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The Way Leading to Business

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**Current and perspective
Business Opportunities
in MENA and Far East Countries."
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AGENDA

1. COUNTRY OVERVIEW

- ❑ POLITICAL OUTLOOK
- ❑ ECONOMIC OUTLOOK
- ❑ FOREIGN TRADE

2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

- ❑ CURRENT AND PERSPECTIVE LOCAL BUSINESS OPPORTUNITIES
- ❑ CONSULTANT ROLE AND SUPPORT

1. COUNTRY OVERVIEW: POLITICAL OUTLOOK

BASIC DATA

- Population: 4.2m
- GDP \$41.4bn
- Foreign currency reserves \$46.1bn

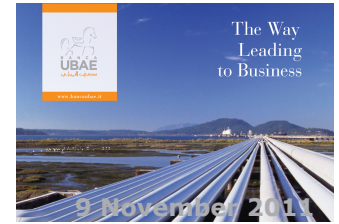
- Lebanon's political situation is expected to remain fractious in 2011-12. The new government which was formed in June 2011, headed by Prime Minister, Najib Mikati, is largely composed of 8th March faction supported by Iran and Syria. Sectarian divisions are entrenched in Lebanese politics. Sectarian tensions will cause much needed reforms to be enacted slowly and cautiously.
- The political crisis in Syria will have an important bearing on the balance of power in Lebanon, with parties allied to the regime of the Syrian President, particularly at risk.
- The fallout from (STL) Special Tribunal for Lebanon which is investigating the assassination of a former prime minister, Rafiq al-Hariri, could provoke intra-muslim violence between Lebanon's Shia and Sunni Communities. The STL issued its indictments in June 2011 of four members of Hizbullah, an armed Shia group. In early July, the Prime Minister, Mikati sent a policy statement to parliament for approval, indicating that Lebanon will follow the progress of the STL, but does not commit to arrest the four men.

1. COUNTRY OVERVIEW: ECONOMIC OUTLOOK

- The economic sanctions of the government's policy statement fall short of providing clear objectives for Lebanon's economy. The statement included vague and unrealistic objectives such as turning Lebanon into an oil and gas producing nation, and building a liquefied natural gas terminal and pipeline by the end of 2011. The government plans to distribute exploration licenses for offshore oil and gas fields by end 2011 and also implement a plan to store and Build a natural gas pipeline liquefied gas station.
- The Central Bank's governor, Riad Salameh has commanded huge respect since he was first appointed in 1993. He was able to maintain monetary stability despite political conflicts and wars, and ensure the stability and growth of the financial system even during the 2008 global financial crisis when Lebanese banks became a safe haven for regional investors.
- Foreign exchange reserves, including gold stand at \$46.1bn.

1. COUNTRY OVERVIEW: ECONOMIC OUTLOOK

- The downturn in economic activity led to a balance-of-payments deficit in the first four months of 2011. Lebanon normally enjoys strong capital and foreign currency inflows, driven by repatriated income from expatriates. These offset the large visible deficit, leading a large balance-of-payments surplus. Central Bank's figures showed that the balance of payments was in deficit by \$597m in the first four months compared with a surplus of \$1.4bn in the same period of 2010. The deficit was attributed to the fall in tourist arrivals, leading to lower inflows of foreign currency, and subdued activity in the Gulf, where most expatriates work, leading to a fall in repatriated earnings. In addition, the trade deficit widened because of higher import expenditure as the price of global commodities, notably oil products rise.
- Inflation rose in May 2011 to 5.6% year on year. Lebanon relies on energy imports, which means that oil price hikes can have major impact on the cost of living.



1. COUNTRY OVERVIEW: ECONOMIC OUTLOOK

- The fiscal account is burdened by a massive public debt (estimated at 133.8% of GDP in 2010) which was accrued during the rebuilding of Lebanon following the civil war.
- According to the government statement, the priorities for the ministry of finance, include finalizing the 2012 budget, cutting down on expenses and introducing reforms to the tax system.
- The World Bank recently estimated Lebanon's economy to grow by 1.5%

1. COUNTRY OVERVIEW: FOREIGN TRADE

Destination of Exports

Syria	24.1%
U.A.E.	13.8%
Switzerland	6.6%
Saudi Arabia	5.8%
Rest of world	49.7%

Origin of Imports

Syria	10.9%
Italy	8.8%
U.S.	8.1%
France	7.9%
Rest of world	64.4%

1. COUNTRY OVERVIEW: FOREIGN TRADE

Primary Exports

Jewelry
Base metals
Chemicals
Fruits & vegetables
Tobacco
Textile fibers & papers

Primary Imports

Petroleum products
Cars
Medical products
Clothing
Meat & livestock
Textile fibers
Electrical machinery
Chemicals

1. COUNTRY OVERVIEW: FOREIGN TRADE

Italy – Lebanon 2010

- Total Imports Eur: 28 Mln
- Total Exports Eur 1.037 mln

2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

CURRENT AND PERSPECTIVE LOCAL BUSINESS OPPORTUNITIES

LEBANON'S 2012 SPENDING BUDGET

- 2012 Proposed budget spending recommends an increase of 15% over 2011 spending ceiling of \$13.7bn.
- The proposed spending increase is to be partially financed by a proposed increase in VAT(value added tax) from 10% to 12%, which is so far facing stiff opposition.

LEBANON A TRADE CENTER

- From its Mediterranean coasts to its snow capped mountains, Lebanon has a unique identity in the Middle East.
- Lebanon's proximity to the sea has ensured that throughout its history, it held an important position as a trading centre. This tradition of commerce began with the Phoenicians and continued through many centuries, remaining unaffected by foreign rule and the worst periods of internal strife.

2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

CURRENT AND PERSPECTIVE LOCAL BUSINESS OPPORTUNITIES

LEBANON A TRADE CENTER

- Lebanon's geographic position as a crossroads linking the Mediterranean Basin with the great Asian hinterland has conferred on it a cosmopolitan character and a multi-cultural legacy.
- Imports of consumer goods for 8 months 2011 grew by 14.3% indicating a rise in consumption which remained resilient despite domestic political uncertainties.
- Breakdown of imports to Lebanon, reveals that Italy was the main source of imports (\$1.2bn or 9% of total imports), followed by China (\$1.06bn or 8.4%) and U.S.A. (\$1.0bn or 7.9% of total).

2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

CURRENT AND PERSPECTIVE LOCAL BUSINESS OPPORTUNITIES

IT OVERVIEW

- Ten years of IT infrastructure reconstruction still underway, has improved the infrastructure considerably.
- Lebanon accounts for 40% of internet traffic in the Arab world.
- Fiber optic cables saw their debut in Beirut and the national transmission network alongside the new and improved copper and microwave systems.
- AT & T had installed an undersea fiber optic cable connecting Lebanon and Cyprus.
- Alfa and MTC are the main GSM mobile operators in Lebanon.
- The government is the regulator for telecommunication in the country.

2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

CURRENT AND PERSPECTIVE LOCAL BUSINESS OPPORTUNITIES

ROADS/HIGHWAY INFRASTRUCTURE & REAL ESTATE PROJECTS

- Lebanon enjoys an extensive, though aging infrastructure that was severely damaged during the 16 years of civil war.
- Since 1991, the government has given much attention to rebuilding the infrastructure, such as the road system, the railway system (mostly unusable), and is considering additional airports to the only operating Beirut International Airport.
- Part of the government planned expansion projects is Beirut Port Authority with a construction cost of US\$ 490 million. Another Port project is Tripoli Port Industrial Zone (North of Lebanon) with a construction cost of US\$ 20 million.
- 13 to 15% of state revenues come from real estate transactions. The strength of the construction sector is evident in the many construction sites that are visible at locations around the country. The number of construction permits continues to rise as does the number of deliveries of cement and imports of industrial machinery

2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

CURRENT AND PERSPECTIVE LOCAL BUSINESS OPPORTUNITIES

- US\$25bn in ongoing and planned projects in Lebanon, as follows:
 - US\$ 8.0bn: residential and tourist projects
 - US\$ 2.4bn: total ongoing infrastructure projects
 - US\$ 5.0bn worth of projects by Solidere
- In July 2011, the Italian Embassy in Lebanon organized a seminar that allowed the Italian Architects to study closely the Lebanese real estate market aiming at developing solid foundation for further collaboration between Lebanon and Italy.
- Project Lebanon 2012 Exhibition will take place in BIEL - Beirut on 5 - 8 June 2012. It marks the 17th International Trade Exhibition for Construction and Environmental Technology. The event will allow for unique face-t-face networking opportunities with the industry's key people, enabling participants to establish new contacts, renew existing partnerships and explore new business opportunities.

2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

CURRENT AND PERSPECTIVE LOCAL BUSINESS OPPORTUNITIES

ENERGY POWER INFRASTRUCTURE

- Lebanon government has recently submitted to Parliament for approval, a proposal for the exploration of oil and gas from its waters.
- Until now the country uses fuel related electricity in an exclusive manner. The price of electricity is very high and the cost of diesel for generators is even higher.
- Lebanon's energy sector is controlled by the state-owned Electricite du Liban. The average capacity supply is always in short of the average demand which results in excess amount over budget of approximately \$2bn or 20.4% of total expenditures. The shortfall in supply is estimated to cost the economy \$2.5bn per year. The government has recently approved a reform project for the construction of 700MW power plots. The plan aims at returning the Lebanese Utility to profitability by 2015, by investing \$5bn.



2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

CURRENT AND PERSPECTIVE LOCAL BUSINESS OPPORTUNITIES

- In June 2010, the Central Bank of Lebanon and the United Nations Development signed an MoU for technical cooperation to launch a national initiative for energy efficiency and renewable energy (NEEREA). In January 2011, CEDRO launched the National Wind Atlas of Lebanon to determine the exact constrained potential of onshore and offshore wind power in Lebanon and assess the total bio-energy potential of the country. The initiative estimates that the use of onshore power mills could generate up to 75% of the country's 2009 electricity consumption. The initiatives however, rely heavily on the private sector participation through the use of public-private partnerships or independent power producers in collaboration with the ministry. The capital needed for the implementation of the plan is estimated at around \$5bn, of which the state is expected to fund about \$1.55bn, with roughly \$2.32bn coming from the private sector and around \$1bn from the international donor community.



2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

CURRENT AND PERSPECTIVE LOCAL BUSINESS OPPORTUNITIES

- Another potential for energy production is the solar energy. Lebanon is gifted with more than 300 sunny days a year, making it the ideal place to use solar energy to generate electricity, yet this technology has to find its natural place in the country. The government has launched incentives to encourage consumers to invest in solar systems.

2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

CURRENT AND PERSPECTIVE LOCAL BUSINESS OPPORTUNITIES

INVESTING IN LEBANON

- Free market economy: Lebanon offers the most liberal investment climate in the middle east and is ranked as one of the freest economy regionally and internationally, with the government maintaining a non-interventionist stance toward private investments. The liberal economic activity and the absence of legal restrictions on the entry or exit of firms encourage free market competition and private sector development. Foreign direct investments, backed by liberal trade and investment policies, have accounted for a considerable share of Lebanon's GDP.
- Liberal Financial Environment: Lebanon is known for its liberal financial environment with a free exchange regime, full currency convertibility policies and absence of restricted flows of capital, remittances or dividends. This environment has been critical to managing risks, protecting Lebanon from adverse external shocks and maintaining its stability during global financial turmoil. In 2010 Lebanon was able to attract 7.5% of the total share of FDI inflows to the region due to a series of competitive advantages.
- Attractive Corporate Taxation & Fiscal Incentives: Lebanon has one of the most favourable taxation schemes and fiscal incentives worldwide

2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

CURRENT AND PERSPECTIVE LOCAL BUSINESS OPPORTUNITIES

- **Banking Secrecy:** Lebanon has a long tradition of banking confidentiality and privacy officially codified in the Banking Secrecy Law. The passing of the Law in 1956 has spurred the Lebanese banking center, strengthened depositors' confidence and promoted the role of Beirut as a regional financial center, ensuring protection for foreign capital and earnings.
- **Non-Discriminatory & Efficient Legal Framework:** Foreign investors benefit from the same incentives and investment opportunities as local investors. Numerous trade and investment treaties are signed with various MENA and OECD countries



2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

CURRENT AND PERSPECTIVE LOCAL BUSINESS OPPORTUNITIES

- Labour Cost: Lebanon is recognized for its human capital and the entrepreneurship of its citizens with high education and labour qualifications.
- High Quality of Life: Lebanon offers a wide variety of attractions and activities all year round with its beautiful beaches, mountains and valleys. The country prides in its hospitality and service industry.
- The Investment Development Authority of Lebanon (IDL): IDL is positioned at the service of all potential investors with the intention of diminishing any strenuous obstacles, and had set Law No. 360 in order to be able to grant fee waivers and tax exemptions. In addition to a wide range of solution-oriented investment facilitation and aftercare services.



2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

CONSULTANT ROLE AND SUPPORT TO THE ITALIAN COMPANIES

- Act as an intermediate between Banca UBAE and Italian Exporters to furnish contact and communication between Italian companies interested in doing business with counterparts in the Levant region.
- Identify business opportunities.
- Facilitate meetings through UBAE between the Italian companies and local counterparties.

2. BUSINESS OPPORTUNITIES FOR ITALIAN COMPANIES

CONSULTANT CV

- 1999 – 2010
Senior Vice President – Regional
Head EMEA – North America -
Australia - New Zealand
Financial Institutions
Mashreqbank Dubai - U.A.E.
- 1995 - 1999
Vice President Bank of Bermuda -
Representative Office Manama –
Bahrain
- 1977 – 1995
Senior Director Head Financial
Institutions Middle East Region
New York (1977 – 1992) Manama
- Bahrain (1992-1995)