

INSIDER VIEW

Lebanon

MONDAY, DECEMBER 31, 2001

Stability points to a prosperous future

SINCE THE END OF LEBANON'S DEVASTATING CIVIL WAR IN 1991, SIGNIFICANT PROGRESS HAS BEEN MADE IN REBUILDING THE IMAGE OF WHAT WAS ONCE THE MIDDLE EAST'S PRIME BANKING

HUB. RECOVERY HAS TAKEN THE FORM OF IMPRESSIVE ANNUAL ECONOMIC GROWTH, POLITICAL AND MONETARY STABILITY, AND THE RECONSTRUCTION OF A WAR-TORN INFRASTRUCTURE

BEFORE 1975, when Lebanon's 16-year civil war started, the country was a thriving economic crossroads linking East with West. After the war the whole infrastructure emerged seriously damaged, with national output cut by half and its role as a Middle East banking hub virtually over. Recovery has been slow but steady, helped by a sound banking system, outstanding debt service and a resilient business economy. Though monumental challenges remain, the GDP has risen, inflation fallen and the Lebanese pound gradually stabilized. The stock exchange, dormant for the past three years, is expected to recover once the economy has been liberalized.

The Governor of the country's central bank (Banque du Liban), Ryad Salame, views 1993-98 as a period of consistent improvement with over 5% average growth per year. "This growth was essentially driven by the government's reconstruction programs and private sector initiatives taken in order



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A PROMISING PANORAMA The regeneration of Beirut's central business district is a key step towards consolidating the country's recovery.



MINISTRY OF TOURISM

FACTS & FIGURES

POPULATION

3,627,774
(July 2001 est.)

AREA

4,015 square miles.
About 0.7 times the size of Connecticut

LOCATION

Middle East, bordering the Mediterranean Sea, between Israel and Syria

EXCHANGE

1 US\$ = 1,498.10 LBP
Lebanon Pounds
(December 2001 est.)

CAPITAL

Beirut

GDP

\$18.2 billion (2000 est.)
purchasing power parity

RESOURCES

Natural resources include: limestone, iron ore, salt, arable land

MINISTRY OF TOURISM

"We intend to increase the role of the private sector"

IN AN EXCLUSIVE interview, Lebanon's Minister of Finance, Fouad Siniora, outlines his own personal vision of the country's future, which includes a prominent Lebanese role in the forging of Arab integration.

Could you make a brief assessment of your government's performance?

After three negative years, our intention is to boost growth, integrate the country in the world economy, and increase the role of the private sector. We aim to generate more revenue by reducing large budget expenditure and finding new revenue methods.

Would you say your government is unable to 'sell' its policies to the public?



FOUAD SINIORA
Minister of Finance

On the contrary, Lebanon is an open system with liberal political and economic policies. That is what makes the situation different here, compared to non-liberal countries where people accept what they are told without question.

Is Lebanon now a homogeneous country?

Not exactly. Lebanon is still rather like a group of families. You have high and low power points and everybody knows that our diversity has provoked disagreements. But this is what makes Lebanon different in the region. Everyone wants to show he can excel and do better.

Why has there been such a delay in launching the privatization process?

Opinions are divided. The climate is now becoming more favorable though we have to take serious and painful decisions as in the case of Middle East Airlines (MEA).

Are you still considering any further tax reductions?

Next step will be a comprehensive income tax for income generated in Lebanon.

What measures are you taking to solve Lebanon's tax collection problem?

We have increased collection fivefold since 1992 and are acting in many separate areas: income tax, direct tax and indirect tax.

Do you believe further regional Arab economic integration could be one of the solutions for Lebanon's problems?

Yes. It is in the interests of Lebanon and the whole Arab world to do so.

Who is taking the initiative among Arab countries to promote integration?

We are completely in favor of integration. Charges will gradually be reduced to zero by 2008 when the free trade area with Arab countries comes into effect.

What steps are you taking to attract investors?

A new law providing incentives will be completed by parliament next summer.

What are the best investment and potential partnership opportunities for American companies?

Lebanon exerts more influence in the Arab world than its size suggests. Through its history, location, education and exposure to world cultures it stands to be a good partner between East and West.

What is Lebanon's relationship with Syria?

It is necessary for many political and economic reasons to have good relations with Syria. We have many Syrians working here and Syria remains a very important market for us.

"Lebanon exerts more influence in the Arab world than its small size suggests"

INTERVIEW WITH ISSAM FARES

"We aim to be a service provider of the first rank"

A RESILIENT ECONOMY AND AN OUTSTANDING DEBT SERVICE RECORD HAVE ALLOWED THE LEBANESE GOVERNMENT TO REBUILD ITS SHATTERED INFRASTRUCTURE NETWORK. THE CHALLENGE NOW IS TO INCREASE PRODUCTIVITY BY FURTHER EXPANDING PIVOTAL INDUSTRIES SUCH AS BANKING AND TOURISM

Issam Fares, as Deputy Prime Minister of Lebanon could you introduce Lebanon and its government to our readers?

Lebanon is as old as history itself. The name Lebanon is mentioned 64 times in the bible and the country has survived the on-

slaught of many empires and kingdoms. It emerged in the 20th century as a country of Christians and Muslims with a Constitution and Council of Ministers carefully balanced between religious communities.

Today, the President is a Christian and the Prime Minister is a Muslim and all top government posts are distributed equally between Christians and Muslims. Our main resource is our people and we are very proud of them.

How do you assess the Middle East situation?

It could go either way, but I sincerely hope that the region returns to the negotiating table on the basis of the Madrid conference

principle of Land for Peace. The Lebanese firmly want peace but only a comprehensive and just

peace based on international legitimacy and the resolutions of the UN Security Council.

What is the future for the Palestinian refugees in Lebanon?

The Lebanese position is clear. Palestinians have an inalienable right to return to their homeland as mentioned in UN resolution 194 and the Lebanese constitution expressly rejects the mass settlement of any non-Lebanese in Lebanon. The country cannot absorb an additional population at a time when our youth are forced to emigrate to find job opportunities.

The number of Lebanese outside Lebanon is three times the number in Lebanon, why is this?

Literacy is very high in Lebanon and most Lebanese speak more than one language other than Arabic. The Lebanese have the ability to adapt to all societies they emigrate to. The war pushed many of our intel-



SKY-HIGH HOPES Beirut is looking to the private sector to drive the local economy.

ligentsia to look for opportunities elsewhere. The United States, Canada and Australia have attracted large numbers of our people.

It is estimated that there are two million Lebanese descendants living in the United States. What would you say to them?

We want them first and foremost to be good American cit-

izens, to build bridges of friendship between our two countries without them forgetting their Lebanese origins. Some have very high posts in politics, business and the civil service and we are happy that they are participating effectively in American life.

How can you stop the brain drain?

The government is doing all it can to rebuild what was destroyed in the war, to revitalize the economy and to create job opportunities to counteract the wave of emigration.

On what basis are you revitalizing the national economy?

Lebanon has a free economy. We also have banking secrecy. These are the two pillars of our economy. Since our government took office we have undertaken an Open Skies policy, reformed the customs regime and privatized a number of key public sectors.

What do you think privatization will achieve?

Privatization will create economic growth. It will help the state pay off a significant amount of its debt capital. This will reduce the budget deficit and allow interest rates to come down. This in turn will encourage more lending, investment and growth. In addition our privatized utilities should end up being run at lower cost and better quality to the consumer and the business community.

What role will foreign investment play?

The entry into Lebanon of foreign investors and companies through these privatizations will create new synergies that will impact positively on Lebanon and its economic role in the region.

These companies require telecommunications networks and modern infrastructures. What steps have so far been taken?

We have been completing our infrastructure of highways, roads, water networks, electricity grids, fixed phones, mobile phones and data transmission networks to the highest technological standards. This has cost us more than we can comfortably afford but it is necessary to provide an attractive investment environment and allow Lebanon to regain its role as a service provider of the first rank.

In addition to your public responsibilities as Deputy Prime Minister, you have founded the Fares Foundation.

I have always felt that alongside the state, leading members of the private sector have a duty to promote human and social development. The Foundation empowers our people, principally through the provision of health and education projects, to play an active and productive role in their own social and economic future, and therefore that of our country.



ISSAM FARES
Deputy Prime Minister of Lebanon

Acts of kindness deliver hope

ISSAM FARES is Deputy Prime Minister of Lebanon and founding father of the humanitarian organization called the Fares Foundation. The Foundation is a non-profit institution that has supported cultural, educational, health, sport and development programs in Lebanon since it was first registered in 1987. Much of its work focuses on developing a sense of community, health awareness and academic excellence in young people growing up in Lebanon today with the underlying purpose of instilling a belief in a free, democratic and progressive future for the Lebanese people and the country. Its work reaches far into the rural heartland of Lebanon where it contributes to infrastructure projects by opening roads, digging wells and extending water and electricity services in needy areas. Mr. Fares is generous in his distribution of funding. University buildings, schools, halls, associations, clinics and dispen-

saries all carry his name, which has come to symbolize the extensive nature of all that the Foundation has achieved and is continuing to achieve. In the 1980s the Foundation award-



THE FARES FOUNDATION plays a prominent role in health, education and the development of rural areas in Lebanon.

ed the American University of Beirut a major grant to establish the Issam Fares Lecture Hall at the Faculty of Medicine, and in the 1990s another major grant was awarded to help re-

build College Hall, whose arcade is named in Mr. Fares's honor. Tufts University in Boston boasts two institutions and a lecture series in Mr. Fares's name: the Fares Equine Research Center, the Fares Center for Eastern Mediterranean Studies, and the Issam M. Fares Lecture series which has hosted such notable speakers as Secretary of State Colin Powell, Former President George H.W. Bush, Former French President Valéry Giscard D'Estaing, and Former British Prime Minister Margaret Thatcher. From summer camps and book signings to entire educational and medical infrastructures, the Foundation continues to enrich the life of the Lebanese, encouraging a new post-war generation through intellectual and artistic endeavor.



"The private sector has a duty to promote human and social development"

Lebanon

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MINISTRY OF TOURISM

OPEN FOR BUSINESS Lebanon is once again resuming its historic role as a key Middle Eastern trading center.

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to rebuild the economy," he says. "We witnessed a slow-down between 1998 and 2000 but this year we are looking at a growth of around 3% which means the economy is starting to rebound."

He attributes this result to lowered duties, tariffs and social security costs and an 'open skies' policy resulting in increased imports and a

regained importance in the banking, financial and service areas. "Lebanon is resuming its role as a center for trade in the region," he declares.

Mr. Salame rules out devaluation as it could erode confidence and spur inflation, and feels that current high interest rates have not harmed the economy. "It is more important to have stability and let markets fix rates," he says. Measures are being

implemented to control the budget deficit and reduce public sector costs and, in spite of resistance by political parties and labor unions, privatization and consolidation are seen as necessary steps in revitalizing industry.

The government is trying to reduce public sector costs as well as its own size in the economy. "The pre-war public sector represented 17% of the GDP," says Mr.

Salame. "Today it is over 30%. As part of its reforming policies the government is trying to cut down the public sector by privatization." This largely unpopular policy has also been applied to the media, television and other businesses such as MEA (Middle East Airlines) where it resulted in 1,400 employees being made redundant and 700 transferred to affiliated sectors such as catering and ground services. The

Reforms pave the way for increased competition in banking

HAVING REDUCED INFLATION FROM 100% TO 3% DURING THE COURSE OF THE 1990s, NEW LEGISLATIVE REFORMS, COUPLED WITH TECHNOLOGICAL ADVANCES, ARE SET TO GIVE LEBANON'S FINANCIAL SECTOR A VITAL CUTTING EDGE

AFTER A gradual improvement in the 1990s, the Lebanese economy is running out of steam. The government has accordingly prepared some legislative reforms to strengthen and modernize the whole banking sector and help the country recapture some of its pre-war stability and affluence.

Ryad Salame, Governor of Banque du Liban (the country's central bank), echoes the wish to re-establish Lebanon as the Middle East's financial center. He admits that growth has dropped from 5% to 3% in the past three years but is optimistic. "The fact remains that Lebanon has regained an important position in the banking, financial and service areas," he says. Current high interest rates do not worry him unduly as he thinks the market forces should be allowed to decide which way the

economy turns. "This is not the major factor commanding growth because the return on projects in Lebanon are quite high," he comments. On devaluation he is even more dismissive. "We do not believe

that the devaluation of the Lebanese pound could be of interest to the economy or could give it the competitive edge it needs because our economy is dollarized," he says.



BANQUE DU LIBAN Lebanon's Central Bank.

Today's modern banking sector has access to all the necessary services using state-of-the-art technology. "We have issued a regulation whereby we can put the general framework to have electronic banking and the recognition of an electronic signature," says Mr. Salame. "We have also organized the extension of ATMs, telephone and computer banking." New laws have also been issued allowing foreign participation in the capital of banks. "Today, foreign capital can own 100% of any bank in Lebanon," he points out.

Mr. Salame regards his main personal achievements in this challenging new era as reducing inflation from 100% to 3%, regaining international markets, introducing a variety of reforms from capitalization to risk reduction, and creating a payments system. He is also satisfied with

aim is for the company to reduce losses, make a profit and then be eligible to be sold. Further important restructuring since 1993 has included the elimination of 20 banks through mergers.

In the past year, the Minister of Finance Fouad Sinioura has launched a program of reforms to revive the economy, reducing taxes, lowering tariffs to promote freer trade, and imposing VAT by 2002. He plans to give the private sector a prominent role but regards a private monopoly as no more desirable than a public one, preferring a balance between the two. Another aim is to generate more revenue by reducing large budget expenses, increasing capital expenditure, finding new methods of revenue and solving the problem of accumulated public debt. Tax collection is a further problem which is slowly improving.

"Lebanon has an open system with liberal, political and economic policies," he says and believes that his country has a great will to succeed. He is strongly in favor of Arab integration and sees the proposed customs-free trade area, due in 2008, as a great unifying step. American support is regarded as highly important and, though the September 11 attacks have had a negative impact on U.S. investment in the region, imminent new incentive laws will be aimed at tempting overseas investors, particularly those from the U.S.

“We are completely in favor of Arab integration. Charges are gradually being reduced to zero in time for 2008.”

FOUAD SINIOURA
Minister of Finance

“Lebanon witnessed a slow down between 1998 and 2000 but this year we are looking at a growth of around 3% which means the economy is starting to rebound.”

RYAD SALAME
Governor of Banque du Liban

Country's largest bank offers the latest financial solutions

FOUNDED in 1951 by expatriates living in Brazil with the aim of carrying out activities both in the Middle East and Latin America, the Blom Bank is the largest and most profitable bank in Lebanon. "We have about 11.5% of the market in terms of deposits and total assets," says General Manager Sahmer Azhari. "In terms of profitability we have significantly more than 20% of the sector alone."

Blom has expanded from a family concern into a well-equipped shareholding company with over 250 shareholders. "We issued GDRs for 25% of our capital in Luxembourg in 1998 so we have another 2,000 to 3,000 shareholders," says Mr. Azhari. "We also have practically all the facilities for the products offered in Europe or the U.S., such as phone banking, internet banking and private and investment banking services."

He feels the bank owes its success to two money-saving factors. "We have the lowest risk loans and lowest cost to income ratio." Blom actually grew by 50% while in the process of reducing costs, and

has performed impressively in the past five years, moving from a culture reliant on main commercial services to one of selling products, with an emphasis on customer service. As an incentive, generous bonuses are given to staff who do well at selling products.

Though cautious when it comes to lending, Blom is aggressive in terms of infrastructure and modernization, and its achievements here have been recognized the world over. "For our internet banking solution we were the first to introduce PKI (Public Key Infrastructure)," he says.

Privatization is seen as a solution to promoting growth by reducing debt and improving efficiency. "The government is trying to take measures to encourage investors to come to this country," says Mr. Azhari. Investment has been slow in coming to date, as Lebanon is still considered a risk area, but the diaspora of 10 million Lebanese living abroad, three times the country's population, is a potential source of capital influx that could well start the ball rolling.

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Société Générale de Banque au Liban

AN AFFILIATE of the European Société Générale, the SGBL (Société Générale de Banque au Liban) is the seventh most important bank in Lebanon, offering a wide range of global services that vary from retail, private and corporate investment to brokerage and leasing services. In 1992, SGBL took over the Globe Bank and the following year expanded its national coverage by incorporating 11 new branches into its network, making an all-round total of 27.

In 1993, it created Sogelease Liban, an equipment and fur-

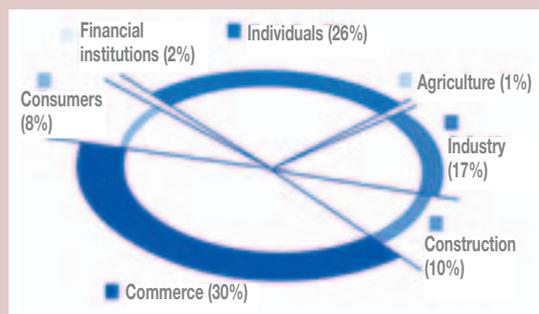
nishings business leasing company. Since then, the bank transformed its organizational structure by means of a dynamic and evolutionary organization chart, which clarified the bank's overall policy of local and regional expansion. SGBL has since continued developing its specialized financial and banking services through its affiliates.

In 1999 SGBL acquired 51% of Fidus, Lebanon's top brokerage society, and took over the entire company in January 2001. Last year it acquired the

assets and liabilities of the Inaash Bank and increased its total number of branches to 43.

In 2000 SGBL continued its expansion, acquiring 37% of Jordan's Middle East Investment Bank and handling its management. It also opened a branch in the new offshore area in Damascus, though company chairman Maurice Sehnaoui thinks that the real development of the Syrian banking sector should wait for the application of the new law regarding the opening of foreign and private onshore banks in Syria.

In Cyprus, SGBL is present through its sister bank, SG Cyprus, which was one of the first foreign banks to obtain an onshore license. The bank's ultimate goal is to build a truly regional bank in the Middle East and Cyprus. However, Mr. Sehnaoui says that this expansion objective will have to await for more adequate regional circumstances. With an eye on the future, SGBL is currently investing strongly in e-banking and pioneering Lebanon's use of mobile banking in conjunction with a mobile phone operator.



DISTRIBUTION OF LOANS IN 2000 The portfolio of client loans demonstrates a good sectorial diversification. The largest proportion of this portfolio is given over to commercial activities (36%), individual clients (26%), and industry (17%).

SOCIÉTÉ GÉNÉRALE DE BANQUE AU LIBAN



REACHING OUT The Lebanese banking system has regained international markets thanks to financially-sound policies and anti-laundering laws.

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his attempts to establish good relations and global links with European banks, Arab countries and international agencies, pass anti-laundering laws, arrange medium-term credit, and make housing and consumer loans possible.

Istisharat BML (Business Machines in Lebanon), which develops software packages for banking, insurance and manu-



RYAD SALAME
Governor of Banque du Liban

facturing organizations, is a model Lebanese success story, a company that is ready to work anywhere in the world. Set up in 1972, with a focus on IT services, Istisharat expanded its field—against all odds—during the chaotic days of the civil war, providing innovation in the development of the ICBS (Integrated Computerized Banking System) which is now installed in over 50 banks in Europe, Africa and the Middle East.

"The war had a major impact on the Lebanese banking system," says chairman Joe Faddoul. "There was a world-wide emergence of mini computers bought by local banks. The increase in the number of agencies and cost-effective computers created a great demand on the banking systems. So we started developing solutions for local banks."

Istisharat has branches in France, Saudi Arabia and some Gulf and Middle East countries, and subsidiaries in France and the U.S. "We have chosen the regional banks because we feel we can offer them something," says Mr. Faddoul. The company has also developed insurance software and, thanks to deregulation, is preparing to establish an insurance bank in Beirut based on its credit.

Mr. Faddoul sees the U.S. with its large number of banks, as a huge market. "In Europe you must take what is available, while in the U.S. you take what you want and this is a big opportunity." He modestly plays down the image of Istisharat as a world player. "We are a Lebanese company which pretends to be global. Our philosophy is to be a well-known player in some areas where we have a distinctive edge, especially in the financial sector."

New laws have been passed to allow 100% foreign ownership of banks

HIGH QUALITY SERVICES THROUGHOUT THE LEVANT

SOCIÉTÉ GÉNÉRALE DE BANQUE AU LIBAN (SGBL) offers high quality **universal banking** services to individuals and corporate clients:

- RETAIL BANKING
- CORPORATE BANKING
- PRIVATE BANKING

and **specialized financial services** through its affiliates:

- **FIDUS**: leader of brokers in Lebanon
- **SOGELEASE LIBAN**: pioneer and leader of leasing activities in Lebanon
- **SOGECAP LIBAN**: life insurance

SGBL, the shareholding of which is composed of SOCIÉTÉ GÉNÉRALE and the SEHNAOUI GROUP, follows a **regional expansion policy**:

- * **LEBANON**: SGBL has a national network of 43 branches.
- * **SYRIA**: SGBL was the first foreign private bank to open an offshore branch in the Damascus free zone.
- * **JORDAN**: MEIB, affiliated with SGBL, is a commercial bank with 16 branches.
- * **CYPRUS**: SG Cyprus—SGBL's offshore-operating sister bank (same shareholding)—was one of the first foreign banks to obtain an onshore license.

SGBL is part of the international network of SOCIÉTÉ GÉNÉRALE with 2,600 branches in France and operations in 75 countries.



SOCIÉTÉ GÉNÉRALE DE BANQUE AU LIBAN
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EURO-MED PARTNERSHIP AGREEMENT

▶ THE EURO-MEDITERRANEAN PARTNERSHIP INITIATIVE (Euro-Med), grew out of previous bilateral agreements between the EU and the southern Mediterranean states.

The signatories were the 15 EC members plus 12 southern Mediterranean partners, including Egypt, Israel, Jordan, Lebanon, Syria and the Palestinian Authority.

The three main aims of the Euro-Med agreement are:

- ▶ Political and security cooperation;
- ▶ economic and financial cooperation;
- ▶ social, cultural and human cooperation.

Most of the emphasis has been placed on the establishment of a free-trade zone in industrial goods by 2010, with the elimination of tariff and non-tariff barriers, and creating a favorable environment for investment by pursuing policies of economic liberalization.

The Euro-Med agreement has the potential to be of enormous long-term benefit to the countries of the Middle East, especially in terms of opening an important export market and boosting investment levels.

Under the terms of the agreement, Lebanon and Europe will provide imports greater access to their markets, by gradually dropping customs duties on most goods. But the Europeans

have insisted that Lebanese manufactured goods meet European standards. Some economists have predicted that customs revenues may drop by 30% if the duties on European goods are removed in the next few years. They fear that many medium and large-size local industries may be forced to close down under increased competition.

However, the Lebanese Minister of Economy and Trade Basil Fuleihan, has had to downplay fears that the Euro-Med Partnership Agreement will negatively affect the local economy. The minister recently stated that the agreement to give local products preferential access to European markets can only be considered a positive step for the Lebanese economy.

Lebanon

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Agency opens doors to 'land of opportunities'

MANAGEMENT EXPERIENCE, HUMAN CAPITAL, FLEXIBILITY, AND TECHNOLOGICAL SOPHISTICATION ARE JUST SOME OF THE INCENTIVES FOR U.S. COMPANIES TO INVEST IN LEBANON

THE PROMOTION of foreign investment in Lebanon is regarded as an important step towards boosting economic growth and establishing wider global relations. Pushing this policy is IDAL (Investment Development Authority of Lebanon), a public non-profit agency reporting to the Prime Minister. Its Chairman and General Director, Kamal Hayek, sees IDAL's role as providing fiscal system and other necessary information, identifying investment opportunities, promoting the country internationally and dealing with investment-related issues such as laws and incentives.

The organization's 'one stop shop' plan offers potential investors a range of services, including details of the investment climate on its comprehensive website. IDAL also acts on the investor's behalf to expedite and simplify the administrative procedures for getting the necessary permits and licenses. Most current investment is in the industrial, tourist and technological areas, and comes from Europe and the Gulf States through partnerships with local Lebanese entrepreneurs.

Lebanese wine and canned foods have been successfully exported to the U.S.

"The new package deal provided contains an arbitrational clause as well as incentives for the technology sectors," says Mr. Hayek.

He regards the Lebanese diaspora as a very important investment source. "We should offer them certain assets and services. It is easier for them to come and set up activities because they know the country and the culture and have relatives here." He also looks forward to U.S. investors paying him a call.

"They should visit our website, contact us, and use our services if they are thinking of coming to Lebanon," he says.

Salim J. Zeeni, President of the American Lebanese Chamber of Commerce, is also upbeat. "This is the best time to invest," he proclaims. He wants Lebanon to play a larger role than in the past and greatly favors Arab union, which will bring a market of 100 million to add to Lebanon's 4 million. The 2002 bilateral agreement with Syria will abolish customs duties between the two countries and he is working hard to get new laws implemented to be eligible

for the World Trade Organization (WTO) and widen up the field of operation. Internally there is now more contact and cooperation between private and public sectors than ever before and government plans for fiscal legislative reforms include the introduction of VAT.

Mr. Zeeni welcomes the renewal of American cooperation after years of alienation. There has been U.S. participation in agro-business and food chains such as McDonald's, and successful exporting of Lebanese wine and canned food to the



ARAB UNION The creation of an Arab free trade zone will bring a market of 100 million to Lebanon.

U.S. There are also projects in the electricity, water and telecommunications sectors. He would like the U.S. to view Lebanon as a land of opportunity where you

can invest and transfer funds easily without exchange control. The Association of Lebanese Industrialists' President Jacques J. Sarraf sees Lebanon's current

situation as the best in 25 years, thanks to its now stable economy, legal and fiscal reforms and ongoing reconstruction process. He would like to promote it as a no-risk country that needs a partnership with countries or companies willing to help modernize it, and cites management experience, human capital, flexibility, and technological advances as its main assets. He strongly supports incentives for investors and the liberalization and privatization of companies, of which he claims 120 are up to EU standard.

Minister of Economy and Trade Basil Fuleihan echoes Mr. Sarraf's sentiments on Lebanon's economic performance and attributes the surprisingly strong private sector investments in technology and R & D to the small budget allocated by the government. He feels his country's main interest in the U.S. is to set up partnerships that provide the capital and know-how to develop sectors such as TMT.

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Strategic location lures U.S. investors

IDAL (Investment Development Authority of Lebanon), Lebanon's non-profit investment promotion agency, is responsible to the prime minister and staffed by qualified results-oriented professionals. Its role is to make things easier setting up a business in Lebanon and its main activities include identifying public and private investment, providing a range of services to investors, and advising the government on investment-related issues.

Investments to date have come mainly from Europe and the affluent Arabian Gulf countries, most of whom set up partnerships with local business interests. Conditions for starting a company are easy: no official

authorization is required, incorporation procedures are simple, few restrictions are imposed on foreigners, and funds can be transferred freely in and out of the country. Incentives are available and it is possible to set up a company in Lebanon with IDAL's help in less than a week. Corporate taxes depend on the type of company and are assessed either as a flat rate or percentage of the profits, and work permits must be filed with the Ministry of Labor.

Though Lebanon's population is only around 4 million, its strategic location gives it access to a temptingly huge regional market spreading from North Africa to Iran and beyond. Main business opportunities are

to be found in tourism, agriculture, industry, energy, environment and transportation. Permit and licensing processes are eased by IDAL's comprehensive 'one stop shop' service, whose role is to expedite and simplify the whole relevant administrative procedure.

This summer, IDAL was given an American government grant, through the U.S. Trade and Development Agency, to finance a feasibility study to establish a Beirut International Technology Zone. Chairman and General Director Kamal Hayek hopes this heralds a new era of transatlantic collaboration. "I look forward to seeing U.S. companies coming and investing in various sectors in Lebanon," he says.



SALIM J. ZEENI
President of the American Lebanese Chamber of Commerce



JACQUES J. SARRAF
President of the Association of Lebanese Industrialists



BASIL FULEIHAN
Minister of Economy and Trade

EXPERTISE BORN OF EXPERIENCE... the C.A.T. group

EXPERTS IN OIL, GAS AND WATER INFRASTRUCTURE

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Strength in Banking

At the Banque du Liban, we take our role as promoter and protector of the Lebanese banking sector seriously. We stand firmly behind national economic development, in every way.

مصرف لبنان
BANQUE DU LIBAN

P.O. Box 11-5544, Beirut, Lebanon
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A commitment to better infrastructure

LEBANON, AND BEIRUT IN PARTICULAR, ARE SEEING A RENAISSANCE IN CONSTRUCTION AS PRIVATE AND PUBLIC OPERATORS REBUILD A SHATTERED INFRASTRUCTURE

IN THE WAKE of Lebanon's devastating civil war, the construction industry has seen an unprecedented boom. Reconstruction accelerated after the Hariri government took over in 1992. "Since then, the entire infrastructure has been rebuilt at a cost of 5 to 6 billion Lebanese pounds," says Fouad El-Khazen, Chairman of the Syndicate of Contractors, whose 60 year-old company was founded in the Palestine Authority. "We were doing buildings, roads, tunnels, bridges, pipelines and electronic machinery before the civil war," he recalls.

Roads, buildings, hotels, marinas and a new international airport are the result of this second infrastructural renaissance. Mr. El-Khazen praises the 5 year old Solidere company, which built his offices and most of the rest of modern Beirut, as a prime example of a private and independent construction business and notes how recent visitors and dignitaries have been impressed by the way the city has been so dynamically transformed. As an unexpected cultural bonus, excavations have uncovered valuable archeological relics

buried by earthquakes over the centuries.

Mr. El-Khazen is in charge of the syndicate's building and contracting sector, but he feels he has been hampered by administrative bureaucracy which dates from the French colonial era of 1943. He feels that legislative reforms are needed to lighten this burden and improve efficiency in commissioning building contracts. His own style is based on meritocracy rather than "religion or looks" and he would like to see the government acting similarly "to provide qualified people with a professional consciousness."

Abroad he sees short-term growth prospects in the Gulf States and Nigeria, while at home he is try-

ing to put across the image of Lebanon as the place for foreign countries and companies to invest. He thinks the U.S., already a presence with the Sheraton and Inter Continental Hotels, should forget political and security doubts and look deeper into the tourism sector.

Another important player in the construction sector is Ciment de Siblino, a part public part private cement-manufacturing company backed by over 5,000 shareholders. General Manager Nicolas Nahas sees the public level as fueled by the capabilities of the country's economy, while the private sector relies mainly on the global working Lebanese diaspora. "In the public sector there was huge activity between 1996 and 1998," he says. This is now slower because of a different agenda and maturing of most earlier plans. Improved public financial figures are needed to move forward again.

Mr. Nahas refutes accusations of pollution by environmental groups such as Greenpeace and claims that emissions are registered and measured weekly by sophisticated



FOUAD EL-KHAZEN
Chairman of the Syndicate
of Contractors



NICOLAS NAHAS
General Manager of
Ciment de Siblino

equipment. He also counters critics who say he has turned Beirut into a "concrete jungle" and claims that without the 1960 urban planning policy the capital would be "unbelievable." Hemmed in by sea and mountains the city cannot expand, so high-rise buildings are inevitable. "Beirut is Beirut."

Ciment de Siblino is ranked third nationally and Mr. Nahas attributes its success in a competitive world to a strict quality control. He has three international certificates to prove it and his company's motto, "Quality

is our brand, services are our aim", says it all. The company also keeps up to date with equipment. "The new line is the most advanced technology available," he says. "In administration we are also very sophisticated." Mr. Nahas refutes the suggestion that Ciment de Siblino has been affected by the general recession. "We are 17-18% up on last year," he points out, but would welcome a foreign injection of funds to boost its market share. "I think we are a good opportunity for investment as we invest a lot ourselves."



CIMENT DE SIBLINE S.A.L.

The regeneration of Beirut city center

THE REBIRTH OF THE CAPITAL IS FULLY UNDERWAY THANKS TO THE AMBITIOUS PLAN TO CONVERT BEIRUT CENTRAL DISTRICT (BCD) INTO THE FINEST CITY CENTER IN THE MIDDLE EAST

AFTER THE civil war, Beirut's Council of Development and Reconstruction needed someone to rebuild their ravaged city. When massive public investment combined with macro-economic policies eventually created the favorable economic conditions for this huge assignment, they picked Solidere, a prestigious joint stock company with a share capital of \$1.65 billion. The company deals in high value-added land development activities and competitive real estate projects, and outsources construction to focus on its core competencies: managing real estate project development, selling and marketing land, and marketing and servicing rental properties. Its consequent transformation of the Lebanese capital, meticulously planned and with one-third of it on reclaimed land, has been spectacular.

As lead developer and supervisory body, Solidere controls the pace, components and quality of development. BCD (Beirut Central District) is the focus of its radically ambitious activities and is intended, when

finally finished, to be the finest city center in the Middle East. Its 1.8 million square meters of land will eventually house a multitude of facilities including a huge central state-of-the-art souk, two marinas, modern office blocks, restored residential zones, wide avenues and landscaped parks.

Development is planned in two phases. The first phase deals with all infrastructure works in the traditional BCD, including land reclamation, and work on the western marina, which lies beside St. George's Bay and close to a waterside park. The marina has space for 500 boats and was completed in 2000 together with a breakwater and protective twin-line defense structure. In addition to restoring the entire historic core of Beirut, this phase has involved the renovation of the Starco and Lazarieh buildings and redevelopment of Saifi, Zakak El Blatt and the northern section of Wadi Abou Jamil into residential areas.

Projects completed in the first phase include the Embassy Complex, UN House and Saifi Village, a stylishly restored development of one to four bedroomed flats. The latter, with its pastel-hued façades and central courtyard, landscaped as a garden and linked by connecting walkways, exemplifies Solidere's tasteful approach to residential areas. The properties enjoy quality interior design, modern management services and underground car parks. They are for sale, lease, or lease with option to buy. Like the skillfully restored BCD buildings in other areas, such as Maarad and Foch-Allenby, they preserve surviving elements—old stone, iron and wood—to provide an authenticity based on high-quality craftsmanship.

Phase two will finalize the souks of Beirut and residential developments in Wadi Abou Jamil, focus on the Serail corridor, main hotel district and areas surrounding Martyr's Square and the UN Plaza. It will also involve completing treatment, reclamation and infrastructure of the waterfront zone, including the eastern marina. It is planned that further new

Global construction company makes comeback

THE 64-YEAR-OLD C.A.T. Group of Lebanon is the well-known international contractor which provides construction and infrastructural services for the oil and gas and construction industries. Centered in the Middle East and Africa it has the ability to provide services globally. In its prewar heyday the company ranked 60th in a list of 250 main world contractors with a turnover of \$250 million a year, but by 1994 the aftermath of the Gulf War and the country's ravages had reduced this figure to a tenth. Now it is back to \$100 million and has a potential \$200-250 million targeted for the near future as it tries to recover its original position of prominence.

Chief Finance Officer Aziz Bassoul managed the group's headquarters in Paris under the name Eurocat until it returned to Beirut in 1995, where it now controls 10% of C.A.T.'s entire worldwide turnover. The group's approach to every assignment is characterized by advanced technical competence, genuine pride in workmanship and meticulous attention to detail. "The philoso-

phy of C.A.T. is to produce quality products by respecting the construction deadlines and specifications that come with the tender," says Dr. Bassoul.

First among its achievements on returning to Lebanon was to build a highway north of Beirut, and other projects have included hotels, banks, hospitals and water supply plants. He regrets C.A.T.'s solid background in pipelining has not resulted in any Lebanon pipeline work and is engaged in fierce competition for tenders with small local contractors who have low overheads and work more cheaply. "We are a big interna-



AZIZ BASSOUL
Chief Finance Officer of C.A.T.
Group of Lebanon

tional company," he says. "We have our head office and different functions, while the Lebanese handles all this himself: market manager, finance manager, commercial manager all-in-one".

Dr. Bassoul feels that the whole sector is restricted by the region's instability and a lack of clear cut regulations on urban planning and its environmental effects. "There is an awareness of the need to help contractors and improve the norm of construction," he concedes, and feels the potential is there for partnerships providing capital or know-how. Recently his company has turned to construction management. "Because of C.A.T.'s knowledge and reputation, private clients would ask C.A.T. to manage a project and it would work out," he says.

Investment in the private sector is of key importance. "If privatization succeeds, it will enable the government to have more resources that could be allocated to development or infrastructure projects," says Dr. Bassoul. "At present international contractors are just watching."