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Interview of the Issue:

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* The financial crisis started and ended and now the economic crisis has begun.
* The American financial economic system does not allow the state any control, and this is what they were asking of us as Arabs.
* The paradox is that no control over the financial and banking sector in America, which was the reason for its strength, is now the reason for its weakness.
* I believe that the economic crisis will continue for ten years, and controlling and accounting procedures and laws should be imposed upon companies and financial institutions.
* It is not necessary that our Arab economies become affected with the global economic crisis, if we act properly.
* It is required from America that it develops its system so that it becomes like the Jordanian system, so that the central bank – which is non-existent in America- has a controlling and accounting role over the work and conditions of banks in all aspects.
* It is our right to follow a protective pattern and protect our firms, sectors and products from foreign competition.
* The real estate sector is a significant productive sector and a complete cycle of productivity. The state needs to regulate this sector and not let it work without controls.
* Real estate owners must meet in order to establish solutions and present suggestions and discuss these with the state.

Interview with Editor-in-Chief - Amman

The dialogue took place in Amman. When the crisis was still in its beginning, I was at a meeting at the UN. When the crisis deepened, I attended a conference in London. In one of the meetings in Japan, I emphasized the strength of the Arab economic system. In Paris, there was suspicion that the crisis would end and I disagreed with them and said it would be very long. Soon, I am heading out to Dubai to attend a regional conference and then to Beirut to attend an Arab conference and affirm my opinion. After all this, how and where could I meet with Mr. Talal Abu-Ghazaleh? Definitely in the beloved capital of Amman which he has made the main headquarters for managing his businesses around the world.

When talking about him, I used to imagine that he was a person who spoke in certain numbers and equations that I am not specialized in. When I heard from him, I thought that if I conveyed his talk to others, many might not feel comfortable because he is frank and clear when expressing his opinion. When I sat with him, we spoke extensively and I realized it would be a long dialogue, because I realized that our guest was an encyclopedia. So I compiled what I could and what would fit on the tape recorder, and I present his words to you below through my pen:

**Jordan Land: Let’s begin with the consequences of the global financial and economic crisis. What is your vision and where do we stand locally in relation to this?**

**Abu-Ghazaleh:** Firstly, what I want to say is that we need to distinguish between the financial crisis and the economic crisis. The financial crisis began and ended, and now the economic crisis has begun. The financial crisis is what affected the global money market including banks and stock exchanges, which means that this financial crisis affects the money market.

The money market needs to be seriously studied. So when the volume of the money market is 120 trillion dollars, while the volume of the global economy is 60 trillion dollars, then this means that when the volume of the money market which we call an “imaginary market” – since it is based on the fact that somebody is conducting a purchase and sale of stocks that no one really benefits from and that does not add anything to the national income or the economy- is twice the volume of the global economy, then something is wrong. So the financial crisis is the start of the economic crisis. The financial crisis is like an earthquake or a flood that hits and ends and of course has its effects. We experienced losses. But the matter is over financially. As for the economic crisis, it is beginning and expanding and people are starting to realize its danger. I say that the reactions of the economic crisis have begun and are increasing and there is no solution until an appropriate treatment is found. Now the American president is working to find a remedy for the global crisis. He presented a plan he called the American economic and financial reform plan. It has been rejected by the American economic and financial community and I always remember that there were three American presidents who lost their position because of their attempt at financial reform. The proper financial reform treatment is changing the current American economic system.

The American financial economic system does not allow the state any control, and this is what they were asking of us as Arabs. The request to remove control from the economy was permanent and constant, under the slogan that the economy administers itself, reforms itself..etc. The opposite has proven itself to be true. So how will we see prosperity and the American economy is outside the authority of the state. So we find that this economy must change to become subject to control, and things might go back to control with logic and numbers. It is not reasonable that no bank in America is required to submit a balance sheet to the state or to any central entity whatsoever, or that no financial institution is required to submit information because this is a free market, and it is this free economy that is the cause of the problem. The paradox is that no control over the financial and banking sector in America, which was the reason for its strength, is now the reason for its weakness. So because American banks were not subject to control, they were allowed to lend –according to the law- 30 times their lending capability !!!

I believe that the economic crisis which has now begun will continue for ten years. In order for it to end, the American administration needs to be able to impose controlling and accounting procedures and laws upon companies and financial institutions. This is something that does not currently exist. Banks and financial institutions need to submit annual and monthly reports and there should be an entity that acts as a reference and controlling point for the work of these establishments, similar to the status we have with our banks in the Arab region. This means that what must be applied in America is what is applied in Jordan. The neat thing about this is that America is required to develop its system to become like the Jordanian system, which means that the central bank –which is non-existent in America- starts to have a controlling and accounting role related to the integrity of the banks’ work and conditions in all aspects.

**Jordan Land: In light of all this, what is your message in the economic realm to individuals and institutions?**

**Abu-Ghazaleh:** **First**, I would tell the experts not to listen too much to global statements that say the crisis is about to end or will end this year or next year. This is untrue. The global economic crisis will not end unless the American and British economies are changed and transformed so that financial and economic institutions become subject to control.

**Second**, do not believe what is being said in that there is a solution through what is called trade liberalization or openness, which is being called for everyday by the major countries and yet they do the opposite. All advanced nations now follow a protective pattern and not openness. This means that all states now take measures to protect the economy. Therefore, I hope that decision makers in our Arab nations do not listen to the talk about openness and economic, financial and commercial liberalization, and focus on protective procedures that need to be taken to protect our status. This is what I have to say for the experts and decisions makers.

As for the citizen, I tell the citizen what I tell myself, in that the safest and most guaranteed investment market is your country and Arab nation, and if you have a desire to invest outside your country and then your country, then your Arab homeland is the best market to protect you. The evidence for this is that no crisis of this type has taken place in any Arab country, nor will it.

**Third**: The important thing to know is that our Arab economies do not necessarily need to be affected by the global economic crisis. The Americans say that the solution to their crisis is in the rejuvenation of the Chinese economy. We believe that the only solution is multiplication of capital of banks in order to continue. This is what is taking place, as all the banks in the world are working to increase their capital, and especially the American banks.

I claim that we are in a unique historic phase, since America wants our Arab region to flourish because it wants oil, and wants oil at high prices. We do not believe that they don’t want oil at high prices, because it is in the interest of the American companies and the American tax collector to obtain import and export taxes and not to have the oil at a regular price. So they want your oil money to be invested with them, and they want you to be prosperous with surpluses and they want your market to flourish so that they can sell their products to us. This is true especially if we take into consideration that the American economy is receding at a rate of 5%.

Therefore, we are not worried that the global economic crisis will continue for ten years and that it will get worse. There will not necessarily be the same effect on the Arab region or a particular country. So we can benefit from this crisis instead of being harmed by it, through firstly taking protective procedures. Obama says that he wants to spend 800 billion dollars on the American infrastructure and therefore provide job opportunities. He says that they will not allow any non-American producer or company to benefit from this amount. This is the protective pattern we talked about. So if America is following this method, then it is our right to adopt this protective system and protect our companies, sectors and products from foreign competition.

**Jordan Land: What about the real estate sector in general, and Jordanian real estate in particular?**

**Abu-Ghazaleh:** We are talking about an important productive sector, since the real estate sector is not merely representative in a building that we stand before, but includes construction workers, materials, financing, etc. So essentially a complete cycle of productivity and therefore it is the responsibility of the state to organize this sector and not leave it to work without controls. This is primarily the responsibility of the state. The state is supposed to be a good caretaker and real estate companies are like citizens, and if the state does not have authority over this sector, then it is mistaken, because this affects its economy, national product, citizens, the labor force and all sectors.

Accordingly, the state must now implement measures to monitor any development or advancement in this sector. This applies to any sector, and we take the real estate sector as a model of the productive sectors. This is a productive sector and this is what adds to the value of the national income, and not stocks or the stock exchange.

We come to the responsibility of the sector itself. As an organization, we have set programs to reform accounting that can indicate for every company where the error is so that it can be addressed at the private level. The public error however is not my responsibility but the responsibility of the state, and we need to distinguish between the two. So the entire sector cannot be affected because of one company that abused the market. Hence, the error needs to be treated wherever it is, and for a long period of time we have had an error that we did not address. Everyone knows how many unsold apartments currently exist in Jordan and there is talk about projects for new apartment constructions. So instead of new projects, the current construction needs to be marketed.

Despite this, I do not believe that there is an unsolvable problem for Jordan, but the solution is not possible if the decision makers are not partners in creating a solution. If I dealt in real estate, I would say that what is required is that real estate owners must meet –through an association or society- and this society should hold working sessions in order to establish solutions and present suggestions and form a large team to discuss these with the state. I say this because I have the welfare of the state in mind, and want solutions in the interest of the state. The interest of the state can only be complete by giving it solutions and these solutions must come along two tracks: The first track is what is required by the state. The second track is what is required by the members of the sector. If we advance positively in this area, we will reach solutions, keeping in mind that we need to involve the banking sector in the dialogue. So the problem isn’t one of a production increase or an increase in the availability of real estates, but is a problem of financing as well. As such, there must be a workshop that studies the problems and suggests solutions with the participation of real estate owners, bank representatives and decision makers.

**Jordan Land: According to your view of the real estate crisis in Jordan, do you have specific ideas to get out of this crisis?**

**Abu-Ghazaleh:** I have a number of recommendations on this topic. We can start with the banks. Just as banks sought to lend the real estate sector to benefit from the interest, they have to find solutions for every real estate company on the basis of long term programming. So the bank may have provided a loan to me in the past when the economy was better, and now I am in a crisis and need a loan to be able to continue. Also, the issue of interest needs to be resolved and interest rates need to be clearly reduced. So the topic of facilitating loans and rescheduling loans and facilitations at new interest rates needs to take place first.

Further, real estate companies need to conduct a reform process. Reform has many aspects including administrative reform, accounting reform and structural reform. The capital of companies would be increased through offering shares and transforming them into stock companies. So the problem is that our real estate sector is for the most part individual or composed of individual institutions. We can take this opportunity to restructure the legal formation. As an organization, we have a department that specializes in providing consultation and restructuring legally, administratively, financially and organizationally. We are currently restructuring our organization as well. So restructuring does not mean a situation where we are wrong, but we are going through exceptional circumstances and we need to adapt to these in order to be able to remain and persevere.

We must emphasize the necessity of not being connected to other parties. So the collapse of the economic sector for one reason or another in any country should not be applicable to us. We must abandon our attachment to others in everything even if such attachment is psychological. We must realize that our market is not the American market or the Dubai market because the standards and variables are different from one market to the next. So we should not compare ourselves to others and should not wait for solutions from outside. God willing, matters will be solved with rationale and logic.

**Jordan Land: Do you believe that you – as the Talal Abu-Ghazaleh Organization – play a role in researching the consequences of the economic crisis and setting solutions for getting out of it?**

**Abu-Ghazaleh:** We are now preparing for an important conference on the global economic and financial crisis and its effects that will be held in Beirut under the patronage of His Excellency the President of the Republic in December and with the participation of the Union of Arab Banks, the Central Bank of Lebanon and the Lebanese Auditors Association. The conference is entitled “Decisions of the G-20 Summit: Its Financial, Economic and Accounting Dues”. Here I am pointing out to the Group of Twenty Summit in London, which was preceded one week by a summit of the Group of twenty ministers of finance. If we read the decisions of the G-20 Summit and the summit of the G-20 ministers of finance, we find that the topic neglected by most of the media is the accounting decisions. It was clear from the G-20 Summit decisions that the problem is essentially an accounting issue. That is why they requested the accounting community throughout the world to take reform measures whether these are related to developing international accounting standards or establishing new standards.

We, as Talal Abu-Ghazaleh & Co. International (TAGI), are a member of a group called the Forum of Firms (FoF) which is headquartered in New York. This group includes more than 20 accounting companies worldwide, and it is just a coincidence by the way that the number is twenty. We are the only Arab company in this forum that includes transcontinental firms and that has abided in implementing the international accounting standards. The meeting of this forum that took place one week after the G-20 Summit addressed the summit’s decisions and presented a suggestion on the necessity of establishing programs quickly to apply the summit’s recommendations relating to accounting. The tendency of the FoF was that it does not prefer to formulate or develop current standards to assist in finding quick solutions for the crisis. Personally, I was a member of the International Standards Committee, the International Federation of Accountants (IFAC) Board and the UN Accounting Experts Committee. I know that formulating or developing any standard requires three years. This means that we cannot have anything ready. I learned that a decision is not necessarily what you read or hear, but also what the decision aims for, which can be quite different.

Therefore, I believe that if the standards requested in the G-20 Summit were applied, a complicated problem would have arisen for the major corporations in the world, and especially banks. So if we implement new standards in the preparation of balance sheets, we will find that most financial institutions in the Western world are bankrupt. We do not want to revise the standards to get out of the crisis in numbers only, but we actually want a real exit from the crisis. Since revisions and new standards require a long time to formulate, I stated at the FoF that we will follow our own way (at the Arab level) to protect our Arab economy. However, you can do what you want and I am with you, but we have companies we want to protect and we are aware of their conditions and will act on that basis.

Therefore in this conference, we will address programs we prepared since the G-20 Summit. The Arab Society of Certified Accountants (ASCA) has formed a team of experts at the highest levels and began drafting special programs as opposed to establishing new standards. This is because we do not want to transgress international standards issued by international agreement. Yet as an auditor, I can add programs as long as they are not contradictory to the standards. So the standards for example state that in assessment we must use what is called (fair value), yet they do not explain what fair value is. So I begin to formulate programs and upon their implementation I can show the real picture of the financial status of any entity. The programs prepared and to be addressed in the conference are: governance test, stress test, reserves test, research of cash auditing, securities test, investments test, derivatives test, transparency test and other topics.