

Job creation is No 1 priority for Arab world: Excerpts from speech at Arabian Business Forum, 21 May 2013

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Job creation, particularly for youth, is the single largest problem facing Arab countries at a time of economic diversification and an aspiring population, leading economist Nasser Saidi said on Tuesday.

Governments must turn their attention from the public sector and a reliance on high oil revenue to creating better business environments for privately owned companies, particularly small to medium enterprises.

More than half of the Arab population is aged under 24 years and more than 30 percent of male university graduates are unemployed, while the figure for female graduates is 40-45 percent, Dr Saidi, former chief economist for the Dubai International Financial Centre and a former minister of economy and trade in Lebanon, said.

“Those are shocking numbers because what you’re saying is, I have a majority of the population and that majority is unemployed,” Dr Saidi told the Arabian Business Forum in Dubai on Tuesday.

“So the single most important problem facing all the countries in this region, whether it’s the GCC or the transition countries, is job creation, where do you create the jobs.

“And this is not a temporary issue, this has been a persistent structural problem. It’s not like the great financial crisis led to these high unemployment rates. They have been persistently high for 10-15 years.

“So we need structural change.”

Economic diversification also was key to the future of Arab nations, particularly for the Gulf Cooperation Council members. It was dangerous to rely on high oil prices, Dr Saidi said.

Several oil-reliant countries are expected to fall into deficit by the end of the decade, according to the International Monetary Fund, emphasising their need to urgently diversify their economies.

Dr Saidi, who last week launched one of the region’s first internet crowdfunding platforms to help raise capital for SMEs, said the focus needed to be on the private sector, and particularly small and medium enterprises (SMEs) and family-owned businesses, as well as ploughing revenues into building up infrastructure.

There were 19m-20m SMEs across the region. In the UAE, SMEs accounted for 40 percent of GDP and 60 percent of employment, making it a crucial sector. The figures were even greater for Dubai, where 95 percent of companies were SMEs or family owned.

“If you’re going to create those jobs, you need your SME sector to be the main driver of those and the SME sector, of course, is the main driver of economic diversification. So by encouraging the SMEs you’ll be encouraging both economic diversification as well as job creation,” Dr Saidi said.

“What we don’t want to do is what’s happening now, creating more jobs in the public sector, which is already bloated.”

Dedicated SME stock exchanges, a centralised credit reporting system, government loan guarantees and improving business regulations were needed.

Dr Saidi said banks were reluctant to lend, and more so to SMEs because they could receive greater returns from larger companies.

Only 20 percent of SMEs in the region have a credit loan or bank loan. In the UAE it is only 4 percent and in Saudi Arabia it is 2 percent.

Contrary to this, in countries such as Morocco and Lebanon, which have guarantee systems, the figures were above 24 percent.

"The message really is that the economic model that we followed for a long period of time in this region of dependence on government and the state to create jobs and to be a leader of economic development is a dead model. That has to change," Dr Saidi said.

"And we need to orient everything toward the private sector." Infrastructure investment aslo was crucial to economic diversification and job creation in the region.

Every \$10bn worth of infrastructure spend could create 1m new jobs, he said.

"This is very much a period of historical change in our region," Dr Saidi said.

"Aspirations are high. Young people are hoping for change.

"And growth cannot just be for the elite if we're going to move forward. We have got to make growth much more inclusive."