1	79.6	82.6
Loans	493.4	--	518.1	544.4	563.9
Net Profit	6.6	--	6.7	1.5	3.0
Cash dividend %	--	--	5.0	0.0	0.0
Return on assets %		--	0.74	0.17	0.38
Return on shareholders' equity %	12.4	--	8.56	1.83	3.66
IRAQ (ID mn)					
Rafidain Bank					
Total assets	5,770.7	6,952.2	9,004.8	10,379.6	13,742.1
Contra accounts	7,034.9	6,039.6	5,668.6	5,492.8	--
Loans and advances	2,032.6	3,678.7	5,591.3	6,729.2	--
Investment	1,052.3	1,045.4	1,236.8	1,289.3	--
Deposits	5,164.0	6,448.6	8,394.3	9,545.5	12,855.2
Net Profit	229.2	117.8	223.2	290.2	348.2

Source: MEED 2 May 1987.
MEES 20 April 1987.
MEED, Special Report, May 1983.
MEES, 31 August 1987 and MEED.

Table A.7 (continued)

	Assets			Deposits			Loans			Capital and reserves		
	1986	1985	1984	1986	1985	1984	1986	1985	1984	1986	1985	1984
OMAN (RO mn)												
National Bank of Oman	378	373	360	247	232	251	188	181	152	23	22	19
Oman International Bank	125	124	96	98	94	70	102	87	53	10	9	9
Oman Arab Bank	99	88	62	62	69	52	64	52	29	8	7	6
Bank of Oman, Bahrain and Kuwait	95	89	79	61	59	57	68	66	54	12	11	9
BCCI	92	97	86	71	77	71	55	52	42	6	5	4
British Bank of the Middle East	91	96	104	76	81	74	57	65	70	7	7	6
Commercial Bank of Oman	69	75	65	46	54	48	39	48	35	6	6	5
Al-Bank al-Ahli al Omani	56	53	49	43	40	38	43	38	27	5	5	4
Bank of Muscat	46	41	40	25	21	20	31	26	25	7	6	4
Union Bank of Oman	31	33	48	17	20	28	23	23	28	5	5	5

Source: MEES, 1 June 1987.

Table A.7 (continued)

	Assets/liabilities		Net Profits		Loans and advances		Deposits		Dividends	
	1984	1985	1984	1985	1984	1985	1984	1985	1984	1985
QATAR (QR mn)										
Local Banks										
Al-Ahli Bank of Qatar	--	179.0	--	3.3	--	57.0	--	143.0	--	8.0
Doha Bank	1,370.9	1,511.9	33.7	31.7	360.3	393.0	1,004.2	1,083.3	8.4	5.5
Qatar National Bank	6,878.8	8,141.3	88.2	90.4	2,859.0	3666.5	5,012.4	5,968.6	16.8	18.8
Commercial Bank of Qatar a/	733.5	724.0	25.9	19.4	280.4	221.0	600.4	569.5	6.8	8.4
Foreign Banks b/										
Arab Bank	676.7	682.7	6.2	2.8	135.6	128.4	617.2	626.4	--	--
Bank Al-Mashrek	452.3	451.1	5.8	3.0	143.6	164.5	401.7	307.5	--	--
Bank of Oman	391.7	415.4	0.9	1.0	108.6	60.8	376.3	400.9	--	--
Banque Paribas	745.7	721.7	0.9	2.3	497.1	402.1	652.3	649.4	--	--
British Bank of the Middle East	889.0	915.6	8.0	10.4	351.2	322.6	826.1	872.5	--	--
Citibank	271.5	202.1	1.2	0.8	76.4	42.1	241.0	185.0	--	--
Grindlays Bank	615.6	598.8	1.4	0.0	404.7	328.1	587.4	573.3	--	--
Standard Chartered Bank	308.6	349.0	0.4	-0.2	190.2	228.6	290.0	316.4	--	--
United Bank	298.4	365.0	2.7	2.4	111.6	117.1	227.8	348.3	--	--

a/ 1986 results for commercial bank of Qatar are: assets QR 669.9 million; Net profit QR 18.5 million; loans and advances QR 223.6 million, and dividends QR 8.4 million.

b/ Results are not available for Bank Saderat Iran.

Table A.8
Saudi Arabia: bank results, 1984-1986*
(SRls million)

	National Commercial Bank[a/]	Saudi-American Bank	Al-Bank Al-Saudi Al-Fransi	Arab National Bank	Al-Bank Al-Saudi Al-Hollandi	Saudi British Bank	Saudi Investment Bank	United Saudi Comm. Bank	Riyad[b/]
Total assets									
1984	57,615	13,801	12,978	9,111	8,360	7,248	4,618	2,464	32,337
1985	55,473	14,144	13,724	10,411	9,383	8,186	4,567	3,290	30,544
1986	63,702	15,323	14,883	12,383	9,232	8,158	4,272	3,915	32,824
% change 1986/85	+14.8	+8.3	+8.4	+18.9	-1.6	-0.3	-6.5	+19.0	+7.5
Total loans									
1984	20,030	5,978	6,212	2,730	4,046	3,420	1,325	593	11,189
1985	20,970	5,261	6,842	2,602	4,172	3,306	1,182	696	11,406
1986	24,445	3,920	5,984	2,199	3,338	2,913	878	628	10,856
% change 1986/85	+16.6	-25.5	-12.5	-15.5	-20.0	-11.9	-25.7	-9.8	-4.8
Deposits									
1984	51,620	10,709	na	7,512	5,862	na	na	1,847	26,225
1985	49,962	10,882	10,686	8,747	6,772	7,121	4,200	2,138	25,333
1986	58,237	11,558	11,120	10,610	6,988	7,095	4,012	2,792	27,209
% change 1986/85	+16.6	+6.2	+41.	+21.3	+3.2	-0.4	-4.5	+30.6	+7.4
Provisions									
1984	425	59	49.1	na	35.0	65.1	35.2	5.0	na
1985	691	104	75.5	39.6	70.2	95.9	40.0	22.0	na
1986	835	180	148	86.6	60.0	40.5	36.0	60.0	na
% change 1986/85	+20.8	+73.1	+96.0	+118.7	-14.5	-57.8	-10.0	+172.7	na
Net profits									
1983	544.3	357.6	162.5	241.3	118.0	135.3	14.3	--	--
1984	499.5	281	170.5	241.6	104.5	100.4	12.1	-1.6	582
1985	99.6	174	110.4	185.1	19.0	9.1	-15.4	-17.0	512
1986	79.9	81	94.9	152.1	7.8	8.6	1.3	-15.9	189
% change 1986/85	-19.8	-53.4	-14.0	-17.8	-58.9	-5.5	--	+6.5	-63.1
Return on assets 1986, % (average)	0.13	0.55	0.66	1.3	0.08	0.11	0.03	--	0.6
Provision as % of loans (1986)	3.4	4.6	2.5	3.9	1.8	1.4	4.1	9.6	--

Source: MEED 16 May 1987.

Exchange rate: $1 = SRls 3.75 (May 1987)

* Excluding Saudi-Cairo Bank and Bank al-Jazira.
a/ 1986 - ended 4 September 1986.
b/ 1986 - ended 10 March 1986.

Table A.9
United Arab Emirates: bank results, 1984-1985
(Dh million)

	Assets		Loans/advances		Deposits		Provisions		Net profits	
	1985	1984	1985	1984	1985	1984	1985	1984	1985	1984
Local Banks										
National Bank of Abu Dhabi[a/]	20,737.2	21,822.1	10,448.2	5,903.8	14,324.1	14,606.0	206.4	132.3	12.7	37.3
National Bank of Dubai	18,844.6	16,797.1	1,238.1	1,452.5	15,974.9	14,376.2	33.6	31.9	374.9	349.2
National Bank of Sharjah	2,335.6	2,570.6	1,585.5	1,335.9	1,197.4	1,194.9	24.3	19.5	29.0	30.0
National Bank of Ras Al-Khaimah	597.4	556.5	236.8	201.0	401.8	350.9	10.6	9.2	6.8	5.5
The National Bank of Umm al-Qaiwain	475.4	703.6	153.2	304.2	175.6	309.6	n.a	--	17.9	22.1
National Bank of Fujairah[b/]	422.9	185.7	36.4	3.0	157.2	34.0	0.4	--	2.0	--
Bank of Oman	8,907.4	8,880.9	3,087.1	3,199.7	7,959.5	7924.5	47.6	72.3	40.3	43.7
Arab Bank for Investment and Foreign Trade	3,759.9	4,061.9	1,779.0	2,185.1	841.2	699.3	41.2	34.6	3.1	18.3
Bank of Credit and Commerce (Emirates)	4,193.1	3,710.9	2,018.8	1,391.5	3,037.2	2,591.1	11.0	30.0	47.0	24.6
Investment Bank for Trade and Finance	1,811.2	1,659.9	1,005.2	890.1	1,158.8	1,047.0	4.0	4.6	26.1	30.5
The Commercial Bank of Dubai	1,163.0	1,400.0	596.7	597.1	604.7	585.3	4.1	4.3	20.6	29.3
United Arab Bank	812.3	820.5	652.2	682.7	638.0	613.3	18.4	24.8	5.2	2.7
First Gulf Bank	623.2	609.4	183.8	192.7	284.7	116.5	7.7	8.6	11.1	15.0
Bank of Sharjah	644.5	588.3	359.5	381.0	299.2	285.2	9.7	4.6	13.8	15.5
Al-Ahli Bank[c/]	111.0	148.0	74.0	98.0	52.1	58.5	11.7	2.5	6.0	-4.9
Foreign Banks										
Banque Libanaise pour le Commerce[a/]	239.0	229.8	120.6	136.8	164.3	147.0	3.1	2.5	2.6	4.3
Banque du Liban & d'Outer Mer[a/]	263.3	296.4	154.2	147.2	197.5	230.6	5.7	4.6	-3.2	-1.1
Lloyds Bank International[a/]	718.8	812.5	258.5	334.2	161.4	118.5	24.2	1.6	-11.2	-14.1
National Bank of Oman[a/]	583.8	472.1	89.3	103.6	168.6	171.8	2.2	2.1	3.4	3.0
The Royal Bank of Canada[a/]	408.2	529.3	194.1	265.5	82.9	59.2	1.8	6.1	-0.4	0.1
The Toronto Dominion Bank[a/]	197.3	483.1	83.1	293.1	75.8	90.5	14.8	2.1	-5.4	7.6
National Bank of Bahrain[a/]	83.7	77.2	56.3	39.4	43.6	25.8	3.7	0.6	-3.6	2.0
Barclays Bank[a/]	225.1	251.1	106.8	119.4	127.6	143.6	1.8	2.1	2.3	19.1
The British Bank of the Middle East[a/]	3,746.0	3,393.0	1,622.0	1,625.0	3,210.0	2,844.0	21.0	30.0	64.0	97.0
Standard Chartered Bank[a/]	597.8	584.3	360.9	344.3	482.2	485.0	21.2	14.1	-0.2	-1.5
Citibank	1,808.0	2,110.0	578.1	806.6	996.0	822.4	136.3	160.4	-31.4	21.8
Banque Indo-Suez[a/]	395.8	338.3	201.1	222.6	202.5	180.0	5.8	9.7	0.5	-10.6
Banca Commerciale Italiana[a/]	1,779.3	1,730.0	368.6	282.1	11,979.0	7,846.0	1.0	0.8	5.3	0.2

Source: MEED, 24 May 1986.

Note: Results for Abu Dhabi Commerical Bank are not available.

a/ Net profit before tax.
b/ First full year.
c/ Al-Ahli, an affiliate of Alahli Bank of Kuwait, is now registered as a foreign institution.

Table A.10

Consolidated balance sheet of commercial banks in Bahrain*

(BD million)

End of period	1975	1978	1980	1981	1982	1983	1984	1985	1986
Assets									
Reserves									
- Cash	2.38	5.46	3.18	3.45	3.94	5.11	5.30	6.44	5.91
- Balance with BMA	22.87	28.48	34.58	37.35	49.98	31.15	34.69	50.02	41.47
Advances and credits	162.10	341.39	454.15	495.35	568.55	630.36	727.82	677.50	678.94
Foreign assets	160.59	243.79	319.96	343.12	358.07	470.05	435.82	586.79	694.62
Balance with local banks	35.90	27.96	26.83	15.44	18.38	12.77	25.01	30.51	22.07
Other assets	13.54	45.34	62.23	65.20	71.25	78.61	99.00	105.32	109.05
Contra accounts	89.71	211.14	238.89	279.94	455.71	431.69	544.00	515.21	532.90
TOTAL	487.09	903.57	1,139.82	1,239.85	1,525.88	1,659.74	1,871.64	1,971.79	2,084.96
Assets = Liabilities (minus contra accounts)	397.38	692.43	900.93	959.91	1,070.17	1,228.05	1,327.64	1,456.58	1,552.06
Liabilities									
Private deposits	162.20	358.20	465.75	667.20	709.75	769.58	749.60	834.33	805.19
Gov. deposits	50.51	66.57	72.25	79.41	90.96	109.91	119.49	132.50	143.76
Foreign liabilities	129.74	191.80	236.01	122.83	125.20	149.89	104.99	127.65	151.61
Due to local banks	35.90	27.96	26.83	15.43	18.38	12.77	25.92	30.50	22.10
Capital and reserves	9.39	24.32	42.56	62.73	122.28	137.59	130.89	167.79	252.73

Source: Bahrain Monetary Agency, Quarterly Statistical Bulletin, June 1986 and March 1987.

* Including government and governmental institutions.

Table A.11

Consolidated balance sheet of commerical banks in Democratic Yemen

(Million Democratic Yemen dinars)

	1978	1980	1981	1982	1983	1984
Assets						
Cash in local currency	2.89	13.15	12.42	24.29	32.62	36.16
Balance with bank of Yemen	5.89	8.23	13.98	46.18	91.36	141.84
Foreign assets	16.03	44.08	38.31	36.26	28.87	10.24
-Balance with foreign banks	8.26	38.70	35.41	32.36	22.97	7.28
-Bills receivable in foreign currencies	4.24	2.63	1.31	1.22	1.88	0.65
-Cash in foreign currencies	3.41	2.52	1.35	2.07	3.39	1.53
-Foreign investments	0.12	0.23	0.24	0.61	0.68	0.78
Bills receivable in local currency	3.23	3.17	4.78	3.98	2.42	1.91
Claims on government	0.03	2.91	5.96	5.88	7.95	9.00
Loans and advances	55.29	94.70	101.61	97.86	99.51	120.47
Other assets	10.43	5.72	9.55	13.00	10.52	12.31
Total assets = Liabilities	93.70	171.96	187.01	227.45	273.25	331.93
Liabilities						
Deposits of residents in local currency	63.78	132.70	149.70	184.29	232.43	285.71
Government -Demand	11.00	17.33	14.09	19.54	21.15	25.11
-Time	1.51	0.37	6.50	6.01	8.47	6.06
Other -Demand	27.00	63.49	66.47	73.14	87.28	112.79
-Time, savings, and against LCs	24.27	51.51	62.47	85.60	115.53	141.75
Foreign liabilities	14.98	23.71	19.54	24.57	20.80	23.11
-Balances due to foreign banks	6.10	4.02	2.68	9.21	2.64	1.84
-Bills payable in foreign currencies	0.64	...	...	0.30	0.68	0.47
-Foreign currency deposits	4.68	15.61	12.50	9.25	10.83	11.07
-Deposits of non-residents in local currency	-3.68	-4.08	4.36	5.81	6.65	9.73
Bills payable in local currency	0.68	3.01	3.58	2.02	1.78	13.63
Capital accounts	6.18	9.17	10.82	12.40	13.56	14.31
Other liabilities	8.08	3.37	3.37	4.17	4.68	5.17

Source: Bank of Yemen, Aden, Annual Reports for the years 1980, 1981 and 1984.

Table A.12

Consolidated balance sheet of commercial banks in Egypt

(Million Egyptian pounds)

	1973	1975	1978	1980	1981	1982	1983	1984	1985
Assets									
Cash	39.7	56.9	89.8	16.0	219.4	300.3	341.0	477.1	578.0
Balance with Central Bank	220.0	312.6	380.0	1,109.0	1,931.2	2,925.8	4,219.3	5,185.4	---
Other items of cash nature	29.3	66.8	132.0	136.2	200.8	220.3	214.9	286.2	---
Treasury bills	-	-	-	-	-	-	-	-	-
Commercial papers discounted	9.9	2.6	13.1	18.8	34.0	41.6	27.7	24.3	---
Investment and securities	116.9	81.2	516.6	673.7	750.3	804.3	918.2	1461.9	2353.8
A) Government	107.9	64.7	446.3	51.4	513.6	404.3	512.0	953.9	---
- Egyptian	107.0	63.8	445.3	515.4	513.6	404.3	512.0	953.9	---
- Foreign	0.9	0.8	0.9	-	-	-	-	-	---
B) Other	9.0	16.5	70.4	158.3	236.7	400.0	406.1	508.0	---
Due from banks	297.3	826.7	1,951.8	3,114.0	3,557.4	4,739.4	5,914.7	5,752.6	15,948.7
A) In Egypt	136.6	339.2	319.6	696.0	1,244.3	1,832.9	2,104.4	2,333.4	10,219.8
B) Abroad	160.6	487.5	1,632.2	2,418.1	2,313.1	2,906.5	3,810.3	3,419.2	5,728.9
Loans and advances	984.9	2,138.7	3,619.8	6,510.6	7,914.7	9,431.6	11,176.8	13,684.7	18,155.7
Other assets	119.2	107.1	330.1	589.0	868.9	1,155.1	1,453.6	1,841.3	2,562.3
Total assets = Liabilities	1,817.0	3,592.6	7,033.2	12,311.3	15,476.7	19,618.6	24,266.2	28,713.4	39,598.5
Liabilities									
Paid up capital	13.8	16.3	54.5	144.2	192.0	292.5	362.9	418.1	---
Reserve funds and undivided profits	107.8	196.6	415.2	660.1	905.7	1,371.0	1,652.6	2,014.8	2,703.2 a/
Cheques, drafts, etc Outstanding	8.7	17.8	47.6	81.6	135.2	149.0	180.7	219.8	288.1
Due to banks	132.9	792.7	875.9	2,010.4	2,863.8	3,203.4	3,995.6	4,218.1	6,507.1
A) In Egypt b/	33.8	153.6	244.0	663.4	1,133.0	1,538.8	1,735.9	1,945.2	3,077.3
B) Abroad	99.0	639.1	631.8	1,347.0	1,730.9	1,664.6	2,259.7	2,272.9	3,429.8
Borrowing from Central Bank	383.0	745.0	1,537.8	1,554.0	21.7	85.5	219.2	273.5	---
Deposits	973.1	15,82.3	3,287.6	6,517.5	9,303.4	12,195.7	15,076.9	18,096.3	25,489.1
A) Governments	69.0	74.6	147.2	256.6	258.2	361.5	399.1	416.6	---
- Current	19.1	31.6	60.7	143.0	115.5	169.3	165.6	170.2	---
- Time	49.8	43.5	86.5	113.6	142.7	192.1	233.5	246.5	---
B) Semi-government	13.5	85.3	200.2	540.7	773.5	726.0	581.2	761.3	---
- Current	11.1	56.0	99.9	328.0	404.8	368.1	205.6	256.4	---
- Time	2.4	29.3	100.3	212.7	368.7	357.9	375.6	504.9	---
C) Other current	495.0	732.6	1,155.2	1,851.0	2,342.2	2,797.7	3,168.5	3,626.5	---
D) Time savings + others c/	395.6	689.8	1,785.0	3,869.2	5,929.4	8,310.5	10,928.1	13,291.8	---
Other liabilities	197.8	241.9	814.5	1,343.6	2,054.9	2,321.5	2,778.2	3,472.7	---
Contingent liabilities	1,633.4	2,432.7	4,441.4	7,447.3	9,312.2	10,494.3	11,846.3	13,090.8	---
Total debt investment During the month in all Customers' A/C	1,209.4	2,555.4	7,053.4	10,271.2	12,490.5	20,036.5	18,609.9	18,564.8	---
Reserve ratio % d/	20.8	13.7	16.3	25.6	26.8	31.1	38.0	39.4	---
Liquidity ratio %	50.1	48.1	74.1	53.5	43.7	48.6	41.0	42.6	---

Source: Central Bank of Egypt, Economic Review, vol XVI, No. 3+4 1976; vol. XXIV, No. 1 1984; No. 4 1984 and Annual report 1985/1986.

a/ Including reserve fund and undivided profits.
b/ Including Central Bank of Egypt financing A/C with National Bank of Egypt.
c/ Including deposits in foreign currencies.
d/ Daily average.

Table A.13
Consolidated balance sheet of Rafidain Bank, Iraq
(Million Iraqi dinars)

	1973	1975	1978	1980	1981	1982	1983	1984	1985
Assets									
Cash in hand and accounts at banks	109.4	133.6	1,221.6	1,554.4	3,146.9	2,350.1	1,982.4	1,807.8	1,940.9
Gold bullions	---	---	0.4	109.7	27.9	80.4	70.7	56.9	56.9
Investments (at cost)	86.4	34.9	83.1	133.6	32.6	1,052.3	1,045.4	1,236.8	1,289.3
Bills discounted, advances and loans	148.7	911.1	563.8	1,499.7	1,971.9	2,032.6	3,678.7	5,591.3	6,729.2
(less provisions for doubtful debts)									
Bills discounted	25.4	38.3	43.2	64.4	64.2	65.8	42.8	64.5	92.2
Advances and loans	123.3	872.9	520.6	143.5	1,907.6	1,966.8	3,635.8	5,526.8	6,637.0
Other debit accounts	8.8	12.4	28.0	153.0	142.3	237.1	154.6	291.1	341.3
Fixed assets (at book value)	6.0	9.6	9.2	10.7	12.7	18.2	20.4	20.9	21.9
Total assets = total liabilities	359.4	1,101.5	1,906.1	3,461.2	5,334.3	5,770.7	6,952.2	9,004.8	10,379.6
Contra accounts									
Customers liabilities for credits,	---	1,128.6	1,994.1	5,520.4	7,891.6	7,034.9	6,039.6	5,668.6	5,492.8
Guarantees acceptances (per contra)	---	2,230.2	3,900.2	8,981.5	13,225.9	12,805.6	12,991.8	14,673.4	15,872.4
Liabilities	---	---	1,825.2	3,301.6	5,085.4	5,464.6	6,616.7	8,613.4	9,915.7
Current, deposit accounts and others	323.8	1,019.9	1,728.2	3,082.3	4,659.1	5,164.4	6,448.6	8,394.3	9,594.5
Share of the general treasury	---	---	39.1	146.9	187.7	171.9	883.8	167.4	217.6
Other credit accounts	16.2	48.9	57.9	72.4	238.6	128.4	79.6	51.7	103.5
Capital and reserves	19.4	32.8	80.9	159.6	248.8	306.1	335.6	391.4	463.9
Authorized and paid-up capital	---	---	30.0	30.0	50.0	50.0	50.0	50.0	50.0
General reserve	---	---	50.9	129.6	198.8	256.1	285.6	341.4	413.9

Source: Rafidain Bank, balance sheets 1973-1985, Baghdad, Iraq.

Notes: 1973 and 1975 investments (at or under par) including "investments" in foreign entities, at cost;
1973, 1975, 1978 (at cost less amounts written-off);
1973 includes provision for taxation;
1975 includes profit distributed to creditors.

Table A.14
Consolidated balance sheet of commercial banks of Jordan*
(Million JD)

	1973	1975	1978	1980	1981	1982	1983	1984	1985	1986
Assets										
Cash	2.1	3.0	5.1	6.9	8.6	10.5	12.6	12.0	13.2	12.6
Balance with Central Bank	16.8	32.9	76.6	109.6	106.6	107.9	121.4	124.2	148.6	167.9
Balances with local banks	0.3	10.5	49.0	64.9	92.9	51.7	93.0	91.4	144.2	167.2
Foreign assets	6.6	12.4	74.6	208.2	233.3	255.4	304.4	330.5	384.9	403.3
Cash	-	-	-	0.4	1.0	0.7	1.8	3.1	2.7	1.8
Balances with foreign banks	5.8	11.2	72.3	201.1	227.4	245.9	283.6	311.2	367.9	385.4
Investment abroad	0.8	1.2	2.3	3.7	4.8	8.8	19.0	16.3	14.3	16.1
Treasury bills a/	16.9	24.5	68.6	59.8	32.5	35.4	63.4	102.8	110.4	127.4
Bonds					48.3	67.4	83.8	105.7	117.9	148.3
Credit facilities	61.8	126.7	332.8	563.8	721.3	887.2	1,030.9	1,184.8	1,274.4	1,395.4
Loans and advances	49.0	104.0	259.4 b/	459.7 b/	217.0	282.5	340.5	435.4	493.7	556.1
Bills discounted	12.8	22.8	73.4	104.2	148.4	176.0	187.8	212.0	225.1	2,400.5
Overdraft	-	-	-	-	355.9	428.7	502.6	537.4	555.6	598.8
Bills receivable	1.2	2.7	6.7	11.8	16.0	24.4	20.7	21.8	19.3	16.4
Domestic investments	1.2	1.4	5.0	9.6	13.4	20.3	27.8	33.8	36.2	38.6
Fixed assets	2.4	3.8	9.1	17.9	27.1	38.9	46.5	57.9	66.8	68.0
Other assets	2.4	8.4	9.7	20.8	30.8	54.3	58.8	71.1	76.1	89.6
Assets = liabilities	111.6	226.2	637.1	1,070.5	1,330.7	1,553.5	1,863.3	2,136.0	2,392.1	2,634.8
Liabilities										
Demand deposits c/	73.3	143.6	364.6	580.6	280.1	305.1	338.7	336.9	308.4	310.7
Time deposits					476.8	614.5	745.2	877.4	1,023.2	1,173.8
Foreign liabilities	2.6	10.4	60.0	148.2	177.4	201.1	247.6	315.6	337.5	348.1
Deposits of non-residents	2.1	8.6	47.5	133.2	143.6	171.6	216.7	276.9	294.3	305.5
Deposits of banks from abroad	0.5	0.7	12.5	15.0	33.9	29.2	30.0	36.8	40.3	39.4
Loans from abroad	-	1.0	-	-	-	0.3	0.8	2.0	3.0	3.3
Government deposits	10.3	16.5	24.3	63.6	77.2	78.3	97.2	111.9	121.3	156.2
Bank deposits	5.1	11.2	50.3	64.3	87.0	46.1	68.5	71.6	125.1	130.8
Borrowed from	0.2	2.8	8.7	10.0	14.7	39.1	64.7	89.1	103.8	118.7
- Central Bank	0.2	2.8	8.7	10.0	14.7	36.5	60.3	78.1	87.7	---
- Financial corporations					-	2.5	4.4	10.9	61.0	---
Bills payable	0.8	2.4	3.1	4.3	5.0	6.1	5.1	5.9	5.9	5.3
Capital	4.7	11.0	43.1	55.3	62.8	82.0	82.0	83.2	100.7	103.2
Reserves	3.3	3.5	11.7	21.5	28.8	49.1	58.3	69.7	63.7	74.3
Other liabilities	11.2	25.0	59.3	91.6	120.8	132.0	156.0	174.6	202.4	213.5

Source: Central Bank of Jordan, Monthly Statistical Bulletin, May 1982 and June 1986; Quarterly Statistical Series (1964-1983) Special issue (1984); and Monthly Statistical Bulletin, February 1987.

* Including housing bank.

a/ Up to 1980, including bonds.
b/ Including overdraft.
c/ Including time deposits till 1980.

Table A.15

Consolidated balance sheet of commercial banks in Kuwait*

(Million KD)

	1973a/	1975b/	1978	1980	1981	1982	1983	1984	1985	1986
Assets										
Reserves cash and balances with Central Bank	18.3	78.0	94.7	221.7	321.6	626.0	372.5	323.0	335.2	228.0
Claims on private sector	169.2	357.5	1,559.4	2671.4	3,453.6	4,292.5	4,752.7	5,045.4	5,067.8	5,138.6
Foreign assets	486.9	501.8	1,214.4	1,880.1	2,245.5	2,251.0	2,301.1	2,507.6	2,229.6	2,198.6
Balances with foreign banks	325.4	308.1	923.9	1,436.7	1,738.5	1,673.8	1,505.0	1,502.3	1,366.9	1,229.4
Advances and discount to non-residents	65.3	100.4	104.3	252.7	305.9	382.5	491.0	636.7	571.9	669.9
Foreign investments	96.2	93.3	186.2	190.7	201.1	194.7	305.1	368.6	290.8	299.3
Other	28.1	64.1	409.9	875.9	1,576.8	1,976.8	2,567.9	1,710.0	1,420.6	1,680.5
Assets = Liabilities	702.5	1,001.4	3,278.5	5,6491.1	9,146.2	9,146.2	9,994.2	9,586.0	9,053.3	9,305.6
Liabilities										
Capital and reserves	62.3	127.7	218.4	336.9	411.0	576.9	664.4	823.3	846.6	861.5
Private sector deposits b/	449.7	575.0	1,773.4	2,606.2	3,583.0	3,835.3	4,027.1	4,171.8	4,115.0	4,224.8
Government deposits	66.0	85.6	99.2	171.3	211.0	393.8	362.5	387.8	385.5	226.6
Foreign liabilities	74.4	135.4	601.5	1,134.3	1,264.1	1,530.0	1,550.4	1,560.7	1,360.3	1,214.0
Other	61.6	77.7	586.0	1,400.4	2,129.8	2,810.3	3,389.9	2,642.3	2,340.6	2,778.7
Contra accounts	172.4	417.5								

Source: Central Bank of Kuwait, Economic Report 1985 and Quarterly Statistical Bulletin, October-December 1983, and Sixth Annual Report for the year ending 31 March 1975, and Quarterly Statistical Bulletin, October-December 1986.

* Excluding contra accounts and inter-commercial bank transactions.

a/ 1973 and 1975, end of March.

b/ Including certificates of deposit (CDs).

Table A.16

Consolidated balance sheet of commercial banks in Lebanon

(Million LL)

	1973	1975	1978	1980	1981	1982	1983	1984	1985	1986
Assets										
Resources	625	808	2,032	2,168	2,535	4,568	4,396	5,292	8,848	9,681
-Currency	077	165	383	238	263	296	338	343	485	700
-Demand deposits of L.B.	548	643	1,649	1,930	2,272	4,271	4,058	4,949	8,363	8,981
Claims on the private sector	4,654	6,819	10,009	16,166	21,292	25,729	33,604	43,268	57,707	127,105
Claims on the public Inst.	060	016	982	2,027	4,176	11,049	14,712	15,241	28,057	37,143
Foreign claims	874	1,182	1,228	1,828	1,992	1,577	3,045	2,920	6,026	19,660
Foreign Banks claims	2,750	3,930	4,835	11,573	18,065	12,504	14,988	23,288	40,291	219,864
- Reserves[a/]	887	1,455	2,029	3,439	4,463	3,834	4,614	7,982	11,220	67,931
- Investments	1,848	2,460	2,788	8,097	13,580	8,650	10,343	15,231	28,970	151,426
- Different claims	015	015	018	037	,022	020	031	075	101	507
Fixed assets	147	181	295	490	774	1,073	1,291	1,405	1,864	2,408
- In Lebanon	140	170	269	470	702	971	1,199	1,309	1,746	2,239
- Abroad	007	011	026	020	072	102	092	096	118	169
Assets not elsewhere classified	590	533	1,080	2,945	4.147	5,218	6,460	8,621	19,151	39,753
Assets = Liabilities	9,700	13,489	20,461	37,197	52,981	61,718	78,496	100,035	161,944	455,614
Liabilities										
Private sector deposits	6,502	8,402	13,916	24,826	35,748	42,953	54,641	68,581	108,800	309,129
- Demand deposits in LL	1,390	1,588	2,838	3,668	4,360	5,468	5,868	6,089	9,852	15,557
- Other deposits	5,112	6,814	11,078	21,158	31,388	37,405	48,773	62,492	98,948	293,572
Public sector deposits	259	407	517	586	803	826	734	745	705	877
- Social security: (demand deposits)	010	016	086	043	056	088	074	059	086	126
- Social security: (Time deposits)	238	361	371	413	322	302	258	116	040	24
- Others	011	030	060	130	425	436	402	570	579	727
Foreign deposits	1,005	1,249	1,198	1,892	3,181	2,486	3,329	5,029	8,668	27,557
- Demand deposit in LL	461	492	543	151	159	301	305	320	540	584
- Others	544	757	633	1,645	2,927	2,130	2,897	4,500	7,712	25,707
-Foreign deposits and accounts				096	095	055	127	209	416	1,266
Deposits of non-resident banks	515	1,614	1,898	3,860	4,196	4,300	5,475	7,332	9,777	37,312
- Demand deposits	187	412	377	739	653	1,457	1,479	2,021	2,673	12,409
- Time deposits	328	1,202	1,521	3,121	3,543	2,849	3,996	5,311	7,104	24,903
Private capital	437	551	683	1,180	1,668	2,162	2,978	3,384	3,783	4,186
Unclassified liabilities	982	1,266	2,249	4,853	7,385	8,985	11,339	14,964	30,211	76,553

Source: Banque du Liban, Bulletin Trimestriel, fourth quarter 1985, and June 1979.

a/ Including deposits of less than 7 days.

Table A.17

Consolidated balance sheet of commercial bank in Oman

(Millions RO)

	1973	1975	1978	1980	1981	1982	1983	1984	1985	1986
Assets										
Cash and deposits with CBO	1.1	10.9	24.8	50.7	108.2	145.5	68.0	105.5	86.9	112.3
Due from H/O branches and affiliated shareholders	-	-	-	32.7	49.2	35.4	48.6	44.0	139.0	71.2
Balances due from banks	16.3	21.6	48.2	108.3	120.8	176.1	259.9	311.0	143.7	191.8
Credit to Govt.	6.6	62.1	20.6	3.2	0.6	8.6	17.1	16.8	65.9	53.3
Credit to private sector	18.9	152.7	224.6	290.3	345.4	395.1	487.6	573.0	689.6	684.8
- Commercial bills	-	9.1	9.4	7.5	13.9	23.7	23.0	21.6	25.6	32.4
- Loans Advances and O/Ds	---	143.6	215.3	282.8	331.5	371.4	464.6	551.4	664.1	652.4
Securities	---	0.8	1.2	0.5	0.6	1.8	2.8	2.5	2.5	3.9
Fixed assets	---			6.3	7.1	10.9	12.4	21.0	25.3	29.2
Other assets	9.1	11.3a/	26.5b/	88.5	95.5	114.5	110.2	144.7	143.2	130.5
Assets = Liabilities	52.1	197.3	325.4	580.5	727.6	888.0	1,006.7	1,218.6	1,296.2	1,276.9
Residents	---	174.3	288.6	441.5	566.3	695.6	721.2	906.7	1,061.1	1,047.5
Non-resident	---	23.0	36.8	139.1	161.2	192.3	285.5	311.8	235.2	229.4
Liabilities										
Government deposits	4.6	24.9	39.7	84.2	111.9	115.5	120.2	155.5	127.5	132.5
Private sector deposits	31.4	87.6	168.6	231.4	335.3	434.4	540.4	625.7	713.7	666.4
Commercial prepayments	---	---	4.9	5.8	6.5	7.3	7.0	11.1	12.0	7.6
Borrowing from CBO	---	-	-	2.3	9.2	0.7	0.8	6.0	2.6	7.5
Due to H/O branches abroad and affiliated shareholders	---	31.7	17.0b/	41.5	46.6	28.2	20.6	16.0	40.6	62.5
Balances due to banks	---	24.8	54.8	71.6	66.2	104.4	109.7	138.4	114.1	112.1
Capital, reserves and retained earnings	---	---	---	26.9	38.3	53.1	69.7	85.7	96.1	105.2
Provisions and reserved interest	---	---	---	7.3	7.6	11.4	12.2	14.2	16.8	22.6
Other liabilities	16.0c/	28.2	39.6	109.5	105.9	130.0	126.1	165.9	172.7	160.5
Resident	---	125.4	256.0	470.0	642.4	794.3	912.4	1,126.9	1,208.7	1,145.1
Non-resident	---	21.9	69.5	110.6	85.2	93.6	94.2	91.6	87.5	131.8

Source: Central Bank of Oman, *Quarterly Bulletin*, December 1975, September 1983, March 1986 and March 1987 and *Statistical Yearbook*, November 1986.

a/ Including net inter-branch transactions.
b/ Including bankers drafts.
c/ Including foreign liabilities.

Table A.18

Consolidated balance sheet of commercial banks in Qatar

(Million QR)

	1973	1975	1978	1980	1981	1982	1983	1984	1985	1986
Assets										
Cash	17.8	57.7	102.9	76.9	83.4	65.0	66.1	44.0	68.0	64.0
Due from QMA	-	-	110.4	258.1	112.3	119.6	211.9	125.6	124.1	357.1
Foreign assets (net)	294.3	883.6	1,576.0	1900.2	3,656.2	3,734.4	2,721.1	5,430.6	6,086.5	5,650.0
Foreign assets	325.5	1,108.7	2,213.0	2535.2	4,384.4	4626.4	3,855.1	6,283.2	6,984.0	7,217.4
Less: Foreign liabilities	(-31.2)	(-225.1)	(-637.0)	(-635.0)	(-728.2)	(-892.0)	(-1,134.0)	(-852.6)	(-897.5)	(1,567.4)
Claims on private sector	503.4	1,125.5	2,889.2	3693.2	4,507.3	5,575.8	6,056.3	5,439.5	6,445.0	8,031.3
Unclassified assets	92.7	349.5	396.5	732.7	672.4	574.5	1,240.6	1,431.3	1,203.3	1,134.1
- Due from Banks in Qatar	41.7	204.4	266.1	414.7	422.8	340.3	197.3	287.8	239.1	148.2
- Other	51.0	145.1	130.4	318.0	249.6	234.2	1,043.3	1,143.5	964.2	985.9
Assets = Liabilities	908.2	2,416.3	5,075.0	6,661.1	9,031.6	10,069.3	10,296.0	12,471.0	13,926.9	15,236.5
Liabilities										
Demand deposits	302.1	765.0	1,733.2	1,466.0	2,411.6	2,643.5	2,556.1	2,948.1	2,896.7	3,199.4
Quasi money	364.2	743.7	1,809.0	3,003.0	4,072.0	4,772.1	4,863.2	6,219.5	7,288.7	8,081.8
- Time deposits	289.2	632.6	1,548.7	2,020.0	1,766.0	1,807.8	2,047.2	2,454.9	3,130.9	4,378.3
- Foreign currency deposits	75.0	111.1	260.3	983.0	2,306.0	2,964.3	2,816.0	3,764.6	4,157.8	3,703.5
Government deposits	39.0	229.1	448.2	592.0	548.9	436.9	455.5	418.9	486.1	312.3
QMA deposit	-	-	81.7	-	-	24.6	5.0	-	-	-
Capital accounts	95.2	252.0	284.4	562.5	571.8	699.7	859.0	1,040.3	1,128.6	1,415.7
Unclassified liabilities	107.7	426.4	718.5	1,037.6	1,427.3	1,422.5	1,557.2	1,844.2	2,126.8	2,227.3
- Due to banks in Qatar	35.4	266.9	260.1	429.7	443.1	337.9	218.9	241.6	297.4	144.2
- Other	72.3	159.5	458.4	607.9	984.2	1,154.6	1,338.3	1,602.6	1,829.4	2,083.1

Source: Qatar Monetary Agency (QMA), 7th Annual Report 1983, Ninth Annual Report 1984 and 1985, 4th Annual Report 1979, QMA Monetary and Financial Report, May 1977 and Tenth Annual Report, 1986.

Table A.19

Consolidated balance sheet of commercial banks in Saudi Arabia

(Million Saudi Arabian riyals)

	1973	1975	1978	1980	1981	1982	1983	1984	1985
Assets									
Cash in hand and with SAMA	1,319	4,845	19,334	10,483	9,703	11,760	9,418	10,757	11,311
Notes and coins	208	629	1,677	1,593	2,016	1,705	1,689	1,721	1,634
Deposits with SAMA statutory	572	1,770	13,191	4,578	3,382	5,415	4,287	4,558	4,479
Others	-	-	-	-	-	-	-	2,280	3,956
Current	539	2,446	4,466	4,312	4,305	4,640	3,442	2,198	1,242
Total	1,111	4,216	17,657	8,890	7,687	10,055	7,729	9,036	9,677
Foreign assets	1,902	3,617	13,581	25,241	48,472	55,689	56,432	67,602	69,228
Due from banks abroad	1,831	3,471	13,015	22,239	44,801	51,996	50,927	60,635	64,253
Others	71	146	566	3,002	3,673	3,693	5,505	6,967	4,975
Claims on private sector	2,398	6,722	14,484	34,919	43,148	50,535	56,201	59,315	60,423
- Investments	115	210	533	720	1,872	1,245	1,000	1,254	1,331
- Loans	2,283	6,512	13,951	34,199	42,276	49290	55,201	58,061	59,092
Unclassified assets	237	528	9,482	3,275	5,051	7991	7,084	8,628	9,288
Inter banks assets omitted	142	606	2,572	2,284	1,567	3401	2,367	4,595	6,379
Total Assets and Liabilities	5,856	15,712	56,881	73,918	106,376	125,976	129, 35	146,312	150,250
Liabilities									
Deposits	4,077	11,302	37,330	54,641	74,745	95,420	98,550	110,286	110,568
Monetary deposits	2,311	7,427	27,760	33,295	39,064	48,398	50,457	48,838	47,564
- Business and individuals	1,983	6,624	25,405	29,720	34,117	42,761	45,585	43,532	42,381
- Official entities	328	803	2,359	3,570	4,947	5,637	4,872	5,306	4,183
Quasi - Monetary deposits	1,766	3,875	9,567	21,346	35,682	47,022	48,092	61,448	63,004
- Time and saving	801	1,610	4,134	12,330	22,800	28,844	30,646	36,162	37,621
- Foreign currency	313	466	1,252	4,319	6,412	111,034	10,378	19,087	20,513
- For L/C's	331	815	2,010	2,304	3,440	3,470	3,816	3,446	2,506
- For guarantees	321	984	2,171	2,392	3,030	3,674	3,252	2,753	2,364
Foreign liabilities	419	1,789	7,075	5,018	11,725	4,932	3,217	9,247	9,794
Capital and reserves	243	679	1,851	4,129	5,562	7,226	9,218	11,220	12,777
Unclassified liabilities	1,117	1,945	10,624	1,013	14,344	18,398	18,150	15,559	17,111

Source: Saudi Arabian Monetary Agency (SAMA), Research and Statistical Department 1986, except for 1973 figures from SAMA, 1982.

Table A.20

Consolidated balance sheet of commercial banks in the Syrian Arab Republic*

(Million Syrian pounds)

	1973	1975	1978	1980	1981	1982	1983	1984	1985**
Assets									
Currency in vaults	13.9	242.9	57.1	90.7	154.1	109.6	144.9	155.0	212.7
Current acct. with C.B.	376.5	360.8	1,354.1	1,531.7	1,840.1	6,356.5	2670.6	14,779.9	25,121.5
Foreign assets	126.3	326.5	287.0	425.9	272.1	1,144.4	956.7	554.8	597.5
Claims on govt.	172.6	294.6	612.3	918.4	1,382.5	1,699.8	2,135.9	2,848.5	3,531.5
Claims on econ. sectors	2397.0	5529.2	9,740.8	17,119.4	25,161.1	25,273.8	28406.3	26,135.4	23,103.5
Unclassified assets	56.6	150.9	180.4	294.0	292.4	363.0	351.4	435.2	564.0
Liabilities									
Demand deposits	956.9	2,633.0	4,883.1	7,610.7	9,916.7	10,894.5	15,173.7	17,871.5	22,234.9
Savings and deposit acct.	252.3	396.1	975.8	1,398.7	2,184.7	3,074.2	4,308.6	6,076.7	7,446.8
Foreign currency deposits	24.3	118.0	273.6	474.4	470.4	516.2	430.2	567.8	570.7
Govt. deposits	180.7	323.3	846.0	1,388.6	2403.6	3,290.3	3,806.9	3,969.3	3,471.7
Commercial prepayment (Import deposits)	436.1	443.6	1106.5	2,504.7	5,161.9	7,783.4	7,887.1	7,616.0	9,840.7
Other pre-payments	40.2	105.2	177.6	302.6	354.0	402.5	465.0	522.6	498.7
Foreign liabilities	231.0	154.8	495.3	1,478.7	2,500.3	2,833.4	3,884.2	3,643.9	4,556.1
Borrowing from C.B.	421.0	755.8	841.8	1,493.2	1,496.4	1,421.4	2,246.3	1,178.6	1,824.6
Funds borrowed	..	802.9	822.6	822.6	822.6	841.9	19.3	38.3	95.1
Capital and reserves	189.8	258.6	445.3	606.8	914.2	1,031.8	1,139.1	1,300.5	1,423.4
Unclassified liabilities	410.6	913.6	1,364.1	2,299.1	2,877.5	2,857.5	2,305.4	2,123.6	1,168.0
Total assets or liabilities	3,142.9	6,904.9	12,231.7	20,380.1	29,102.3	34,947.1	41,665.8	44,908.8	53,130.7

Source: Syrian Arab Republic, Statistical Abstract, 1986 and of 1982.

* Commercial Bank of Syria, Industrial Bank, Agricultural Co-operative Bank, Real Estate Bank and Popular Credit Bank.

** Provisional.

Table A.21

Consolidated balance sheet of commercial banks in the United Arab Emirates

(Million of Dh)

	1973	1975	1978	1980	1981	1982	1983	1984	1985
Assets									
Cash[a/]	41.3	118.0	210.1	253.6	270.9	281.8	267.5	242.5	251
Deposits with Central Bank	104.3	779.8	2,342.6	2,041.5	2,272.5	2,760.9	2,831.8	3,347.5	4,143
Foreign assets	1,587.8	7,171.7	9,918.1	19,406.4	29,053.5	35,052.4	35,013.9	44,421.3	44,309
Claims on general govt.	137.4	358.3	1,907.1	2,304.9	2,418.0	3,641.6	4,176.6	4,330.3	10,127)
Claims on official entities[b/]	0.1	91.2	584.1	840.2	1,014.5	916.0	798.4	698.6	0.0)
Claims on private sectors[b/]	1,627.1	5,691.4	19,356.7	25,173.0	29,901.6	31,712.6	33,466.6	33,384.9	33,628
Claims on other fin. instit.	14.2	124.6	210.2	606.1	536.5	924.0	12,36.4	2,349.1	2,064
Other assets[c/]	131.0	300.7	1,256.7	1,318.0	1,794.4	2,091.8	1,905.3	2,903.3	3,310
Total assets= Total Liabilities	3,643.2	14,635.7	35,785.6	51,943.7	6,7261.9	77,380.5	79,696.5	91,637.5	97,832
Liabilities									
Monetary deposits[d/]	704.5	1,975.3	4,072.3	5,211.8	6,198.0	6,749.0	6,245.4	5,962.6	6,344
Quasi monetary deposits[e/]	1,286.7	6,157.4	11,789.7	16,172.0	20,124.5	23,907.3	27,217.4	37,977.8	40,381
Foreign liabilities	428.8	1,744.8	10,597.2	16,780.7	22,550.7	26,539.6	2,4667.6	20,801.8	19,906
General govt. deposits	979.2	3,577.6	2,503.1	3,675.3	3,737.4	3,790.8	3,325.7	4,107.6	4,441
Govt. lending funds[f/]	6.8	5.3	658.4	1,568.9	2,053.5	907.1	736.3	526.4	..
Capital and reserves	124.7	392.1	3,548.1	5,523.3	8,396.8	10,756.4	11,582.5	12,026.7	14,286
Other liabilities	112.5	783.2	2,616.8	3,011.7	4,201.0	4,730.3	5,921.6	10,234.6	12,474
Memoranda accounts	..	..	18,960.1	31,366.3	35,919.1	40,043.7	47,034.9	49,038.2	..
Letters of credit	..	..	5,138.1	7,749.9	6,875.2	6,429.2	7,359.2	6,475.9	..
Guarantees and other endorsements	..	..	9,325.3	13,267.6	15,812.2	17,416.4	15,945.4	14,928.6	..
Other accounts	..	..	4,496.7	10,348.8	13,231.7	16,198.1	23,730.2	27,633.7	..

Source: United Arab Emirates, Central Bank Bulletin, November 1976, December 1978, December 1981, December 1984, and Statistical Supplement (September 1986).

a/ In local currency only.

b/ Comprising securities.

c/ Including fixed assets and other miscellaneous items.

d/ Including private demand deposits and residents in dirhams and bankers drafts.

e/ Including saving, time and certificates of deposits of residents in local and foreign currency, demand deposits in foreign currency commercial prepayments.

f/ Including refinancing for construction through the Government of Abu Dhabi.

Table A.22
Consolidated balance sheet of commercial banks in Yemen*

(Million Yemen rials)

	1973	1975	1978	1980	1981	1982	1983	1984	1985
Assets									
Cash	21.6	16.4	81.8	89.2	150.8	162.4	201.4	315.7	152.2
Banks	15.9	26.4	437.9	452.3	1,031.1	1,166.7	2,203.8	3,583.2	4,708.2
- Central Bank	14.4	23.6	375.5	415.9	903.1	1,100.5	2,153.7	3,442.7	4,655.5
- Other domestic banks	1.5	2.8	62.4	36.4	128.0	66.2	50.1	140.5	52.7
Correspondents abroad	74.1	161.8	494.2	723.5	747.3	1,034.8	1,016.2	1,215.1	1,672.2
- Banks abroad	68.2	154.1	472.3	687.7	731.3	1,031.2	997.8	1,214.9	1,671.4
- Others (non residents)	5.9	7.7	21.9	35.8	16.0	3.6	18.4	0.2	0.8
Advances	168.5	369.2	1,387.9	2,257.1	2,252.0	2,666.4	2,885.5	3,710.4	4,422.4
- Government	15.9	13.1	0.1	3.6	-	-	-	-	-
- Public enterprise	38.4	70.4	73.8	229.2	197.9	151.2	276.2	267.7	557.0
- Public	114.2	285.7	1,314.0	2,024.3	2,054.1	2,515.2	2,609.3	3,442.7	3,865.4
Capital participation	13.9	20.3	27.0	58.5	98.7	97.4	112.6	122.8	123.5
Foreign investments	-	-	3.2	5.0	-	13.0	13.0	13.5	44.3
H.O. and Banks	348.3	2,180.2	170.9	167.1	14.4	91.3	223.6	382.1	69.2
Fixed assets	8.3	25.0	37.9	98.4	98.6	98.8	105.8	160.6	174.8
Others	21.0	36.7	179.9	505.8	447.6	416.5	674.4	1,304.7	1,214.9
Assets = Liabilities	671.4	1,936.0	2,820.7	4,356.9	4,839.9	5,747.3	7,436.3	10,808.1	12,581.7
Liabilities									
Capital and reserves	56.5	75.6	267.3	545.0	616.3	671.9	712.1	523.3	641.9
- Paid up capital	22.0	25.0	82.9	227.6	233.2	239.3	233.3	233.3	293.7
- Reserves	30.5	47.7	170.4	297.6	343.5	410.2	445.0	258.9	278.9
- Undistributed profits	4.0	2.9	14.0	19.8	39.6	22.4	33.8	31.1	69.3
Banks	16.5	70.8	92.9	177.3	153.3	211.1	222.7	280.4	173.2
- Central Bank	14.7	67.8	54.4	63.6	27.9	26.6	75.3	67.0	-
- Other Domestic Banks	1.8	3.0	48.5	113.7	125.4	184.5	147.4	213.4	173.2
Correspondents	24.5	72.9	447.6	245.7	272.7	342.6	259.6	561.8	2,036.5
- Banks abroad	7.2	19.5	186.4	100.5	29.4	67.1	83.3	422.6	1,459.1
- Others (non residents)	17.3	53.4	261.2	145.2	243.3	375.5	176.3	139.2	577.4
Deposits	208.1	373.0	1,604.1	2,286.9	2,811.6	3,493.9	4,707.3	6,522.8	7,760.1
- Governments	N.A.	N.A.	N.A.	20.0	17.5	26.9	32.5	208.0	65.3
- Demand	122.2	209.9	710.4	669.8	824.2	1,220.6	1,855.4	2,436.2	2,636.0
- Foreign currency	-	N.A.	N.A.	372.3	355.4	465.6	798.6	1,388.2	1,868.3
- Time and saving	26.7	112.5	567.0	973.5	1,322.6	1,494.8	1,697.9	2,040.7	2,584.5
- Earmarked	59.2	50.6	326.7	251.3	271.9	286.0	322.9	449.7	606.0
- H.O. and Banks in Yemen	341.8	1,251.9	54.1	27.0	50.7	36.1	105.1	163.5	238.2
Others	23.0	91.8	354.7	1,075.0	935.3	991.7	1,429.5	2,756.3	1,731.8

Source: Central Bank of Yemen, Annual Reports 1984, 1981, 1978/1979, 1975/1976 and 1985.

* End of year as of 1973, 1975, 1980 and 1978 at end of June.

Table A.23

Ratio of current and capital expenditures to total government expenditures in ESCWA countries, 1980-1985

(Percentage)

Country	1980	1981	1982	1983	1984	1985[a/]
Gulf Co-operation Council						
Bahrain						
Current	60.5	63.1	58.2	58.5	60.4	67.7
Capital	39.5	36.9	41.8	41.5	39.6	32.3
Kuwait						
Current	54.5	73.8	70.7	76.4	73.3	73.6
Capital	30.6	14.6	17.4	17.7	20.5	22.4
Land Purchase	14.9	11.6	11.9	5.9	6.2	4.0
Oman						
Current	71.4[c/]	73.0	71.0	74.7	72.7	72.7
Capital	26.0[c/]	27.0	29.6	26.3	27.3	27.3
Qatar						
Current	70.5	73.1	74.2	72.8	75.6	83.6
Capital	29.5	26.9	25.8	27.2	24.4	16.4
Saudi Arabia						
Current	44.5	27.5	29.1	36.7	39.4[b/]	40.5
Capital	55.5	52.1	51.2	50.8	48.9[b/]	59.5
Other	--	20.4	19.8	12.5	17.6[b/]	--
United Arab Emirates						
Current	81.1	85.7	88.3	90.4	94.6	95.3
Capital	5.8	6.5	8.2	7.9	4.7	4.2
Participation	--	7.8	3.5	1.8	0.6	0.5
Other ESCWA countries						
Egypt						
Current	--	--	62.6	64.7	68.6[c/]	73.4
Capital	--	--	37.4	35.3	31.4[c/]	26.6

Table A.23 (continued)

Country	1980	1981	1982	1983	1984	1985[a]
Jordan						
Current	59.7	60.5	63.9	64.3	66.5	66.2
Capital	40.3	39.5	36.1	35.7	33.5	33.8
Lebanon[c]						
Current	--	87.4	78.5	--	--	--
Capital	--	12.6	21.5	--	--	--
Syrian Arab Republic[c]						
Current	50.5	54.8	50.2	50.1	56.8	54.8
Capital	49.5	45.2	49.8	49.9	43.2	45.2
Democratic Yemen						
Current	--	60.5	53.4	53.1	55.8	--
Capital	--	39.6	46.6	46.9	44.2	--
Yemen						
Current	43.0	--	42.8	32.1	33.6	35.4
Capital	57.0	--	34.9	21.6	18.4	28.6
Unclassified	--	--	22.3	46.3	48.6	36.1

Source: Economic and Social Commission for Western Asia, Review of Fiscal, Monetary and Banking Developments and Trends in the ESCWA Region, 1986 (E/ESCWA/DPD/87/12).

a/ Provisional.
b/ Budget estimates.
c/ Do not add to 100.

Table A.24

Ratio of government revenues and expenditures to GDP* in ESCWA countries, 1981-1986

(Percentage)

	1981	1982	1983	1984	1985[a]	1986[b]
GCC countries						
Bahrain						
Ratio of revenues	33.5	31.8	26.6	29.2	30.4	29.4[c]
Ratio of expenditures	29.3	30.5	29.4	28.7	29.0	29.4[c]
Kuwait						
Ratio of revenues	92.8	70.9	67.1	67.5	65.4	60.0
Ratio of expenditures	48.9	61.7	59.3	55.7	56.9	66.2
Oman						
Ratio of revenues	61.4	53.7	62.2	51.9	49.6	58.6[c]
Ratio of domestic revenues	56.9	51.2	53.2	44.5	45.7	62.7[c]
Ratio of expenditures	52.9	59.5	63.1	56.4	57.2	60.4[c]
Qatar						
Ratio of revenues	60.7	61.8	63.6	51.5	47.1	51.4[a]
Ratio of expenditures	40.7	51.6	58.5	50.2	51.7	58.0
Saudi Arabia						
Ratio of revenues	66.9	70.1	59.3	55.6	50.6	35.8
Ratio of expenditures	45.4	54.2	59.0	62.0	63.8	58.2
United Arab Emirates						
Ratio of revenues	18.7	13.9	13.1	12.3	11.4	15.0
Ratio of expenditures	16.6	17.3	15.5	15.0	13.7	16.4
Diversified economies						
Egypt						
Ratio of revenues	---	39.1	37.4	40.7[b]	39.5[b]	42.1
Ratio of expenditures	---	56.6	58.2	59.0	56.0	55.9
Jordan						
Ratio of revenues	51.4	47.5	47.6	44.5	53.5	54.9
Ratio of domestic revenues	26.6	27.4	28.1	27.5	27.6	30.9
Ratio of expenditures	55.6	52.5	49.6	48.6	52.0	57.2
Lebanon[b]						
Ratio of revenues	19.4	24.0	46.9	---	---	---
Ratio of expenditures	31.1	47.2	79.4	---	---	---
Syrian Arab Republic[b]						
Ratio of revenues	46.3	48.5	50.8	54.8	54.0	53.2
Ratio of expenditures	46.3	48.5	50.8	54.8	54.0	53.2

Table A.24 (continued)

	1981	1982	1983	1984	1985 a/	1986 b/
Least developed countries						
Democratic Yemen						
Ratio of revenues	51.6	47.7	42.6	42.3	-	---
Ratio of domestic revenues	47.5	41.5	39.9	35.4	-	---
Ratio of expenditures	88.0	83.4	80.9	79.4	---	---
Yemen						
Ratio of revenues	---	33.3	31.4	26.7	26.2	26.3
Ratio of expenditures	---	55.6	52.3	47.5	44.9	36.4

Source: Economic and Social Commission for Western Asia, based on national and international sources.

* GDP for 1985 is provisional and for 1986 estimates.

a/ Provisional.
b/ Budget estimates.
c/ Taking preliminary revenues and expenditures and not budget estimates.

Table A.25

Ratio of domestic revenues to current expenditures in Oman, Jordan and Democratic Yemen

(Percentage)

	1980	1981	1982	1983	1984	1985[a]
Oman	--	47.3	21.2	12.8	8.5	9.9
Jordan	-32.7	-21.0	-18.3	-11.8	-14.9	-19.8
Democratic Yemen	--	-10.8	-6.9	-7.4	-20.2	--

a/ Provisional.

Table A.26

Ratio of external revenues to total revenues in Oman and Jordan

(Percentage)

	1980	1981	1982	1983	1984	1985[a]
Oman	--	7.4	4.6	14.6	13.2	7.4
Jordan	--	48.3	42.3	40.9	38.1	48.4

a/ Provisional.

Note: Information not available on other ESCWA countries.

Table A.27
Budget surplus/deficit in the ESCWA region, 1981-1987

(Million of national currencies)

	1981	1982	1983	1984	1985a/	1986b/	1987b/
GCC countries							
Bahrainc/	5.8	-33.8	-98.1	-64.8	-14.7	--	--
Bahraind/	68.0	23.9	-50.4	10.2	24.7	--	--
Kuwaite/	3,025.3	566.2	491.7	778.9	500.7	-315.0	-1,140.2
Omanc/	87.7	-189.0	-234.4	-359.4	-393.2	-216.0	--
Omand/	188.4	-132.6	-20.9	-135.9	-260.0	-56.0	-275.0
Qatar	6,283.0	2,842.0	2,362.0	331.0	-1,103.0	-1,305.0	--
Saudi Arabia	111,549.0	83,358.0	1,270.0	-23,772.0	-44,853.0	-69,700.0	-52,700.0
United Arab Emirates	2,560.1	3,879.4	-2,502.7	-2,842.9	-2,262.0	-1,186.8	--
Diversified economies							
Egypt	--	-3,526.0	-4,845.0	-5,012.0b/	-5,400.0b/	-4,900.0	-5,615.0b/
Jordanc/	-330.6	-331.3	-302.4	-315.1	-384.4	-425.8	-432.8
Jordand/	-48.6	-66.4	-28.6	-62.6	+23.6	-37.7	-39.7
Lebanonb/	-1,965.0	-2,921.0	-3,530.0	-3,725.0	-8,150.0f/	-5,228.0	-11,500.0
Syrian Arab Republicb/	-10,483.0	-13,161.0	--	--	--	--	--
Least developed							
Democratic Yemen	-72.6	-117.7	-117.9	-139.7	--	--	--
Yemen	--	-3663.7	-3,714.3	-4,020.7	-4,419.0	-2,765.0	-3,833.0

a/ Provisional/preliminary.
b/ Budget estimates.
c/ Excluding grants and loans.
d/ Including grants and loans.
e/ With investment income.
f/ Based on preliminary actual revenues for 1985.

Table A.28
Budget surplus/deficit as percentage of GDP*

	1981	1982	1983	1984	1985a/	1986b/
GCC countries						
Bahrainc/	0.4	-1.9	-5.4	-3.4	-0.8	---
Bahraind/	4.2	1.4	-2.8	0.5	1.4	---
Kuwait	43.8	9.2	7.8	11.8	8.4	-6.1
Omanc/	4.0	-8.2	-9.9	-11.9	-11.5	-7.0
Omand/	8.5	-5.8	-0.9	-4.5	-7.6	-1.8
Qatar	19.9	10.3	10.0	1.3	-4.6	-6.6
Saudi Arabia	21.4	15.9	0.3	-6.4	-13.2	-22.4
United Arab Emirates	2.1	3.4	-2.4	-2.7	-2.3	-1.4
Diversified economies						
Egyptc/	---	-17.5	-20.8	-18.2b/	-16.6b/	-13.8
Jordanc/	-28.4	-25.1	-21.3	-21.0	-24.4	-26.4
Jordand/	-4.2	-5.0	-2.0	-4.2	1.5	-2.3
Lebanon	-11.7	-23.2	-32.6	-38.3	---	---
Syrian Arab Republice/	-15.9	-19.1	---	---	---	---
Least developed						
Democratic Yemen	-27.7	-37.9	-32.4	-37.1	---	---
Yemenc/	--	-22.4	-21.0	-20.8	-18.6	-10.1

Source: Economic and Social Commission for Western Asia, based on national and international sources.

* Negative sign indicates budget deficit.

a/ Provisional.
b/ Budget estimates.
c/ Excluding grants and loans.
d/ Including grants and loans.
e/ Budget estimates are balanced in the Syrian Arab Republic; the two available figures are IMF estimates.

Table A.29

Government final consumption expenditures in the ESCWA region (current prices)

(Million US dollars)

	1978	1980	1981	1982	1983	1984	1985	1986
GCC and Iraq								
Bahrain	337.8	405.8	504.0	644.1	689.4	733.2	764.4	744.7
Iraq	4,691.9	8,103.1	11,125.4	14,325.7	--	--	23,088.5	--
Kuwait	2,239.6	3,203.7	3,563.1	4,151.7	4,453.5	4,570.9	4,831.6	4,931.2
Oman	789.3	1,446.9	1,902.6	2,073.0	2,260.3	2,342.0	2,426.7	2,867.8
Qatar	--	1,544.5	2,237.2	1,987.8	2,253.6	2,020.7	2,014.5	--
Saudi Arabia	21,690.5	24,636.1	37,635.7	36,929.8	34,850.6	32,410.9	28,200.0	-
United Arab Emirates	2,126.9	3,266.7	5,849.9	5,992.9	5,183.9	4,820.5	5,307.5	4,988.8
Other ESCWA countries								
Egypt	4,707.4	4,200.6	5,186.4	5,615.7	7,985.7	8,585.7	--	-
Jordan	620.9	818.1	866.4	926.4	959.5	981.5	1,041.9	1,317.1
Lebanon	669.5	963.8	912.2	1,329.8	726.5	412.2	--	--
Syrian Arab Republic	1,655.8	3,026.2	3,464.7	3,894.8	4,083.3	4,382.2	5,046.4	5,450.2
Democratic Yemen	153.3	231.6	427.5	464.6	504.9	546.4	567.0	521.7
Yemen	403.1	659.1	852.9	1,406.4	1,626.8	1,332.9	864.2	932.4

Source: Economic and Social Commission for Western Asia, National Accounts Studies, No. 9, 1987.

Table A.30

Foreign exchange reserves, 1973-1986

(Million US dollars)

Year	Oil-exporting countries							Other ESCWA countries						Total ESCWA
	Bahrain	Iraq	Kuwait	Oman	Qatar	Saudi Arabia	United Arab Emirates	Egypt	Jordan	Lebanon	Syrian Arab Republic	Democratic Yemen	Yemen	
1973	61.0	1,322.9	357.0	44.1	61.7	3707	87.2	222	254.7	469.7	369	61.33	121.3	7,138.9
1974	124.6	3,035.9	936.0	73.3	57.6	13,424	367.7	214	296.7	1,276.0	456	62.32	192.9	20,517.0
1975	278.3	2,500.5	820.0	131.9	81.4	21,355	853.5	177	443.5	1,199.0	685	50.20	332.1	28,907.4
1976	430.9	4,369.8	838.9	189.7	110.5	24,337	1,773.9	216	456.2	1,300.0	271	78.00	714.7	35,086.0
1977	498.1	6,744.7	2,005.9	265.1	144.1	27,212	683.1	402	627.2	1,566.0	476	95.00	1,231.1	41,950.3
1978	485.8	--	1,733.8	234.9	191.5	16,730	718.4	481	868.7	1,831.9	374	184.07	1,447.0	25,281.1*
1979	603.4	--	2,356.7	395.1	264.6	17,378	1,330.3	529	1,138.1	1,527.0	565	205.09	1,407.9	27,700.2*
1980	940.3	--	3,404.9	555.9	316.8	20,747	1,885.8	1,046	1,106.8	1,580.4	315	221.74	1,255.7	33,376.3*
1981	1,527.7	--	3,549.4	719.1	334.7	27,998	2,995.7	688	1,049.4	1,507.0	266	247.99	946.6	41,829.6*
1982	1,505.6	--	5,335.9	840.8	349.8	23,813	1,937.8	698	847.6	2,599.1	185	271.80	538.6	38,923.0*
1983	1,391.2	--	4,425.4	719.1	336.1	17,457	1,783.3	739	798.4	1,882.8	43	259.69	350.7	30,185.7*
1984	1,267.0	--	3,813.4	858.4	326.5	14,188	2,004.3	736	499.5	652.3	263	229.36	304.0	25,141.8*
1985	1,617.7	--	4,653.8	1,043.6	386.2	13,761	2,907.8	792	398.7	1,051.2	82	--	271.4	--
1986	1,440.3	--	4,713.1	914.8	--	7,102	--	829	414.2	461.8	--	--	403.5	--

Source: Based on IMF International Financial Statistics Yearbook 1985 + October 1986 + April 1987.

Note: Excluding Iraq data not available.

Table A.31
ESCWA region: international reserves, 1975-1986

(Million; US dollars)

	1975	1980	1981	1982	1983	1984	1985	1986 a/
ESCWA region b/	32,592.5	38,083.9	48,984.1	47,499.1	43,281.1	38,578.8	41,385.8	34,627.9
Major oil exporter	29,090.8	--	--	--	--	--	--	--
Iraq	2,559.3	--	--	--	--	--	--	--
GCC countries	26,531.5	31,725.8	42,748.9	41,056.0	37,706.8	34,778.3	37,428.9	31,260.5
Bahrain	295.8	960.0	1,550.7	1,541.4	1,433.0	1,309.0	1,666.3	1,546.5
Kuwait	1,661.1	4,045.3	4,180.1	6,023.0	5,300.5	4,694.3	5,580.4	5,580.7
Oman	164.2	621.4	814.5	944.3	838.2	976.2	1,166.2	949.0
Qatar	104.4	364.6	394.8	421.2	423.1	421.3	446.1 c/	557.9 c/d/
Saudi Arabia e/	23,319.0	23,641.0	32,422.0	29,726.0	27,455.0	24,906.0	25,181.0	18,980.0
United Arab Emirates f/	987.0	2,093.5	3,386.8	2,400.1	2,257.0	2,471.5	3,388.9	3,646.4
Capital-importing countries	3,501.7	6,358.1	6,235.2	6,443.1	5,574.3	3,800.5	3,956.9	3,367.4
Democratic Yemen	54.7	235.5	256.3	288.0	283.4	250.5	--	--
Egypt	297.0	1,149.0	1,491.0	1,276.0	1,528.0	1,415.0	1,370.0	1,505.0 g/
Jordan	491.7	1,347.0	1,300.1	1,100.1	1,023.7	687.2	612.6	546.4
Lebanon	1,590.8	1,977.6	1,905.8	2,997.5	2,291.9	1,061.0	1,463.2 h/	905.8
Syrian Arab Republic	730.0	366.0	320.0	227.0	81.0	68.0 i/	--	
Yemen	337.5	1,283.0	962.0	554.5	366.3	318.8	297.1	410.2

Source: International Monetary Fund International Financial Statistics (January 1987).

Note: End of period data on gold (national valuation) and foreign exchange reserves holdings by monetary authorities; reserve position in the Fund plus Special Drawing Rights (SDRs), where applicable. These, however, may differ from those reported as "Reserves (net)" in balance of payments data due to differences in coverage.

a/ End of November 1986 data, unless otherwise indicated.
b/ Total of data listed below.
c/ Total reserves less gold which, however, has constituted generally a small fraction of total reserves in recent years.
d/ End of March 1986 data.
e/ Beginning April 1978, the foreign exchange component excludes the foreign exchange cover against note issue.
f/ Beginning June 1982, the foreign exchange component excludes foreign assets of the Central Bank and the accrued interest attributable to the Emirates Government.
g/ End of September 1986 data.
h/ Assuming at end-1985 same level of gold as in December 1984 which was virtually unchanged between January and September 1985 and carried same value beginning January 1986.
i/ ESCWA secretariat estimates.

Table A.32

Volume of foreign trade of ESCWA countries,* 1975 and 1980-1985

(Million US dollars)

	1975	1980	1981	1982	1983	1984	1985
Total ESCWA region	87,119	272,133	293,245	248,821	198,592	182,747	159,877
Major oil exporters	74,318	247,202	262,906	218,516	166,900	151,898	130,851
Iraq	12,512	40,345	31,452	31,958	22,060	22,258	23,196
GCC countries	61,806	214,857	231,454	186,558	144,840	129,640	107,655
Bahrain	2,305	7,082	8,471	7,405	6,542	6,669	5,460
Kuwait	11,572	26,385	23,267	19,144	18,812	18,450	16,691
Oman	2,181	5,480	6,984	7,103	6,740	7,170	8,123
Qatar	2,219	7,158	7,362	6,452	4,753	5,675	4,742
Saudi Arabia	33,890	139,322	155,484	119,778	85,041	70,530	51,475
United Arab Emirates	9,639	29,430	29,886	26,676	22,952	21,506	21,164
Other ESCWA countries	12,801	24,931	30,339	30,305	31,692	30,849	29,026
Democratic Yemen	495	1,431	1,103	2,394	2,157	2,189	1,958 a/
Egypt	5,336	7,906	12,072	12,198	13,489	13,906	13,676
Jordan	881	2,968	3,881	3,994	3,609	3,536	3,494
Lebanon	3,169	4,518	4,335	4,118	4,352	3,530	2,723
Syrian Arab Republic	2,615	6,232	7,143	6,041	6,465	5,969	5,471
Yemen	305	1,876	1,805	1,560	1,620	1,719	1,704

Source: Economic and Social Commission for Western Asia, based on national sources.

* Exports (fob); imports (cif).

a/ ESCWA secretariat estimates.

Table A.33

ESCWA region: reserves/imports coverage

(months of imports)

	1975	1980	1981	1982	1983	1984	1985
ESCWA region a/	15.75	6.56 b/	7.10	6.37	5.99	5.81	7.71 c/
Major oil exporters	22.07	...	...	...	...	...	...
Iraq	7.29	...	...	...	...	...	...
GCC countries	27.44	7.30	8.58	7.40	7.28	7.47	10.17
Bahrain	3.06	3.31	4.51	5.12	5.14	4.45	7.70
Kuwait	8.35	7.43	7.20	8.73	8.70	7.32	10.20
Oman	2.58	4.30	4.27	4.22	4.04	4.26	4.44
Qatar	3.06	3.02	3.12	2.60	3.49	4.35	4.46
Saudi Arabia	66.40	9.39	11.04	8.77	8.40	8.87	12.69
United Arab Emirates	4.44	2.87	4.21	3.06	3.24	4.21	5.96
Capital-importing countries	4.66	4.35	3.26	3.38	2.72	1.92 c/	2.34 d/
Democratic Yemen	2.03	4.33	4.57	2.16	2.29	1.95	...
Egypt	0.91	2.84	2.02	1.69	1.78	1.58	1.65
Jordan	8.10	6.75	4.95	4.07	4.05	2.96	2.77
Lebanon	9.32	6.50	6.54	10.61	7.51	4.32	8.02
Syrian Arab Republic	5.20	1.06	0.76	0.68	0.21	0.20	0.67
Yemen	13.76	8.31	6.57	4.38	2.76	2.31	2.23

Source: Compiled and computed by the ESCWA secretariat from national and international sources.

Note: Computed by dividing end of period international reserves by average monthly imports (value of yearly imports divided by 12 months or reserves/imports x 12.

a/ Excluding data on Iraq for the period 1980-1985 and Democratic Yemen for 1985.

b/ Excluding Iraq, the comparable ratio for 1975 is 17.48 months of imports.

c/ Excluding Iraq and Democratic Yemen, the comparable ratio for 1984 is 5.89

d/ Excluding Democratic Yemen, the comparable ratio for 1984 is 1.91

Table A.34

Projected long-term debt service of ESCWA countries, 1985-1992

(Million US dollars)

	1985	1986	1987	1988	1989	1990	1991	1992
Democratic Yemen								
Projected long-term debt service	80.9	103.1	116.0	134.8	132.2	129.4	126.0	122.8
- Principal	65.3	84.0	96.0	114.5	112.9	111.2	108.9	106.7
- Interest	15.6	19.1	20.0	20.3	19.3	18.2	17.1	16.1
Egypt								
Projected long-term debt service	2,731.6	2,518.5	2,313.1	1,859.1	1,537.2	1,181.8	1,064.4	991.2
- Principal	1,982.2	1,781.4	1,641.0	1,271.8	1,024.0	726.0	642.0	597.8
- Interest	749.4	737.1	672.1	587.3	513.2	455.8	422.4	393.5
Jordan								
Projected long-term debt service	316.7	326.9	388.6	398.0	361.7	325.2	305.7	269.6
- Principal	194.8	204.9	270.6	291.0	268.3	243.8	236.3	211.5
- Interest	121.9	122.1	118.0	107.0	93.3	81.4	69.5	58.1
Lebanon								
Projected long-term debt service	53.6	25.1	25.8	25.5	24.8	23.6	22.8	21.7
- Principal	42.0	15.5	16.3	16.5	16.5	16.1	16.1	15.9
- Interest	11.6	9.6	9.6	9.0	8.2	7.5	6.6	5.7
Oman								
Projected long-term debt service	329.5	532.1	550.5	530.0	484.7	502.3	355.5	257.4
- Principal	227.5	352.7	372.8	369.3	345.3	392.2	275.0	198.9
- Interest	102.0	179.4	177.7	160.7	139.4	110.1	80.5	58.5
Syrian Arab Republic								
Projected long-term debt service	358.3	377.3	376.6	358.8	357.7	350.4	302.3	286.2
- Principal	264.1	269.6	264.3	249.4	254.6	256.4	217.6	209.4
- Interest	94.2	107.7	112.3	109.4	103.2	94.0	84.7	76.8
Yemen								
Projected long-term debt service	91.2	212.9	246.7	247.2	225.9	213.6	154.7	153.5
- Principal	64.6	168.9	202.0	205.6	188.4	180.1	125.0	126.6
- Interest	26.5	44.0	44.7	41.6	37.5	33.5	29.7	26.9
Total ESCWA								
Projected long-term debt service	3,960.8	4,095.9	4,017.3	3,553.4	3,124.2	2,726.3	2,331.4	2,102.4
- Principal	2,840.5	2,877.0	2,863.0	2,518.1	2,210.0	1,925.8	1,620.9	1,466.8
- Interest	1,121.2	1,219.0	1,154.4	1,035.3	914.1	800.5	710.5	635.6

Source: World Bank, World Debt Tables 1985-1986 edition and First Supplement.

Table A.35
Debt service as percentage of exports of goods and services* and GNP, 1975-1986

	1975	1978	1980	1981	1982	1983	1984	1985	1986**
Democratic Yemen									
DS/XGS	0.3	1.8	5.0	9.8	10.6	13.7	22.0	27.0	35.9
DS/GNP	0.1	0.3	1.1	2.1	2.2	2.3	3.0	5.6	11.7
Egypt									
DS/XGS	28.0	33.5	21.7	27.5	26.4	27.5	34.2	38.6	39.7
DS/GNP	5.5	7.5	5.7	7.7	6.9	6.5	7.4	9.3	11.6
Jordan									
DS/XGS	5.1	6.3	7.8	9.6	9.3	11.3	14.8	15.2	16.7
DS/GNP	2.1	2.8	4.1	5.6	5.0	5.2	6.8	7.7	8.3
Lebanon									
DS/XGS	--	--	--	--	--	--	--	--	--
DS/GNP	--	--	--	--	--	--	--	--	--
Oman									
DS/XGS	1.9	8.7	5.1	2.5	2.4	3.0	4.6	5.9	6.9
DS/GNP	1.6	6.3	3.6	1.8	1.7	1.9	3.0	4.6	5.7
Syrian Arab Republic									
DS/XGS	7.9	16.3	11.6	10.6	12.3	11.2	14.7	20.8	27.3
DS/GNP	1.5	2.4	2.2	2.0	2.0	1.9	2.0	3.1	4.2
Yemen									
DS/XGS	9.0	5.3	6.0	17.3	16.2	13.9	26.9	34.7	39.8
DS/GNP	0.5	0.5	0.7	1.9	1.4	1.0	1.8	2.3	3.1

Source: World Bank, World Debt Tables, 1985-1986 edition, 1985, 1986; ESCWA calculations from sources from Bank for International Settlements, Amex Bank International, Morgan Guaranty Trust Company and Bank of America.

* Debt service ratio.
** Estimates.

Note: DS: Debt service.
XGS: Exports of goods and services.
GNP: Gross national product.

Table A.36

Outstanding long-term public debt, interest payments, net flows, net transfers and total debt service in the ESCWA region

(Millions US dollars)

	1980	1981	1982	1983	1984	1985
Democratic Yemen						
Debts disbursed + outstanding	499.3	715.4	943.4	1,136.4	1,251.5	---
Disbursement	286.6	249.9	255.6	215.8	169.3	---
Principal repayments	4.7	14.5	14.9	16.6	23.9	---
Net flows	281.9	235.4	240.7	199.2	145.4	---
Interest payments	4.3	4.2	5.5	7.8	11.5	---
Net transfers	277.6	231.2	235.2	191.3	133.9	---
Total debt service	9.0	18.6	20.4	24.5	35.4	---
Egypt						
Debts disbursed + outstanding	12,642.5	13,951.8	15,152.7	15,839.9	16,357.6	---
Disbursement	2,427.5	2,939.6	2,849.6	2,491.5	2,758.7	---
Principal repayments	1,068.8	1,365.6	1,439.7	1,569.8	1,813.9	---
Net flows	1,358.7	1,574.1	1,409.9	921.8	944.8	---
Interest payments	411.6	642.2	581.9	588.0	698.3	---
Net transfers	947.1	931.8	827.9	333.8	246.5	---
Total debt service	1,480.4	2,007.8	2,021.7	2,157.7	2,512.2	---
Jordan						
Debts disbursed + outstanding	1,265.6	1,479.2	1,685.3	1,940.1	2,336.3	---
Disbursement	305.9	405.1	374.4	449.5	624.9	---
Principal repayments	75.8	135.0	132.0	124.2	165.3	---
Net Flows	230.0	270.1	242.4	325.3	459.5	---
Interest payments	57.7	66.3	60.8	87.9	116.5	---
Net transfers	172.4	203.8	181.6	237.4	343.1	---
Total debt service	133.5	201.3	192.8	212.1	281.8	---
Lebanon						
Debts disbursed + outstanding	196.5	244.9	213.0	195.2	178.7	---
Disbursement	105.6	93.9	17.2	23.9	29.0	---
Principal repayments	6.9	39.3	45.7	37.2	40.0	---
Net flows	98.7	54.6	-28.5	-13.3	-11.0	---
Interest payments	5.6	13.0	18.9	16.1	13.2	---
Net transfers	93.1	41.6	-47.4	-29.4	-24.2	---
Total debt service	12.5	52.2	64.6	53.4	53.3	---
Oman						
Debts disbursed + outstanding	440.4	537.3	724.0	1,131.7	1,345.5	1,945.4
Disbursement	97.6	199.1	287.0	510.9	383.1	702.4
Principal repayments	156.7	86.5	84.0	82.8	129.0	143.4
Net flows	-59.1	112.6	203.0	428.1	254.1	559.0
Interest payments	40.1	34.7	33.5	52.5	85.4	111.8
Net transfers	-99.2	77.9	169.5	375.6	168.7	447.2
Total debt service	196.8	121.2	117.5	135.3	214.4	255.2

Table 36 (Continued)

	1980	1981	1982	1983	1984	1985
Syrian Arab Republic						
Debts disbursed + outstanding	2,107.3	2,194.6	2,239.9	2,304.9	2,453.3	---
Disbursement	347.2	369.6	311.7	325.5	435.0	---
Principal repayments	221.0	242.9	243.7	231.7	246.7	---
Net flows	126.2	126.7	68.0	93.8	188.3	---
Interest payments	76.8	55.3	72.7	72.7	83.3	---
Net transfers	49.4	71.4	-4.6	21.1	105.0	---
Total debt service	297.9	298.2	316.4	304.4	330.0	---
Yemen						
Debts disbursed + outstanding	899.6	1,116.8	1,311.9	1,573.9	1,688.3	1,867.9
Disbursement	424.7	296.5	263.3	324.3	208.9	245.9
Principal repayments	15.8	53.1	44.4	29.0	51.2	107.3
Net flows	408.9	243.4	218.9	295.3	157.7	138.6
Interest payments	5.4	9.9	10.5	13.3	16.3	18.5
Net transfers	403.5	233.5	208.4	282.0	141.4	120.1
Total debt service	21.2	63.0	54.9	42.3	67.5	125.8

Source: World Bank, World Debt Tables, 1985-1986 edition + First Supplement.

Table A.37

Public and publicly guaranteed debt as percentage of exports of goods and services and GNP and interest payments as percentage of exports of goods and services, 1975-1984

	1975	1978	1980	1981	1982	1983	1984
Democratic Yemen							
% of XGS	178.9	323.0	277.8	376.6	491.4	636.2	778.7
% of GNP	31.9	52.4	61.6	78.7	99.5	106.7	106.9
INT/XGS	0.1	1.0	2.4	2.2	2.8	4.4	7.1
Egypt							
% of XGS	212.3	269.1	190.0	196.5	203.6	209.8	229.6
% of GNP	41.9	60.4	50.3	54.6	52.9	49.4	49.6
INT/XGS	6.9	11.9	6.0	8.8	7.5	7.5	9.3
Jordan							
% of XGS	82.0	91.4	74.2	70.5	81.6	103.3	122.7
% of GNP	33.4	40.5	38.8	41.0	44.0	47.9	56.1
INT/XGS	1.6	2.6	3.4	3.2	2.9	4.7	6.1
Oman							
% of XGS	20.1	34.4	11.4	11.0	15.1	24.8	29.1
% of GNP	16.8	24.7	8.0	8.0	10.5	16.2	18.8
INT/XGS	0.5	1.3	1.0	0.7	0.7	1.2	1.8
Syrian Arab Republic							
% of XGS	52.1	123.2	82.1	77.8	86.8	85.1	---
% of GNP	9.9	18.3	15.8	14.8	14.2	14.2	15.2
INT/XGS	1.3	3.9	3.0	2.0	2.8	2.7	---
Yemen							
% of XGS	469.8	254.1	255.8	306.9	387.1	517.7	672.4
% of GNP	25.2	22.3	29.6	33.1	33.0	36.9	44.4
INT/XGS	1.5	2.0	1.5	2.7	3.1	4.4	6.5

Source: World Bank, World Debt Tables 1985-1986 Edition + First Supplement.

Notes: XGS : Exports of goods and services
GNP : Gross national product
INT : Interest.

Table A.38

Breakdown by borrower of bank and trade-related, non-bank external claims of reporting ESCWA countries, 1984-1986

(million US dollars)

Country	Year	Total external bank claims (a)	Of which identified guaranteed claims[a/] (b)	Non-bank trade-related credits[b/] (c)	Total (a) + (c) (d)
Bahrain	1984	160	25	175	335
	1985	200	79	215	415
	1986	255	102	202	457
Egypt	1984	16,437	1,223	4,721	11,158
	1985	7,307	1,682	5,004	12,311
	1986	6,923	1,983	6,236	13,159
Iraq					
	1984	1,963	621	1,666	3,629
	1985	2,745	891	2,166	4,911
	1986	3,825	1,762	2,738	6,563
Jordan	1984	824	202	776	1,600
	1985	976	259	857	1,833
	1986	1,523	298	999	2,522
Kuwait	1984	8,632	61	346	8,978
	1985	9,793	77	464	10,257
	1986	9,232	64	460	9,692
Lebanon	1984	973	92	199	1,172
	1985	1,064	105	210	1,274
	1986	1,123	45	143	1,266
Oman	1984	765	354	266	1,030
	1985	858	468	307	1,165
	1986	967	521	376	1,343
Qatar	1984	571	62	88	659
	1985	602	80	130	733
	1986	678	123	164	842
Saudi Arabia	1984	9,216	256	2,829	12,045
	1985	10,364	434	3,510	13,874
	1986	9,364	235	2,876	12,240

Table 38 (continued)

Country	Year	Total external bank claims (a)	Of which identified guaranteed claims[a] (b)	Non-bank trade-related credits[b] (c)	Total (a) + (c) (d)
Syrian Arab Republic	1984	712	98	175	887
	1985	875	128	215	1,090
	1986	906	153	254	1,160
United Arab Emirates	1984	8,641	330	529	9,170
	1985	9,701	410	781	10,482
	1986	8,811	366	636	9,447
Yemen	1984	173	45	77	250
	1985	286	69	109	395
	1986	307	89	186	493
Democratic Yemen	1984	15	8	48	63
	1985	19	10	59	78
	1986	14	7	56	70

Source: Bank for International Settlements/Organization for Economic Co-operation and Development.

a/ Claims officially insured as guaranteed

b/ Credits officially insured as guaranteed, or extended directly to the foreign buyer by the official sector of the exporting country.

Table A.39

Gross fixed capital formation at current prices, national currencies, 1978-1986

(millions of national currency units)

	1978	1980	1981	1982	1983	1984	1985	1986
GCC + Iraq								
Bahrain	359.5	359.8	500.6	495.0	686.7	651.9	520.2	635.2a/
Iraq	1,993.0	3,471.5	5,099.0	5,696.7	4,712.6	3,928.4	3,021.9	2,727.6
Kuwait	793.9	972.6	1,072.8	1,436.1	1,369.0	1,466.4	1,173.0	990.0
Oman	273.5	465.7	583.5	706.7	736.9	913.2	953.1	762.5
Qatar	--	4,766.0	5,312.0	7,391.0	5,720.0	4,302.0	3,968.0	3,120.0
Saudi Arabia	76,554.0	106,376.0	122,315.0	115,454.0	110,095.0	96,646.0	95,000.0	-
United Arab Emirates	25,779.0	30,155.0	30,643.0	31,683.0	31,668.0	29,116.0	24,458.0	22,097.0
Other ESCWA countries								
Egypt	2,637.8	4,887.0	4,950.0	5,420.7	5,225.0	5,715.0	-	--
Jordan	229.1	397.8	546.8	597.3	502.8	485.6	479.9	368.8
Lebanon	1,640.0	2,196.0	3,459.0	1,179.0	--	488.8	-	--
Syrian Arab Republica/	8,887.0	14,116.0	15,262.0	16,270.0	17,286.0	17,865.0	19,431.0	20,403.0
Democratic Yemen	67.0	86.2	104.4	132.6	152.0	162.1	159.1	108.5
Yemen	3,964.0	4,898.0	5,311.0	5,122.0	4,129.0	3,845.0	4,547.0	4,938.0

Source: Economic and Social Commission for Western Asia, National Accounts Studies, No.9, 1987.

a/ Including change in stocks.

Table A.40

Gross fixed capital formation at current prices, US dollars, 1978-1986

(million US dollars)

	1978	1980	1981	1982	1983	1984	1985	1986
GCC and Iraq								
Bahrain	936.2	954.4	1,331.4	1,316.5	1,826.3	1,733.8	1,383.5	1,689.4 a/
Iraq	6,755.9	11,767.8	17,284.7	19,116.4	15,153.1	12,631.5	9,716.7	8,770.4
Kuwait	2,886.9	3,602.2	3,845.3	4,986.1	4,704.5	4,954.1	3,897.0	3,390.4
Oman	792.7	1,349.8	1,691.3	2,048.4	2,135.9	2,647.0	2,762.6	2,210.1
Qatar	--	1,309.3	1,459.3	2,030.5	1,571.4	1,181.9	1,090.1	857.1
Saudi Arabia b/	23,123.4	31,992.8	35,817.0	33,611.0	31,500.7	27,033.9	25,700.0	--
United Arab Emirates	6,716.8	8,214.4	8,347.3	8,630.6	8,626.5	7,931.4	6,662.5	6,019.3
Other ESCWA countries								
Egypt	6,746.3	6,981.4	7,071.5	7,743.8	7,464.3	8,164.3	--	--
Jordan	748.7	1,334.9	1,711.5	1,696.9	1,385.1	1,264.6	1,218.0	1,053.7
Lebanon	--	--	--	--	--	--	--	--
Syrian Arab Republic	2,264.2	3,596.4	3,888.4	4,145.2	4,404.1	4551.6	4,950.6	5,198.2
Democratic Yemen	194.2	249.9	302.6 d/	384.3 d/	440.6 d/	469.9 d/	461.2 d/	314.5 d/
Yemen	868.9	1,073.7	1,164.1	1,122.7	901.7	718.3	708.9	667.5

Source: Economic and Social Commission for Western Asia, National Accounts Studies, No. 9, October 1987.

a/ Including change in stocks.
b/ 1987/1979 = 1978.
c/ 1980/1981 = 1980.
d/ As of 1981 it includes change in stocks.

Table A.41

Crude oil production of ESCWA oil-exporting countries OPEC and the world 1973-1986 and first 5 months of 1987

(Thousands of barrels)

	Saudi Arabia	Kuwait	Iraq	United Arab Emirates	Qatar	Total ESCWA**	Total OPEC	World	ESCWA as % of OPEC	ESCWA as % of World
1973	2,772,605	1,102,446	736,589	565,150	208,160	5,384,950	11,315,925	21,209,000	47.6	25.4
1974	3,095,088	929,341	719,275	612,275	189,216	5,545,195	11,216,064	21,245,000	49.4	26.1
1975	2,582,535	760,733	825,531	618,709	159,724	4,947,232	9,923,018	20,162,000	49.9	24.5
1976	3,139,272	785,216	884,030	710,814	182,012	5,701,344	11,252,108	21,851,000	50.7	26.1
1977	3,357,960	718,685	857,093	735,130	162,279	5,831,147	11,413,025	22,607,000	51.1	25.8
1978	3,029,905	777,961	935,130	668,529	177,646	5,589,171	10,879,325	23,134,000	51.4	24.2
1979	3,479,338	912,610	1,269,080	668,350	185,469	6,514,847	11,289,223	24,011,000	57.7	27.1
1980	3,623,583	608,914	968,582	623,657	172,541	5,997,277	9,838,245	23,059,000	61.0	26.0
1981	3,579,920	412,341	327,551	548,265	151,549	5,019,626	8,208,808	21,645,000	61.2	23.2
1982	2,366,295	300,870	369,417	455,875	121,180	3,613,637	6,936,656	20,645,000	52.1	17.5
1983	1,656,881	384,747	401,062	419,385	98,185	2,960,260	6,202,193	20,441,000	47.7	14.5
1984	1,492,951	425,658	446,996	419,100	119,060	2,903,765	5,983,077	20,744,000	48.5	14.0
1985	1,158,875	341,750	512,606	439,305	105,887	2,558,423	5,730,639	20,664,000	44.6	12.4
1986	1,840,250	516,840	616,000	500,030	121,370	3,594,490	6,691,615	21,863,000	53.7	16.4
1986 first half	830,985	259,375	300,200	250,170	60,570	1,701,300	3,263,315	10,685,000	52.1	15.9
1986 second half										
July	183,055	55,955	55,800	48,515	12,400	355,725	638,290	1,924,000	55.7	18.5
August	199,330	53,630	55,800	49,445	12,400	370,605	653,105	1,939,000	56.8	19.1
September	144,600	33,600	54,000	39,450	8,400	280,050	512,850	1,748,000	54.6	16.0
October	155,930	35,030	55,800	40,765	9,300	296,825	538,470	1,820,000	55.1	16.3
November	160,500	40,500	48,000	34,950	9,000	292,950	531,150	--	55.2	--
December	165,850	38,750	46,500	36,735	9,300	297,135	--	--	--	--
1987										
January	122,450	38,750	51,150	36,115	8,835	257,300	514,755	1,816,000	50.0	14.2
February	106,820	32,620	46,760	32,900	7,000	226,100	440,105	1,605,000	51.4	14.1
March	100,905	34,255	52,700	35,805	6,200	229,865	475,155	--	48.4	--
April	118,950	33,450	57,000	35,850	6,000	251,250	490,350	--	51.2	--
May	128,650	34,100	58,900	37,975	8,680	268,305	534,905	--	50.2	--

Source: Based on Petroleum Economist, February and August 1987.

* Comprising Abu Dhabi, Dubai and Sharjah.

** Total ESCWA means total of five major oil-exporters.

Table A.42
Oil exports as percentage of total exports of some ESCWA countries, 1973-1985

	Saudi Arabia	Kuwait	Iraq	United Arab Emirates	Qatar	Total OPEC
1973	100.0	92.4	94.5	96.6	97.3	88.0
1974	99.7	94.8	98.6	98.7	98.2	94.4
1975	99.6	91.7	98.5	97.8	97.2	94.3
1976	99.7	91.1	98.3	96.5	96.7	93.6
1977	99.8	90.0	98.5	95.4	98.8	92.9
1978	100.0	90.5	98.1	94.6	98.9	92.4
1979	100.0	91.1	99.3	94.6	96.1	92.5
1980	100.0	89.0	99.5	93.8	95.0	93.0
1981	100.0	84.9	98.6	92.7	93.4	93.2
1982	100.0	81.2	98.6	92.12	93.8	92.2
1983	100.0	86.5	98.6	86.2	91.0	89.4
1984	96.8	95.9	98.6	87.5	93.0	87.3
1985	94.8	95.6	98.9	87.6	91.0	85.5

Source: Arab Oil and Gas, 16 December 1985, Arab Oil and Gas Directory 1985 and OPEC, Annual Statistical Bulletin 1985.

Table A.43

Oil output, oil exports and oil revenues of ESCWA major oil-exporting countries, 1973-1986

Year	Crude oil production (thousand b/d) Saudi Arabia	Kuwait	Iraq	United Arab Emirates	Qatar	Oil exports (thousands b/d) Saudi Arabia	Kuwait	Iraq	United Arab Emirates	Qatar
1973	7,596.2	3,020.4	2,018.1	1,548.4	570.3	7,014.6	2,641.6	1,925.8	1,522.1	570.3
1974	8,479.7	2,546.1	1,970.6	1,677.5	518.4	7,922.4	2,203.2	1,849.0	1,689.5	511.2
1975	7,075.4	2,084.2	2,261.7	1,695.1	437.6	6,601.1	1,803.4	2,058.8	1,661.4	428.3
1976	8,600.7	2,151.3	2,422.0	1,947.4	498.7	8,031.8	1,790.9	2,241.1	1,932.8	486.6
1977	9,199.9	1,969.0	2,348.2	2,014.1	444.6	8,608.4	1,624.8	2,167.4	1,990.0	410.3
1978	8,301.1	2,131.4	2,562.0	1,831.6	486.7	7,706.0	1,761.2	2,384.4	1,816.3	480.0
1979	9,532.4	2,500.3	3,476.9	1,831.1	508.1	8,817.7	2,083.1	3,275.3	1,805.3	494.9
1980	9,927.6	1,668.3	2,653.6	1,708.6	472.7	9,223.2	1,296.5	2,459.0	1,697.3	465.7
1981	9,808.0	1,129.7	897.4	1,502.1	415.2	9,017.9	813.8	746.1	1,439.0	391.0
1982	6,483.0	824.3	1,012.1	1,249.0	332.0	5,639.4	368.8	811.4	1,167.0	322.8
1983	4,999.0	1,051.1	954.8	1,149.0	269.0	3,978.7	544.4	725.4	1,077.3	268.3
1984	4,588.8	1,131.7	1,199.5	1,148.2	376.6	3,186.9	658.2	856.0	1,036.7	356.8
1985	3,385.9	1,016.7	1,427.1	1,203.6	300.2	2,251.3	475.9	1,085.5	977.7	285.3
1986	5,041.8	1,416.0	1,687.7	1,370.0	332.5	--	--	--	--	--

Year	Oil revenues (billion US $) Saudi Arabia	Kuwait	Iraq	United Arab Emirates	Qatar	Total ESCWA* Production thousand b/d	Exports thousand b/d	Revenues billion US$
1973	4.3	1.7	1.8	0.9	0.4	14,753.3	13,674.4	9.1
1974	22.6	6.5	5.7	5.5	1.4	15,192.3	14,175.3	41.7
1975	25.7	6.4	7.5	6.0	1.7	13,554.1	12,553.0	47.3
1976	30.8	6.9	8.5	7.0	2.1	15,620.1	14,483.2	55.3
1977	36.5	7.6	9.6	9.0	2.0	15,975.7	14,800.9	64.7
1978	32.2	8.0	10.2	8.2	2.2	15,312.8	14,147.9	60.8
1979	57.5	16.9	21.3	12.9	3.6	17,848.9	16,476.3	112.2
1980	102.0	17.9	26.0	19.5	5.4	16,430.9	15,141.7	170.8
1981	113.2	14.9	10.4	18.7	5.3	13,752.4	12,407.8	162.5
1982	76.0	10.0	9.5	16.0	4.2	9,900.4	8,309.4	115.7
1983	46.1	9.9	8.4	12.8	3.0	8,425.9	6,317.1	80.2
1984	43.7	10.8	10.4	13.0	4.4	8,444.8	6,010.8	82.3
1985	28.0	9.0	12.0	12.0	3.0	7,333.5	--	64.0
1986	20.0	6.0	7.0	7.0	1.0	9,847.9	--	41.0

Source: From tables on production, exports, revenues, oil revenues, 1986 in Petroleum Economist, July 1987; export in OPEC Annual Statistical Bulletin, 1985.

* ESCWA indicates here the total of the five major oil-exporters.

Table A.44

Ratio of oil revenues to government revenues and GDP, 1973-1985

Year	Oil revenues as percentage of government revenues					Oil revenues as percentage of GDP				
	Saudi Arabia	Kuwait	Iraq	United Arab Emirates	Qatar	Saudi Arabia	Kuwait	Iraq	United Arab Emirates	Qatar
1973	87.8	80.5	68.8	--	--	13.5	33.9	25.3	--	--
1974	94.2	90.5	80.2	--	--	28.1	53.9	33.2	--	--
1975	94.1	89.1	73.7	--	92.8	57.2	--	12.4	--	67.1
1976	90.4	85.7	77.0	--	93.5	45.6	67.7	19.4	--	61.6
1977	89.1	83.2	--	93.7	91.5	53.8	63.6	--	41.2	52.1
1978	87.3	84.9	--	87.3	90.2	45.7	76.7	--	39.6	47.2
1979	86.9	83.1	--	91.4	92.8	29.9	48.5	--	42.8	51.5
1980	89.6	69.2	--	93.3	91.8	36.4	59.5	--	47.3	60.4
1981	91.7	63.6	--	90.0	89.3	60.8	41.0	--	36.7	54.5
1982	89.3	55.3	--	87.7	85.5	79.3	40.8	--	30.0	42.2
1983	75.6	65.9	--	82.5	84.8	44.8	45.6	--	25.2	54.2
1984	70.3	64.2	--	84.8	84.6	38.0	38.8	--	24.6	42.3
1985	69.4	90.2	--	83.2	86.5	--	45.2	--	22.7	41.5

Source: Economic and Social Commission for Western Asia, Statistical Abstract, various issues, National Accounts Studies and Survey of Economic and Social Developments in the ESCWA Region, 1986 (E/ESCWA/DPD/87/3/Rev.1).

Note: Oil revenues here differ from oil revenues as given by OPEC.

Table A.45
Money supply in the ESCWA region, 1980-1986

(Millions national currency units)

End of period	Currency in circulation Amount	% of M1 (1)	Demand deposits Amount	% of M1 (2)	Total money supply (M1) Amount (1)+(2)	As % of M2 = (3)	Time and saving deposits[a/] Amount	% of Total (4)	Total money supply (M2) Amount (3)+(4)	% of Total = (5)
Oil economies										
Bahrain										
1980	58.3	30.3	133.9	69.7	192.2	36.7	331.8	63.3	524.1	100.0
1981	63.4	25.5	185.4	74.5	248.8	34.0	481.8	66.0	730.6	100.0
1982	71.5	26.7	196.5	73.3	268.0	34.3	513.1	65.7	781.3	100.0
1983	73.5	29.4	176.5	70.6	250.0	29.6	593.1	70.4	843.1	100.0
1984	78.2	32.7	161.1	67.3	239.3	28.9	588.5	71.1	827.8	100.0
1985	79.0	32.5	164.2	67.5	243.1	26.9	660.1	73.1	903.3	100.0
1986 (June)	84.1	33.3	168.3	66.7	252.3	27.7	659.3	72.3	911.7	100.0
Kuwait										
1980	251.3	37.5	418.4	62.5	669.7	23.4	2,187.8	76.6	2,857.5	100.0
1981	284.7	23.4	930.1	76.6	1,214.8	31.4	2,652.9	68.6	3,867.8	100.0
1982	342.8	29.1	837.0	71.0	1,179.7	28.2	3,003.1	71.8	4,182.8	100.0
1983	340.6	30.6	772.9	69.4	1,113.5	25.5	3,254.3	74.5	4,367.8	100.0
1984	325.1	35.6	588.8	64.4	913.9	20.3	3,583.0	79.7	4,496.9	100.0
1985	327.9	36.7	565.7	63.3	893.6	20.1	3,554.6	79.9	4,448.2	100.0
1986(Sept.)	335.3	36.3	588.8	63.7	924.1	20.1	3,667.0	79.9	4,591.1	100.0
Oman										
1980	94.8	59.2	65.3	40.8	160.1	50.2	159.1	49.8	319.2	100.0
1981	116.2	53.4	101.5	46.6	217.7	49.0	226.6	51.0	444.3	100.0
1982	129.8	50.8	125.8	49.2	255.6	46.0	299.6	54.9	555.2	100.0
1983	140.4	49.7	141.9	50.3	282.3	42.4	383.0	57.6	665.3	100.0
1984	150.0	51.5	141.4	48.5	291.4	36.0	517.8	64.0	809.2	100.0
1985	178.5	54.6	148.7	45.4	327.2	35.4	597.6	64.6	924.8	100.0
1986 (July)	176.1	57.5	130.4	42.5	306.5	37.3	516.3	62.7	822.8	100.0
Qatar										
1980	811.1	35.6	1,466.0	64.4	2,277.1	43.2	3,003.0	56.9	5,280.1	100.0
1981	991.6	29.1	2,411.6	70.9	3,403.2	45.5	4,072.0	54.5	7,475.2	100.0
1982	1,151.3	30.3	2,643.5	69.7	3,794.8	44.3	4,772.1	56.7	8,566.9	100.0
1983	1,068.4	29.5	2,556.1	70.5	3,624.5	42.7	4,863.2	57.3	8,487.7	100.0
1984	1,186.3	28.7	2,948.1	71.3	4,134.4	40.0	6,219.5	60.1	10,354.0	100.0
1985	1,120.0	27.9	2,896.7	72.1	4,016.7	35.5	7,288.7	64.5	11,305.4	100.0
1986 (March)	1,149.9	27.9	2,965.4	72.1	4,115.3	35.3	7,536.3	64.7	11,651.6	100.0

Table A.45 (continued)

End of period	Currency in circulation Amount (1)	% of M1	Demand deposits Amount (2)	% of M1	Total money supply (M1) Amount (1)+(2)	As % of M2 = (3)	Time and saving deposits[a] Amount (4)	% of Total	Total Money supply (M2) Amount (3)+(4)	% of Total = (5)
Saudi Arabia[b]										
1980	25,680.0	43.6	33,280.0	56.4	58,960.0	80.9	13,930.0	19.1	72,890.0	100.0
1981	29,490.0	40.4	43,490.0	59.6	72,980.0	76.9	21,930.0	23.1	94,916.0	100.0
1982	34,440.0	41.1	49,340.0	58.9	83,780.0	73.8	29,680.0	26.2	113,460.7	100.0
1983	35,420.0	41.7	49,510.0	58.3	84,930.0	71.3	34,130.0	28.7	119,060.0	100.0
1984	35,110.0	42.3	47,860.0	57.7	82,970.0	66.5	41,790.0	33.5	124,760.0	100.0
1985	35,770.0	43.7	46,060.0	56.3	81,830.0	65.9	44,090.0	35.0	125,920.0	100.0
1986 (March)	36,730.0	44.3	46,230.0	55.7	82,960.0	65.3	44,140.0	34.7	127,100.0	100.0
United Arab Emirates										
1980	2,142.5	29.1	5,211.8	70.9	7,354.3	31.2	16,239.5	68.8	23,593.8	100.0
1981	2,770.8	30.9	6,198.0	69.1	8,968.8	30.8	20,196.3	69.2	29,165.1	100.0
1982	2,989.5	30.7	6,749.0	69.3	9,738.0	28.9	23,990.0	71.1	33,728.0	100.0
1983	2,878.8	31.6	6,245.4	68.4	9,124.2	25.1	27,291.6	74.9	36,415.8	100.0
1984	2,929.0	32.9	5,962.6	67.1	8,891.6	19.0	38,025.0	81.0	46,916.6	100.0
1985	3,161.0	33.3	6,344.0	66.7	9,505.0	19.0	40,413.0	81.0	49,918.6	100.0
1986(August)	3,013.0	34.9	5,613.0	65.1	8,626.0	17.2	41,541.0	82.8	50,167.0	100.0
Diversified economies										
Egypt										
1980	3,398.0	57.6	2,504.0	42.4	5,902.0	62.2	3,589.0	37.8	9,491.0	100.0
1981	4,291.0	59.8	2,886.0	40.2	7,177.0	54.8	5,920.0	45.2	13,097.0	100.0
1982	5,503.0	61.1	3,498.0	38.9	9,001.0	52.2	8,240.0	47.8	17,241.0	100.0
1983	6,475.0	63.0	3,798.0	37.0	10,273.0	48.6	10,884.0	51.4	21,157.0	100.0
1984	7,098.0	60.9	4,554.0	39.1	11,652.0	46.4	13,486.0	53.6	25,138.0	100.0
1985	8,285.0	59.6	5,606.0	40.4	13,891.0	46.5	15,978.0	53.5	29,869.6	100.0
1986 (Aug.)	8,675.0	58.8	6,085.0	41.2	14,760.0	41.8	20,529.0	58.2	35,289.6	100.0
Jordan										
1980	351.6	59.1	243.1	40.9	594.8	60.4	390.0	39.6	984.8	100.0
1981	412.3	58.8	289.4	41.2	701.7	59.5	478.2	40.5	1,179.9	100.0
1982	470.0	59.7	317.5	40.3	787.5	56.1	615.8	43.9	1,403.4	100.0
1983	516.0	59.4	353.4	40.6	869.4	53.8	745.7	46.2	1,615.2	100.0
1984	530.5	60.4	347.9	39.6	878.4	50.0	879.3	50.0	1,757.7	100.0
1985	531.8	62.7	316.4	37.3	848.2	45.2	1,026.6	54.8	1,874.8	100.0
1986 (Sept)	580.5	65.3	308.5	34.7	889.0	43.9	1,137.9	56.1	2,026.9	100.0
Lebanon										
1980	3,982.0	51.9	3,684.0	48.1	7,666.0	26.6	21,160.0	73.4	28,826.0	100.0
1981	4,625.0	51.4	4,380.0	48.6	9,005.0	22.3	31,392.0	77.7	40,397.0	100.0
1982	5,582.0	50.4	5,488.0	49.6	11,070.0	22.8	37,487.0	77.2	48,557.0	100.0
1983	6,958.0	54.2	5,887.0	45.8	12,845.0	20.8	48,775.0	79.2	61,620.0	100.0
1984	7,669.0	55.6	6,114.0	44.4	13,783.0	18.1	62,494.0	81.9	76,277.0	100.0
1985	10,267.0	50.9	9,887.0	49.1	20,154.0	16.9	98,948.6	88.1	119,102.0	100.0

Table A.45 (continued)

End of period	Currency in circulation Amount (1)	% of M1	Demand deposits Amount (2)	% of M1	Total money supply (M1) Amount (1)+(2) = (3)	As % of M2	Time and saving deposits[a] Amount (4)	% of Total	Total money supply (M2) Amount (3)+(4) = (5)	% of Total
Syrian Arab Republic										
1980	13,421.7	61.4	8,433.5	38.6	21,855.2	91.0	2,175.7	9.0	24,030.9	100.0
1981	14,046.6	56.6	10,785.8	43.4	24,831.0	89.2	3,009.1	10.8	27,840.9	100.0
1982	17,347.5	58.8	12,170.8	41.2	29,518.3	88.1	3,992.2	11.9	33,511.2	100.0
1983	20,499.3	55.3	16,542.4	44.7	37,041.7	87.7	5,203.8	12.3	42,245.5	100.0
1984	25,154.5	55.2	20,452.0	44.8	45,606.5	86.4	7,167.1	13.6	52,773.6	100.0
1985[c]	29,484.3	33.7	25,436.4	46.3	54,920.7	87.3	8,017.5	12.7	62,938.2	100.0
1986	...	...	....	...	...	...	...	...	...	...
Democratic Yemen										
1980	171.1	72.9	63.5	27.1	234.6	82.0	51.5	18.0	286.1	100.0
1981	192.6	74.3	66.5	25.7	259.1	80.5	62.7	19.5	321.8	100.0
1982	223.8	75.4	73.1	24.6	296.9	77.6	85.6	22.4	382.5	100.0
1983	244.3	73.7	87.3	26.3	331.6	74.2	115.6	25.8	447.2	100.0
1984	255.9	69.4	112.8	30.6	368.7	72.2	141.8	27.8	510.5	100.0
1985 (September)	274.1	68.2	127.5	31.8	401.6	73.3	146.3	26.7	547.9	100.0
1986	...	...	...	...	...	...	...	...	...	...
Yemen										
1980	6,894.5	91.1	674.0	8.9	7,568.5	82.4	1,611.1	17.6	9,179.6	100.0
1981	7,043.5	89.5	824.2	10.5	7,867.7	79.4	2,037.5	20.6	9,905.2	100.0
1982	8,940.5	87.0	1,332.5	13.0	10,273.0	82.1	2,246.4	17.9	12,519.4	100.0
1983	10,733.0	81.7	2,401.8	18.3	13,134.8	82.3	2,832.2	17.7	15,967.0	100.0
1984	13,314.0	81.6	2,997.9	18.4	16,311.9	80.1	4,052.7	19.9	20,364.6	100.0
1985	15,633.4	82.9	3,221.9	17.1	18,855.3	77.2	5,575.0	22.8	24,430.3	100.0
1986	...	...	...	...	...	...	...	...	...	...

Source: Economic and Social Commission for Western, based on national and international sources.

a/ Including foreign currency deposits for Egypt, Lebanon, Qatar, the Syrian Arab Republic, United Arab Emirates and Yemen and earmarked deposits for Yemen.

b/ Approximately end of period.

c/ Provisional.

Note: Figures may not add up due to rounding;

... Data unavailable.

Table A.46

Money supply in the ESCWA region (M1, M2 and M3), 1980-1985

(Millions of national currency units)

	1980	1981	1982	1983	1984	1985
GCC						
Bahrain						
M1	192.2	248.8	268.0	250.0	239.3	243.1
M2	524.1	730.6	781.3	843.1	827.8	903.3
M3	829.8	790.4	839.1	957.2	1,068.2	1,145.9
Kuwait						
M1	669.7	1,214.8	1,179.7	1,113.5	913.9	893.6
M2	2,857.5	3,867.8	4,182.8	4,367.8	4,496.9	4,448.2
M3	3,796.8	4,750.0	5,367.9	5,484.8	5,785.5	5,687.5
Oman						
M1	160.1	217.7	255.6	282.3	291.4	327.2
M2	319.2	444.3	555.2	665.3	809.2	924.8
M3	494.7	673.4	803.8	1,008.2	1,179.1	1,236.7
Qatar						
M1	2,277.1	3,403.2	3,794.8	3,624.5	4,134.4	4,016.7
M2	5,280.1	7,475.2	8,566.9	8,487.7	10,354.0	11,305.4
M3	6,059.4	8,276.3	9,237.4	9,184.0	11,068.7	12,184.9
Saudi Arabia						
M1	58,960.0	72,980.0	83,780.0	84,930.0	82,970.0	81,830.0
M2	72,890.0	94,916.0	113,460.0	119,060.0	124,760.0	125,920.0
M3	259,310.0	422,726.0	454,400.0	423,900.0	385,280.0	359,630.0
United Arab Emirates						
M1	7,354.3	8,968.8	9,738.0	9,124.2	8,891.6	9,505.0
M2	23,593.8	29,165.1	33,728.0	36,415.8	46,916.6	49,918.6
M3	31,420.8	41,301.0	43,642.0	43,093.0	53,991.6	56,734.6
Diversified economies						
Egypt						
M1	5,902.0	7,177.0	9,001.0	10,273.0	11,652.0	13,891.0
M2	9,491.0	13,097.0	17,241.0	21,157.0	25,138.0	29,869.6
M3	10,202.0	13,997.0	18,029.0	22,549.0	26,755.0	31,465.6
Jordan						
M1	594.8	701.7	787.5	869.4	878.4	848.2
M2	984.8	1,179.9	1,403.4	1,615.2	1,757.7	1,874.8
M3	1,099.5	1,296.4	1,505.2	1,752.7	1,887.0	2,002.8

Table 46 (continued)

	1980	1981	1982	1983	1984	1985
Lebanon						
M1	7,666.0	9,005.0	11,070.0	12,845.0	13,783.0	20,154.0
M2	28,826.0	40,397.0	48,557.0	61,620.0	76,277.0	119,102.0
M3	31,465.0	44,174.0	51,880.0	67,424.0	85,144.0	--
Syrian Arab Republic						
M1	21,855.2	24,831.0	29,518.3	37,041.7	45,606.5	54,920.7
M2	24,030.9	27,840.9	33,511.2	422,445.5	52,773.6	62,938.2
M3	28,420.6	35,220.8	44,142.5	53,433.3	63,987.8	74,582.4
Democratic Yemen						
M1	234.6	259.1	296.9	331.6	368.7	--
M2	286.1	321.8	382.5	447.2	510.5	--
M3	303.8	342.4	408.0	476.8	541.7	--
Yemen						
M1	7,568.5	7,867.7	10,273.0	13,134.8	16,311.9	18,855.3
M2	9,179.6	9,905.2	12,519.4	15,967.0	20,364.6	24,430.3
M3	9,893.6	10,991.2	14,014.4	17,298.0	22,123.7	26,381.1

Source: Various issues of ESCWA Statistical Abstracts, Central Bank bulletins and Central Bank economic reports and IMF International Financial Statistics.

Table A.47

Annual percentage change in money supply in the ESCWA region, 1980-1986

	Currency in circulation	Demand deposits	Money supply (M1)	Time and saving deposits	Total money supply (M2)
Oil economies					
Bahrain					
1981/1980	8.8	38.5	29.4	45.2	39.4
1982/1981	12.8	6.0	7.7	6.5	6.9
1983/1982	2.8	-10.2	-6.7	15.6	7.9
1984/1983	6.4	-8.7	-4.3	-0.8	-1.8
1985/1984	1.0	1.9	1.6	12.2	9.1
1986/1985[a]	6.5	2.5	3.8	-0.1	0.9
Kuwait					
1981/1980	13.3	122.3	81.4	21.3	35.4
1982/1981	20.4	-10.0	-2.9	13.2	8.1
1983/1982	-0.6	-7.7	-5.6	8.4	4.4
1984/1983	-4.6	-23.8	-17.9	10.1	3.0
1985/1984	0.9	-3.9	-2.2	-0.8	-1.1
1986/1985[a]	2.3	4.1	3.4	3.2	3.2
Oman					
1981/1980	22.6	55.4	36.0	42.4	39.2
1982/1981	11.7	23.9	17.4	32.2	25.0
1983/1982	8.2	12.8	10.4	27.8	19.8
1984/1983	6.8	-0.4	3.2	35.2	21.6
1985/1984	19.0	5.2	12.3	15.4	14.3
1986/1985[a]	-1.3	-12.3	-6.3	-13.6	-11.0
Qatar					
1981/1980	22.2	64.5	49.4	35.6	41.6
1982/1981	16.1	9.6	11.5	17.2	14.6
1983/1982	-7.2	-3.3	-4.5	1.9	-0.9
1984/1983	11.0	15.3	14.1	27.9	22.0
1985/1984	-5.6	-1.7	-2.8	17.2	9.2
1986/1985[a]	2.7	2.4	2.5	3.4	3.1
Saudi Arabia					
1981/1980	14.8	30.7	23.8	57.4	30.2
1982/1981	16.8	13.5	14.8	35.3	19.5
1983/1982	2.8	0.3	1.4	15.0	4.9
1984/1983	-0.9	-3.3	-2.3	22.4	4.8
1985/1984	1.9	-3.8	-1.4	5.5	0.9
1986/1985[a]	2.7	0.4	1.4	0.1	0.9

Table A.47 (continued)

	Currency in circulation	Demand deposits	Money supply (M1)	Time and saving deposits	Total money supply (M2)
United Arab Emirates					
1981/1980	29.3	18.9	22.0	24.4	23.6
1982/1981	7.9	8.9	8.6	18.8	15.6
1983/1982	-3.7	-7.5	-6.3	13.8	8.0
1984/1983	1.7	-4.5	-2.6	39.3	28.8
1985/1984	7.9	6.4	6.9	6.3	6.4
1986/1985[a/]	-4.7	-11.5	-9.2	2.8	0.5
Non-oil economies					
Egypt					
1981/1980	26.3	15.3	21.6	65.0	38.0
1982/1981	28.2	21.2	25.4	39.2	31.6
1983/1982	17.7	8.6	14.1	32.1	22.7
1984/1983	9.6	19.9	13.4	23.9	18.8
1985/1984	16.7	23.1	19.2	18.5	18.8
1986/1985[a/]	4.7	8.5	6.3	28.5	18.1
Jordan					
1981/1980	17.3	19.0	18.0	22.6	19.8
1982/1981	14.0	9.8	12.2	28.8	18.9
1983/1982	9.8	11.3	10.4	21.1	15.1
1984/1983	2.8	-1.6	1.0	17.9	8.8
1985/1984	0.2	-9.1	-3.4	16.8	6.7
1986/1985[a/]	9.2	-2.5	4.8	10.8	8.1
Lebanon					
1981/1980	16.2	18.9	17.5	48.4	40.1
1982/1981	20.7	25.3	22.9	19.4	20.2
1983/1982	24.6	7.3	16.0	30.1	26.9
1984/1983	10.2	3.9	7.3	28.1	23.8
1985/1984	33.9	61.7	46.2	58.3	56.1
1986/1985	...	...	...	...	...
Syrian Arab Republic					
1981/1980	4.6	27.9	13.6	41.8	15.8
1982/1981	23.5	12.8	18.9	32.7	20.4
1983/1982	18.2	35.9	25.5	30.3	26.1
1984/1983	22.7	23.6	23.1	37.7	24.9
1985/1984	17.2	24.4	20.4	11.9	19.3
1986/1985	...	...	...	...	...

Table A.47 (continued)

	Currency in circulation	Demand deposits	Money supply (M1)	Time and saving deposits	Total money supply (M2)
Least developed countries					
Democratic Yemen					
1981/1980	12.6	4.7	10.4	21.8	12.5
1982/1981	16.2	9.9	14.6	36.5	18.9
1983/1982	9.2	19.4	11.7	35.0	16.9
1984/1983	4.8	29.2	11.2	22.7	14.2
1985/1984 b/	7.1	13.0	8.9	3.2	7.3
1986/1985	...	...	...	...	...
Yemen					
1981/1980	2.2	22.3	4.3	26.5	7.9
1982/1981	26.9	61.7	28.0	10.3	26.4
1983/1982	20.0	80.2	27.9	26.1	27.5
1984/1983	24.0	24.8	24.2	43.1	27.5
1985/1984	17.4	7.5	15.6	37.6	20.0
1986/1985	...	...	...	...	...

Source: Based on table A.45

a/ June 1986 (Bahrain), July (Oman), September (Kuwait), March (Saudi Arabia and Qatar), August (United Arab Emirates, Egypt, Jordan).

b/ September 1985 over 1984.

Note: ... Data unavailable.

Table A.48

Latin America: consumer price development of major indebted countries, 1979-1986

(1980=100; period average)

	1979	1980	1981	1982	1983	1984	1985	1986
Argentina	50.0	100	204.0	541.0	2,403.0	17,462.0	134,833.0	256,312.0
Brazil	55.0	100	206.0	407.0	984.0	2,924.0	9,556.0	23,419.0a/
Chile	74.0	100	119.7	131.6	167.5	200.7	262.3	313.4
Ecuador	88.5	100	116.4	135.3	200.8	263.6	337.3	415.0
Mexico	79.1	100	127.9	203.3	410.2	679.0	1,071.2	1,994.9
Peru	62.8	100	175.4	288.4	609.0	1,280.2	3,372.0	5,999.5
Venezuela	82.3	100	116.2	127.3	135.3	151.8	169.1	188.6

Source: IMF International Financial Statistics, November 1986, May 1987.

a/ In June 1986.

Table A.49
Latin America: exports and imports of major indebted countries, 1979-1986*

(Million US dollars)

	1979	1980	1981	1982	1983	1984	1985	1986
Exports								
Argentina	7,809.9	8,021.4	9,143.0	7,624.9	7,836.1	8,107.4	8,396.1	--
Brazil	15,244.0	20,132.0	23,293.0	20,175.0	21,899.0	27,005.0	25,639.0	22,393.0
Chile	3,894.0	4,671.0	3,906.0	3,710.0	3,836.0	3,657.0	3,823.0	--
Ecuador	2,104.2	2,480.8	2,451.4	2,128.1	2,224.1	2,583.4	2,904.7	2,182.9
Peru	3,490.9	3,898.3	3,255.0	3,293.3	3,015.2	3,147.1	2,966.4	--
Imports (cif)								
Argentina	6,700.1	10,540.6	9,430.2	5,336.9	4,504.2	4,584.7	3,814.2	--
Brazil	19,804.0	24,961.0	24,079.0	21,069.0	16,801.0	15,210.0	14,332.0	--
Chile	4,218.0	5,124.0	6,364.0	3,529.0	2,754.0	3,191.0	2,743.0	--
Ecuador	1,599.7	2,253.3	2,246.1	1,988.5	1,465.0	1,715.5	1,606.3	1,814.8
Peru	1,820.1	2,499.5	3,447.4	3,600.7	2,548.0	2,212.0	1,835.0	--

Source: IMF *International Financial Statistics*, November 1986 and May 1987.

* Excluding Mexico and Venezuela where exports and imports are available only in national currencies.

Table A.50. Latin America: current account balance of major indebted countries, 1979-1986

(Million of US dollars)

	1979	1980	1981	1982	1983	1984	1985	1986
Argentina	-513	-4,774	-4,712	-2,353	-2,436	-2,495	-954	--
Brazil	-10,478	-12,806	-11,751	-16,312	-6,837	42	-273	--
Chile	-1,189	-1,971	-4,733	-2,304	-1,117	-2,060	-1,307	--
Ecuador	-625	-642	-1,002	-1,195	-104	-249	-85	--
Mexico	-5,459	-8,162	-13,899	-6,218	5,419	4,240	540	--
Peru	729	62	-1,733	-1,612	-875	-223	53	--
Venezuela	350	4,728	4,000	-4,246	4,427	5,418	3,086	-1,628

Source: IMF *International Financial Statistics*, May 1987.

Table A.51
Latin America: gross domestic product of major indebted countries, 1980-1985

(Million national currencies, except where indicated)

	1980	1981	1982	1983	1984	1985
Argentina	28.3	54.8	147.6	682.7	--	--
Brazil	13,164.0	25,632.0	50,815.0	120,268.0	386,968.0	--
Chile	1,075.3	1,273.1	1,239.1	1,557.7	1,893.4	2,576.6
Ecuador a/	293.3	348.7	415.7	560.3	805.7	--
Mexico a/	4,276.5	5,874.4	9,417.1	17,141.7	28,748.9	45,588.5
Peru	4,972.0	8,520.0	14,183.0	26,313.0	59,865.0	157,977.0
Venezuela a/	254.2	285.2	291.3	290.5	348.4	372.0

Source: IMF International Financial Statistics, November 1986, May 1987.

a/ Billions of national currencies.

Table A.52
Latin America: gross domestic product at constant prices (1980=100), 1980-1985

(Million of national currencies)

	1980	1981	1982	1983	1984	1985
Argentina	28.3	26.5	25.3	26.0	26.5	25.5
Brazil	13,164.0	12,957.0	13,075.0	12,662.0	13,223.0	--
Chile	1,075.3	1,134.7	974.9	968.6	1,029.4	1,054.6
Ecuador a/	293.3	304.9	308.5	299.8	311.8	323.5
Mexico a/	4,276.5	4,616.3	4,590.9	4,349.1	4,508.6	4,630.0
Peru	4,971.8	5,123.3	5,168.9	4,549.6	4,765.9	4,842.4
Venezuela*	254.2	253.4	255.1	240.8	237.6	238.2

Source: IMF International Financial Statistics, November 1986 and May 1987.

a/ Billions national currencies.

Table A.53
Exchange rate development of ESCWA countries, 1973-1986

(Period average)

	Bahrain	Iraq	Kuwait	Oman**	Qatar	Saudi Arabia**	United Arab Emirates	Egypt*	Jordan	Lebanon**	Syrian Arab Republic*	Democratic Yemen	Yemen**
1973	2.5046	3.3064	3.3770	0.3507	0.25046	3.7066	3.9963	2.5162	3.0462	2.6104	3.8200	2.8578	4.6109
1974	2.5333	3.3862	3.4115	0.3454	0.25333	3.5500	3.9590	2.5556	3.1113	2.3278	3.8233	2.8952	4.5625
1975	2.5284	3.3862	3.4483	0.3454	0.25449	3.5176	3.9613	2.5556	3.1393	2.3020	3.7329	2.8952	4.5625
1976	2.5278	3.3862	3.4203	0.3454	0.25231	3.5300	3.9531	2.5556	3.0122	2.8716	3.7000	2.8952	4.5625
1977	2.5275	3.3862	3.4898	0.3454	0.25259	3.5251	3.9032	2.5556	3.0375	3.0690	3.8527	2.8952	4.5625
1978	2.5809	3.3862	3.6362	0.3454	0.25795	3.3996	3.8712	2.5556	3.2733	2.9554	3.9250	2.8952	4.5625
1979	2.6206	3.3862	3.6203	0.3454	0.26506	3.3608	3.8157	1.4286	3.3299	3.2428	3.9250	2.8952	4.5624
1980	2.6525	3.3862	3.6993	0.3454	0.27346	3.3267	3.7074	1.4286	3.3543	3.4361	3.9250	2.8952	4.5625
1981	2.6596	3.3862	3.5878	0.3454	0.27473	3.3825	3.6710	1.4286	3.0293	4.3139	3.9250	2.8952	4.5625
1982	2.6596	3.3513	3.4737	0.3454	0.27473	3.4282	3.6710	1.4286	2.8384	4.7435	3.9250	2.8952	4.5625
1983	2.6596	3.2169	3.4309	0.3454	0.27473	3.4548	3.6710	1.4286	2.7550	4.5282	3.9250	2.8952	4.5787
1984	2.6596	3.2169	3.3785	0.3454	0.27473	3.5238	3.6710	1.4286	2.6036	6.5111	3.9250	2.8952	5.3533
1985	2.6596	3.2169	3.3261	0.3454	0.27473	3.6221	3.6710	1.4286	2.5379	16.4170	3.9250	2.8952	6.4143
1986	2.6596	3.2169	3.4259	0.3845	0.27473	3.7033	3.6710	1.4286	2.8583	38.3700	3.9250	2.8952	7.3980

Source: IFS Yearbook 1986 + IFS, April 1987.

* US dollar per local currency or otherwise as indicated.
** Local currency per US dollar.

Table A.54

Development of major currencies versus the US dollar, 1973-1986

(Period average)

	Value					Annual percentage change				
	DM	¥	SwF.	£	FFr.	DM	¥	SwF	£	FFr.
1973	2.6726	271.70	3.1648	2.4522	4.4578					
1974	2.5878	292.08	2.9793	2.3390	4.8141	-3.17	7.5	-5.86	-4.62	7.99
1975	2.4603	296.79	2.5813	2.2218	4.2862	-4.92	1.61	-13.35	-5.01	-10.96
1976	2.5180	296.55	2.4996	1.8062	4.7790	2.34	-0.08	-3.16	-18.00	11.49
1977	2.3222	268.51	2.4035	1.7455	4.9136	-7.77	-9.45	-3.84	-3.36	2.81
1978	2.0086	210.44	1.7880	1.9195	4.5131	-13.50	-21.62	-25.60	9.97	-8.15
1979	1.8329	219.14	1.6627	2.1216	4.2544	-8.74	4.13	-7.00	10.53	-5.73
1980	1.8177	226.74	1.6757	2.3263	4.2256	-0.82	3.46	0.78	9.65	-0.67
1981	2.2600	220.54	1.9642	2.0279	5.4346	24.33	-2.73	17.21	-12.83	28.61
1982	2.4266	249.08	2.0303	1.7505	6.5721	7.37	12.94	3.36	-13.68	20.93
1983	2.5533	237.51	2.0991	1.5170	7.6213	5.22	-4.64	3.38	-13.34	15.96
1984	2.8459	237.52	2.3497	1.3363	8.7391	11.45	0.0	11.93	-11.91	14.66
1985	2.9440	238.54	2.4571	1.2963	8.9851	3.44	0.42	4.57	-2.99	2.81
1986	2.1715	168.52	1.7989	1.4670	6.9261	-27.47	-29.79	-26.79	13.17	-22.92

Source: Calculated from IFS, Yearbook 1985 and IFS, October 1986 + April 1987.

* $US per pound sterling.

Notes: DM = Deutsche Mark (Federal Republic of Germany)
¥ = Yen (Japan).
SwF = Swiss franc.
£ = Pound sterling (United Kingdom).
FFr. = French franc.