



# Diasporic Economic Strides amid Regional Turbulent Tides

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May 23th, 2016 | Melbourne

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## **I. Introduction**

Thank you for availing me the opportunity to address such a distinguished audience on such a special occasion that connects me to people having richly diversified origins and backgrounds, yet unified links to a region that is dear to our hearts and pivotal to human civilization since the dawn of history, i.e. the Arab region, and Lebanon at its core.

I would also like, in this occasion, to acknowledge the exceptional role of the Australia Lebanon Chamber of Commerce and Industry (Vic), headed by Mr. Faddy Zouky OAM, in capitalizing on the Lebanese Diaspora capabilities, for the collective benefit of: Australia and Lebanon.

I highly appreciate the Hon Martin Pakula, MP, Attorney – General State Government of Victoria for his presence and for awarding me the Chamber's Award of recognition.

It is known that the Lebanese migration history to Australia has started around 1880, long before the independence of both countries, occurring through three successive waves<sup>i</sup>, and hence weaving a strong fabric that is beautifully embroidered with integrity, patriotism, and will power. It is this historical relationship, along with our compelling belief in the necessity of the synergetic and integrative mission that the Lebanese diaspora is destined to bear among nations, on which Lebanon builds much of its aspirations.

## **II. The Turbulent Tides of Arab and Lebanese Economic Outlook**

As you all know, the "Arab Spring" that many rejoiced few years ago unfortunately didn't quite blossom the roses of prosperity and peace that we all desire for our homeland. Few of the achievements in some regions were offset by massive detriments in many others. Hence, this Arab transition still resides at its autumn phase, which is characterized by conflicts, civil wars, macroeconomic impairments, and socio-economic depletion.

The cyclical crisis cliffs, which have been occasionally threatening global financial and economic stability, are often materializing into real crises, causing immense losses and misfortunes, the recent manifestations of which are the 2008 financial crisis and its repercussions. From the Arab perspective, the backdrop of a slowing global economy and lower commodity prices has tainted the Arab macroeconomic scene with a stagnating economic growth. According to the World Bank, overall Arab GDP growth has recorded less than three percent for the third year running. Low oil prices, conflicts, and the global economic slowdown make short-term prospects of recovery unlikely. Investment and financing needs in the Arab region are high, and its shortage

of foreign capital has made a bad situation even worse. An overall fiscal surplus of about two percent of GDP in 2013 is expected to turn into a deficit of 9.2 percent of Arab GDP as a whole. By the same token, the Arab external account surplus of the past years is expected to turn into a deficit of about 2.6 percent of GDP. Fiscal positions in oil exporters, particularly in Gulf Cooperation Council (GCC) States are worsening. A surplus of about 5.4 percent of GDP in 2013 is expected to turn into a deficit of about 9.8 percent of GDP, reflected as \$136 billion in 2015. As for the developing oil exporters, such as Syria, Iraq, and Libya, the majority of these witnessed a decline of about 40 percent or more in their outputs, with significant damage to their oil sectors and a fall in oil production, leading to the mounting of fiscal deficits. While benefiting from lower oil prices, Arab oil importers are being exhausted by terrorist attacks, spillovers from neighboring wars, slow growth in the Euro zone, and political uncertainty. Egypt and Morocco seem to be an exception, experiencing stronger economic growth in 2015.<sup>ii</sup>

On the socio-economic level, the total number of people displaced from Yemen, Syria, Libya, and Iraq is estimated at 15 million, many of them fleeing to neighboring countries, such as Lebanon and Jordan.<sup>iii</sup> Moreover, the Arab world, which has the fastest growth of employment, still has the second-highest level of unemployment in the world (9.7 percent). The unemployment crisis touches youth and women mostly at an average unemployment rate for youth of 22 percent (among the highest rates in the world) and 28 percent for young females.<sup>iv</sup> Limited financial inclusion that reaches 18 percent,<sup>v</sup> weakness of safety net programs, and prevalence of Arab informal economy constitute real challenges in the Arab World.<sup>vi</sup>

From the Lebanese perspective, Lebanon has been intensively witnessing the repercussions of the Arab transitional era at the macroeconomic, socio-economic, and political levels. With the rash of the Syrian war by its side, and having a million and a half Syrians displaced on its soil, Lebanon's macroeconomic status has been under immense stress, which added to the challenges that the Lebanese economy has initially borne. On the macroeconomic level, despite a relatively rapid growth in GDP, which averaged at 8 percent between 2008 and 2010, GDP growth rate recorded less than one percent and inflation close to zero percent in 2015. Nonetheless, thanks to achievements on the monetary front, 50 percent of the growth has been spurred by Banque Du Liban's (BDL) stimulus packages since 2013, and confidence in the economy and in the Lebanese Lira remains strong, with BDL's foreign assets exceeding \$37 billion and gold valued at around \$10 billion in January 2016, and deposit and loan dollarization persisting on a continued downward trend, reaching 64 percent and 74 percent respectively at year end. Public debt has mounted to \$70 billion, equivalent to more than 145 percent of GDP, though Lebanon has proved to absorb the public debt

pressure due to the substantial size of its money supply, with the continuation of the Central Bank's intervention in the bonds market to manage liquidity without disturbing market mechanisms.

The banking sector, generally, has proven its worth despite the pressing challenges that took some toll on its advancement. However, its performance remains healthy and enduring: total banking activity grew by around six percent and with total assets of banks exceeding \$185 billion in December 2015. Bank deposits increased by around five percent, to reach a new high of \$159 billion at end-2015. In parallel, lending activity registered 6.4 percent growth during 2015, with total credit to the private sector exceeding \$55 billion in December 2015, and financial inclusion mounting to 47 percent,<sup>vii</sup> one of the highest in the Arab region. Furthermore, the Lebanese banking sector's high levels of liquidity enabled commercial banks to finance the government and private sector needs while maintaining a stable interest rate structure. In terms of capitalization, Lebanese banks have reached BDL's 12 percent capital adequacy ratio in 2015, exceeding the requirements of Basel III. Moreover, BDL has been strict in enforcing its directives with regards to consumer protection, debt restructuring, trans-border cash movements, tax evasion, anti-money laundering, and combating financing of terrorism with the aim of promoting financial stability and sustainable growth.

The labor market in Lebanon is characterized by high unemployment, reaching 11 percent in 2010, often of long duration. The intense competition for jobs by the displaced Syrians raised unemployment and informal business activities by an extra 10 percentage points. Unemployment rates are particularly high for women (18 percent) and youth (34 percent), ironically increasing with education. In addition, the Lebanese labor market is characterized by a high dominance of informal employment, mounting to 19 percent of workers, who lack access to social insurance and labor regulations, and an additional 36 percent of self-employed workers who have limited access to formal insurance arrangements.<sup>viii</sup>

### **III. Economic Strides by Diaspora and Monetary Policy**

In light of these traumatic dilemmas and structural impediments, the Arab region in general needs an inventive strategy and a bold agenda for developing a robust transition. Without creating employment growth and productivity development, Arab economies do not have inherently stable structural features of inclusive economies. Starting points and reform needs vary across countries, but there are a number of common areas for reform that includes: prioritizing economic opportunities for youth and women; modernizing public sectors; boosting private-sector and social confidence;

shifting from rentier underdevelopment to productive development; engaging in regional and global integration;<sup>ix</sup> utilizing innovative fiscal policy;<sup>x</sup> adopting holistic development that surpasses economic growth;<sup>xi</sup> initiating sovereign governance opportunity that spurs economic equity;<sup>xii</sup> embracing innovation as a knowledge-based transition;<sup>xiii</sup> and capitalizing on Diaspora transnational communities as agents of development.<sup>xiv</sup>

My focus today is the capitalization on Diaspora transnational communities as agents of development. For many countries, including small and resource-constrained ones, conditional foreign aid and seasonal remittance transfers do not provide adequate financing for developmental projects. Neither is issuing conventional bonds at shorter maturities and higher yields are considered appealing. On the other hand, low-cost financing opportunities offered by a Diaspora bond, along with access to international capital markets that is linked to it, may be a viable option, especially for those with large, potential worldwide Diaspora stock active in homeland affairs. In this context, the implementation of Diaspora regulatory mechanisms and migration development banks can ensure the just and fair regulation of the temporary labor migration process.<sup>xv</sup> The case of the Indian IT service industry embodies the concept of offshore outsourcing and offshore subsidiaries, whereby the role that members of transnational communities play as agents of development in their home countries reduces problems of institutional distance, thus transforming the crisis of brain drain into a development catalyst.<sup>xvi</sup>

Based on the aforementioned, the Lebanese Diaspora in Australia constitutes a developmental model that can be capitalized upon as a bridge between Lebanon the Arab region in general, and the Australian continent, thus benefiting from both regions as sources for consumption markets and production. This is necessarily true due to the current Australian impressive economic expansion, which dates back to 1991, thus promising to break the record of the longest expansion since World War II.<sup>xvii</sup> It is also valid due to the potential synergy that can be built between the Australian booming advanced services sector, mounting to around 60 percent of GDP and generating services worth around \$970 billion in 2014-15, including sales of overseas branches, and the Lebanese traditional highly qualified specialization in services.<sup>xviii</sup>

Exploring the Australian services sector further, the enabling services are a vital part of this sector and the economy. Intermediary business services constitute a key requirement for businesses to get their products to market generate 29 percent of GDP. These include: Professional and Support Services; Information & Communications Technology (ICT) & the Digital Economy; Trade, Transport & Logistics; and Utilities Services.<sup>xix</sup> In parallel, BDL has created a financial engineering model for capitalizing innovation through

banks to participate, for the first time, in equity financing of start-ups companies, incubators, accelerators, and venture capitals involved in innovation, aiming at nurturing these vital economic agents. Hence, more than \$600 million have been placed to boost the knowledge economy and the creation of new institutions that enrich the economy and provide employment opportunities. In this context, for the purpose of actualizing their agency-developmental role, Lebanese Diaspora are called upon to capitalize on this prominent initiative and establish bridgehead institutions in Lebanon that generate a double-headed comparative advantage: for themselves in the Australian and East-Asian market, and for Australian associates in the Lebanese and grander Arab market.

Other potential areas of benefit for Diaspora in Lebanon include the lurking strategic petroleum and gas industry and all its prospective economic strings, the alluring construction sector, the Diaspora-specific Lebanese banking services, and the distinguished Lebanese academic services provided by high quality universities.

#### **IV. Conclusion**

Since ancient Phoenician merchants sailed the Mediterranean, Lebanese people have constantly had wanderlust, setting up cities such as Carthage and Cadiz. Hence adaptability, networking, resilience, and the win-win approach are inherent traits of Lebanese entrepreneurs, that were keys to their success.

It is well said that building a prosperous future for Lebanon relies on three strategic sectors: oil and gas, banking and finance, and knowledge economy. However, it is best said that the fourth strategic sector yet aspired to capitalize on all other strategic sectors is YOU, the Lebanese messengers/expatriates, with their entrepreneurial spirit and sense of achievement, on whom we count to be agents of development and renaissance for Lebanon, thus transforming the crisis of brain drain into a haven of development catalysts.

Always remember that you were rooted in Lebanon, which is more than a country – a mission – as per His Holiness the late John Paul II.

Dear Missionaries,

Thank you very much and God bless you.

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