## THE EMERGING ARAB CAPITAL MARKETS

Investment Opportunities in Relatively Underplayed Markets

Henry T. Azzam



## **CONTENTS**

	PREFACE	xiii
1	AN OVERVIEW: THE ARAB WORLD PREPARING FOR	
	A NEW ERA OF PROSPERITY	1
	Globalization and the New World Order	1
	Reviewing Past Economic Performance	4
	Preparing for a New Era	7
	Regional Integration Reinforcing Globalization	8
	Introducing Structural Economic Reforms	9
	Modernizing Financial Infrastructure	11
	Revamping the Legal and Educational System	12
	The Region's Economic Prospects	13
	The Gulf Region	15
	North Africa	1 <b>7</b>
	The Levant	18
	Conclusion	19
2	SALIENT FEATURES OF ARAB CAPITAL MARKETS	21
	The Middle East in a Changing Global Financial World	21
	Managing Short-Term Capital Inflows	27
	Financial Flows to the Arab Region: Regional and	
	Country Investment Funds	29
	Salient Features of Arab Capital Markets	34
	Conclusion	41
3	STRUCTURAL ECONOMIC REFORMS IN	
	THE ARAB REGION	43
	Introduction	43
	The Constituents of an Economic Adjustment Program	44

Public Sector Reform	45
Pricing and Investment Policies	45
External Policies	<b>4</b> 6
Fiscal Policies	<b>4</b> 6
Monetary and Financial Policies	47
Assessing the Structural Adjustment Process in	
Various Arab Countries	47
Morocco	48
Jordan	51
Egypt	53
Algeria	56
Tunisia	58
Syria	59
Lebanon	61
Policy Reforms and Challenges in the GCC Countries	62
Conclusion	66
BOND MARKETS IN THE ARAB REGION	69
Introduction	69
Tapping the International Markets: Bonds and GDRs	<b>7</b> 1
Bonds	71
GDRs	78
Government Debt Markets	80
Saudi Arabia	80
Bahrain	82
Kuwait	82
Oman	83
Egypt .	84
Other Arab Countries	84
Corporate Bonds in the Region	85
Credit Rating of Arab Countries	89
Developing the Region's Bond Markets	92
Conclusion	95
PRIVATIZATION IN THE ARAB COUNTRIES	97
Introduction	97
Objectives of Privatization in the Arab Region	100
Larger Private Sector Participation	100
Reduction of Budget Deficits	101
Gains in Efficiency	101
Guns in Lijicency	101

5

Concerns Associated with the Privatization Process	102
Impact on Public Sector Employment	102
Loss of Government Control	103
Higher Prices of Goods and Services	103
Excess Supply of Shares and Problems of Valuation	103
Various Mechanisms of Privatization	104
Stock Market Flotation	104
Build-Operate and Transfer	104
Leasing Out to the Private Sector	106
Commercialization of Public Enterprises	106
Trade Sells	107
Prerequisites for Privatization	107
The Privatization Programs of Selected Arab Countries	109
Egypt	109
Morocco	113
Jordan	117
Saudi Arabia	120
Kuwait	124
Oman	128
Bahrain	130
United Arab Emirates	133
Tunisia	135
Conclusion	137
SAUDI ARABIA'S STOCK MARKET	141
Historical Background	141
The Pre-1985 Period	141
The Post-1985 Period	142
Structure, Listing and Trading Procedures	144
Structure	144
Listing	145
Trading procedures	145
Stock Market Performance	148
Indicators and Sectoral Analysis	151
Underlying Strengths and Weaknesses	153
Conclusion	156
BAHRAIN'S STOCK MARKET	159
Historical Background	159
Structure Listing and Trading Procedures	150

	Stock Market Performance	161
	Underlying Strengths and Weaknesses	166
8	OMAN'S STOCK MARKET	169
	Historical Background	169
	Structure, Listing and Trading Procedures	1 <b>7</b> 0
	Stock Market Performance	173
	Indicators and Sectoral Analysis	1 <b>7</b> 5
	Conclusion	180
9	KUWAIT'S STOCK MARKET	183
	Historical Background	183
	Structure, Listing and Trading Procedures	· 185
	Stock Market Performance ·	189
	Underlying Strengths and Weaknesses	191
	Conclusion	195
10	EGYPT'S STOCK MARKET	197
	Historical Background	197
	Structure, Listing and Trading Procedure	198
	Capital Market Law	198
	Listing and Market Participants	. 199
	Trading Procedures	201
	Indicators and Stock Market Performance	202
	Underlying Strengths and Weaknesses	204
	Conclusion	209
11	JORDAN'S STOCK MARKET	211
	Historical Background	211
	Structure, Listing and Trading Procedures	213
	Structure	213
	Listing Procedures	218
	Trading Procedures	219
	Indicators and Stock Market Performance	220
	Underlying Strengths and Weaknesses	224
	The Legal and Administrative Structure	224
	Financial Disclosure Requirements	225
	Technical Aspects of the AFM	226
	Pricing of New Issues	227
	Conclusion	227

12	LEBANON'S STOCK MARKET	229
	Historical Background	229
	Structure, Listing and Trading Procedures	230
	Economic Conditions and Stock Market Performance	233
	Future Prospects	236
13	MAGREB'S STOCK MARKET	239
	Morocco's Stock Market	239
	Structure and Performance	239
	Future Prospects	241
	Tunisia's Stock Market	244
	Structure and Performance	244
	Future Prospects	246
14	OTHER ARAB STOCK MARKETS AT THE	
	PRE-EMERGING STAGE	249
	United Arab Emirates	249
	Qatar	253
	Palestine	255
	Iraq	256
	Syria	257
15	AGENDA FOR CAPITAL MARKET DEVELOPMENT IN	
	THE ARAB REGION	259
	The Macroeconomic Background	259
	Availability of Information	260
	The Legal and Regulatory Framework	261
	Saving Rates and Domestic Bond Markets	263
	Opening Up for Regional and International Investors	264
	Settlement Systems	265
	A Larger Role of Arab Banks as Financial Intermediaries	266
	Conclusion	267
	APPENDIY	260