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The Future Direction for the Globalization of Financial Markets and the Impact of that of Financial Markets in the Arab Developing Countries

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ABSTRACT

The financial globalization process inevitable imposes its acceptance to the existing conditions and mechanisms. There is no doubt that financial globalization has several advantages but at the same time a lot of risks and implications for all economies of the world, including developing countries. The implications of the financial and communication revolution are today a greater danger to the developing world." Financial globalization comes with a number of risks and negative effects on macroeconomic variables and economic stability, especially in case of sudden movements in short-term capital, as it is the banking system which has to undergo severe crisis due to the entry of dirty money, crazy speculations, flight of national funds as well as reduce national sovereignty in the application of monetary and financial policy, and perhaps the best example of what happened by the impact of financial globalization, and what the risks caused are by the experience of the Asian tigers. And reflecting on the impact that financial globalization can be said that for developing countries, it cannot take financial globalization in full or to leave them as a whole, as it must to look for possible alternatives for dealing with it. It is the right of each state to choose alternatives that fit their circumstances and their own problems, and so the objective of the adoption of financial globalization and maximize the benefits of risk reduction. The effect of development can be seen to have reflected positively on the macroeconomic variables, such as increased in investment rates and in productivity as well as the reduction of unemployment and the volume of external debt and also the increase in the rates of economic growth. It may also be appropriate for developing countries to relatively slow down and not to abstain fully in the adoption of procedures for financial liberalization, as it should take a number of appropriate actions (such as achieving economic stability, development of local financial institutions, to contain the external debt crisis and to control, create sufficient and appropriate reserves to take a number of supervisory policies and procedures) that qualify to meet the challenges of financial globalization, which work to embody the thesis that the main centers of today are centers of tomorrow.

KEY WORDS: financial globalization, the nature of contemporary financial globalization, Factors of globalization of financial markets, Arab developing countries.

INTRODUCTION

The ninth decade of the twentieth century was dominated by the term globalization on international relations, declaring that civilization will be the culture of globalization and according to their goals and their perceptions of their own in order to control and dominate the world and to all fields and from the area of financial markets through the globalization of financial activity and the integration of capital markets. The globalization has led to increasing mutual overlaps among various countries of the world's financial markets, and through which the exchange and trading of debt, cash and financial assets. As the financial markets have become a global tool for more connectivity among the countries of the world due to the type of operations that are included in each of the currency markets, stocks and bonds as well as loans and securities. And increased globalization of financial markets in recent years largely led to the term "financial global village" or "money market universe," John, author of "false dawn" that there is now a global market in the capital on a scale not known before, and others believe that the globalization of financial markets have reflected the reality of financial revolution in terms of both market size and vulnerability, and new financial instruments, or from where it made a significant correlation between these markets, which could put an end to the so-called "end of the geographical boundaries" . Moreover it has witnessed the financial sector in the world a number of ongoing and rapid developments, and the successive changes led to the growing role of financial institutions, the emergence of a huge amount and variety of financial services that they provide, economic funds and what helped access to that increasing use of modern financial techniques. However the increase of financial globalization and the increasing movement of financial flows to developing countries have disproportionately led to the creation of a number of negative effects that have affected the overall stability and development within these countries.

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The controversy under discussion is: What are the benefits and risks of the integration of developing countries in the financial markets in the light of the globalization markets and their impact on the development of those countries?

Based on the above, and we are going to consider the following points in this paper to:
* The nature of contemporary financial globalization.
* The factors that helped the globalization of financial markets.
* Problems and challenges facing developing countries as a result of the globalization of financial markets.
* The impact of that of financial markets in the Arab developing countries.

1- The nature of contemporary financial globalization

Some believe that financial globalization is a relatively recent phenomenon, but the follower of the history of the capitalist system is noted as a phenomenon that dovetailed the emergence and development of this system through Traders, and the Industrial Revolution, and World War II and to this day, with a difference is that the degree of integration between markets Finance in the past was not as it is today, given that the current integration is high, both in terms of convergence rates of return on financial investments, or the convergence of domestic interest rates with international rates, and increased the degree of interdependence of the domestic capital markets with the external science by the breadth of the free movement of capital money across the border. Financial globalization is a key result of the outputs of financial liberalization and the transition to the so-called financial openness , where that financial liberalization is the best policy to achieve economic development in developing countries and through raising the nominal interest rates to become a real positive interest rates, and the abandonment of the policy of directing credit, and the opening of the banking industry to the domestic and foreign private sector, and this would lead to financial depth, and so the efficiency of the financial system in the collection of domestic savings and direct it to good projects, achieving significant growth of the economy.

And it is the essence of the globalization of financial markets in the capital account liberalization through the abolition of restrictions and controls on short and long-term capital movements across national borders, and give the market an absolute efficiency in operations to ensure production, distribution and allocation of financial resources, and setting the prices of financial operations in accordance with the forces of supply and demand. Subsequently financial control should be abolished and the sale of government-owned public banks, giving banks and financial institutions complete independence, and not imposing any restrictions on the freedom of entry and exit from the financial services industry. The outcome of financial liberalization is to give financial market freedom in the distribution, redistribution and the allocation of financial resources according to the law and the forces of supply and demand. In addition to the abolition of restrictions on the allocation of domestic credit and the liberalization of interest rates, giving banks and financial institutions the freedom to manage their financial activities through the abolition of various restrictions and controls on the banking business, and the elimination of state intervention in the financial sector, together with the Edit Parameters for the calculation of capital and financial accounts of the balance of payments. Financial liberalization consists of two types: internal (local) and external financial liberalization.

The first is the liberalization of interest rates and the abandonment of policies directing credit and the compulsory reserve, and the adoption of indirect instruments of monetary policy and encouraging competition among financial institutions, privatization of public banks, and the opening of the financial system to foreign competition.

The second means freedom from the urban to the transactions in the capital and financial accounts of the balance of payments, which include transactions relating to various forms of capital such as debt and equity portfolios and direct investment, real estate and personal wealth, and capital account liberalization mean abolition of restrictions on foreign exchange transactions and other controls associated with these transactions by the liberalization of financial markets through the elimination of the urban transactions relating to investment in the stock market, and the abolition of restrictions and controls on direct investment and real estate workers, and credit operations, and transactions undertaken by commercial banks and capital as well as personal movements. The momentum toward financial liberalization, the developed and countries developing as well as attempts to liberalize their financial sectors and the shift to financial openness, which drive the globalization of financial markets.

Can be inferred from the growing phenomenon of financial globalization through:
- The evolution of the volume of cross-border transactions in equities and bonds in developed countries.
- The development of foreign exchange trading at the global level.

2- Factors that helped the globalization of financial markets

Some economists emphasize that the globalization of financial markets will accelerate more often in the twenty-first century more so than was the case during the last quarter of the twentieth century and due to a variety of reasons and factors summarized below:

2.1- The rise of financial capitalism

Not of financial globalization to grow and accelerate without growing financial capitalism, the latter has grown through the growth and development of the financial services industry composition of structural and non-bank banking business such as banks and insurance companies, reinsurance, and investment funds...etc. It has also become a capital nature, a yield of exchange, and is reflected through the recruitment of not invested capital, as raising rent in securities more than making profit in productive projects. This reflects that the movement of capital in world markets is no longer associated with the movement of global trade, but now has its existence and its mechanisms and its own. And can be linked to the growth of financial capitalism to what has been termed a "symbolic economy" driven by indicators of global stock markets, and is affected by changes in interest rates and exchange rates, and balance of payments, and changes in the general level of prices, and unemployment rates.

2.2- The emergence of a relatively large surplus in the capital

In light of the globalization of financial markets reflected by the tremendous growth in international capital flows and a large volume of savings and surpluses that were absorbed by local markets, prompting them to search for foreign researcher investment opportunities for larger profit. And reflect the steady increase in capital flows to the outside direction of rates of profit to decline and deteriorate in the countries that graduated from these funds.

2.3- Technological and technical progress

According to Paul Kennedy, author of "Preparing for the twenty-first century" were it not for the tremendous progress in computer power, software, satellite and fiber optic cables and electronic transfers of high-speed would have made world markets to work as one market. And thus helped the technical progress, especially in the field of communications and information on the growth of financial globalization to spread more quickly, it is through this technical progress that obstacle barriers of time and place between different national financial markets have exceeded, and decreased cost of communications and transactions which impact on the increase in speed of moving the capital from one market to another. Through a network of modern communications the latest news of price movements in the various international financial markets can be available more readily and compare them in order to make appropriate investment decisions in as little time as possible.

2.4- Impact of liberalization of the domestic and international finance

Has affected the internal operations of financial liberalization and increased international movement of capital from one market to another and from one country to another.

2.5- The emergence of financial innovations

Associated with the growth of financial globalization, the emergence of a number of modern financial instruments that have attracted many investors, apart from the conventional financial instruments traded in financial markets, there have been new types of financial instruments known as "financial derivatives", which offer investors several privileges, including: diversification of their portfolios, coverage against various financial risks, , the selection of various forms and types, a future speculations and swaps.

2.6- Growth of bond market

Moreover, it is the acceleration of the globalization of financial markets to the significant growth in bond issuance and trading, especially government bonds, has increased the value of what is owned by non-residents of the bonds issued between 1990 and 2000.

The exponential growth in the global bond market to a variety of factors, among them

- Fight against inflation and economic stability in many countries, making the real interest rate to be positive.
- To allow non-residents to deal in local securities markets.
- Sustainability of budget deficits and public financing of this deficit through the issuance of government bonds.
- Institutions preferring to finance by issuing bonds instead of shares for tax reasons on the one hand and the possibility of control over the management on the other.
- Commitment to the decisions of the Basel banks, limiting their ability to finance fixed investment of the private sector, prompting it to resort to the bond market.
- Variety of bonds and thus meeting the needs of different borrowers and investors.

2.7- Restructuring of the financial services industry

It also increased the increasing pace of financial globalization significant changes to the banking industry and restructuration It has expanded the cycle of banks locally and internationally, especially after the witness of financial liberalization wave , as it headed the financial institutions to perform banking and financial services not carried out as

before [11,] which led to a diversity of sources of funds of banks and the diversity of methods used, have been registered as financial institutions entering the field of non-banking financial services industry such as insurance companies and pension funds, mutual funds ... and, in addition to the spread of acquisitions and mergers among Finance institutions.

2.8- Privatization

The process of privatization of companies and public sector institutions play an important role in the expansion of financial globalization, and especially with the increasing liberalization measures on financial domestic and international levels and in countries that have adopted programs of privatization, especially in developing countries, which accelerated the processes and privatization programs, allowing foreign investors access to property.

2.9- The application of the General Agreement on liberalization of trade in financial services GATS

Led negotiations after the Uruguay Round to devote further liberalization in the insurance and banking sectors, and strengthen commitments to commercial presence for Foreign Service suppliers, and has focused on easing restrictions:

- Expansion of existing trade in financial services.
- Modify the legal form of commercial presence.
- Legislative amendment to the foreign ownership of local financial institutions.

Coming to financial services, including insurance and banks to apply market liberalization commitments as agreed for extension of financial services, which commit signatory countries to agree to the following:

- The gradual removal of monopolies in the financial services sector.
- Not to put restrictions on the transfer of information.
- National treatment to foreign financial intermediaries who were inside the country.
- Free access to foreign financial service providers of new financial products, if any.
- Cannot undo the commercial commitment provided.

3- Problems and challenges facing developing countries as a result of globalization of financial markets

Although there are some benefits resulting from the globalization of financial markets for developing countries, but the analysis of this phenomenon is not complete without an imminent list of the major risks and problems and if properly used will constitute opportunities for these countries, as it is at the same time, however, significant challenges, experience has shown that financial globalization for developing countries has often led financial crises and high-cost example of this is what happened in Mexico in 1994, and the countries of South East Asia in 1997 and Brazil in 1999.

This happened because of the weak phase of economic growth experienced by these countries, and the weakness of their economic relations and international and frequent exposure to external shocks that cannot be controlled such as deteriorating export prices of raw materials, lower demand for exports, rising interest rates globally, fluctuations in exchange rates.

Lies, problems and challenges faced by developing countries due to globalization of financial markets are discussed hereunder:

3.1- Problems caused by sudden capital fluctuations

The growing flow of capital to developing countries during the nineties given the components of the flow of foreign capital notes, in 1997 the volume of this flow rose to about $ 280 billion, during the period 1990-1999 was the relative share of the flow of loans from commercial banks, and especially the international activity of no more than 10% of the total flow of foreign private capital that flowed to these countries, while investment in the portfolio was about a third of the total share of this flow. Upon analysis of this flow, it was found that investment in the portfolio was very fast, as suddenly in a short period of time capital moved from one market to another.

The high degree of volatility in the investment portfolio due to this type of investment depends on the short-term factors and the pursuit of quick profit, compared with foreign direct investment which is concerned with long term profits and variables such as overall market growth and national income. It is relatively difficult to liquidate these investments in the short term, while the disposal of the portfolio is made easy by selling in financial markets, and invest in portfolios affected by the expectations of dealers and dominated by simulation method and tradition or the so-called "herd behavior". The broad international movement and sudden foreign capital entry and exit across the national borders of the state have caused negative effects and implications on the national economy and are reflected as follows:

1. In the case of short-term investment flows will lead to instability in the macroeconomic and are reflected in:
    - High exchange rate of national currency is what influence exports and imports, and thus increase the trade deficit.
    - A severe increase in the prices of assets, particularly land, real estate and financial assets.
    - Growth rates of inflation.
    - An increase in domestic consumer demand.
2. In the case that investment flows out of the state and sudden large sizes, they lead to:

- Low exchange rate of the national currency.
- The deterioration of asset prices and real estate finance.
- Falling prices and declining terms of profit.
- The increasing deficit in balance of payments.
- Loss of confidence of foreign investors in the local market.
- Depletion of international reserves of the state, especially if the central bank tries to intervene to protect the national currency.

3.2 - Risk of banks' exposure to crises

Among the most important risks of financial globalization such crises plaguing the banking system both during the process of financial liberalization, international or after its completion, studies published in 1996 indicated that between 1980 and 1996 was the period where the greater momentum of globalization and financial crises have taken place in the banking systems in at least one third of Member States in the International Monetary Fund. To the severe risks that result from financial liberalization of the banking system, and the fact that since that date and based on the many crises that have occurred in banks in Palau. M. A, Canada, northern Europe, and developing countries in Asia and Latin America as well as the crises faced by the banks of Russia, and Eastern and Central Europe, a transition.

The back of a huge number of studies and research on this issue, therefore, the crises faced by banks in the era of globalization have drawn attention, and rang alarm bells for several reasons.

It was to these crises a severe impact on all the national economies that have occurred, given the cause of significant losses in economic wealth, and the effects that resulted from the crisis in financial markets after the increased degree of integration, and interdependence among them, as it became possible to extend the problems of the banking system in the country to the rest of the banking sectors in other countries.

The various crises that can be exposed to the banking system have many reasons and may not be directly linked to globalization of finance, but stressed the contemporary crises of the banks, the close connection between them and financial globalization, abolition of the restrictions that were imposed on the banking system in braking financial might lead banks to take decisions that are appropriate for lending, especially in the absence of experience. This has happened in the case of banks, Chile, and the countries of the Soviet Union, they must rely on market signals to direct credit and interest rate setting, and is worth noting that banks often use the freedom of the new financial offered by the process of liberalization of international internal finance to go overboard in external lending, especially if the interest rate is far less than the local price, is dominated by a fixed exchange rate, is used to finance domestic loans and will suffer severe financial woes when it is a reduction in the value of the national currency.

Perhaps the banking crisis in Mexico in 1994 is a typical example of this kind of crisis during the period between December 1993 and 1994, where the value of the dollar in the exchange market went from 3.1 pesos to 5.3 pesos to the dollar, which raised the value of the obligations of banks, the Mexican foreign exchange of 79 billion pesos to 174 billion pesos, and the credit risk on loans that were granted increased and are clear with the high interest rates, and the deterioration of the conditions of economic activity.

3.3- The risk of destructive waves of speculation

Create a system of floating exchange rates which followed the collapse of the Bretton Woods environment conducive to speculation on the currency on a large scale and large number professional investors to these speculations as an essential activity for them, came the process of financial liberalization, domestic and international levels to facilitate the activity of speculation, and cancellation of many of the constraints that limited the speculation which was trading foreign currency before that subject in most countries, government control, but after the implementation of liberalization hundreds of billions of dollars are flying fast and freely from one market to another using the network connectivity in search of opportunities for speculation, and to capitalize on the huge profits which may range between 50% and 200% .

In addition to that burst of securities and a myriad of derivatives that are traded 24 hours a day, when the London Stock Exchange closed its doors traffic moved to New York Stock Exchange but to return back to Tokyo in a matter of hours. Given the magnitude of the profits in this area, many large industrial and multinational companies have entered this area and made much larger profits and portfolios from speculative operations than the size of the profits generated by real production.

Many of the industrialized countries have suffered from the speculative attacks and currency turmoil caused by speculative activity in the collapse of the European Monetary System (making a profit and cannot accomplish the real sectors of production, and the important thing is that those profits are achieved within the fictional legal loophole provided by the domestic and international financial liberalization and relying on borrowed money.

For developing countries, a number of them may become a good playing field for speculation and the activity of speculators in the light of the procedures applied by the financial globalization in the nineties, where their national currencies securities traded on the stock exchanges from the attacks of speculators who were reaping enormous profits.

It is also through the measures of financial globalization, exchange rate stability, high domestic interest rates and in the light of a tendency growing to increase the volume of foreign debt, high rate of service and with the availability of adequate international reserves at the Central Bank in the light of all that have an opportunity to speculative attacks., It was obvious that during the Mexican crisis of 1994 and the crisis in Thailand and other countries of the Asian tigers in 1997, rushed in the first months or years before the outbreak of the crisis by unusual flows of foreign private short-term capital, and including huge loans denominated in U.S. dollars and priced margins than the prevailing interest rate in London banks in, as there was an unusual vogue in the stock and real estate market, a significant increase in imports, which are the things that encouraged companies to finance their operations through the issuance of securities and obtaining the loans in foreign currency. This boom has also encouraged commercial banks to borrow dollars from abroad. It was such severe speculation on developing countries that led to the devaluation which in turn led to very high level of prices, a clear lack of international reserves, the escape of a large capital towards the outside, a loss of investor confidence in these markets and has been clear that all negative repercussions in the economic, social and political, particularly with those crises with the implementation of structural adjustment programs.

3.4- Risk of capital flight out of National

The most dangerous result of the globalization of financial markets of developing countries is the internationalization of national savings. However there are sections of these savings and some prefer to invest outside their national borders, and the strange thing is that this happens in countries that suffer from a large deficit in the balance of payments, huge external debts and thus, increase the brunt of the service burden over time. The contradiction here is that while the acceleration of the developing countries to open their doors to foreign capital through the provision of all the factors of attraction and the race to give a lot of advantages and exemptions and remove the obstacles and barriers, but it allowed the owners of domestic savings in the light of financial globalization to invest anywhere in the world. And therefore, out of national funds to the outside influences on the balance of payments and the country's ability to accumulate investment and the net flow of foreign capital and to service its external debt.

3.5- Risks of entry of dirty money (money laundering)

Many developing countries have been affected by the application of domestic and international financial liberalization mechanisms to wavelengths from entering the illicit funds. It is through the abolition of exchange controls, freedom of entry and exit of funds across national borders and opening up the domestic financial market to foreign investors before other channels for money laundering were opened up. And it is through the phenomenon of financial globalization that the phenomenon of bleaching funds has increased, globalization has helped to spread in an unprecedented back-to-presence, even the so-called "shadow economy" or "gray economy" amounted to money laundering operations 5, 2% of global output which reached about $ 2 trillion in 1998.

Money laundering and several negative effects on macroeconomic among which:
- The spread of administrative corruption in the banking system.
- Weaken the prestige of the state and encourage the evasion of law enforcement.
- Expansion and spread of crime in all forms of economic and social development.
- Loss of confidence in the domestic financial market.
- Turn the tide of investors to the activities of high criminal profits.
- Tax evasion from entering the laundered money and loss of public revenue to the state.

And no doubt that the phenomenon of negative effects of money laundering which all states are trying to fight and develop special laws to combat it.

3.6- A financial crisis

The financial crisis is due to the existence of an imbalance in the economic indicators of countries in addition to the low performance of the banking system and poor oversight of the Central Bank. The existence of a trade deficit and a significant drop in productivity strongly encourage the entry of speculators on the local currency, if the value of the currency does not reflect the factual economic situation, and this is what happened to South East Asia. If the local currencies of these countries do not reflect the reality of their economic time of crisis, so they will not reflect the large deficit in the trade balance, and a significant drop in productivity as a result of excessive bank lending to finance the non-productive activities as per the speculations on the securities. In addition to the excessive financing of productive activities which led speculators to display large amounts of the national currencies of the sale, has helped to make this speculation, a very poor oversight of central banks on the foreign exchange markets, as there were not any restrictions on banks and other financial institutions in their dealings with the foreign exchange market. The low volume of foreign exchange reserve may be forced the country to raise interest rates on bank deposits in local currency, and to encourage the owners of deposits in foreign currencies to convert their deposits in national currency, and thereby increasing the demand on the national currency against foreign currencies in order to reduce the severity of speculation.

3.7- The problem of national sovereignty in the area of financial and monetary policies

With the increasing globalization of financial unit and the increasing integration of domestic financial markets with foreign countries, and national sovereignty on monetary and financial policies will lose control and this will be manifested by the loss of control of the monetary authority on the money supply, which may lead to inflation and change real interest rates. The increasing level of financial globalization will cause the interest rates to come out for the control of the central bank, which will be linked to domestic interest rates, especially foreign short-term interest rates, , so any attempt to set interest rates and exchange rates may not coincide with those abroad can lead to significant flows of short-term capital to the state or abroad.

All this will lead to reduction of the state's ability to use monetary policy and exchange rate to achieve the macroeconomic objectives which will affect the movement of capital. In the light of globalization and financial integration of financial markets, monetary policy makers combine together these monetary policies:

- Fixed exchange rates.
- The free movement of capital.

The impact of financial globalization on fiscal policy appear greater than the degree of financial globalization which is affected by investment considerations, tax, resort companies and big investors in industrial countries to exit their investments to countries where tax rates are lower but weaken the effectiveness of fiscal policy in achieving its objectives. It is also with the increasing outflow of capital beyond national borders because the tax will increase unemployment in the countries of the displacement of capital and to meet demands governments will be forced to reduce corporate tax rates which will lead to lower tax revenues and increase the deficit of public budgets and force the State is then obliged to give up some social programs.

4- The impact of that of financial markets in the Arab developing countries.

Reality can be summarized in the fact that Arab financial markets continue to suffer from disparities in the levels of development and growth in programs and policies of the Arab Economic and perhaps the reasons attributed to the recent emergence of most of these markets or historical developments witnessed by the Arab financial markets.

A number of combined factors have prevented the establishment of Arab financial markets in locally desired functions and territories. The common features of these markets may be summarized in the following:

4.1- The small size of the market

The Arab financial markets are characterized by the tight scope of the market in terms of the severe shortage in supply as measured by the number of companies, and the demand that is in the number and size of orders. Also characterized by these markets are small average size of market capitalization (the value of shares as prices of the last trading day), and the decline of the GDP, with the exception of Kuwait and Bahrain, which rises two capital ratios to GDP.

On the demand side is observed that a weakness that is the most important reason is the minimal role played by local institutions in activating the market, in markets advanced enterprises hold 60% of the volume of transactions compared to 40% of individuals.

Experts believe the specialists in the analysis of securities markets, that the market size and the small size of the average market capitalization rise to increased opportunities for unexplained fluctuations in prices, especially with weak supervision and lack of financial disclosure.

4.2- High degree of concentration of trading

It means the ratio of active stock trading to total trading volume affects all the Arab financial markets with the problem, which reflects the seriousness of small number of shares.

4.3- Twice the opportunities for diversification

The Arab financial markets have twice the opportunity for the investor to diversify the portfolio of securities, and this common feature set restrictions on investment strategies, whether for individuals or companies, and in most Arab financial markets the banking sector and the construction sector control the trading volume moreover shares and mobile communications currently account for the high percentage of trading volume. It seems that the behavior of the investor in the stock market has become the policy governed by the herd, although there are some promising sectors with high profitability, such as the milling and the cement sector.

4.4- Poor liquidity

Lead the financial market in the efficient allocation of resources through the system of incentives and sanctions; where trading on successful companies and high market value and vice versa for the companies are increasing and successful, whereas with less trading on its shares the lower will be the market value. It is most basic function of the market

is to achieve liquidity for securities when they are efficient, and are usually liquid market in the forefront of the priorities of local and foreign investors, and can monitor what is enjoyed by the Arab financial markets of the weakness in their liquidity through reduction in the number of operations and as well as the trading volume.

4.5- Severe fluctuations in prices

Of the basic properties that characterize the Arab financial markets at the present time, the high volatility in price movements can be ascribed to the dependence on funding from external sources of loans and issuing more shares, with less dependence on retained earnings, and that this pattern funding called "financial leverage" would lead to increased volatility in earnings per share and its market value. These features do not allow the Arab financial markets to reach maturity and stand on an equal footing with the global financial markets, and even emerging ones, and in light of this reality that is characteristic of Arab financial markets following financial liberalization is another challenge that the Arab financial markets have to face. And it must be the development of Arab financial markets, and enhance the interaction between them, and suggest controls that enable these markets to meet the waves of the tide of globalization and liberalization. And it should work on:

* Update the stock exchanges and development of both technical and organizational, including help to increase the size and absorb capacity, enhance their role in attracting capital, recycle fund development projects, and this requires completing the legislative and institutional frameworks, and the provision of specialized financial institutions to facilitate the trading operations in addition to diversification of investment instruments offering trading and that to commensurate with the needs of investors.
* Update company laws, and incentives for the establishment of joint stock companies.
* Require addressing the problem of the financial markets to work with the small average capital market by setting minimum size as a condition of the companies in the stock market.
* Improve the liquidity of the market by strategies aimed at reducing the market value of securities listed, such as strategic stock splits of great value to the shares of small value and strategy distributions in the form of shares, can also improve market liquidity by encouraging the establishment of investment funds and to encourage other financial institutions to invest in securities.
* Control the movement of prices through the establishment of institutions of market-making for its important role in the absorption of defect in the mechanism of supply and demand to buy from all who wish to sell, and sell to all who wish to purchase at fair prices that would put limits on price fluctuations in the case of the imbalance between supply and demand.
* In order to meet the challenges of financial globalization, there needs to be controls on capital flows consistent with the mechanisms of the market, so it does not become the scene of a stock exchange speculation, and away from its desired role as a mechanism to finance new investments or expansions of existing projects.
* Organization of brokerage activity and raise the efficiency of employees and improving services, especially in light of recent developments witnessed by the electronic trading systems and which require the review of the tasks of the mediators and the modernization and diversification of their competencies.
* Improving the local investment climate, and work to support and attract foreign investment.
* Raise awareness of savings.
* The adoption of modern technology in the trade of financial services.
* Work to increase the efficiency and effectiveness of institutions.
* Development of methods applicable in the financial markets to fit with the latest techniques available.
* Application of best management practices and benefit from the expertise of the technical and highly skilled levels.

Conclusion

The financial globalization process is not inevitable to impose their acceptance to the conditions and mechanisms that are dealing with now is no doubt that financial globalization has several advantages but with lot of risks and the implications for all economies of the world, including developing countries. The implications of the financial and the communications revolution today are a greater danger to the developing world."Financial Globalization carries a number of risks and negative effects on macroeconomic variables and economic stability, especially in the case of sudden movements in the short-term capital. The banking system came to a severe crisis due to the entry of dirty money, crazy speculations, the outward flow of national funds, as well as the reduction of national sovereignty in the application of monetary and financial policies. Perhaps the best example of what happened by the impact of financial globalization and the risks caused by the experience of the Asian tigers. Reflecting on the impact that financial globalization can be said that for developing countries, it cannot take financial globalization in full or to leave it whole, as it must look for possible alternatives in dealing with it. It is the right of each state to choose alternatives that fit their circumstances and their own problems, so the objective of the adoption of financial globalization and maximize the benefits of risk reduction, is to have the effect of development reflected positively on the macroeconomic variables, such as increased investment rates, increase productivity, reduction of unemployment, reduction of the volume of external debt, as well as to increase the rates of economic growth. Also it may be

appropriate for developing countries to relatively slow down and not to fully abstain in the adoption of procedures for financial liberalization, as it should take a number of appropriate actions (such as achieving economic stability, development of local financial institutions to contain the external debt crisis and to control, create sufficient and appropriate reserves, take a number of supervisory policies and procedures) that qualify to meet the challenges of financial globalization, which work to embody the thesis that the main centers of today are centers of tomorrow. Moreover the sum could be argued that the future development and growth in developing countries and renewed economic environment and stable financial system require a comprehensive and integrated competition , open to the world that encourages investment and possesses the confidence of domestic and foreign investor. Lastly, whether globalization, as they say is a kind of savage capitalist domination by society and by the consumption and production values that, put money before the individual. It is incumbent on us in this situation to wonder whether that will lead us to the globalization of financial markets in the future, despite all that has happened and is happening.

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