

# The Business and Financial Forum

## "FUTURE PROSPECTS FOR THE LEBANESE ECONOMY"



*Safadi: Lebanese economic structure is moving progressively to a modern economic structure able to produce sustainable growth.*

*Torbey: Lebanon had achieved the second highest economic growth in the MENA region after Qatar*

### **The Business & Financial Forum**

***"Future Prospects for the Lebanese Economy" was held on the 13th & 14th of January 2010 at the Phoenicia Intercontinental Hotel-Beirut.***

After the National Anthem, RAFIK ZANTOUT, the chairman of the Board in "International Convex", has delivered a speech in which he said:

"we are meeting again today in an economic event which aims to set Lebanon in the right process and in the refineries of promising countries

which are moving forward in their plans and achievements based on prudent and competent policies at the same time.



what was suggested repeatedly by economic entities, and what we waited for a long time from senior specialists and experts, to execute the priorities of necessary economic and social policies and for taking required reforms, administrative and financial procedures “.

**“Saab called for Total and serious reliance of all Lebanese society spectra on activating the rules of integrity and efficiency and applying the transparency and accountability and accounting criteria, otherwise from the component of good governance away from political, sectarianism and regional quota system.”**

**EXCERPTS FROM  
DR. JOSEPH TORBEY'S  
OPENING SPEECH:**

I am pleased to inaugurate this conference with you today at the beginning of this new year, hoping that it shall mark the beginning of a series of seminars and conferences for the banking and financial sectors, so that Beirut will regain its known standing as a capital for the community of Arab businesses. By that, Lebanon will turn once again into becoming the focal point for tourism, summer holidays, investments, recruitment, education, hospitalization, training and other attractive activities that have always characterized the country and its citizens.

Perhaps for the first time in years, we can talk about facts and forecasts after we had voiced, out of hope and away from despair, wishes and aspirations that were usually confronted by internal disputes, and sometimes to external aggressions that killed people and destroyed buildings and reshuffled our priorities from drafting reform plans to struggling with survival plans.

Indeed, the regaining of internal stability - long missed by Lebanon - is a golden opportunity; we all feel today that this umbrella is irreplaceable in

And he said that sessions revolve around the following subjects:

1. advantages of Lebanese economy,
2. available investment opportunities,
3. banks role in the economic growth,
4. developing sectors and funding means and 5- establishing a successful business community”.

**SAAB**

Then the Secretary General of the Lebanese economic forum, Fadi Saab, declares: “others claim that Lebanon is a country of lost opportu-

nities and wasted capacities, while others say it is an example for survive and growth, even in the worst conditions and the most difficult positions. What is the position of the Lebanese economy for these risks and obstacles that affected all markets? What is the immunity for this economy fragile/solid, deficient rebounded?”

And he continued: “The numbers of financial indicators show high growth rates, to ensure again the big opportunities for the strong unified stable Lebanon. Which lead us to warn from the danger to waste more precious time, and to remind the importance to accelerate in applying

terms of protecting the country, its people, borders, potentials and strengths. We believe that strengthening the stability on both the political and security levels, as well as enhancing internal dialogue and taking advantage of the regional and international current positive environments, is the real mission of the unity government, which all local leaders and sectors are called to support in view of surpassing all obstacles.

He added: Some months ago, we highlighted that financial indicators in Lebanon were going against all indicators related to the international financial crisis and defying the national negative circumstances prevailing at that time. The birth of the government supported by the internal consensus, strengthened hope and boosted results. Lebanon has realized the second highest economic growth ratio in the region, following Qatar, and was among the few countries that surpassed by double the average growth ratios, both regionally and internationally.

Moreover, the world testified that we are an economic example to follow, and mostly, a banking model in terms of managing crisis, and prospering in hostile work conditions.

What I say is not out of exaggeration or boasting because statistics and figures published or yet to be published, prove what I say. Some figures are due to the excess in the balance of payments and the record excess in foreign currencies at the Central bank of Lebanon, despite the liquidity squeeze at the international level. Moreover, there is the increase in total assets and main indicators and the stable volume of incoming transfers from the Lebanese diaspora and those working abroad. One can also add the high qualifications of Lebanese experts and the record improvement in the tourism sector, the decrease in interest rates which positively impacts the sovereign debts and encourages lending to institu-



tions and individuals. Other promising positive indicators are also to be noted.

All these positive indicators do not form alone a guarantee to a prosperous future for Lebanon, at a time where other major problems still persist in the country. The growth in the GDP as important as it is, is not a sufficient enough indicator for overall growth; It should go hand in hand with the rebuilding of trust, domestically and internationally, coupled with the introduction of sustainable enhancement in the daily life of people, in the health system, social welfare, educational standards, and the

development of infrastructure and public facilities. Those should be totally availed all to the various social communities, and a serious reinforcement of the government based on institutions and law must be undertaken. Such positive undertakings should lead to a form of coherence leading to social and economic growth, and the availing of a true investment environment. To attain this goal government, decision makers and leaders of the civil society all urged to lay out a clear vision and defined programs to implement all the needed reforms.

He said also: One should also be

careful to the critical financial situation which does not allow many remedies that seem to be contradictory: the increase of the global debt despite its decrease comparing to the GDP can not be treated by increasing taxes, at a time we are deploying all efforts to improve the economy, an underlying strategic target in all reform plans.

**“More tax incentives should be given to create a more suitable environment for sustainable development and creation of jobs, on the medium and long terms, which in turn, should lead to a better national economy by strengthening investors’ trust in Lebanon, and radically bridging the existing macro-economic gaps.”**

We therefore urge the new government to place the needed reforms on its priority list, and honor its commitment to their implementation in the Paris conference. Public institutions yearn for reforms, and the investment environment is in dire need for development. The structure of the Lebanese economy need a deep reform, since it is losing many of its competitive advantages due to the weaknesses in the legal framework

usually know as a factor for energizing and attracting investments. There is also the slow implementation of reforms, bureaucracy, weakness in corporate governance, deterioration in the infrastructure of public facilities, the lack of smart management in the sectors of water resources, electricity, communications, roads, bridges and transportation... there is an urgent need to improve the management of government assets which consist of much more than privatization and assets selling. Making public assets more productive calls for restructuring stagnant potentials owned by the government such as the smart usage of underground water and oil resources, the good management of large public properties and touristic resources of the country.

He added: My address would not be complete without highlighting the performance of the banking sector in Lebanon, this sector that constitutes the fundamental gear to the Lebanese economy. The banking sector in Lebanon continues to finance the needs of the public sector, and has long helped the Lebanese government to survive for more than quarter of a century, in times where fiscal collection was reduced to the minimum, due to the restriction of the government authority at the time, by

de-facto authorities on the ground. The financial sector in Lebanon continues to play this pivotal role in the life of the country. A solid proclaimed truth remains that the banking sector is not affected by the international financial crisis and its devastating consequences; to the contrary, the sector realized during the crisis year more than double or triple the average growth rates during the five past years. We project that the growth rates during the year 2009 will by far surpass those of 2008 and they might reach as high as 20% as an average in the basic growth rate indicators. This outstanding sector in terms of performance contributes to some 5% of the National GDP. It certainly is affected by the circumstances of the country and its resources, yet with its local assets amounting to some 115 billion dollars (more than 3.5 times the GDP) added to the regional and international expansion, as well as its acquired characteristics, gained a high flexibility in dealing and managing events of crisis. The banking sector has retained a wealth of expertise and know-how that has proved its capability in dealing with repetitive crisis situation, caused by the internal unstable situation. International financial institutions as well as the World Bank and international rating





agencies proclaim that management of banks in Lebanon follow policies that shield the sector and strengthen its stability. The banking sector in general gets a good and sometimes an advanced rating, despite its limitation by the sovereign rating, mainly affected by the public debt and the deficit in the budget, according to the international rule of rating.

Moreover, the banking sector in Lebanon is rich with capabilities and growing potentials, in terms of structure, assets and human resources, the latter of which constitute the most important power in the national economy and the immutable defense line, facing various crisis and troubles. The human resources also constitute the best bridge to the economic expansion abroad, as important as the attraction of capitals and investments, expansion into regional and international markets, and gaining competitive advantages to respond to the needs of globalization and market liberalization.

He said also: The banks in Lebanon, despite thorny situations and seasonal challenges, avail the needed financing to the economy, its institutions and individuals as well as to the public sector. By doing so it contributes to the energizing of the

economy, conservation of its growth components on the one hand and covering the public expenses in the administration, ministries and embassies on the other hand, which kept Lebanon alive on international political map.

This considerable growth in attracting savings is the main factor behind the record increase in the central bank reserves. The awaited internal stability in the near future supports the ongoing efforts to restructure interest rates on the Lebanese markets,

which in turn should feed the demand on facilities and loans requested by individuals and institutions, and this is a mission that we have engaged on, and predict the expansion of its horizons gradually so that it becomes another factor contributing to the national sustainable development.

Torbey concluded: Lastly, Lebanon has a chance that might not come again, one that should be fully exploited in view of achieving a quality leap in the economy and the politics





as well. We, as economic bodies, place high hopes on the national unity government presided by H.E. Mr. Saad El dine al Hariri, to achieve the Lebanese long-awaited reforms in the heart of the economy, finance and institutions to place Lebanon once again on the road of development and prosperity.

**MINISTER SAFADI**

H.E. Mr. Mohammad Safadi ,Minister of Economy & Trade said: "I deliver to you the greetings of The Prime Minister Saad Al Hariri who wishes success for business and financial Forum, and he considers it an appropriate opportunity to present Lebanese economic outlooks and its attraction. It is evident to all that Lebanon suffers from economic problems, the most important is the public debt estimated at the end of the last year of about 51 billion dollars, i.e 155% from the Gross Domestic Product (GDP). This is in addition to the incapacity of providing electricity continuously without financial deficit and until now there is an inability in converting public administration, to a modern and pro-

ductive administration, that applies actually the Principe of public service for individuals and institutions.

However I don't want to focus today on problems and crises, but on opportunities and actual existing strengths in Lebanese economy, which is a reality that will be reflected in the near future.

Let us review quickly the economic and political process in Lebanon since the beginning of the year 2005 and up to now. Our countries passed through many crises during these years, the minimum we can say about it that it was rough and unusual, for example, the assassination of the martyr president Rafik Al Hariri and many personalities and citizens, as well Lebanon exposures to a destructive war against Israel, crises and internal conflicts, parliamentary and presidential and governmental dues, Lebanon emerged from it consistent and is moving towards recover from these crises.

Although this difficulties, the rate of the GDP during the last three years is more than 7,5% annually, and it is

one of the highest ratios historically, also the excess of the cumulative balance of payments reached during the same period more than 12 billion dollars, and it's is also one of the highest ratio historically during a period of three successive years.

This explains the promoting of all the institutions of risk assessment, like moody's, Lebanon credit degree and its attraction for investments.

**“ The political and economical performs during the last years was not an easy thing, and its consequences weren't few if we considered the serious and successive crises which we had to face it successively, and if this proved anything, it is our big capacity to face crises and difficulties and our ability to over it which ensure the presence of an essential attraction for the Lebanese economy. ”**

I won't separate the achievements of Lebanese economy and its capacity to face obstacles and to quickly recover, what is important for me on



this Forum is to talk about our vision in the Lebanese economy in the near future, and the way to achieve this vision.

We consider the structure of Lebanese economy moving progressively to a modern economic structure able to produce a strong economic growth and constantly for many years, that's how this performance affects remarkably several economic activities in all Lebanon regions and this is the bases.

Lebanon suffers since independence, the economic, growth and development activities are concentrated in

and around Beyrouth, as for the small space of Lebanon, instead of being an element that facilitates the spread of investments, it's being a prove on our deficit to promulgate growth and development to all homeland parties.

Furthermore, the current economic boom is based on real estate and touristic activities at a small distance in the centre of Lebanon, while the most regions are mostly ignorant about this boom, thus we have to penetrate this small circle of economic activity.

In this framework, we consider two principal projects that ensure leading

Lebanon to a significant economic process more productive and more diversified and widespread, which make Lebanon more attractive for local and foreign investments within much stronger way than we used to know in the past.

These two projects are in the field of human and material infrastructure. In the field of material infrastructure, we have to renew the existing transportation and establish a new modern transportation all over the Lebanese territories, however to initiate with establishing a rapid railway, along the Lebanese coast, that is a prior project approved by the



council of Ministers, its benefits: facilitating transport and contact between several regions, especially at an initial phase between the north, center and south regions, though this project follows renewing principal roads in other regions such as "Al Hermel" and "Akar", which enhances the incentives of housing and work outside of Beirut. The project helps to establish small institutions and also encourages big institutions to move a part of its business to outside Beirut and center, and the investments increased in regions and the prices of lands raised, which Provide more capitals for people.

In other words, the project of modern and rapid railway is a new economic dynamic, as Lebanon's space becomes a single market easy to move and exchange. In addition, this basic development in infrastructure reduces population pressure in Beirut. In the field of human infrastructure, the quality of education in public school is similar to the education level in perfect private school, which contributes to a significant step in the Lebanese labor productivity and in the process of economic growth for a long term.

I am convinced, indeed I respect that executing such specified projects in the human and material infrastruc-

tures will move Lebanon's economy to the way of modern countries in the economic and social fields. And it's of fundamental important for these projects that its executing carry out a national dimension, not less important than economic or social dimensions.

**“Level convergence between Lebanese regions economically and socially, and giving every Lebanese citizen an opportunity to get a good education at school at a cheap cost, help strengthening national consistency and establishing the necessary ground for a new and strong start for Lebanese economy.”**

**First Session**

The first session was held under the title "the positive sides of the Lebanese economy". The first speaker was HE M. Fadi Abboud, Minister of Tourism. He noted in his speech that "Lebanon was able to maintain its financial position and cash despite all the domestic and international crises because of the vitality of the Lebanese economy which has elements of internal strength consisting of its human resources inside Lebanon and abroad. He said: "The immunity showed by

the national economy enabled Lebanon not only to withstand the storm, but also to harvest clear advantages from the funds and capitals entering Lebanon due to reduced prospects of investments in the markets of Europe and America after the global financial crisis".

And he went on speaking about rights of investors, administrative routine and extortions, and he promised to "work to eliminate this phenomenon in Lebanon", with all the strength available in him "until extortions are fully eradicated starting from the license etc..." He said: "I'm on my way to put an end to this issue and every investor who wants to invest in the tourism sector I will hold him "on my eyelashes"".

He added: "Tourism in Lebanon is one of the most important sources of income in the state treasury, as it represents from ancient times till present the pillar of the national economy and provides jobs for many people, and is considered to be the largest production sector which holds many capabilities and opportunities".

However our tourism is still on paper and what is spent on tourism is not equivalent to our touristic potentials and to our cultural and historical wealth, and thus the Lebanese





tourism counts up considerable opportunities for investment.

The Ministry of Tourism intends to implement an integrated plan in the coming period which aims at promoting the Lebanese tourism and attracting investments through the processes of activating the licenses, addressing chronic problems, extending tourism over all the Lebanese regions and all over the year, as well as promoting the touristic image of Lebanon in the international arena by launching a global advertising campaign which introduces the touristic advantages of Lebanon to the world public opinion, as the image of Lebanon abroad is still vague, if not subjected to distortion in many cases, from here we will work to change a lot of stereotypes that affect the attraction of tourists to Lebanon".

#### ABU ISSA

Then Mr. Issa Abdul Salam Abu Issa, Chairman of Al Salam International, said: "No one can take the place of the Lebanese people in promoting the beauty of Lebanon and the investment opportunities existing in it". He congratulated the Lebanese people for amending the situation with Syria and for signing the recent economic agreements with Turkey. He



said: "What reassures investors is the good relationship with neighboring countries which paves the way for an economic complementarity".

He added: "We signed our contract for investing in Lebanon on the first day of the Israeli aggression in 2006".

#### WAKIM

Mr. Elie Wakim, Chairman of "MIF" focused in his speech on the principle of "concern for the clients of the banks and the development of their money, but not wealth creation". He talked about "speculations and financial complications that have occurred in the global economy as banks have moved from "the secure bank" to the "intelligent bank" to reach a "global bank" through the principle of wealth growth and the real economy started to suffer from a lack of liquidity, and this led to the global financial".

He said: "The financial sector in Lebanon is seen by investors as a safe place for money". He noted that the value of remittances to Lebanon in 2009 amounted to seven billion dollars, and pointed out "that the real figure much higher". He stressed that "it is not possible to separate the state risks from the risks of the banking

sector which is the cornerstone and provides monetary and financial stability". He said: "We must develop financial engineering services and create a suitable platform to attract financial institutions and funds".

#### ZEIDAN

M. Amr Farid Zeidan, Chairman of "Zeidan Holding Group" discussed the comparative advantages in Lebanon, which are "1- the laws and the importance of bank secrecy, 2- geography: Lebanon is the center of activity and movement in the Middle East and the power of culture and the ability of Lebanese to compete overseas, 3- the human element and the ability to be innovative and find solutions to the investor for the settlement of investment in Lebanon.

#### MAYAL

Mr. Salah Mayal, Chairman and General Manager of "Tharawat Real Estate" was the next speaker, and he said: "The year 2008 was the most difficult economically in the world during the past one hundred years, however the Lebanese economy was able to achieve growth rate of 7% in 2009. The International Monetary Fund expects a growth rate of 4%, but there are other expectations between 7 and 10% for the current year".

Mayal focused in his intervention on the real estate sector, and he said: "The prices in the world and the region have fallen, but in Lebanon this sector has maintained its price stability and growth". He enumerated the reasons for the rise of prices as follows: first, the scarcity of land, and second: the banking laws which gave confidence to the property and cut the road to speculations".

He expected a severe increase in the price of real estate over the next four years, as supply is fixed but demand is increasing".