



Central Bank of the Republic Of Turkey

**Toward a MENA Banking Schengen:
Requirements for Banking Cooperation between
Syria, Lebanon and Turkey**

**Dr. M. İbrahim Turhan
Deputy Governor**

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Distinguished Participants,

Before I share my views on the “Requirements for Banking Cooperation between Syria, Lebanon and Turkey”, I would like to thank the Al Bank Wal Mustathmer Group and Bank of Lebanon for this well-organized event. Assembling such a distinguished group of experts is not an easy task. Our gathering today would contribute to foundations of advanced financial cooperation and coordination in our region.

The world is changing and history moves faster in our region than it does elsewhere. This causes big threats and at the same time offers great opportunities. These auspicious lands which served as the cradle of the civilization deserve to be a region of peace and prosperity. Is it a possible and a realistic, feasible vision or just a dream, a fairy tale? Let me elaborate on this a little further. Every visionary project starts as a dream first. However, if you can find and develop realistic infrastructure, it can be brought into reality. To have such an infrastructure, you need your mindset, conceptual framework and perception to allow developing a project framework. To this end I would like to revisit philosophy and history. The modern western perception of time is linear and irreversible; it is not possible to turn back the wheel of history. This extraordinarily linear character of western thought is well-marked and implicit in all of its institutional structures: it is based on the idea that history flows in one direction only. If we satisfy just mimicking those institutions, then we are doomed to remain tied with this history perception as well. However, in many other civilizations, time is accepted as a cyclical phenomenon. Examples are the ancient doctrine of eternal return, which existed in Ancient Egypt, the Indian religions, or the Greek Pythagoreans' and the Stoics' conceptions. In the East cyclical theories of history were developed in China (as a theory of dynastic cycle) and in our civilization, by Ibn Khaldun who is known for his history of the world *Kitab al-Ibar*; (*Book of Evidence, Record of Beginnings and Events from the Days of the Arabs, Persians and Berbers and their Powerful Contemporaries*), written in 1377-1380, and most particularly for his long introduction (*al-Muqaddimah*), in which he explains the methods one should use to study society, and also the major patterns of historical occurrences one should expect to see. If we are to use Ibn Khaldun terminology, we may say that our societies are representing *al-umranu'l-badawiyya* and are candidates to substitute

hadariyya. Actually this fact of reality constitutes the core of the discussions in G-20 in terms of demand rotation. What are the sources of this badawiyya dynamism which can serve as an opportunity? First, our region provides a window of opportunity by the demography. Our population is young and still growing. Off course if we fail to offer enough education and job this, instead of an opportunity may turn into a threat. Second, our countries, as being part of the emerging world benefit from the convergence, and thus the economic growth potential is really high. In addition to this, our business models and corporate structure are still very flexible and the adaptation ability of our real sectors is amazing. Third, especially our nations have enough human capital to benefit from technological means, namely IT and telecommunication to move fast. Fourth, we can easily build a bridge between countries with rich natural resources and those with high quality human capital, and use efficiently information intensive sectors to increase the wealth of our region.

As one can remark, it is not only our historical and cultural ties which bring us today together. Although I do not undervalue emotional aspects of this initiative to foster regional integration, yet there are less heavenly and more earthly underlying elements in it. In fact history offers a good deal of knowledge in this field. Southeastern Anatolia, Syria, Lebanon, Palestine and Jordan, have always been integrated and complementary to each other in terms of economic activity. During periods when a political power could create and sustain a “pax Mediterranea” at least for the eastern Mediterranean basin, merchandise, capital and people moved freely across the “Shamgen region”, while enabling the emergence of “chains of value”. Today, stability overwhelmingly depends on economic integration and cooperation. Strengthening the economic relations among our nations that once benefited to be associated will play a key role to solve all problems. We should think big and see our region including Turkey, Syria, Lebanon and Jordan as an integrated whole market which has more than 100 million of population and produces almost USD900 billion of GDP (Turkey, with 73 million population and approximately USD750 billion GDP, Syria 22 million population and USD60 billion GDP, Lebanon 4.5 million population and USD40 billion GDP, Jordan 6.5 million population and USD30billion GDP).

We are really happy to see that our relations have been advanced to the next level with rising cooperation in areas such as trade, tourism and agriculture. However, the cooperation in financial sector particularly in our banking system has lagged behind. I think we all agree that, financial cooperation between the neighboring countries is a milestone for the jump in trade activities and thus economic growth in the region.

Although global economic crisis has some negative effects on our region, it brought some very important opportunities. The crisis and slowly emerging global architecture in its aftermath present major opportunities that have once again highlighted the importance of economic cooperation and coordination among our countries. Therefore, parallel with the developing political relations, it is crucial to make our financial relations stronger with the region's countries.

Financial stability is the key to attain stable and sustainable economic growth rates. To do this, related authorities in the region should strengthen the financial infrastructure and adapt our policies to curb systemic threats for our financial systems. To solve the regulatory divergences and dissonances, if any, is a sine-quo-non. We need to provide an environment that will encourage more engagement of our banks in building up cooperation and in supporting joint projects among our countries. In this regard, banking regulations laws in Turkey, Syria and Lebanon should be in full compliance. To that end, diagnosing any conflicting points, gathering periodically and increasing interregional banking applications are of the utmost importance. Besides, the international regulatory and supervisory initiatives underway should be followed closely in order to keep up with the fast-paced evolution in the financial sector regulation. Otherwise, without well-concerted regulatory structure, any attempt on close financial collaboration will eventually fail to succeed.

Within this context, we should seek the possibility of establishing supervisory colleges that will assure more effective supervision through information and expertise sharing between our authorities. I would like also to emphasize the importance of the payment systems in this respect. In the last twenty years, rapid technological progress, decrease in restrictions, and finally globalization of financial markets have

led to a remarkable acceleration in financial activities, which in turn have contributed to a rapid increase in the volume and value of domestic and cross-border payments. The smooth operation of payment systems promotes the efficiency and effectiveness of the financial system. They play a vital role in the conduct of monetary policy. Besides, the contagion possibility of problems to other parts of the financial system through payment systems increases their importance for financial stability. Hence, central banks give full weight to the determination and mitigation of possible risks inherent in payment systems.

The Central Bank of Turkey has played a leading role in the modernization of payment services in Turkey. It has developed secure, reliable and efficient inter bank payment and settlement systems. In particular, the Turkish real-time gross settlement system (RTGS) has become an efficient funds transfer system and hence an indispensable component of our financial system.

Now we should consider the possibility of further cooperation and to design a regional payment network through which we can offer to our corporates an option to settle their payments in local currencies, and within our banking system, rather than in London or New York.

As you already know the regulation on International Bank Account Number (IBAN) has been implementing in Turkey and the use of IBAN is effectively overseen by the CBRT since 2008. The use of IBAN in region countries like Lebanon and Saudi Arabia contributes to the effective and safe money transfers between Turkey and these countries. Turkey, with its strong payment and settlement systems infrastructure, its relations with international organizations and other central banks, its active role in core organizations dealing with payment and settlement systems, and its candidacy to European Union, is willing to contribute further to both improving the payment and settlement systems in the region and establishing an international payment network.

On the other hand, we have always had the view that “knowledge is of higher value added, provided that it is effectively shared”. So we attach a great deal of importance to share our experiences in this rapidly changing world. I believe the global financial

crisis makes such an attitude especially valid and noteworthy. So, we are eager to be a part of mutual training activities to foster cooperation in the banking area.

As I leave the stage, I am convinced that prospective collaboration among our states will contribute the progress of our regional financial system. I would like to extend my sincere gratitude to the Al Bank Wal Mustathmer Group and Bank of Lebanon for this well-organized event by which we will have a chance to create a fruitful platform to exchange views, discuss ideas and share experiences.

To conclude I would like to quote from a soul who is going to bring more wisdom than I can do, a zenith who does not belong only this beloved lands but who always voiced our common feelings, and thus who captured all of us from the deepest part of our hearts:

"And a youth said, "Speak to us of Friendship."

Your friend is your needs answered.

He is your field which you sow with love and reap with thanksgiving.

And he is your board and your fireside.

For you come to him with your hunger, and you seek him for peace.

When your friend speaks his mind you fear not the "nay" in your own mind, nor do you withhold the "ay."

And when he is silent your heart ceases not to listen to his heart;

For without words, in friendship, all thoughts, all desires, all expectations are born and shared, with joy that is unacclaimed.

When you part from your friend, you grieve not;

For that which you love most in him may be clearer in his absence, as the mountain to the climber is clearer from the plain.

And let there be no purpose in friendship save the deepening of the spirit.

For love that seeks aught but the disclosure of its own mystery is not love but a net cast forth: and only the unprofitable is caught.

And let your best be for your friend.

If he must know the ebb of your tide, let him know its flood also.

For what is your friend that you should seek him with hours to kill?

Seek him always with hours to live.

For it is his to fill your need, but not your emptiness.

And in the sweetness of friendship let there be laughter, and sharing of pleasures.

For in the dew of little things the heart finds its morning and is refreshed.”

Khalil Gibran, “The Prophet”

Thank you for your attention.