The agreement on the liberalization of financial services and their reflections on the competitiveness of the banking system in developing countries (comparative study between Algeria and the United Arab Emirates)

tawfiq ADDADI [1*], boumediene FILALI [2], cherifa DJAADI [3]

[1] Djillali Liabés University, Sidi bel-abbés / Algérie
[2] Djillali Liabés University, Sidi bel-abbés / Algérie
[3] Kasdi Merbah University, Ouargla / Algérie

Received: 19/04/2020 ; **Revised:** 25/04/2020 ; **Accepted:** 12/06/2020

Summary: This study aims to analyze the implications of the Agreement on the liberalization of trade in financial services to developing countries, in particular, all of the heads of state of the United Arab Emirates and Algeria, through the diagnosis and analysis of the reality and performance of the banking sector as one of the important sectors around which the Agreement on the liberalization of financial services .
We concluded that the Algeria to carry out many reforms and strategies to raise the efficiency of the banking sector development and adapting it to the requirements of the PLO, in order to benefit from the advantages granted by the convention of the developing countries and to avoid the negative effects and challenges that result from the process of liberalization of trade in financial services.
Keywords: trade in services ; financial services ; the General Agreement on Trade in services ; the Algerian banking sector ; the UAE banking sector.
Jel Classification Codes : F13 ; F65 ;G21.

I. Introduction:

The end of World War II is a crucial historic turning point, especially at the global economic level, following which two international institutions were established, the International Monetary Fund (IMF) and the world bank, but the economic construction was not completed and had to be supported by an international institution , dealing with the regulation and liberalization of the trade sphere, and in this context a multilateral treaty was signed on 30/10/1947 containing mutual rights and obligations between countries for the liberalization of international trade, which was known as the Convention on The General Convention. This agreement has been subject to several revisions with the aim of modernizing to cope with changes in international trade, and has gone through eight rounds from the first round of Geneva in Switzerland (1947) to the last round, the most important of which was Uruguay's tour, which lasted from 1986 to 1993. One of the most important achievements of this tour was the birth of the World Trade Organization (OMC) on 01/01/1995. The Uruguay tour also included several trade agreements, the most prominent of which are those that regulate trade in services, known as the General Agreement on Trade in Services GATS. Financial liberalization or so-called financial globalization.

[*] Correspondingauthor, e-mail : Addadi.Tawfiq@gmail.com

I- Introduction :

Developing countries, especially Arab countries, have sought to join the Agreement on the Liberation of Financial Services, in order to take advantage of the advantages they offer, some of have been able to join and some of them are still seeking to do so, and since we will conduct a comparative study between the UAE, which has joined the Agreement on the Liberalization of Services and Algeria, which It seeks to do so : What are the implications of liberalizing financial services trade on the banking sector in both countries?

Study hypotheses: Our study hypotheses are manifested by the following two hypotheses :

The first hypothesis: the Agreement on the Liberalization of Services will have positive and negative effects on the banking sector in developing countries.

The second hypothesis : is that the UAE's signing of the Gats Agreement has had an impact on increasing the competitiveness of its banking sector compared to the state of Algeria, which is seeking to sign this agreement.

The aim of this study is to highlight the potential positive and negative effects of the General Convention on trade liberalization in services on the Algerian banking system , as Algeria seeks to join the World Trade Organization.

II. The general framework of the Service Trade Liberalization Agreement (GATS).

1. The concept of trade services:

In terminology, it can be said that trade in services means :" that economic activity that goes into trade in everything that is invisible or intangible (intangibility or invisibility)," as opposed to goods in which trade depends on visible and tangible things.

Trade in services can be defined as unforeseen economic transactions between residents of a particular country and non-residents (Murad, 2007, p. 45).

2. Scope and definition of financial services within the General Agreement on Trade in Services (GATS):

After the end of the eighth round of negotiations (Uruguay Round), in which a set of agreements governing the international trade conduct of WTO members , established on 01/01/1995,was among the group of agreements reached by the General Agreement ,on Trade in Services (GATS) where it was considered the first multilateral agreement to establish rules for international trade in services for international trade (All Tradable Services). And it is among the mandatory agreements that WTO members must accept within the package of agreements supervised by the WTO. World trade.

We find that the Convention covers all commercial services in any service sector, except those provided under the exercise of government authority, in accordance with the third paragraph of article 1 of the Convention, and the Secretariat of the World Trade Organization has identified the different images of services in twelve (12) images in general (architecture, General Agreement on Trade in Services (GATS) Provisions and Effects, 2014, page 140, perhaps the most prominent of which is the financial services sector.

Financial services include all types of insurance and services related to insurance, all banking services and other services (excluding insurance), but we will focus on this latter (banking) Because it is the focus of our research paper, which includes the following activities (architecture, liberalization of international trade in accordance with the Gats Agreement, 2008, pp. 252-253):

- ✓ Accepting deposits from the public.
- ✓ Lending of all kinds such as: consumer loans, loans for real estate insurance, debt rescheduling, and commercial finance.
- ✓ All forms of transfer and exchange of money, including credit cards, bank cheques... And so on.
- ✓ Guarantees, commitments and obligations.
- ✓ Trade for private account or to account for clients in all financial instruments , in financial markets.

- ✓ To contribute to the issuance of all types of securities, and to carry out subscription tasks and provide services related to such issues.
- ✓ Asset management, such as cash and portfolio management, portfolio investment, pension fund management and trust deposits.
- ✓ Settlement and clearing services for financial assets including securities, derivative instruments and other tradable instruments.
- ✓ Providing and transferring financial information and processing financial statements and related programs.

Therefore, financial services are defined by convention as follows: "Financial service is any service of financial nature , offered by a financial service provider in a Member State' (Statistics, 2002, p. 41).

The service provider means any natural or legal person who wishes to offer or provide financial services, but the term service provider is not used to describe public entities".

As for the liberalization of the financial and banking services trade, the so-called financial liberalization is a short term, meaning "to remove all kinds of financial restraint, often represented by the constraints imposed on competition in financial markets that create an appropriate atmosphere for the protection of financial intermediaries". (The Aga, 2008).

We can therefore conclude that the Agreement covered all types of financial services, including the various activities of financial and monetary institutions, insurance companies, reinsurance, capital markets, and international commercial banks, which provide approximately 250 types of financial services (Fayyad, 2005, page 87).

It is worth mentioning that the terms of the Financial Services Agreement were not signed until December 1997 and it was agreed to take effect from March 1, 1999. Thus, a multilateral agreement was reached on the opening up of the multi-billion dollar financial services sector.

3. Principles that define the mechanisms of trade liberalization of services:

After the eighth round of negotiations (The Uruguay Round), in which a set of agreements governing the International Trade, Conduct Rules of WTO members established on 01/01/1995 was among the group of agreements reached by the General Agreement on Trade in Services (GATS), which was considered the first multilateral agreement to establish rules for international trade in services, which are among the mandatory agreements that WTO members must accept within supervised by the World Trade Organization.

The Agreement on the Liberalization of Trade in Services is based on a number of principles and rules that must be observed when applied, which is called the specific undertakings outlined as follows:

•**The most favored nation principle:** It means non-discrimination between foreign service providers in terms of market access and operating conditions, and according to this requirement each member is obliged to grant services and service providers from any other member a transaction that is no less favorable than that granted to similar services and service providers from any other country. This principle has been provided for in article (2) of the second section of the Convention.

•**National Treatment principle:** In accordance with this requirement, the member country is obliged to provide service providers from any other member country, and for all procedures relating to the supply of services, a treatment that is no less sponsored than that provided to such services and to service providers on its territory. In the sectors listed in the schedules of its obligations and in accordance with the conditions and conditions specified in it. Also,it is not required to meet this requirement that care be exactly the same, the treatment may be officially different for services and foreign service providers, yet it is not considered less than the care given to citizens (SafwatAbdessalamAwadallah, 2011, page 206).

•**Principle of market access:** We find that in accordance with this principle, each member is obliged to provide service providers from Member States with treatment no less than those provided in the schedule of his or her obligations. The meaning of this principle is the freedom of foreign suppliers to access the domestic market of the Member State in exchange for the freedom of local service providers to be present in the foreign market.

III. The objectives and effects of the Financial Services Liberalization Agreement on the financial sector in developing countries:

The Gats Agreement generally seeks to achieve a range of objectives, including the removal of restrictions that would impede trade in services, which should be done gradually through several successive rounds of negotiations involving several parties.

1. GATS stated goals:

The objectives of GATS can generally be limited to the following points (Karima, 2013, page 371):

- Expanding and strengthening the volume of international trade in services, by establishing the rules and principles governing international relations in this area, which will contribute to the promotion of economic growth for all countries, especially developing countries.
- Trade in services should be liberalized on the basis of mutual benefit, ensuring a balance between rights and duties, as well as respect for the policy objectives of Member States.
- Facilitating the increased participation of developing countries in trade in services and expanding their service exports by enhancing their domestic service capabilities, efficiency and competitiveness.
- Special attention should be given to less developed countries facing certain economic conditions.
- Develop a multilateral general framework based on transparency and gradual action as a means of achieving high levels of trade liberalization in services.

2. The effects and implications of the Financial Services Trade Liberalization Agreement on developing countries:

many opinions about the general effects of the Financial Services Agreement on developing countries has been listed, there are positive and negative effects**.**

A .The positive effects of the Financial Services Trade Liberalization Agreement on developing countries: The most positive effects of the Convention can be limited to the following points (Mohammed, 2005, pages 96-97):

- ✓ The liberalization of trade in financial and banking services generally leads to competition from foreign banks to local banks, and an improvement in the performance of banks, making them more efficient and effective.
- ✓ This liberalization may lead to a wider banking market and maximize the benefit of economies of scale as a result of increased banking mergers.
- ✓ The liberalization of the trade in financial and banking services leads to the expansion of its size, thus benefiting from real and positive interest rates, which is reflected in the increase in domestic savings.

- ✓ Competition reduces the cost of banking services, and there is quality in its delivery.
- ✓ The liberalization of banking trade leads to the transfer of modern technology to local banking markets, due to the presence of foreign banks within the domestic market.
- ✓ The financial services trade investigation leads to the flow of capital from surplus countries to countries with capital deficits.

B .The negative effects of the Financial Services Trade Liberalization Agreement on developing countries:

- Developing countries are characterized by the small size of their financial institutions, and the low performance of their banking services, which makes these countries unable to compete with foreign banks that are characterized by strong performance and advanced capabilities and rely on advanced technology (Bosalm, 2011, p. 101).
- The fear that foreign banks and institutions will only serve profitable sectors of the market, with the risks involved and the lack of access to certain sectors and regions (Al Al, 1999, pp. 35-39).
- The Financial Services Agreement limits the ability of developing countries to take restrictive measures in their efforts to provide maximum openness and liberalization to the trade in financial services internationally. Thus, foreign institutions operating on the territory of these developing countries will therefore try hard to implement the objectives of their home countries , collect the highest profits, and make the biggest gains , even at the expense of national monetary and financial policies, whose views can differ from those of those international institutions (Mahmoud, 2007, p. 959).
- The liberalization of banking and financial services trade can adversely and indirectly affect financial stability and lead to increased volatility of capital flows, thus undermining macroeconomic and financial stability (Abdul Mutallab, 2005, p. 133).
- The liberalization of the financial and banking services trade may allow one or more banks to fail and go bankrupt, which can lead to a crisis in the entire banking market as a loss of confidence leads to a rush or attack on banks to withdraw their funds (AbdulMutallib, 2005, p. 134).

IV. Diagnosis of the reality of the Algerian and Emirati banking sector in the light of the trend towards emancipation

1.Diagnosis of the reality of the Algerian banking sector:

Since independence, the Algerian banking system has gone through several stages where each stage has been characterized by certain peculiarities and features, and here is the following will be the most important major stations that the Algerian banking system has gone through, since independence to the present day.

1.1.The Algerian banking system before the 1986 reforms:

After independence, Algeria inherited a liberal banking system based on freely structured and regulated financial institutions, and the Algerian authorities framed and codifyed this inherited system. The most prominent technicalities were the separation of the Algerian public treasury from the French treasury and the establishment of the Bank of Algeria.

1.1.1.The banking system during (1962-1966):

During this phase, the state carried out some urgent measures, most notably:

- The separation of the Algerian Public Treasury from the French Treasury: this was done on 20 August 1962, and the establishment of the Central Bank of Algeria under law 62-144 of December 13, 1962 (Nawal Ben Khaldi, 2016, p. 341).

- The establishment of the Algerian Fund for Development: Through Law No. 63-165 of 07/05/1963 (Abderrahmane, without a year published, page 30), where the Fund grants medium and long-term loans to achieve and complete development plans and programs, which in itself constitutes support for the advancement of the banking sector.

1.1.2.The banking system during (1966-1986):

A. Foreign nationalization:

The decision to national banking network, which was branched from French banks in 1966 (letrech,, 2015 page 323), coincided with the development of the first development plan, where the establishment of national banks owned by the Algerian state alone, it contributed significantly to the financing of development, perhaps the most prominent one:

-The National Bank of Algeria (BNA): The establishment of this bank was established in accordance with Order No. 66/178 of 13/06/1966.

- The Algerian People's Loan (CPA): It is the second Algerian commercial bank, established under Order No. 67/75 of 14/05/1967 (Fares, 2013, p. 53).

-The Foreign Bank of Algeria (BEA): The Foreign Bank of Algeria was established by Order No. 67/204 of 01/10/1967 (Qazvini, 2000, p. 61).

B.Financial reform of 1971:

This reform came in line with the pace of the first four-way scheme (1970-1973), where the authorities introduced several reforms to the banking system with the aim of pushing them to generalize the granting of loans and contribute more to the financing of investments.

C.Restructuring of the banking sector:

At the beginning of the first five-year scheme (1980/1984), the Banking Restructuring Committee (GOUMRI, 1993, p. 311) was established, among the objectives of restructuring the banking sector were the following:

- Easing the pressure on public banks such as the National Bank of Algeria (BNA) and the Algerian People's Loan Bank (CPA), which have been restructured to emerge, respectively, from the Agricultural Bank for Rural Development (BADR) and the Local Development Bank (BDL), and to reduce the monopoly situation that prevailed.

- Assigning the task of financing planned and strategic investments to the Public Treasury.

1.2 The Algerian banking system after the 1986 reforms.

The reforms introduced in the Algerian banking system during the 1970s and early 1980s showed its limitations, and here there had to be fundamental adjustments to the banking system, in line with economic developments.

1.2.1. The banking system under the Banking and Loan Act 86/12:

Law No. 86-12 of 1986 on banks and loans has introduced significant transformations in the Algerian banking field, as it came with a set of mechanisms and measures establishing banking action based on recognized assets such as acting as a financial intermediary, giving a major role to commercial banks (Abderrahman, without a year of publication, page 64).

1.2.2. The banking system under Law 88/06 on the independence of banking and financial institutions:

Law 88-06 of 12/01/1988 amended and complementary to Law No. 86-12 on the banking and loan system, came to give independence to banks within the framework of the new regulation of the economy and institutions.

The reforms of 1988 brought about significant changes in the Algerian banking system by defining the principles and rules that affirm (Fares, 2013, page 58):

- Strengthening the role of the Central Bank and giving it full powers to oversee the good conduct of monetary policy and its use of control methods.
- To give banks full autonomy in managing their functions and financial resources.

1.3 The banking system in the light of the Law and Monetary:

The year 1990 is an important milestone in the course of financial and monetary reforms in the islands, which opposed the issuance of the Monetary and Credit Act (Law No. 90-10 of 14April 1990), which introduced important amendments to the Monetary and Loan Act. The structure of the Algerian banking system allowed foreign banks to carry out their business in Algeria for the first time since the nationalization decision, as well as the establishment of private banks, under which regulatory bodies were established to oversee banking in Algeria.

Amendments have been made to the Monetary and Loan Act of 1990 to make it more suitable for new economic trends and tougher with regard to banking:

- Order No. 01-01 amended and complementary to the provisions of Law 90/10 of 27 February 2001.

- Order No. 03/11 concerning cash and loan dated 26 August 2003: This reform came in circumstances that were characterized by the poor performance of the banking system, especially after the scandals related to the bankruptcy of Khalifa Bank and the Industrial and Commercial Bank.

- Order 10/04 concerning cash and loan: This reform came in 2010, as Algeria was seeking further banking reforms in order to rehabilitate its banking system, and hastened to issue order No. 10/04 of 26 August 2010, amended and complementary to order 03/11 concerning cash and loan.

2. Diagnosis of the reality of the Emirate's banking sector: the development of the Emirate banking system can be divided into the following stages (Al Ansari, 1994):

2.1. (Pre-Union) pre-1972 : This phase covers the development of the banking system before entering the emirate in a federation, where the number of banks was limited and did not exceed. Only 20 banks, about 6 local commercial banks and 14 foreign commercial banks and branches of foreign banks distributed throughout the Emirates, especially in Dubai and Abu Dhabi and at a lower rate in Sharjah.

2.2. The stage of excellence and expansion (1973-1979): This phase was been characterized by the establishment of the Union of the Seven Emirates of the United Arab Emirates. And the emergence of petroleum as a primary source of financing for the country's exports, that led to a steady increase in the number of banks operating in the country, and the emergence of a large number of branches of foreign banks.In addition to 30 foreign bank offices distributed across the UAE.

This phase was been also marked by the establishment of the UAE Monetary Council in May 1973 as the first official executive authority in the country, where it previously relied on the Qatar and Dubai Monetary Council or the Monetary Council of the Maritimes. Also the dirham was introduced as a new currency in the country to replace the Indian rupee in May 1973, which was divided into 100 fills and has a value equivalent to 0.186621 grams of pure gold to replace the Bahraini dinar, The Qatari riyal and The Dubai Rial.

2.3.The state intervention phase in the control of the banking system (1980-1983): This period was characterized mainly by the establishment of the Central Bank of the United Arab Emirates in December 1980, where the Monetary Council was transferred to the Central Bank, during which time the number of banks operating in the country increased to 49 banks. With a total of 347 branches, including 28 branches of foreign banks (224 branches) , and 31 local banks. In June 1981 the Board of Directors of the Central Bank of the UAE took a decision to limit the number of branches per foreign bank to only 8 branches, resulting in the closure of a number of branches at the end of 1981 as a result of this decision.

2.4. Maturity and development (1984 until now): During this period, the national economy was affected by the problem of deflation in the volume of foreign trade. The economy suffered from low oil prices, which led to the emergence of economic problems. In addition ,the contraction of the number of banks operating in the country, as well as, the expansion of banks until 1986 in Uncontrolled credit. This led to an increase in doubtful debts and losses for some banks, and the exit of the banking system from the crisis of 1982-1986 strong after its organization was improved and its performance upgraded. In addition, credit began to expand again in 1987, especially with the beginning of the rise in oil prices.

Several national and foreign banks are active in the United Arab Emirates, as the number of banks in 2008 in the UAE reached 46, distributed between 21 local and 25 foreign banks.

V. The impact of the Financial Services Liberalization Agreement on the competitiveness of the Algerian and UAE banking sector:

The signing of the General Agreement on trade liberalization in services, which includes the liberalization of the banking sector, obliges the signatories to open their national markets to foreign suppliers, and not to distinguish between them and local service providers, creating competition that has consequences and challenges.

1. The impact of the liberalization of banking services on the development of the structure of the banking sector:

As a result of the liberalization of banking services within the framework of the GATS, the number of licensed foreign banks operating in the UAE increased from 26 in 2015 to 27 in 2017, and as a result of providing an attractive environment for the work of foreign banks, which led to the expansion of the banking sector in banking activities and increased competition between banks National and foreign banks.

Through the table (No. 01), we note the following:

- For the Emirates country: The number of national banks decreased to 22 in 2017 from 23 in the previous three years, due to the merger of National Bank of Abu Dhabi and First Gulf Bank, resulting in the establishment of The First Abu Dhabi Bank and intense fied competition between national banks in the provision of banking services and foreign banks. In terms of the number and quality of services in order to get the most out of customers. During the period of high oil prices and the booming oil and non-oil sectors in the economy, the number of branches increased to 874 branches, which peaked in 2015.As banks expanded their business and looked to increase their market share. However, the number of branches recently fell to 846 in 2016 and 771 at the end of 2017, due to on going integration and efficiency-enhancing efforts. The number of foreign banks in creased in 2017 to 27, while the number of branches decreased by three to 82 at the end of the year.

- **For Algeria:** We note that there is a stability in the number of national banks, especially the public, which remained 06 banks for several years, and the increase in the number of bank branches for national banks from 1113 branches in 2014 to 1145 branches in 2017, but for foreign banks the number of branches increased from 325 branches in 2014 to 364 branches in 2017, reflecting the great dominance of public banks on the structure of the Algerian banking sector. However, we note the increase and expansion of foreign and private banks and their branches, especially after the reforms adopted by Algeria (monetary and loan law), know in that private banks located in Algeria is branches of foreign banks, which means the absence of national privately owned banks, that affects the degree of competition between banks and the level of services provided on the development of banking products.

It should be noted that the opening of the Algerian banking sector in the 1990s, in line with the new economic approach, has contributed to the entry of a number of private and foreign banks into the Algerian banking market. And it is still in the process of expanding at a higher rate than public banks, which may contribute to the expansion of public banks. To strengthen competitiveness within this sector.

2. The impact of the liberalization of banking services on the deposit structure:

2.1. The impact of the liberalization of banking services on total deposits in banks in the Emirates:

The total customer deposits with banks increased by 4.1% in 2017 due to a 5.3% increase in resident deposits, offset by a partial decrease in non-resident deposits of 3.7%. To add, the figures for the three growth indicators for 2017 are close to the three-year composite annual growth rate. Past, excluding non-resident deposits which have seen growth on average over the previous three years, but declined in the past year. This level of growth in deposits provides a liquidity-friendly environment in the banking system, which has improved for 2015.

The increase in resident deposits in 2017 was mainly due to a 13.5% growth in government sector deposits with commercial banks, mainly due to sustained fiscal consolidation efforts supported by the recovery in oil prices. The 2.1% increase in private sector deposits can be justified by the level of good growth in some non-oil sectors of the economy. During the same period, deposits of government-linked entities increased by 14%, while non-resident deposits decreased by 7.4 billion AED or 3.7% in 2017. (See Table 02).

Noting from Table 03: Looking at national and foreign banks, we find a clear general trend that deposits in national banks have grown in the last three years until 2017, while foreign banks have shown a decline since 2014.Also, national bank deposits have grown at a higher rate on a yearly basis. Compared to 5% and based on a compound annual growth rate of 6.2% at the end of 2017, compared to foreign banks whose deposits decreased by 1.8% on a year-on-year basis and their compound annual growth rate was 4.1%.

In national banks, the sectors with the highest deposit growth rate in 2017 were non-bank financial institutions and government-related entities, with deposits growing by 16.6% and 13.5% respectively, while non-resident deposits recorded the fastest growth rate of 13.4% on the basis of the Annual Composite growth rate.

2.2. The development of the deposit structure in Algerian banks as they move towards bank liberalization:

It turns out through Table No. (04):

- There was a decrease in on-demand and termdeposits by banksin 2015 by -2.2%, to continue the declinein 2016 , to reach 2.3%, but at the end of 2017 therewas a significantincreaseestimated by 13.1%, where the total on-demanddeposits and termdepositsmovedfrom 8142 billion dinars in 2016 to 9208 billion dinars in 2017. Similarly, total depositsraisedat the end of 2017, includingdepositsallocated as collateral for signature obligations (documentarycredit, guarantees and guarantees), increased by 9.19%.

In terms of the nature of deposits, we note that:

1.Demand deposits in the public sector: There is a significant increase in it from 3060.5 billion dinars in 2016 to 3,765.5 billion dinars in 2017. This is after a decline in 2015 compared to 2014.

- As for demand deposits with the private banking sector: it increased from 671.7 billion dinars at the end of 2016 to 733.5 billion dinars at the end of 2017.

2. The development of the deposit structure in Algerian banks as they move towards bank liberalization:

It turns out through Table No. (04):

- There was a decrease in on-demand and term deposits by banks in 2015 by - 2.2%, to continue the decline in 2016 and reached 2.3%, but at the end of 2017 there was a significant in c1reaseestimated by 13.1%, where the total on-demand deposits and term deposits moved from 8142 billion dinars year 2016 to 9208 billion dinars in 2017. Similarly, total deposits raised at the end of 2017, including deposits allocated as collateral for signature obligations (documentary credit, guarantees and guarantees), increased by 9.19%.

In terms of the nature of deposits, we note that:

2.Demand deposits in the public sector: There is a significant increase in the number of dinars from 3,060.5 billion dinars in 2016 to 3,765.5 billion dinars in 2017.

- As for demanded posits with the private banking sector: it increased from 671.7 billion dinars at the end of 2016 to 733.5 billion dinars at the end of 2017.

Term Deposits: This type of deposit achieved only a 5.5% increase in public bank sat the end of 2017, compared to a decrease of 1.6% at the end of 2016.

- As for term deposits, after experiencing a decrease of 0.8% in 2016, it increased by 6.8% at the end of 2017.
- Foreign currency deposits included in the term deposit category in creased by 10.7% at the end of 2017 compared to a decrease of -3.7% at the end of 2016 for public banks, while for private banks recorded 30% increase in 2017 compared to a decrease of -0.9% in 2016.
- Overall, foreign currency deposits for banks increased by 13.3% in 2017, compared to a decrease of 3.3% in 2016.
  - The decline in the structure of hard currency deposits can be explained by the absence and weakness of the foreign currency deposit attraction strategy adopted by Algerian banks, the poor geographical distribution of banking units and branches, as well as the lack of a culture of savings among many citizens.
- Finally, despite a decrease of 1.3% from 2016 (87.1%) and 1.2% compared to 2015 (88.3%), the share of resources pooled by public banks continues to control 85.8% of the total resourcespooled by banks, as well as for private banks. Itssha removed from 11.7% at the end of 2015 to 12.9% in 2016, to 14.2% at the end of 2017.

VI. Summary:

Through our research paper on the impact of the liberalization of financial services trade on the banking sector and its role in enhancing international trade competitiveness under the Gats Agreement, we conducted a comparative analytical study between the UAE, which has been a member of the World Trade Organization since 1996. In doing so, it has ratified and signed the General Agreement for the Liberalization of Trade in Services, and the State of Algeria, which through negotiations has been seeking membership in the World Trade Organization since 1996, which means that if it joins the expected signing of the Gats Agreement, we have reached The following results:

- The UAE's accession to the World Trade Organization on 10/04/1996 means the ratification of the General Agreement for the Liberalization of Services Trade, which required it to liberalize the trade of the financial services sector, and therefore had to lift restrictions on it and open its national markets and suppliers. Foreign financial services and non-discrimination in foreign and domestic financial services, which led to the entry of a large number of foreign companies into the UAE market and compositional on with their national companies, yet its banking sector was able to achieve competitive indicators and high growth rates in For the banking market, taking advantage of the exceptions offered by the General Agreement on Trade in Services to developing countries, this has enhanced the competitiveness of Its banking services.
- The Algerian financial sector, particularly the banking sector, continues to suffer from many obstacles and problems that could limit its effective use of the benefits of the Convention, which we summarize:
  - The Algerian banking system continues to suffer from many problems, with large lying public sector companies and government interventions,
  - Weak competition between public and private sector companies (domestic and foreign).
  - The lack of a legal environment that allows for the realization of the principle of the welfare state, which achieves non-discrimination between foreign and domestic service providers.

Therefore, in light of our findings, the following recommendations can be presented that can enhance the competitiveness of the Algerian banking sector:

- ✓ Continue reforms because Algerian banks will enter the competition in a difficult situation and therefore cannot with stand, and stay in the market due to theirlimited capabilities and services and poor performance levels, especially if we know that the number of services provided by international banks to more than 260 services while not exceeding the number of services Banks provided by developing countries at best 40 service.

- ✓ Opening the way for the domestic and foreign private sector to work alongside the public sector and ensure transparent competition, and to benefit from the experience of the UAE in this, with the number of foreign banks with 27 banks and 82 branches, but in Algeria we note that foreign banks as an institution does not exist.

- ✓ Trying to gradually liberalize the banking sector in the light of global trends in order to enable this sector to keep pace with developments and bring it into competition little by little.

- ✓ Moving towards comprehensive banks and banking mergers, in order to diversify the services provided and take advantage of the economies of scale offered by mergers.

- Appendices:

Table 01: The number of banks and branches in Algeria and the Emirates (2014-2017) has evolved.

2017		2016		2015		2014		Statement	
Algeria	Emirates	Algeria	Emirates	Algeria	Emirates	Algeria	Emirates		
06	22	06	23	06	23	06	23	Number of banks	National
1145	771	1134	846	1123	874	1113	869	Number of branches	
14	27	14	26	14	26	14	26	Nuomer of banks	Foreign
364	82	355	85	346	86	325	86	Number of branches	

Source: From the number of researchers based on:

-Bank of Algeria ; Rapports Annuals 2014-2017..

-Central Bank of The United Arab Emirates; Annuals Reports 2014-2017.

Table 02: Deposit structure in Emirates banks in billions of dirham's

2017 december	2016 december	2015 december	2014 december	
1,627.7	1,562.9	1,471.6	1,421.3	Bank desposits
4.1	6.2	3.5	11.1	Percentage of change on a comparative annual basis
1,435.7	1,363.9	1,300.1	1,267.3	Residentdeposits
5.3	4.9	2.6	8.9	Percentage of change on a comparative annual basis
212.0	186.8	157.4	188.8	Governmentsector
13.5	18.7	-16.6	17.0	Percentage of change on a comparative annual basis
191.9	168.2	190.8	173.3	Government-linkedentities
14.0	-11.8	10.1	-0.2	Percentage of change on a comparative annual basis)
1,000.7	980.7	923.8	868.8	Privatesector
2.1	6.2	6.3	10.0	Percentage of change on a comparative annual basis

31.1	**28.2**	**28.1**	**36.4**	**Non-bankfinancial institutions**
10.3	**0.4**	**-22.8**	**-6.4**	**Percentage of change on a comparative annual basis**
191.6	**199.0**	**171.5**	**154.0**	**Non-residentdeposits**
-3.7	**16.0**	**11.4**	**33.9**	**Percentage of change on a comparative annual basis**

Source: Researchers based on UAE' central bank reports 2014-2017.

Table 03: Compound Annual Growth Rate of Deposits in National and Foreign Banks in the Emirates (2014-2017):

Non resident	Non-bankfinancial institutions	Privatesector	Government-linkedentities	Government	residents	total	Banks
13.40%	4.80%	6.50%	4.00%	4.00%	5.40%	6.20%	national
10.00%	6.80%	2.50%	5.80%	1.80%	2.80%	4.10%	foreign

Source: UAE Central Bank Report year 2017p 47.

Table 04: Development of resourcespooled by Algerian banks (billion dinars)

2017	2016	2015	2014	Nature deposits	
3765.5	**3060.5**	**3297.7**	**3705.5**	Public banks	**Deposits on demand**
733.5	**671.7**	**594.0**	**722.7**	Privatebanks	
4499.0	**3732.2**	**3891.7**	**4428.2**	**Total deposits on demand**	
4233.0	**4010.8**	**4075.8**	**3800.2**	Public banks	**Termdeposits**
456.9	**412.8**	**428.8**	**348.8**	In hard currency	
475.5	**398.6**	**367.6**	**290.1**	Privatebanks	
86.5	**66.6**	**67.2**	**56.0**	In hard currency	
4708.5	**4409.3**	**4443.4**	**4090.3**	**Total termdeposits**	
782.1	**833.7**	**751.2**	**494.4**	Public banks	**Deposits as**

2.1	3.9	8.8	1.4	In hard currency	**collateral**
242.6	**104.7**	**114.4**	**104.6**	Privatebanks	
4.6	**6.3**	**1.8**	**1.9**	In foreigncurrency	
1024.7	**938.4**	**865.6**	**599.0**	**Total deposits as collateral**	
10232.2	**9079.9**	**9200.7**	**9117.5**	**Total depositscollected**	
85.1%	**87.1%**	**88.3%**	**87.7%**	**Share of public banks**	
14.2%	**12.9%**	**11.7%**	**12.3%**	**Share of public banks**	

Source: Prepared by researchersbased on Bank of Algeria reports 2014-2017.

Referrals and references:

1. GOUMRI, M. (1993). L'offre de monnaie en Algerie,collection économique. Algerie: ENAG édition.
2. Boubacar Safia Ahmed. (06-08 10, 2003). L'impact de l'Accord général sur les services sur le marché arabe de l'assurance. Forum marketing dans les opportunités et les défis d'assurance arabe, page 104.
3. . Oussama Abdulhak al-Ansari. (septembre 1994). Gestion des banques commerciales et islamiques. Date de récupération 30 12, 2019, de www.kotobarabia.com.
4. . Statistics, E.A. (2002). International Trade Statistics Guide to Services. United Nations: United Nations publications.
5. . Al Al, I.A. (1999). Global developments and their implications for the work of banks (éd. withoutedition). Alexandria, Egypt: University House
6. Qazvini, rue (2000). Conférences en économie de banques. Algérie: Bureau des publications universitaires.
7. Posalm, P. (2011). L'impact de la libéralisation du commerce international des services sur l'efficacité de l'activité bancaire dans les pays en développement - le cas de l'Algérie - . Thèse du maître. Constantine-Algérie- Faculté d'économie, Algérie.
8. Safwat Abdeslam Awadallah. International economicorganizations and theirrole in the liberalization of international trade. Cairo: Arab Renaissance House.
9. Abdel Rahman, A. (Sans année de publication). Le développement du système bancaire algérien (éd. Sans édition). Algérie: BalkisPublishing House.
10. . AbdulMutallab, P. (2005). Globalization and the economics of banks (éd. withoutedition). Egypt: Alexandria University House.
11. . Amara, R.M. (2008). Liberalization of international trade in accordance with the Gats (Vol. First Edition) Agreement. Alexandria: UniversityThought House.
12. . Amara, R.M. (2014). General Agreement on Trade in Services (GATS) provisions and effects (éd. withoutedition). Egypt: Center for ArabStudies.
13. . Faris, F. (2013). Banking Techniques Lectures and Applications (ed. First Edition, Vol. Part One). Algérie: presse Mosak Rashid.
14. . FawazJarallah, Naif Al-Dulaimi et Ahmed Tariq Mahmoud Al-Agha. (2008). L'impact de la libéralisation du commerce international des services financiers sur la croissance économique dans certains pays en développement. Journal de développement d'Al-Rafidain, 244.

15. . Lanterneaux généreux. (2013). La réalité de la libéralisation du secteur des services d'assurance sur les économies des pays arabes. Magazine des connaissances, 371.
16. . Pour Grive, a. (2015). Monetary and BankingEconomics (éd. 2e édition). Algérie: Bureau de presse universitaire.
17. . Mohammed bin Buzian Nawal bin Khaldi. (06, 2016). Le système bancaire algérien: entre les obstacles à l'application du modèle bancaire global et les limites de la banque traditionnelle. les cahiers de MECAS (12).
18. . Muhammad, H. a. (2005, 12 03). International Agreement for the Liberalization of Trade in Financial Services and itsEffects on the Economies of Developing Countries - Libya as a Case Study -. Master Thesis. Benghazi, Faculty of Economics, Libya: University of Benghazi.
19. Mahmoud Ibrahim Fayad. (22 09, 2005). Liberalizingtrade in financial services in the agreements of the World Trade Organization and the reality of the financial services sector in Palestine. Palestine: University of Gaza.
20. Mahmoud, M. P. (2007). World Trade Organization and itsrole in developing the economies of Islamic countries (ed. Withoutedition). Egypt: Dar Al Kutub Al-Kubra Al-Mahalla Al-Kubra
21. . Murad, S. a. (2007). Activatingbanking marketing to counter the effects of GATS. (First I., Éd.) Egypt: ArabKnowledge Bureau
22. . Houwari, g. B. (2006, 24-25 avril). L'impact de la libéralisation des services financiers sur le système bancaire algérien. Un forum national sur le système bancaire à la lumière des transformations juridiques et économiques. Université de Bechar, Algérie.

How to cite this article by the APA method:

tawfiq ADDADI , boumediene FILALI , cherifa DJAADI (2020), **The agreement on the liberalization of financial services and their reflections on the competitiveness of the banking system in developing countries(comparative study between Algeria and the United Arab Emirates)** , Algerian review of economic development, Volume 07(Number 01), Algeria: Kasdi Marbah University Ouargla, pp. 433-450.