Association des Chambres de Commerce
et d'Industrie de la Méditerranée

Association of Mediterranean
Chambers of Commerce and Industry

ASCAME

ASCAME:

The Lebanese Economic and Business Guide

The official publication of the Association of Mediterranean Chambers of Commerce
and Industry and of the Lebanese Chambers of Commerce

G.E.O.C.

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EDITORIAL

Mr Jilani BENM'BAREK,
President of ASCAME

Forging a Mediterranean of Shared Peace And Prosperity

For centuries the countries of the Mediterranean have established and maintained close economic and commercial ties.

It was with a view to paying tribute to this important heritage that a group of pioneers, conscious of the important role of the Mediterranean region, decided to establish the Association of Mediterranean Chambers of Commerce in Barcelona on the 1st of October, 1982.

In doing so, the Mediterranean chambers of commerce took the first steps towards forging closer cooperation between the region's businesses and institutions in order to boost economic and commercial relations.

The following objectives of the Association of Mediterranean Chambers of Commerce and Industry are worthy of mention:

- Improved communication between the business and public sectors.
- Bringing elected representatives and members of chambers of commerce into direct contact in order to achieve greater consensus on and understanding of the region's economic problems.
- Setting up and coordinating inter-sectorial and inter-regional partnerships in the countries of the Mediterranean.
- Widening the scope of exchanges in the fields of technology and know-how.
- Studying the means of developing certain sectors such as tourism bearing in mind that these should compliment each other and that competition should be free and fair.

In order to achieve the goals it has set, the Association of Mediterranean Chambers of Commerce and Industry has taken a series of measures ranging from organizing and participating in special events to the training of professional of the chambers of commerce of the Southern Mediterranean countries by members of Northern Mediterranean countries.

The Association's undertakings do not exclude any sector of the economy. A case in point is the concept of franchising which has been able to develop and flourish as a result of forums organized in Barcelona and Marseilles, which are now in their fifth round. These forums have, in turn, led to rival forums being held in Morocco, Algeria and Tunisia.

The organization of the two Meditour Forums on tourism investment in the Mediterranean held in Tangiers in 2003 and in Anatolia in 2006 greatly benefited the tourism industry.

The fishing sector is expected to make rapid strides as a result of the ERMES project. Other examples are manifold.

The Association of Mediterranean Chambers of Commerce and Industry concerns itself with the environment and research as well as other issues. It was with environmental issues in mind that the Association took part in the European Union Project named "A Blue Mediterranean on the Horizon of 2020". As regards research, the Association is one of the organizers of the Euro-Mediterranean Convention on the transfer of technology. This convention brings together the world of academia and the business sector in order to bolster research by giving researchers the opportunity to see the fruits of their labour.

For a quarter of a century the Association of Mediterranean Chambers of Commerce and Industry has make its mark as a promoter of meetings and dialogue not only among chambers of commerce but also between businesses, public institutions and governments in order that the future of the Mediterranean region be seen in a different light and one in which the words peace, tolerance, dignity and shared prosperity will not be said lightly.

At its heart, the Association of Mediterranean Chambers of Commerce and Industry no longer dreams of a Mediterranean that is blue, peaceful, prosperous and fair – it firmly believes it can be achieved.

In a world that has become a global village we are striving to make our own modest contribution to ensuring the Mediterranean is a good place to live for the generations to come.

I ask your help in taking up this great challenge.

Jilani BENM'BAREK
President of the Association of Mediterranean Chambers of Commerce and Industry


ASCAME: The Association of Mediterranean Chambers of Commerce and Industry

Your Gateway to do Business in the Mediterranean

The Association of Chambers of Commerce and Industry of the Mediterranean or the ASCAME is an international organization of international reach and purpose, voluntary and with no aim to derive benefit from its activities. It unites the Chambers of Commerce and Industry as well as other similar institutions originating from the Mediterranean pool. Any Chamber of Commerce and Industry or institution established on the shore of the Mediterranean Sea linked to the purposes of the ASCAME may become members if apply with a written demand to the President of the Association. All the demands of membership should be first accepted by the Executive Committee and then ratified during an Ordinary General Assembly on simple majority. The status of member may be lost consequently to the decision of the General Assembly for instance for non payment of membership duties for three consecutive years. The members have also the voting status and may be elected to the Executive Committee as well as to the Board at the sole condition that the member belongs to a Chamber of Commerce and Industry of the Mediterranean area.

The ASCAME is the result of a fundamental agreement between the institutional actors to intensify and institutionalize the cooperation between the Chambers of Commerce and Industry of the Mediterranean shore. The first initiative of its kind dates back to the first assembly of the Chambers of Commerce and Industry in 1982 held at the Chamber of Commerce and Industry of Barcelona at will of its president, M. Josep M.Figueras. Since then the association has kept growing in scale and depth. At present day more than 240 institutions are members of the ASCAME which correspond to the total number of countries boarding the Mediterranean, but the total potential of bodies that could become member overcome 500. It represents hence the most extensive association, in the region. It has obtained wide recognition among the most important international institutions such as the European Union. This is precisely due to the fact that the official purpose of the association corresponds to the aims set by the Barcelona process.

The Euro-Mediterranean Conference of Ministers of Foreign Affairs, held in Barcelona on 27-28 November 1995, marked the starting point of the Euro-Mediterranean Partnership (Barcelona Process), a wide framework of political, economic and social relations between the Member States of the European Union and partners of the Southern Mediterranean.

The latest EU enlargement, on 1st May 2004, has brought two Mediterranean Partners (Cyprus and Malta) into the European Union, while adding a total of 10 to the number of Member States. The Euro-Mediterranean Partnership thus comprises 35 members, 25 EU Member States and 10 Mediterranean Partners (Algeria, Egypt, Israel, Lebanon, Morocco, Palestinian Authority, Syria, Tunisia and Turkey).

The Barcelona Process is a unique and ambitious initiative, which laid the foundations of a new regional relationship and which represents a turning point in Euro-Mediterranean relations. In the Barcelona Declaration, the Euro-Mediterranean partners established the three main objectives of the Partnership:

1. The definition of a common area of peace and stability through the reinforcement of political and security dialogue (Political and Security Chapter).
2. The construction of a zone of shared prosperity through an economic and financial partnership and the gradual establishment of a free-trade area (Economic and Financial Chapter).
3. The rapprochement between peoples through a social, cultural and human partnership aimed at encouraging understanding between cultures and exchanges between civil societies (Social, Cultural and Human Chapter).

The Euro-Mediterranean Partnership comprises two complementary dimensions:

The bilateral dimension: The European Union carries out a number of activities bilaterally with each country. The most important are the Euro-Mediterranean Association Agreements that the Union negotiates with the Mediterranean Partners individually. They reflect the general principles governing the new Euro-Mediterranean relationship, although they each contain characteristics specific to the relations between the EU and each Mediterranean Partner.

The regional dimension: Regional dialogue represents one of the most innovative aspects of the Partnership, covering at the same time the political, economic and cultural fields (regional co-operation). Regional co-operation has a considerable strategic impact as it deals with problems that are common to many Mediterranean Partners while it emphasizes the national complementarities.

The multilateral dimension supports and complements the bilateral actions and dialogue taking place under the Association Agreements.

The existing MEDA program, funded and managed by the European Commission, is the main financial instrument for the Euro-Mediterranean Partnership. From 1995 to 2003, MEDA committed 5 458 million euros in co-operation programs, projects and other supporting activities, the regional activities comprising around 15% of this budget. The other important source of funding is the European Investment Bank that has lent 14 billion euros for developing activities in the Euro-Mediterranean Partners since 1974 (at least 3.7 billion only in 2002-2003).



The beneficiaries of support measures may include not only the Euro-Mediterranean partners but also local authorities, regional organizations, public agencies, local or traditional communities, organizations supporting business, private operators, cooperatives, mutual societies, associations, foundations and non-governmental organizations.
The strategy is to establish the Euro-Mediterranean area as a common space of peace, stability and prosperity by fostering supranational cooperation and dialogue. A sustainable economical association has to be developed with regard to the most valuable assets in the region which are culture and the human resource. Understandably the ASCAME is in close relationship with the MEDA program and is widely supported by a whole range of European Union projects.

The ASCAME presents some very specific features if compared with similar organizations which definitely explains its dynamic development and firm striking root in the region. Mostly thanks to the rewarding collaboration and support of the European Commission, the reports and studies presented at the General Assemblies of the ASCAME have an unquestionable interest and shed light on the core issues of regional importance such as infrastructure, communications, tourism industrial and commercial cooperation and education. The sole studies being not enough ASCAME helps to apply the strategies of cooperation and coordination aimed at the comprehensive social and economic development of this supranational geographical area which is the Mediterranean.

ASCAME's headquarters are located at the Chamber of Commerce and Industry of Barcelona in Spain at Casa Llotja del Mar – Paseo de Isabelle II – with possibility to be transferred in any place member of the organization after decision by an Ordinary General Assembly. The ASCAME possesses its own legal identity in the frame of Spanish legal statute regulating the right of association.
The current dynamics could not have been achieved without the enthusiasm of all of the associated institutions and especially of some individuals who have greatly contributed to fill this mission with a concrete sense. If it is not surprising that the chambers of commerce usually represent the driving international force of a country's economy, the less usual fact is their association in recognition of the interest of adding up the synergies while working closely together at related issues. However it must be underlined that the growing interdependence of the economies at a global level but more importantly in regional subsystems compels the interactions between influential institutions of authority such as the chambers of commerce and industry.

As already mentioned the establishment of the ASCAME on the first of October 1982 fits in a more global move towards cooperation between the national organizations of commerce. Its main objective is to sustain and further a constant link between its members so as to engage for instance in common research activities or actions. The primary motivation behind these activities being always the pursuit of commercial technical and industrial development the ASCAME acts therefore as a powerful tool of harmonization in the region. Originally the considerations leading to the establishment of the ASCAME have been the following. First of all, from the historical point of view the Mediterranean countries have a common cultural pool as well as a long track of commercial and economic relationships. At the same time the potential of economic development in this area is well known offering a rich reserve of primary resources, a high level of cultural development and a dynamic tourism industry. However the cohesion and the growth in the area have slowed down at the down of the 20th century. It is the goal and the ambition of the Mediterranean countries to win back their prestige and their geoeconomical situation by working closely together. Any objective is virtually at reach through constant common effort and cooperation especially between the Chambers of Commerce and Industry of the member countries.

To resume the rationale behind the establishment of the ASCAME is not only to further interregional cooperation but also to assemble a unique blend of expertise and synergies provided by the chambers of commerce and industry so as to become a valuable partner and advisor to the governments. Indeed the chambers of commerce and industry represent the most proficient institutions in questions relative to the specific features and issues of the economies of the member countries. The interregional perspective adopted by ASCAME adds a supplementary strategic edge to the questions treated by the Working Commissions. In other words, ASCAME is a privileged observatory of economical and commercial activities within the Euro-Mediterranean Area.

The specific actions put forward by the ASCAME are as follows. The organization initiates programs, makes recommendations and influences policies so as to promote entrepreneurial culture and a common corporate spirit in the region. One of the objectives is to improve and to harmonize up to a common level the corporate communication tools so as to establish a solid and sustainable link within the region. It is commonly admitted that corporate communication abilities are a sine qua none condition for a flexible and reactive market and furthers therefore the flows of information as well as the synergies within a given economical region. From this point of view the implementation of an E-business project corresponds to the comparable ambition to make the vital information available directly to the concerned business and institutional actors. Moreover a special emphasize is put on the spread of sector specific information which is managed by the organization of Sector Forums. These actions are directly dedicated at the support of Mediterranean businesses within one sector, sharing the same worries and interests. These conferences create a forum of debate encompassing all concerned groups or individuals an active space of dialogue and exchange of ideas and projects. After all ASCAME constitutes a group of dynamic and dedicated leaders of the business community which proactively participate in the elaboration of the pivotal role of the private sector in the economic activity. One suitable example of such a forum is the Meditour dedicated to support investment in the tourism industry in the Mediterranean region. Organized by the ASCAME with the special support of the Tangier Chamber of Commerce and Industry the objective of this forum was to promote a gathering of agents from the tourist industry, which will be particularly focused on the Mediterranean region. The forum was also designed to encourage the exchange of projects and experiences in order to facilitate agreements and foster international alliances across different sectors. These activities are all geared towards the objective of laying down the foundations of a truly Mediterranean brand, which will act as a main axis within the global tourist industry. The forum is conceived for tourist industry professionals and companies, in addition to public officials and tourist industry specialists and consultants. Participation in MEDITOUR is open to ASCAME member states and to companies from other regions (USA, Japan, Canada, Germany, UK, as well as countries from the Gulf area etc.).

And finally, taken as a whole, ASCAME's action is aimed at creating and reinforcing an independent strong brand specific to the Mediterranean and focused as much on its historical content as on its current dynamics and qualities. Generally speaking this work is to result in a powerful marketing tool for the specialties and products manufactured in the considered area.

The structure of the current organization has been shaped and adapted during the regular general assemblies of the organization staged in a different member country each time. However the first moves towards the establishment of the organization itself have not been without obstacle. Though the determination of the initial promoters has been firm the apparent diversity of cultures, religions, languages and levels of economical development has brought prejudice upon the initiative. On the other hand a comparable association of chambers of commerce and industry between the northern and the southern shores of the sea has never existed before.

The first General Assembly has been prepared and promoted under the presidency of M. Josep M. Figueras (CCI of Barcelona), MM. Paul Fabre (CCI of Marseilles), Manolis Niadas (Le Piraeus), Antonio Pellizetti (Genoa), Mohammed El Abbassy (Tangier), Soubi Dib Joub (Lattakia), Mohamed Zerzeri (Tunisia) and Nikola Pavletic (Rijeka) there a first act of agreement has been signed.

According to the document of continuity every 18 months a General Assembly takes places assembling all the members of ASCAME.

Upon the initiative of the Executive Committee the prerogatives of the General Assembly are as follows:

- The determination of the policy, the strategy and the agenda of the ASCAME allowing meeting its objectives.
- The admission of new members or their exclusion from the Association
- The adoption of the budget
- The approval of the membership payments
- The approval of the elections to the Executive Committee
- The approval of the election of the President of the Association by the Executive Committee.

A General Assembly is per definition composed of all the members of the association. It defines during the meetings the general strategy and politics of the association. The Assembly may meet as an Ordinary General or Extraordinary General Assembly.

The first General Assembly presided by M. Figueras was devoted to the questions divided in five fields: Transport and Communications, Energy and Primary resources, Commerce Technology and investment, Tourism and finally Environment. The status of the president of the Assembly has been determined as well as his main duties which are precisely to maintain a constant link between the members so as to promote and coordinate joint research activities and studies. The first General Assembly also determined the basic structure of the organization. It had been decreed that an Executive Committee composed of the Presidents of each chamber of commerce and industry would represent each member country and a permanent secretariat has been established. The number of Vice-president Chambers has been established at 4 in 1983.

Established n April 1983 the Executive Committee was first composed of the President of the ASCAME and another 16 members which are the CCI of Marseilles, Genoa, Rijeka, Tirana, Le Piraeus, Istanbul, Nicosia, Lattakia, Beirut, Cairo, Tripoli, Malta, Tunis, Alger, Tangier, Barcelona. This committee holds regular meetings directed by the President and concerning the nominations of the president or the vice-presidents, the approval of the different reports by the Commissions as well as it coordinates the future activities of the ASCAME and its exterior relations. The Executive Committee assembles upon convocation of the President or upon the demand of at least one third of the members. The agenda has to be fixed at least one month before the meeting. Two meetings at least are to take place every year with one of them taking place at the same moment as the General Assembly. The decisions of the

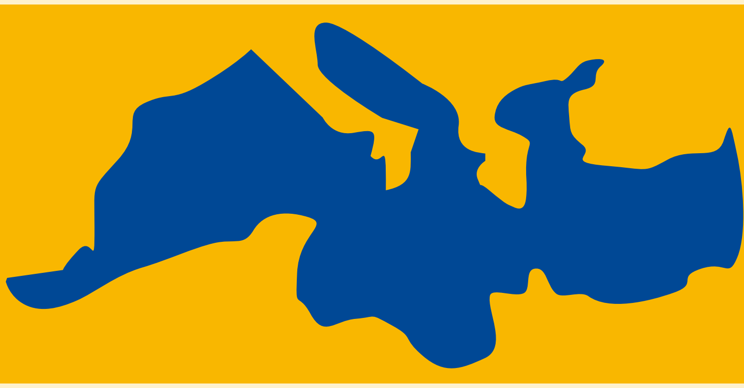
Executive Committee are taken at simple majority of the present voters.

The Board of the ASCAME is composed of eight Chambers of Commerce and Industry chosen between the members of the Executive Committee. It comprises a President, six Vice-presidents and a treasurer. The choice of its members is to reflect the natural equilibrium in its human and geographical dimension in the Mediterranean area. The Board acts on behalf of the Executive Committee in the current matters and establishes regular reports. The President of the ASCAME is elected by the Executive Committee which is to ask for the approval of the General Assembly. The President is acting as a representative of the General Assembly. In other words he is to embody the Association. He is to convoke the meetings of the Executive Committee as well as of the board and the General Assembly. The execution of the decisions taken during the General Assembly is also part of his duties. The function of the President is not a gainful occupation and its mandate last for two years. Mandates can only be renewed once.

As concerning the permanent secretariat it is in charge of the organization of the conferences and the assemblies of the executive and working bodies of the organization. The publication of a regular bulletin is also part of its responsibilities. The General Secretary is linked to the chamber where the headquarters currently are. This chamber supports then all the charges of the General Secretary. It is in charge of the following functions:

- The control of the decisions taken by the General Assembly, the Executive Committee and the Board under the authority of the President.
- The archives of the ASCAME including the scripts of the Assemblies, the documents, the press articles etc
- The secretariat of the meetings of the General Assembly, the Executive Committee and the Board.
- The treasurer is a full member of the Board. He is nominated by the Executive Committee and his nomination has to be ratified by the General Assembly. Among his functions is the establishment of the budget, the continuous control of the accounts and the annual establishment of the financial report. His mandate is a one-time renewable two year function.

The Working Commissions and the Committees of experts have represented the central part of ASCAME since its foundation. Already at the first assembly five Working Commissions have been assembled. Their main themes are the "Transport and Communication" issue, "Tourism", "Industrial and Technological Cooperation" and finally the equally important "Relations with the EU". These four permanent Working Commissions select during their meetings before the General Assemblies the priority issues to be discussed, do the research and elaborate reports which are to be presented to the Executive Committee. These reports present precise strategies to be undertaken as well as the argumentation and criteria used in each specific situation.



INTERVIEW

Mr Jilani BENM'BAREK, President of the Association of Mediterranean Chambers of Commerce and Industry (ASCAME)

The Association of Mediterranean Chambers of Commerce and Industry celebrates its 25th anniversary in 2007. What do you consider to be the Association's greatest achievements over the years?

Having been created on the 1st of October, 1982, the Association will celebrate its 25th anniversary in Barcelona in October, 2007. These celebrations will take place under the patronage of His Majesty King Juan Carlos I, who has always given his support to the Association as well as shown a keen interest in all matters related to the Mediterranean.

Among the Association's major achievements in this quarter of a century one can point out the following: the creation of two Franchising Forums held in Barcelona and Marseilles, the result of the initiatives of the Barcelona Chamber of Commerce and Industry and the Marseilles Chamber of Commerce. These Forums are now in their fifth round. The most important aspect of these two forums has been the fact that they were directly responsible for the development of the concept of franchising in the countries of the Southern Mediterranean. As a result, Morocco and Algeria have set up their National Franchising Federations. Tunisia, Lebanon and Egypt are committed to doing the same. Malta and Turkey are moving quickly in the same direction and Libya and Syria are showing great interest.

- The success of the two tourism events: 'MEDITOUR 2003' held in Tangiers,
- Morocco and 'MEDITOUR 2006' held in Anatolia, Turkey.
- The third MEDITOUR event will be held in Hammamet, Tunisia in 2008, and the fourth in Malaga, Spain in 2010.
- Participation in the creation of a tourism observatory in Malaga instigated by the Malaga Chamber of Commerce.
- Participation in the setting up of several specialized events such as a Transport
- Logistics Trade Fair, an Environment Trade Fair, a Cosmetics Industry Trade Fair and a Fishing Trade Fair etc.
- The signing of important conventions with organizations that have much in common with our own. In this vein a charter of cooperation and good will was signed in Barcelona on the 13th of March 2002 by five major organizations, these being the International Chamber of Commerce, The European Chamber of Commerce, AICCC, the Association of Mediterranean Chambers of Commerce and Industry and the Spanish Federation of Chambers of Commerce.
  This ceremony took place in the presence of His Majesty King Juan Carlos I as well as the then Head of the Spanish Government Jose Maria Aznar and Jordi Pujol, Chief of the Generalitat of Catalonia.
- The starting up of the Mediterranean Institute of International Commerce to be established in Tunisia and attended by students from all the Mediterranean region. This Institute will award higher education diplomas.

The Association's achievements are many. Perhaps its major achievement has been the fact that it has remained in existence while other organizations created at the same time have disappeared like shooting stars. This denotes the commitment of the Mediterranean business sector to making the region one of peace and prosperity.

What were the aspirations of the Association at the time of its creation, back in 1982? What are its present concerns and how are these different from those of 25 years ago?

In October 1982, the pioneers who took the initiative to set up the Association and who came from the Chambers of Commerce of Barcelona, Marseilles, Tunis, Istanbul, Tangiers and Cagliari, had great ambitions but never imagined the Association would grow to its present size. In fact, the Association was really set on its present path on the 6th of May 2001 following the adoption of new organizational statutes during an extraordinary general assembly held in Tunis. This assembly brought together more than two hundred delegates, representing the entire Mediterranean region. The new statutes, the result of more than a year's work opened the door to allow all Mediterranean chambers without distinction to be able to participate as full members in the development of business in the region and in forging closer links between those actively involved in the Mediterranean economy.

The countries of the Mediterranean have very different economic conditions. Nevertheless, they have numerous common interests and shared characteristics. What, in your opinion, are the major economic forces at play in Mediterranean countries?

It is true that while the countries of the Mediterranean have different economic conditions they at the same time share many common interests and characteristics due to their geographical location and shared past, as well as having certain products, particularly in the agricultural sector, in common, together with a jovial disposition of character. The principal power of the countries of the Mediterranean countries lies in the realization that in this world in which markets are becoming more globalized as each day passes it is in their own interest to work together and accept each other, despite any differences that might exist, particularly those between the North and the South, thus making their differences a force in itself. It is in this way that the Association contributes to bringing businesses together in the context of the Mediterranean through organizing economic forums and events, special partnership days and joint missions.

What are the Association's major current projects aimed at reinforcing economic cooperation among the countries of the Mediterranean?

My answers to your previous questions will already have given some idea of the Association's major projects. Without wishing to repeat myself, the sectors in which the establishment of regional ties are envisaged are:

- The training of professionals and technicians of the chambers of commerce of the Southern Mediterranean countries by their colleagues in Northern Mediterranean countries. This kind of training, within the Association itself, ensures a general training likely to be of interest to all the different sectors through the transfer of technology and know-how from the North to the South and among the Southern countries themselves.
- Cooperation in the tourism sector, the principal source of revenue in the Mediterranean region, at the same time freely accepting that competition exists and ensuring that the latter be loyal and transparent.
- Setting up a Mediterranean 'Common Market' in which goods and individuals are allowed to circulate freely and in which regional products are granted privileged status.
- Investment by the countries of the Northern Mediterranean in the countries of the Southern Mediterranean in attempt to counter some of the problems of immigration.

What do you see as the Association's role as regards and what measures can it take regarding the economic challenges facing its member countries?

The Association's role is more of a moral than a material one. The Association itself does not have the means to finance projects and programmes. The only finances currently at the Association's disposal are its member's annual fees. In terms of the moral support it can offer, the Association can play a major role by intervening on behalf of individual businesses in order to resolve disputes that could, potentially, lead to law suits through conciliation, mediation and arbitration.

The Association should furthermore constitute an information resource serving businesses and chambers of commerce alike.

To what extent do you believe that the liberalization of world business has so far favoured the Mediterranean countries' development? What steps should they take to benefit fully from this liberalization?

The effect of the liberalization of world business has only become apparent since China joined the WTO. The is, nevertheless, reason to believe that the 'Tsunami' that China could cause in the Mediterranean could have a positive effect for at least two reasons:

- several European countries whose businesses moved their production plants to China have changed their tune.
- the Mediterranean countries have reacted by relocating their goal posts to adapt themselves to the situation. A case in point is the textile industry which after suffering considerable losses in 2004 and 2005 has begun, since the end of 2006, to find its feet again.

Generally, the liberalization of world business will, in the long term, have a positive effect on the countries of the Mediterranean. The latter must carry out major reforms if they want to compete successfully.

What do you believe the Association should do to improve business relations in the Euro-Mediterranean Zone?

In 2010 the Euro-Mediterranean Free Exchange Zone will become a reality unless there are some nationalist inspired surprises lying in wait. This concept of free exchange zone encompassing Europe and the countries of the Mediterranean has its origins in a shared desire to bolster commercial and economic relations in a general sense within an area encompassing eight hundred thousand consumers.

For this reason commercial relations cannot improve, develop and expand unless good will prevails on the part of all involved. There are serious potential dangers to be contended with if the agreements are only partially implemented, as would be the case, for example, if the free circulation of goods was permitted, but not the free circulation of individuals.

We place great hopes on this Euro-Mediterranean free trade zone in which all those involved should be engaged on the same path - the path to a win-win situation and shared prosperity.

Competitive advantages and specialization are the keys to accessing international markets. What way are the countries of the Mediterranean moving in this direction?

The countries of the Mediterranean enjoy several advantages. There are several aspects in this regard, notably:

- The quality of Mediterranean agricultural products such as olive oil, dates, fish, citrus fruits etc. These have proven beneficial effects on health and people often speak of the 'Mediterranean diet'.
- The fact that there are products which are specific to the Mediterranean such as cork.
- The proximity of the countries of the Southern Mediterranean to those of the North, a factor which reduces transportation costs and shipping delays.
- The availability of skilled Southern Mediterranean manpower, which is furthermore very competitive in terms of cost.
- The level of university education professionals have received, not only in Tunisia and Morocco, but throughout the Southern Mediterranean.

What projects and plans does the Association have for the future?

The Association is already involved in some major projects including:

- The European Union Commission Project 'A Blue Mediterranean on the Horizon of 2020'.
- The Euro-Mediterranean Free Exchange Zone envisaged for 2010.
- Follow up on the deliberations held in Barcelona from the business sector's standpoint.

The Association would like greater involvement in European Union projects in a limited consultational capacity or to meet specific requests in several domains such as tourism, information technology, renewable energy, new sources of energy, the environment, arbitration etc.

The Association is a valuable tool. One should know how to use it for the good of the Mediterranean region, not forgetting the African Continent which could one day make up the third side of the triangle.

Mr Jilani BENM'BAREK,
President of ASCAME

ASCAME

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The President

MEDITERRANEAN ECONOMIC AND BUSINESS GUIDE

At the time when the Mediterranean Sea was the heart of civilization, Lebanon was already the hub of the exchanges between us two shores and thus, was already at the heart of globalization.

The Lebanese people inherited this privileged and a dynamism which was never contradicted despite all kinds of dangers and difficulties. Today, and more than ever before, our responsibility as Lebanese, as Mediterraneans and as Arabs, is to continue to offer to the World this platform of meeting, of dialogue and of exchange between civilizations.

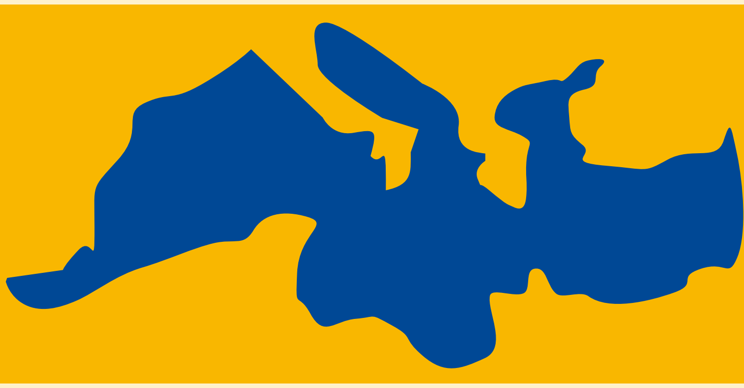
Defying all obstacles, the Lebanese business community, showed itself worthy of this heritage and mission. With the help of its world-radiating diaspora, and the support of brother-Arab countries, the Chambers of Commerce, Industry and Agriculture, the Professional and Business Associations fought bravely to preserve and consolidate the Lebanese economy. They succeeded in avoiding a threatening bankruptcy and in rebuilding the economy. This success would not have been possible without their deep will and determination. This determination and the promising Lebanon potential also led the international community to support us, despite a painful economic situation and a complex political environment.

Today, the Lebanese business community continues its engagement at the side of its Mediterranean partners, in order to rationalize the trade and the economic exchanges with those neighbours.

In this perspective, the role of the Mediterranean ICC and of the ASCAMF is essential. A series of appointments is taken for 2006 in order to make successful this multilateral Mediterranean partnership. The E-Chamber, the transfer of technologies, the exchange of information are some of the numerous axes of cooperation supported by the ICC and the Lebanese business community.

The Lebanese state strongly supports those initiatives, aiming at a common Mediterranean economic area, as they directly help the consolidation of exchanges, of dialogue, of cooperation and of comprehension between those natural partners or the benefit of all of us.

H.E. General Emile LAHOUD



COMMUNICATIONS PRIVATE BANKING

Mr Michael CHAHINE
Chairman of the Board of Directors and
General Manager of Credit Suisse Lebanon

Credit Suisse Group

Credit Suisse is a leading global financial services company headquartered in Zurich, Switzerland. As an integrated global bank, Credit Suisse provides its clients with investment banking, private banking and asset management services worldwide. Founded in 1856, Credit Suisse has a long tradition of meeting the complex financial needs of a wide range of clients. It provides companies, institutional clients and high-net-worth private clients globally, as well as retail clients in Switzerland, with advisory services, comprehensive solutions and innovative products.

Credit Suisse:

Commitment to Growth in the Middle East

Credit Suisse has long recognized the importance of the Middle Eastern market and is focusing on growing its strong local presence here in order to bring its unique value proposition to the region. Its long history in the region dates back to 1967, when Credit Suisse became one of the first foreign banks to establish a local presence here. In the four decades since it opened its Representative Office in Beirut, it has remained committed to growing its knowledge and understanding of this key market. Drawing on the expertise and insights it has acquired, Credit Suisse has successfully opened Representative Offices in Abu Dhabi, Dubai, Doha, Istanbul, Athens and Cairo. Credit Suisse regards the Middle East as the marketplace of the future and is committed to partnering clients in this region. Going forward, it plans to complement its strong local private banking franchise by developing an onshore presence in the fields of investment banking and asset management. By capitalizing on the combined expertise of its integrated global organization, it will help clients to realize success in this dynamic growth market.

Interview with Michael Chahine, Chairman of the Board of Directors and General Manager of Credit Suisse (Lebanon) Finance S.A.L (CSLF)

What kind of products and services does Credit Suisse offer its clients in the Middle East?

Credit Suisse provides its clients in the Middle East with specially tailored investment mandates and innovative and integrated financial solutions, including Sharia-compliant offerings. In addition to its strong private banking operation in this market, Credit Suisse has plans to build its investment banking and asset management businesses in the region.

How important is the financial institution license in Lebanon, which was granted to Credit Suisse in March 2006, for the Group's activities in the Lebanese market and the region as a whole?

This license is of vital importance as it has enabled Credit Suisse to open a subsidiary in Beirut from which it can serve high-net-worth and ultra-high-net worth individuals in the Lebanese market. The Beirut office will also support and work together with our other operations in the region in order to cover the Eastern Mediterranean market and to serve Lebanese and Arab clients with strong ties to Lebanon. The establishment of the subsidiary also represents a key step forward in Credit Suisse's efforts to expand its footprint in the Middle East, which it regards as one of the world's most important growth markets.

Which new services will Credit Suisse be able to offer as a result of this license?

Under the terms of the financial institution license that was issued by Banque du Liban, the newly established Credit Suisse subsidiary in Beirut will be able to offer a range of financial services and comprehensive advice to clients in Lebanon and the Middle Eastern market, as well as Lebanese and Arab clients with strong links to Lebanon. The range of services on offer includes: advice on financial products, investments and credit; the arrangement of credit in the area of investment (including alternative and structured investment products); the management of assets and the arrangement of custody with third-party custodians.

Why do you require an onshore presence in order to target local clients?

An onshore presence is a prerequisite for success in the private banking market. With its proximity to clients and the market, Credit Suisse is ideally positioned to provide wealthy individuals with direct access to its extensive local expertise and its global banking network as well as to a wide range of products that are geared to the local market – including Islamic financial solutions.

How will Credit Suisse address the issue of money laundering in Lebanon?

All Credit Suisse entities throughout the world must adhere to strict Know Your Customer rules and regulations to combat money laundering. The bank therefore verifies the identity of all its clients and each beneficial owner, as well as performing transaction monitoring in accordance with the applicable Swiss and Lebanese regulations.

In addition to its new subsidiary in Lebanon, Credit Suisse already has operations in the U.A.E., Saudi Arabia and Qatar. Is this part of a new strategy to capitalize on the rapidly growing wealth in the Middle East as a result of high oil prices?

Credit Suisse has a long history in the Middle East and was the first Swiss bank to establish a presence in the region. The bank has therefore been cultivating an in-depth understanding of this market for almost 40 years and regards the continued strengthening of its franchise in the region as an important step in the implementation of its Middle Eastern growth strategy. Credit Suisse believes that this market has much more to offer than just the liquidity of its petrodollars. Economies in the region are experiencing dynamic growth and diversification and are opening up increasingly, while reducing their dependency on oil. Moreover, Credit Suisse anticipates that these markets will generate vast opportunities for both the local and foreign business communities in the medium to long term.

What prospects does the region offer in terms of development?

The Middle East is one of the fastest growing wealth management markets globally. Credit Suisse has significantly expanded its offering for private banking clients in recent years. Moreover, it plans to continue growing its onshore presence in the Middle East in 2006 and beyond. The bank has underscored its willingness to make substantial investments and to create new jobs in the region in the long term. It is also important to note that the regulatory framework in the Middle East meets strict international standards and thus provides Credit Suisse with an excellent environment in which to build its business. The Middle East and GCC (Gulf Cooperation Council) is a unique market in which wealthy private individuals, governments and private corporations are closely interlinked. A global bank such as Credit Suisse, which offers onshore investment banking, asset management and private banking services, is therefore well positioned to operate successfully in this market in the long term. Credit Suisse will be an important regional player in the further development of the flourishing capital market.

How does Credit Suisse's positioning compare to that of its competitors?

As a matter of policy, we do not comment on our competitors. Credit Suisse has a long tradition in the Middle East and Gulf region and is committed to continuously growing its local presence here. It has longstanding relationships with both clients and the local authorities and is able to capitalize on its extensive knowledge of the market and its tradition of banking excellence to offer state-of-the-art advisory services and compelling client solutions. Credit Suisse's primary objective is thus to provide a unique, integrated global banking platform, highly professional service and expert advice to clients throughout the Middle East.

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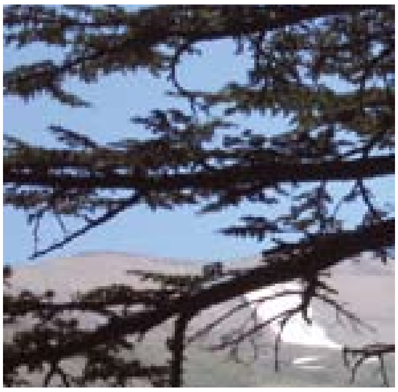


The Lebanese Economic and Business Guide

The Lebanese Business Environment

1. Setting Up a business in Lebanon

At the heart of the Middle East and the crossroads of three continents, Lebanon is where the East meets the West.

A convergence point of trade routes for thousands of years and a unique cultural and religious melting pot; the Land of the Alphabet is rising again as a regional and international hub for trade, finance, services, culture, and tourism.

With a stable political system based on a parliamentary democracy, and unique characteristics that are inherent to the Lebanese system, Lebanon offers an ideal business environment for discerning investors.

In addition to a free-market economy based on a long tradition of government-supported liberalism, a sophisticated banking system, a developed legal framework, a superbly skilled workforce, and an exceptional lifestyle, Lebanon offers a large number of investment opportunities in all sectors of the Lebanese national economy.

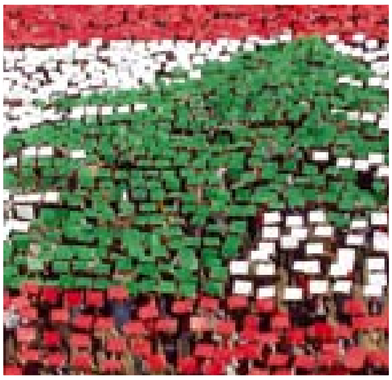
IDAL, the Investment Development Authority of Lebanon, is the sole public agency responsible for promoting investments in Lebanon, identifying and marketing opportunities, guiding international companies to establish prime business positions, and assisting investors in accessing a wealth of untapped economic potential. When investing in Lebanon, let IDAL pave your way.

Types Of Company Available In Lebanon

The choice of what kind of company to form depends on many elements, such as kind of activity, number of partners, capital required, taxation, projected turnover, etc. Then, a Contract of Association or Articles of Incorporation must be drawn up.

The first form of company is a partnership. There are two categories of partnership: a general partnership (Société en Nom Collectif - SNC) and a partnership in commendam (Société en Commandite Simple - SCS).

Partnerships are associations of two or more people. Partners may manage as well as own the business. The main characteristic of such an entity is the intuitus persona, i.e. the personal involvement of each associate. There is no required initial minimum capital but all partners are personally liable for the company's obligations. The company name must



include the names of some or all of the partners and is usually followed by the words 'and Co.'.

In practice, a general partnership is commercial in nature, so it must be registered with the Commercial Register. A partnership in commendum is a limited partnership with two types of partners. General partners own and manage the business and are liable for all its obligations. Limited - or silent - partners are financial backers who take no management role. Their liability is limited to their investment. The contract of association usually defines the circumstances under which the partnership can be terminated and what happens in case of death of one of the partners, disputes, or a desire by one partner to sell out to one or more of the other partners.

The second type of company is a co-partnership, only known to the parties concerned and, because it is secret, cannot be registered. An association agreement sets down the partners' rights and obligations, as well as their participation in profits and losses. Each party is responsible for their own liabilities. Despite their secrecy, the agreements inherent in a Société en Participation are enforceable at law in cases of dispute.

There are five types of corporation, the second type of company available in Lebanon, the five categories of corporations are: Joint Stock Company (SAL: Société Anonyme Libanaise), Limited Liability Company (SARL: Societe à Responsabilité Limitée), Corporation in Commendam, Holding Company and Offshore Company.

The main characteristic of a joint stock company (Société Anonyme Libanaise or SAL) is the intuitus pecuniare, i.e. the financial involvement of each associate. Partners are called shareholders and are legally liable only up to the amount of their shares in the company. Joint stock companies can issue shares and bonds convertible to shares. No one with any criminal record (in Lebanon or abroad) or who has been declared insolvent within the previous 10 years (unless rehabilitated) can participate in company activities. An SAL has a minimum of three shareholders and capital of at least USD 20,000, with one-fourth paid up at the time of registration. Capital can consist of cash or in kind.

If not already designated in the Articles of Incorporation, the directors and auditors are elected during the first general shareholders' meeting. A majority of board members must be Lebanese citizens. They are chosen from those shareholders who hold a 'guarantee share,' the exact size of which is stipulated in the Articles. Though a director can hold more than the laid-down guarantee share, s/he must quit the board if the holding goes below the guarantee level.

Every joint stock company incorporated in Lebanon must have its registered office in the country. Founders are required to publish information regarding the setup of the business in the Official Gazette, one daily newspaper, and one economic publication. The share subscription form, as well as the share certificate, posters, circular letters, and prospectus, must mention the notice and refer to the issues of the journals where it was published. Before any call is made to the public to buy shares, the founders are required to publish a notice in the Official Gazette and two newspapers with their signature and address, as well as the: Company logo, Location of the head office and any branches, Purpose of the business, Amount of capital, Nominal value of the shares and the initial down payment, The value of the contributions in kind, Policy on profits, whether distributed or added to capital, Conditions of profit-sharing, The number of directors, their statutory remunerations, and their powers.

The board of directors, composed of at least three members and a maximum of 12, is responsible for the company's operations. Members' compensation consists either of an annual stipend or a percentage of net profits, or a combination. The board elects one of its members to serve as chairman, who is responsible for carrying out the board's resolutions. The chairman cannot be the director of more than six Lebanese companies. If he is over 70, that number is reduced to two. If the chairman is a foreign resident, he must have a work permit.

Two auditors are designated - one responsible to the general assembly and the other to the Commercial Register. Depending on the conditions stated in the Articles, a shareholder meeting must take place at least once a year. The number of votes allotted to each member is equal to the number of shares owned. Holders of nominative, or non-transferable, stock are granted double voting rights after holding the shares for two years. Shareholders may appoint proxies to attend meetings and vote on their behalf.

The shareholders' ordinary meeting is convened shortly after the end of each financial year to finalize accounts, approve management actions, decide dividend distribution, and to re-appoint or designate new administrators and/or auditors to replace those who are at the end of their term.

The interest of the corporation's owners is divided into shares, and these shares may be freely transferred: that is to say, another person may be fully substituted in the place of the transferor as the holder of shares in the corporation. Shares are negotiable. In general, any shareholder may transfer his shares without the consent of other shareholders. Shares are transferred by the simplified means of commerce.

Lebanese corporations may engage in all kinds of business activities. They may raise capital by issuing shares in registered and bearer forms, bonds, and convertible bonds. Shares' subscription can be open to the public and the corporation may be listed at the stock exchange. All Lebanese corporations are considered members of the Beirut Stock Exchange, even if the corporation is not actually listed in the Beirut Stock Exchange.

With a small number of exceptions (such as real estate, insurance, media companies, and banks), there are no limits on the amount of capital that can be held by foreigners. The unlimited foreign participation principle is however mitigated by requirements that majority of the board of directors is Lebanese and each member of the board is holder of a limited number of shares.

A limited liability company (Société à Responsabilité Limitée or SARL) combines traits from both a partnership and a corporation. This type of hybrid company consists of between three and 20 partners, except in the case of the inheritance of shares when the number of partners may extend to a maximum of 30. If it exceeds that number, the company must register as a joint-stock company (SAL) within two years or dissolve its operation.

Because no shares as such are issued, the partners own a fixed percentage of the company and their personal liability for the company debt is strictly limited.

The name of the company, followed by the phrase 'limited liability company' and the amount of its capital are required to be placed on all printed matter, advertisements, publications, and other documents issued by the company. A minimum capital of USD 3,300 wholly paid at the time of registration is required. A lawyer must be retained and an auditor appointed regardless of the capital investment. Company results must be approved at an annual meeting of the partners. Banking, insurance and air transport activities are forbidden from registering as SARL companies.

The company is formed when the partners' percentages are allocated, paid, and deposited in the bank. The founders must state in the statutes that these conditions have been met. A limited liability company is subject to the same publishing regulations as a joint stock company.

The Articles of Incorporation must be notarized or signed before the clerk of the Commercial Register where it is filed.

The administration is entrusted to one or more managers, taken from the partners or elsewhere and designated by the Articles or a rider to serve for a specified period. Managers can be dismissed by a general meeting decision or by a court order. If there are no valid grounds for dismissal, managers are entitled to damages. At the end of each year, managers provide a report on the company's activities, including a full financial report. It is presented to the partners within six months of the end of the fiscal year. As well as approving the accounts at an ensuing general meeting, the managers' own conduct of business is endorsed. Partners are informed of company meetings by notices published in two local dailies or by registered letters sent to them one month prior to the date of the meeting. Copies of documents are made available at least 20 days prior to meetings, which are held at the company's head office.

A company in commendam is a limited partnership company with no specific capital requirements. The company's capital is divided into shares and the silent partners are under the same legal obligations as a shareholder in a joint stock company.

The first board of directors is appointed to a one-year term. There must be at least three supervisory commissioners, but they cannot be capital partners. One of the commissioners must be a chartered accountant designated by the Commercial Court.

Administration of the corporation is the responsibility of the partners, who are personally liable. Members of the board are allowed to occupy administrative functions in the company and to collect a salary set by the board. Laws governing the directors of joint stock companies apply also to the managers of companies in commendam but here directors have the specific title of Managing Partner.

Holding companies are registered in the form of joint stock companies although the word 'holding' must clearly appear in the company's name. A holding company is limited to buying shares in existing Lebanese or foreign joint stock or limited liability companies, or to holding intellectual property rights. It may manage only those companies in which it owns shares. The company's capital can be subscribed in a foreign currency. All accounts and balance sheets are stated in the same currency as the capital. Holding companies enjoy tax exemption on profits and dividend distribution.

Holding companies can also own patents, licenses, trademarks, and other reserved rights, as well as the right to license them to companies operating in Lebanon and abroad. They can grant loans to firms in which they own shares and guarantee them to third parties. A holding company may also own real estate, provided it is strictly for the needs of the company and in accordance with Lebanese law. A holding company is not allowed to directly acquire more than 40% in two companies operating in Lebanon in the same field of activity. This does not, however, apply to investments outside Lebanon.

These companies are structured like joint stock companies and must abide by the same provisions (i.e. they are governed by directors and hold annual shareholder meetings).

The registered office must be in Lebanon and house the company's accounts. The company is required to list at the Commercial Register according to the rules of the Code of Commerce. The company may limit itself to publishing - in the special register for holding companies - the balance sheet of the fiscal year and the names of directors and auditors.

At least two Lebanese citizens must sit on the board of directors. If the chairman is not a Lebanese citizen and lives outside Lebanon, s/he does not need a work permit. The corporate head office must be in Lebanon but board meetings and general meetings may be held abroad if company by-laws permit. The ordinary annual general meeting (AGM), however, must take place in Lebanon within five months of the end of the fiscal year. AGMs may be held twice a year if so provisioned in the by-laws. The company also must appoint for a three-year tenure at least one Lebanese senior auditor who lives in the country. Unlike other joint stock companies, no second auditor is required.

An offshore company may have its headquarters in or out of Lebanon but by definition operates outside the country. Bank accounts may be held in Lebanese liras or any other currency. Offshore companies are structured as joint stock companies. However, added to the documentation is a bank guarantee for USD 66.67, automatically renewable, as a security against payment of annual taxes. Offshore companies, like holding companies, receive special tax treatment due to their limited status. Contracts may be negotiated and signed relating to operations outside Lebanon and to merchandise located abroad or in Lebanese Customs-free areas. These contracts are exempt from fiscal stamp duties. Offshore companies may use Customs-free zones to store imported goods for re-export, rent office space, and acquire real estate. They may also prepare studies and engage in financial services for ventures beyond Lebanese borders.

Entry into the Commercial Register according to the provisions of the Code of Commerce is compulsory. If the main office is offshore, a record of the companies is kept in a special registry at the Commercial Registry, along with all information that joint stock companies are required to publish by law.

The chairman of an offshore company does not need a work permit if he is not Lebanese. However, the board must have at least two Lebanese directors and the company must appoint for a three-year term at least one Lebanese auditor who resides in the country.

Taxation

Personal tax is applied at progressive rates depending on the income bracket. It ranges from a minimum of 3% to a maximum of 21%.

Companies

Joint Stock and Limited Liability Companies pay 15% tax on corporate profit and 7.5% tax on profits received from the development or sale of real estate. A withholding tax at a rate of 10% is levied on all income derived from movable capital assets generated in Lebanon. This tax essentially concerns: Distributed dividends, interest and income on shares, directors' fees as well as amount payable to them from profits, Distribution of reserve or profits in form of additional shares or under any form.

Holding companies are exempt from paying: Income tax on profits, Income tax on profit distribution. However holding companies must pay the following: 10% on the interest on loans issued to companies operating in Lebanon, if the loan maturity is less than three years, 10% tax on capital gains received from the sale of holding company shares or its participation in Lebanese companies it has owned for less than two years, 10% on amounts collected from renting patents and on the reserved rights it possesses on a Lebanese company, Graduated tax on capital and reserves.

Offshore companies are exempt from: tax on profits, tax on profit distribution, stamp duties on overseas business contracts signed in Lebanon, 30% of foreign employees' basic salary is exempt. These companies are subject to: USD660 fixed annual tax, 10% tax on profit received from the sale of the fixed assets in Lebanon, two to 20% tax on the salaries of company employees working in Lebanon.

The Value Added Tax (VAT) is equal to a 10% flat rate.

Foreign Acquisition of Property

On March 20, 2001, the Lebanese Parliament endorsed amendments on the legislation regarding the Foreign Acquisition of Property, which was proposed by the Cabinet on December 13, 2000. Law No. 296 is meant to provide incentives for foreign investment in industry and tourism through reactivating the real estate sector by (a) easing the legal limits on foreign ownership of property, and (b)

lowering the estate registration fees to 5% for both Lebanese and foreign investors. The law stipulates the following:

Whereas the existing law limited the acquisition of land by foreigners to 5% in each Mohafaza, the new law allows foreigners to acquire 3% of the total area of Lebanon regardless of the geographic location subject to one condition: foreigners can acquire no more than 3% of the total area of a caza. One exception to this law is Beirut, where foreigners are allowed to acquire up to 10% of the total area of the capital.

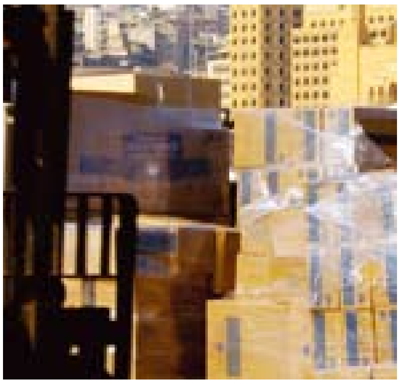
Foreigners can now acquire 3,000 m^2 of land without the passage of a decree by the Council of Ministers. The authorization to acquire a plot of land for a specific project has to be executed within a period of five years (extended only once for an additional five years if requested). It is legally allowed for foreigners to buy more than 3,000 m^2 subject to a Council of Ministers' decree.

The Lebanese government has also proposed lowering real estate registration fees to 5.8% for both Lebanese and foreign investors. This 5.8% registration fee includes the municipality fee of 0.25%, stamp duty of 0.3%, the lawyers' syndicate fee of 0.1%, and an additional 0.1% if the registration took place through a notary's office rather than the land registry (these fees add up to 0.75% of the 5.8% fee and have remained unchanged). Thus, registration fees, net of the additional duties, have been reduced by 1% for Lebanese investors and 11% for foreign investors.

Investment Incentives

A market-oriented economy, a secure business environment, a wide access to Middle East markets and a highly-skilled work force all are combined in Lebanon to provide investors with the best environment for their businesses to flourish. Investment in Lebanon offers unique opportunities to leverage promising niche markets in tourism, agriculture, industry, agro-industry and IT / technology / telecommunication / media.

The Lebanese government recognizes the importance of investment and is actively working to provide an environment that enables investors to bring or establish their operations in Lebanon. Within this framework, the Investment Development Law n°360 empowered IDAL to offer a wide range of generous and competitive investment incentives depending on the qualifications and criteria for each project. Some of these incentives are: exemptions from income tax and tax on distribution of dividends, work permits for various categories exclusively needed for the project, fee reduction on work permits and residency, fee reduction on construction permits - if required for the project, exemptions on land registration at the Land Registry, annexation, subdivisions, mortgages and registration of lease contracts.


2. Bodies Dedicated to Support Business Implementation and Investment Attraction

Kafalat

Kafalat is a Lebanese financial company with a public concern that assists small and medium sized enterprises (SMEs) to access commercial bank funding. Kafalat helps SMEs by providing loan guarantees based on business plans / feasibility studies that show the viability of the proposed business activity. It processes guarantee applications for loans that are to be provided by Lebanese banks to SMEs operating throughout Lebanon.

Kafalat targets SMEs and innovative start ups that belong to one of the following economic sectors: industry, agriculture, tourism, traditional Crafts, high Technology.

Kafalat guaranteed loans benefit from interest rate subsidies. These subsidies have been set up to mitigate the crowding out effect of the high interest rates in Lebanon that are induced by public sector borrowing. The interest rate subsidies are financed by the Lebanese treasury and administered by the Central Bank of Lebanon.

The Kafalat loan guarantee is issued based on the viability of the business project to be financed. The guarantee that is made in favour of the lending bank, allows the borrower to provide the bank with collateral, which makes the loan safer for the bank. With the Kafalat loan guarantee, the bank may require less other collateral for the loan. In fact, Kafalat offers two types of guarantees that explicitly require the lending bank not to impose any additional collateral request on the borrower. The final decision (and the conditions) for granting the loan rests however in the hands of the lender. Kafalat constantly urges banks not to ask for other guarantees and to be content with the credit decision made based on the business plan and the feasibility of the project.

Subsidy for the interest on the loan: In addition to the guarantee, the borrower benefits from a subsidy on the interest that is being charged by the bank. This allows SMEs to access bank funding at a reasonable cost.

The Lebanese private sector is dominated by small and medium sized enterprises that face difficulties in accessing funds from commercial banks. Kafalat's loan guarantees help SMEs in Lebanon to access commercial bank debt financing. This allows SMEs to increase the financing of their business activities, which leads to increased domestic investment, output, and employment.

In 2006, Kafalat has signed a partnership with the European Union and the Ministry of Economy and

Trade of Lebanon (MoET) to increase the amount and the size of the loan guarantees beyond the level offered by Kafalat until 2005. This partnership comes as part of the Lebanese government's efforts in the formulation of an SME financial strategy and the promotion of economic development. The new guarantee types will consolidate Kafalat's initiative to encourage the financing of investment proposals based on business plans and credit appraisal, placing emphasis on the project's feasibility and viability instead of the borrower's net worth. Banks that will lend to SMEs based on the Kafalat loan guarantees developed under this partnership will be required not to impose any collateral requirements on top of the guarantee from Kafalat.

For SMEs and start ups, this partnership specifically aims to: ensure access to credit to finance sound investment projects, without having to provide any collateral requirement; increase and strengthen the equity of SMEs and start ups; promote the integration of SMEs and start ups into the formal sector by requesting they register as a condition for a loan application.

For commercial banks, this partnership specifically aims to: increase the maximum amount of loan that can be guaranteed under the scheme (beyond the level offered by Kafalat until 2005); provide incentives to commercial banks to be less risk averse basing their lending decisions on the project investment merits, cash flow and market opportunities; increase the amount of commercial bank lending available.

By Dec. 31, 2005, Kafalat had issued 2901 loan guarantees for a total value of loans of LPB 405,021 million (Approx. USD 268,671,209). Of these, loans worth LBP 288,024 million were still outstanding (Approx. USD 191,060,736) at the end of 2005.

3. The Lebanese Legal System, Laws and Regulations for Investors

Badri and Salim El Meouchi Law Firm:
Chadia El Meouchi, Ramy Aoun and Maria Jreissati

This article contains a brief overview of some of the Lebanese laws and regulations that may be interesting to investors in Lebanon concerning specific legal structures of privately owned companies, the relevant taxation system, access to capital, and the access to Lebanese financial markets for foreign companies.

From the commercial perspective, a wide range of business entities are available for investors. An individual may undertake business as a sole proprietorship or as a partner in a partnership. The investor may also set up branches or representative offices of the foreign entity. We shall however, focus on the main types of capital companies, the ones that are most commonly incorporated in Lebanon:

(i) The Limited Liability Company is a company where liability of the partners is limited in the sense that they are liable for the company's debts only to the extent of their contribution in the capital. This type of company may be composed of at least 3 partners and a maximum of 30 partners as is permitted under certain conditions by law. However, such companies are prohibited by law from undertaking insurance, banking, fund management and aviation and it may not issue negotiable shares. The limited liability company's capital must amount to five million Lebanese pounds at least (i.e. approximately USD/3500/). The partners' interest is transferable to third persons only with the approval of partners representing at least three quarters of the capital. The management of the company is entrusted to one or more individuals who are not necessarily partners of the company. All the partners may in principle be foreigners.

From a tax perspective, the limited liability company is subject to a 15% tax on profits and a further 10% tax on the dividends payable upon the distribution thereof. Assignments of shares are also subject to a 10% tax on the added value of the shares transferred.

(ii) The Joint Stock Company is a company formed from persons or entities subscribing to the shares constituting its share capital, and is entitled to deal with all kinds of business activities. This company must be composed of a minimum of three shareholders who are held liable only to the extent of their contribution in the share capital. The share capital must amount to a minimum of thirty million Lebanese pounds (i.e. approximately USD/20 000/) divided into negotiable shares of equal value that may be registered, to order, or to the bearer.



The share capital must be fully subscribed upon incorporation of the company, noting that each subscriber is required to pay at least one quarter of the value of the shares. For certain activities determined by law, a specific amount of the shares must be owned by Lebanese persons. Except for the directors' guarantee shares, shares are freely assignable unless the bylaws have set restrictions such as pre-emptive rights. It should be noted that as a principle, some transfer of shares in joint stock companies are exempted from taxes. In addition, such company may issue negotiable and indivisible debentures of an equal nominal amount delivered to subscribers for the sums loaned by them to the company. These debentures may be convertible into shares.

Joint-stock companies are managed by a board of directors composed of at least three members and of twelve members at most. The board members are appointed by the shareholders' general meeting for a maximum period of three years subject to re-election while the statutory directors could be appointed for a maximum period of five years. The majority of the board members must be Lebanese and the directors must hold a minimum number of registered shares determined in the bylaws. The board of directors elects his chairman who is also the general manager.

The annual general assembly should appoint a statutory auditor for a period of one year renewable as the case may be. In addition, the court where the company's head office is located shall appoint an additional auditor to look into the accounts. The statutory auditors exercise a permanent control over the company's operations.

The joint stock company's shareholders convene in either ordinary or extraordinary general assemblies. The ordinary general assembly is held at least once annually to resolve on the approval of the accounts and distribution of dividends, appointment of a statutory auditor as well as the election of a new board of director sand shall convene when required to grant the board specific prerogatives to undertake certain tasks. The extraordinary general assembly, for which a special quorum and majority are required, is held in order to modify the articles of association.

From a tax perspective, the joint-stock company is subject to a 15% tax on profits and a further 10% tax on the dividends payable upon the distribution thereof.

(iv)- Holding companies are special joint stock companies whose scope is limited to the acquisition of shares or parts of other companies, management of companies in which it owns shares or parts, granting loans to companies in which it owns parts or shares provided that the holding's share of the capital is at least of 20%, acquisition and ownership of intellectual property rights, and acquisition of real estates required for its activities.

In addition to the above, a holding company has the right to (a) affix the share capital in foreign currency; (b) appoint at least two Lebanese individuals in the



board of directors; (c) to hold board meetings and general assembly meetings outside Lebanon if the bylaws allow it; (e) to appoint one Lebanese statutory auditor for a period of three years without the need to appoint an additional supervisory commissioner. The company must keep account books to establish the annual financial position and the chairman of the board is not required to hold a work permit if he is a foreigner not residing in Lebanon.

The profits and their distribution are exempted from income tax. However the company shall remain subject to some taxes especially to an annual lump tax depending on the capital of the company, that in any event would not exceed LBP/5 000 000/ (i.e. approximately USD/3500/).

(v) Offshore companies are incorporated in the form of a joint stock company whose scope is limited to the negotiation and signature of contracts and agreements in respect of operations and deals that take place outside the Lebanese territory and relevant to merchandise and products located abroad or in the customs free zone, the use of the facilities available in the customs free zone to warehouse merchandise imported with the view to re-export, the leasing of offices in Lebanon and the acquisition of landed property necessary for their activity and the conduct of studies and consultations which shall be utilized outside Lebanon, at the request of establishments located abroad. Offshore companies are prohibited from undertaking industrial activities, banking operations, insurance, holding, or to undertake any commercial activity on the Lebanese territory.

The board should be composed of two Lebanese natural persons at least and the chairman of the Board of Directors shall not be required to hold a work permit in case he should be a non-Lebanese not residing in Lebanon.

The company shall appoint at least one Lebanese statutory auditor, who can be appointed for a three-year period.

The profits of the company as well as the dividends distributed by the company shall be exempted from income tax; instead, the company shall be subject to an annual lump sum tax, in the amount of LBP /1 000 000/ (i.e. equivalent to USD/670).

Republic of Lebanon

Ministry of Economy and Trade
The Minister

Lebanon's many special dispositions; its unique position at the center of the Eastern Mediterranean lying at the crossroads between Asia, Africa and Europe, its long tradition of cultural diversity and liberal economic policies, full currency convertibility and free movement of capital has allowed it in the past to develop as a major cultural and trade hub in the region. The Government's ambitious economic reform plan and sound pragmatic policies have placed Lebanon, once again, in a strong position to pursue its regional and international interests. Building solid relationships through social and cultural exchanges as well as encouraging liberalization through bilateral and regional avenues are two main factors that come naturally in promoting Lebanon's economic growth and its smooth integration into the Euro-Mediterranean region.

The signature of the association agreement with the EU was a landmark in broadening economic relations; however, Lebanese- European relationships have traditionally been robust due to historically established linkages and common values. It is no secret that this relationship which was translated in the signing of the Association Agreement, has a natural economic extension; EU being Lebanon's main trading Partner. Economically, this partnership will enable Lebanon to greatly benefit from opportunities which can lead to competitiveness, attraction of foreign direct investment and reductions in the budget deficit which will result in economic growth, reduction in prices, creation of jobs and an overall increased social and economic welfare.

The Lebanese Government, conscious of the important role of the private sector in economic growth, is determined to lay the needed foundations for sustainable development. The dynamism and entrepreneurial spirit of the Lebanese business sector has always been the Country's golden parachute. I strongly believe that capitalizing on trade opportunities can not be achieved without well established channels of information. In this regard, the opportunities presented by the Association of the Mediterranean Chambers of Commerce and Industry, particularly through the project of 'The Business Gateway to Lebanon 2006" together with "ASCAME: The Mediterranean Economic and Business Guide" to the private sector are unlimited. I would like to commend, the Mediterranean ICC initiatives and I am confident that this project will provide Lebanese companies with more knowledge to tap into opportunities existing world-wide, particularly those new opportunities presented as a result of our association agreement with the EU, and enlighten businessmen to the privileges of belonging to this vibrant region as well as offering assistance to prospective and existing enterprises to expand their businesses with Lebanon.

H. E. Mr Sami HADDAD
Minister of Economy and Trading



Economic Strengths of Lebanon

1. Economic Picture

Lebanon's economy and markets are best described at the dawn of the new millennium by a private and liberal economic activity and an openness to abroad with perfect capital and labour mobility. The private sector contributes to around 75% of aggregate demand, a well-diversified sector that covers the totality of economic sectors and is a major pillar for growth and recovery. The Lebanese economy is also a typical open economy with a large banking sector equivalent to more than 2.5 times its economic sector and providing an important support to aggregate demand.

GDP in 2005 is USD 23.69bn with a growth rate for 2005 of 0.5% Services make up 67%, industry 21% and agriculture 12%. In pursuit of a modern and efficient economy attractive to outside investors Lebanon has reconstructed its infrastructure, with 80% of the basic infrastructure rehabilitated using the best technologies. The country has revised basically most of its business laws and regulations. These reforms have allowed it to establish a reputable banking sector with high financial standing, strictly regulated by the Central Bank and that in turn has initiated a process of domestic capital market development and accessed frequently international markets,

The Lebanese economy has been facing some signs of sluggishness over the past couple of years, but is mainly tied to short-term challenges. Growth has contracted in real terms, due to a decline in aggregate demand in both its consumption and investment components. The newly appointed government launched a series of ambitious measures aimed at improving household and business sentiment and stimulating growth, drawing on a largely underutilized capacity estimated at close to 35% of potential. The expansionary government policies (deregulation, tariff reduction, launch of frozen capital spending, open sky policy, interest rate subsidies for productive lending, etc…) are expected to have a direct positive impact on economic activity, though at the detriment of a tougher fiscal consolidation in the near term.

Indeed, fiscal conditions at year end-2000 continue to be underlined by significant revenue-spending imbalances, leading to further rises in government indebtedness. Deficit reported 24% of GDP in 2000 raising the debt ratio to close to 150%. The country still awaits the adoption of drastic privatization and debt management measures that would aim at cutting the observed vicious circle of debt servicing/ deficit/ debt growth. Such a scenario could be actually encouraged by the materialization of a high real output growth target generating important revenue surpluses for the Lebanese State in the medium run.

The challenges that the economy is currently facing are believed to be more of a short term and cyclical nature. An upward shift is actually quite plausible once the general environment factors are alleviated. The Israeli withdrawal from South Lebanon, the further liberalization of the Lebanese economy through the alleviation of trade and non-trade barriers, the potential launch of privatization of public utilities and the arising signs of economic openness in Syria, all constitute promising developments in this respect. Lebanon's outlook is finally encouraged by a significant regional role potential driven by its historical comparative edges at large.

2. Transportations

With a state-of-the-art telecommunications system, a fully operational electricity network, a new airport, enlarged and refurbished port facilities and an ambitious road rehabilitation program, Lebanon has one of the best infrastructures in the region.

The Port of Beirut plays an important role in Lebanon's commercial activities. After World War II, Beirut became the most important Arab port on the Eastern Mediterranean serving the Arab world. A free-port area for re-exports added to Beirut's success. During the conflict, the Port of Beirut virtually closed down and related commerce ground to a halt.

Work has been completed on the reconstruction of the Duty Free Zone at the Port of Beirut to restore its pre-war capacity and a project for the rehabilitation and expansion of the Port of Beirut is underway.

In an attempt to make Beirut International Airport an international hub for passenger and cargo transportation, Prime Minister Al-Hariri launched a new open-skies policy, which removes restrictions on aircraft capacity and frequency of flights to and from Beirut. To meet expanded demand, Beirut's International Airport is being renovated. Greece's Consolidated Contractors Company (CCC) and Germany's Hochtief are working on a new USD 387 million terminal.

3. Communications

Lebanon is also making strides in upgrading its information technology infrastructure to better support commerce and trade. The Levant Transit Fiber Network is in the first stage of construction on a optic-fiber network from Aqaba, Jordan to Beirut and all points between to serve as a backbone for regional and local telecommunications service providers. The Seattle-based Real Time Communications (RTC) has entered into a joint venture with a Jordanian firm to build a optic fiber network across Jordan and Lebanon. The company is currently raising equity to support the project.

The country's telecommunications sector helped treasury revenues by generating $280 million in 1998, the country's communications sector produced total revenues of approximately $1 billion this year, of which half came from the ministry and the remainder from private cellular companies, internet service providers, and para-state agency Sodetel. Of the ministry's USD 500 million turnover, some USD 280 million went to the Treasury, adding that he hoped that steady growth would see the amount rise in 1999. He called Lebanon's level of telephone services relatively high compared to neighboring Arab countries, as there are 1.12 million fixed and cellular telephone lines in a country with a population of around 3.5 million. Following the good turnover from the sector, Lebanon's telecommunications have been slated for major changes. On March 15, 2001, a new telecom law was proposed by the Ministry of Telecommunications (MoT) to the council of ministers. Telecom Act no. 431, which was approved by the parliament on July 22, 2002, aims at reforming the telecom sector by creating a separate regulatory body and a telecom operator (Liban Telecom- which will then be able to exploit its third GSM license). By July 2005, the TRA board members were still not appointed which is a prerequisite before moving to convert the fixed line operator OGERO into a government owned company called Liban Telecom. This will be followed by Liban Telecom privatization, which will then be followed by liberalizing the market. The Government of Lebanon will create an independent Telecommunications Regulatory Authority (TRA) in line with the Telecommunications Law of July 2002. It is an objective that the TRA will become a model of good governance to serve as an example for other public sector institutions in Lebanon. While the TRA does not yet exist the a mission statement has been proposed for the TRA: To regulate the telecommunications sector so as to achieve a competitive environment delivering a range of high quality services at competitive prices, so as to assist in the development of the Lebanese economy for the benefit of businesses and all the citizens of Lebanon.

The TRA will have responsibilities in six main categories:

1. Licensing of telecommunications operations and services and compliance with licence conditions and other regulations;
2. Management and monitoring of the radio frequency spectrum; Technical matters covering topics such as: Interconnection; Numbering; Standards; Type Approval; and Quality of Service;
3. Consumer affairs; Public relations; and Protection of the consumers' interests; Economic and financial matters covering such aspects as: Policy; Market analysis; and Tariffs; Support and administrative services for the TRA including: Financial affairs; Internal auditing; Human resources; IT & information systems; and General internal services.

The Lebanese Ministry of Telecommunications (MoT) presently carries out some of these regulatory functions. When the TRA has been established, all regulatory activities in the Ministry will transfer to the TRA. Until then, any inquiries regarding current regulatory activities/subjects in MoT should be addressed to MoT.

4. The Tourism Sector

Lebanon's liberal economy is based on competition and private ownership. Services and banking sectors predominate, representing 60% of GDP (down from approximately 70% in the 1970's). Major sub sectors are commerce, tourism and financial services. Other components include health care and higher education.

The strategic position of Lebanon, its mild climate and natural beauty, consisting of snow-capped mountains, valleys and the Mediterranean Sea, make it a natural tourist attraction. Apart from its privileged geographical and natural situation, Lebanon benefits from qualified and experienced human resources in the tourism industry.

Prior to the outbreak of the conflict, tourism (including hotels and restaurants) contributed approximately 20 per cent to Lebanon's GDP. This is notable given that, at that time, the international tourism industry was not as developed as it is today.

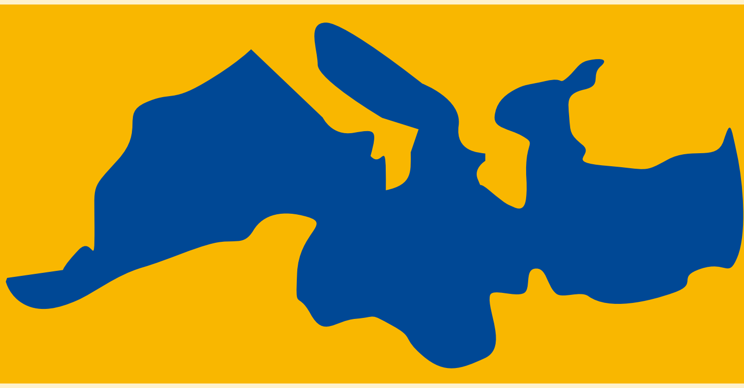
Significant private investment is currently being made in the modernization and expansion of this sector and international hotel companies have returned to Lebanon. Casino du Liban, which historically constituted a major tourist destination, reopened in 1996. Lebanon is the only country in the Arab world that offers skiing and related winter sports activities. The largest ski resort in the country has been expanded and modernized. The Government believes that, because of the return of peace and stability to the country and with the development of the necessary infrastructure, tourism will again contribute significantly to Lebanon's economy. Lebanon's tourism industry also relies on the large number of Lebanese living abroad, who returns regularly to the country during the summer season.

Lebanon has plenty of natural and cultural wealth to attract visitors. Mountains, beautiful beaches, the Jeita Grottos, and renowned cedar forests are among Lebanon's natural gifts, supporting popular tourist activities like skiing, hiking, boating, and fishing. Ruins from the Byzantine, Greek, Roman periods, crusader castles, as well as old market places and mosques represent Lebanon's long history as an East-West crossroads.

Beirut hosts some of the best shopping in the world; with international brand stores such as Bang & Olufsen and Versace moving downtown and also to Verdun Street, one of the world's most luxurious shopping districts. In 1997, the government began to hold the annual "shopping month," offering incentives for regional tourists to come to Lebanon for duty-free shopping and entertainment. World-famous nightclubs and restaurants provide further attractions; with the laid back atmosphere of Beirut nonreplicable in other regional cities. The country is known to be very hospitable to visitors and is relatively safe.
In the years since the war ended, most of the visitors that come to Lebanon are expatriates visiting their

families. The thousands of Lebanese expatriates who return each summer give an important boost to the local economy. In a recent trend, more and more Gulf Arabs are foregoing trips to the west, and vacationing within the Middle East. Lebanon is a natural destination for Arabs who want to vacation within the Arab world. Arab tourists to Lebanon jumped 18 percent in 2002 over 2001. European tourists represent the next major group, making up 26 percent of tourist visits in 2002.

The popularity of hotel construction is in part a confirmation of tourism's recovery, with new hotels from Movenpick, the Four Seasons and the Hilton opening or scheduled to open within a couple years. Tourist visits increased over 14 percent from 2001 to 2002.



INTERVIEW

H.E. Mr Joseph SARKIS
Minister of Tourism

Lebanon has important ambitions to develop its tourism sector. What are the main assets of tourism sector in your country?

Lebanon has a lot to offer visitors. In our advertisement campaigns, we stress on the variety of attractions, moderate climate, the proximity of the mountain to the sea, 300 days of sun around the year, winter and summer sports, the cultural activities, the summer festivals, the night life, the varied and rich gastronomy, the specificity of Lebanon as a link between Europe, the Middle East and the far East, the high standard of services in Lebanon.

- Its unique moderate climate is cool in winter and mild in summer.
- Lebanon enjoys four seasons of the year
- Lebanese cuisine is immensely popular and surprising in its diversity.
- Downtown of Beirut emerged from ashes as Beirut more fashionable and desirable neighbourhood, with gloriously restored French mandate-era buildings, European and Lebanese cafes, world-class restaurants, luxurious and stylish pubs.
- Beirut has been named by an international retail organization as one of the leading shopping centre and international department store in the pipeline.
- Lebanon' s historical and archaeological and tourism sites such as Baalbeck, Beiteddine, Sidon, Aanjar, Tyre, Byblos, Tripoli, Jeita Grotto, the Cedars, etc…

Winter Season:
Ski in Lebanon: It usually takes a little more than one hour from Beirut to reach the snow-covered mountains where ideal ski conditions are present on most days accompanied by bright sunny skies. The six ski stations and resorts which offer excellent accommodation and facilities are: The cedars (The Cedar forest is amongst the ancient forest of majestic cedars dating back to the days of King Solomon), Faraya, Laqlouq, Qanat Bakish and Zaarour.
Ski season attracts many lovers and champions of this sport from all countries.

Summer season:
Lebanon is the ideal destination for summer holidays.

- Swimming is popular in Lebanon. From the North to the South, Lebanon offer more than 200 km of

golden coastline and enjoys 300 days of Mediterranean sunshine a year.
Water sports of all kind are available most of the year: water ski, sailing, scuba diving, etc…

- Summer and international festivals: Throughout the summer months, Lebanon witnesses an important cultural event, the Summer International festivals which extend from July to the end of September, where concerts, ballets, operas and modern dance troupes bring life back to the ancient stones of Baalbeck, the Crusaders Castle in Byblos, the Roman Hippodrome in Tyre, the Palace in Beiteddine or Khan el Franj in Sidon.

- Lebanon is interested in raising awareness in the international arena of the breadth of its tourism offerings: Eco-tourism; family tourism, green tourism, nature tourism, sports tourism, health tourism etc… Attempts to educate potential visitors on the lesser known aspects of the country have included the launch of a series of new brochures as "Discover Lebanon" which exposes the country rural areas and archaeological sites. Lebanon is not only a destination for beach holidays and meetings and conferences, it can be marketed as an eco-tourism destination too as well as a cultural one.

Eco-tourism can be defined as environmentally responsible travel and visitation of relatively undisturbed natural areas such as Horsh, Enden, The Cedars forest, Palm Island in Tripoli etc… promoting their importance, conservation, and providing for beneficially active socio-economic involvement of local populations, while minimizing negative impacts upon the natural and socio-cultural environment.

Lebanon's message to tourist is that "There is a lot of Lebanon you haven't see – Discover the hidden Lebanon, the domestic Lebanon".

Nature tourism activities abound in Lebanon such as:

- Paragliding the Cedars
- Paddling down the Awwali river in a canoe or a kayak
- Hiking in the cedars, Tannourine, Sir ed Danniyé
- Climbing on Mount Sannine
- Exploring deep caves
- Organizing trekking or rock climbing
- Camping, etc…

What kind of tourism are you intending to develop: are you planning to increase the number of infrastructures to welcome more tourists to turn Lebanon into a mass tourism destination, or are you rather willing to develop a high standard tourism, one of the kind "MICE" tourism?

Tourism is one of the fastest-growing segments in the world economy. It is also the major economic driver in Lebanon.

Great achievements were accomplished in the tourism sector in order to develop a high standard quality tourism during the last few years that marked Lebanon as one of the main tourist destination on the tourism map. There is no doubt that the tourism sector in Lebanon where severely shaken due to the last events which hit Lebanon in 2005. But the tourism sector is gradually resuming its usual activities. We are now positive that the tourism sector in Lebanon will recuperate very quickly. We are expecting a major pick-up and we are very optimistic especially with our Arab friends coming to Lebanon this summer.

Significant private investments are currently made in the modernization and expansion of the tourism sector and international hotel companies have returned to Lebanon. The hospitality sector especially the hotel and restaurant sector are on rise. New hotel chains have been built or are under construction in Lebanon. Some of Beirut's established hotels have undergone extensive renovation. Some family hotels were being rehabilitated and other old patrimonial houses transformed into private and small hotels.

The Ministry of Tourism is targeting nowadays the development of alternate forms of tourism such as those how reach rural areas not included in the big International Hotels projects centred in the capital Beirut.

The objective of the ministry is to create and maintaining a sustainable tourism that serves the economic development goals of Lebanon. This being achieved by promoting tourism products that support social harmony, cultivating market segments that respect and conserve Lebanon's fragile environment and by providing a sustainable source of income that benefits diverse segments of Lebanon's population.

A mutual co-operation agreement recently signed between the Cypriot authorities and the Lebanese tourism authorities, between the Chinese and Lebanese tourism authorities; between the Czech and the Lebanese authorities are expected to further boost movement between these countries and encourage tourism towards Lebanon.

With its various cultures and geographical feature, in addition to access by air, sea and land, Lebanon is also placed to attract niche tourism categories. This includes areas such as shopping, health tourism, ski tourism, culinary tourism, cultural tourism, spiritual tourism, historical and archaeological tourism.
Such activities not only affect hotels, restaurants and nightclubs positively, but also help stimulate other industries such has transport, hospitals, shops, malls and others. They can also motivate local municipalities, organizations and individuals.

The number of tourists has significantly surged recently. Does Lebanon have all the necessary communication infrastructures and the hotel facilities to welcome a higher number of visitors?

Lebanon has an up-to-date communication infrastructure. Hotels in Lebanon especially International and 5 star hotels offer high level communication facilities which put the tourist directly in contact with the whole world. They enjoy a high quality level standard of services to welcome a higher number of tourists and businessmen.

Have you implemented a specific legislation or incentive schemes to attract foreign investments in the tourism sector?

The Ministry of Tourism have recently presented some new tourism laws to the Council of Ministers for approval. Upon approval these law will be applicable in order to meet with the tourism requirements of this century. They will facilitate and help attract foreign investments in the Lebanese tourism sector.

Moreover for the last decade IDAL (Investment Development Authority of Lebanon) has been established to help and to facilitate the administrative formalities for investors to establish new projects in the country.

As the tourism industry has recently witnessed an important boom, many bodies might be interested in investing in the sector. What are the most significant investment opportunities in the tourism sector?

We encourage foreign investment first in the hotel sector. The Lebanese government encourages investors to create new projects in the accommodation sector as well as in entertaining projects for families and children in restaurants, big malls, resorts on beaches and in the mountains.

H.E. Mr Joseph Sarkis,
Minister of Tourism

5. Banking and Finance

From the 1950s to the start of the conflict in 1975, Beirut was the region's financial services centre. At the onset of the oil boom starting in the 1960s, Lebanon-based banks were the main recipients of the region's petrodollars.

Currently, the main financial services offered are commercial banking, investment banking and insurance. Despite the conflict and a crisis in the late 1980s involving a small number of banks, the commercial banking sector remains a centrepiece of the Republic's service-oriented economy.

The Lebanese banking sector witnessed unprecedented growth during the period from 1992 to the present. Total deposits with commercial banks increased from USD 6.5 billion at the end of 1992 to USD 33.9 billion at the end of 1999. In addition, since 1996, Lebanese banks have been successfully accessing the international capital markets. Specifically, since 1996, several banks raised over USD 2 billion on the international debt markets and three banks raised approximately USD 300 million through the issuance of global depositary receipts on the international equity markets.

The banking system is seen as having a key role by being the entry point for capital inflows for the region's development. At the same time the authorities are aiming at widening and deepening the financial sector by facilitating the establishment and evolution of, and providing a regulatory framework to, more diversified private financial institutions. Several investment banks, with capital raised offshore, have been established in Beirut and offer a variety of traditional investment banking services, including debt and equity raising and corporate finance advisory services. Several commercial banks have established investment banking subsidiaries offering similar services.

As part of the Government's strategy of re-establishing Beirut as a regional financial services centre, the Central Bank established in 1994 a central depositary, settlement and clearing agency, MIDCLEAR, which is a joint stock company organized under the laws of the Republic. The Government reopened the Beirut Stock Exchange in 1996.

Before the civil war, Lebanon was the unrivalled financial centre of the Middle East, with a free exchange system, strict secrecy laws, and strong currency all serving to attract international financial institutions and customers. Lebanese have banks returned to good standing with offshore banking groups relatively quickly, and now hold an estimated USD 50 billion in assets, an amount triple Lebanon's GDP.

Two things characterize the Lebanese banking sector. The first is the openness of the economy, which attracts so much offshore activity and facilitates international financial relationships. The second is the relationship with the government and the way that Lebanese banks have taken on the responsibility of helping it with the debt burden and in financing reconstruction. Exposure for banks to the state's debt is thus very high. Lebanese banks hold 68% of outstanding treasury bills, and the generous agreement to take on USD 4 billion in no interest Eurobonds provides the government with breathing room while burdening the banks. Over the medium to long term, however, the banking sector will be paid back by successful management of the national debt.

Banks in Lebanon mainly play the traditional role of society's financial go between. They play this role in an open and liberal financial market that encourages competition. 69 Banks are registered at the National Bank of Lebanon/Banque du Liban; With 62 active commercial banks and 7 specialised medium and long term credit banks, the Lebanese Banking sector currently employs about 15,000 individuals in 780 branches conveniently spread throughout the country, and manages more than USD 45.7 billion in assets nation-wide.

Foreign representation is significant, whether through foreign banks maintaining their branches in Lebanon or equity stakes in several local banks. Lebanese banks recognise that they are both a part of society and have responsibility towards society. Their social practices and initiatives reflect this understanding. Most banks have a code of ethics that stresses customer satisfaction, confidentiality in dealing, fairness and integrity. Banks are very involved in their local community through the sponsorship of cultural activities and social events.
The Lebanese banking sector is highly steeped in US dollar usage, with only little more than a quarter of financial activity actually done in the national currency. Banks have also undertaken measures to ensure activity done in the national lira, and thus Lebanese banks are fully hedged against foreign exchange risk. They are also highly liquid relative to banks in other developing economies.

Regulatory and security reforms have been pursued since the end of the civil war in 1991. The Central Bank has been quick to establish clear and modern regulations for new areas such as Internet banking, becoming one of the first countries in the region to allow and set standards for electronic signatures. These kinds of solid innovations and a strict regulatory environment have contributed to returning Lebanese banks to the forefront of banking in the region. In June of 2002, a survey conducted by the Banker magazine on the best trade finance countries put Lebanon in the top thirty countries in the world, ahead of all regional neighbours and even some western nations like France and Denmark.

The Central Bank of Lebanon or Banque du Liban as it is properly known was established by the Code of Money and Credit promulgated on 1st August 1963, by Decree no. 13513. It started to operate effectively on 1st April, 1964.

BDL is a legal public entity enjoying financial and administrative autonomy. It is not subject to the administrative and management rules and controls applicable to the public sector. Its capital is totally appropriated by the State.

The BDL is vested by law with the exclusive right to issue the national currency. As stipulated by article 70 of the Code of Money and Credit, the BDL is entrusted with the general mission of safeguarding the national currency in order to ensure the basis for sustained social and economic growth. This mission consists specifically in :the safeguard of monetary and economic stability; the safeguard of the soundness of the banking sector; the development of money and financial markets; the development and regulation of the payment systems and instruments and the development and regulation of money transfer operations including electronic transfers.

Development and regulation of the clearing and settlement operations relative to different financial and payment instruments and marketable bonds.

The BDL is endowed by law, with the prerogatives to fulfill its mission. It can use all measures it deems appropriate to ensure exchange rate stability, specifically the intervention in the foreign exchange market by buying and selling foreign currencies.

The BDL controls bank liquidity by adjusting discount rates, by intervening in the open market, as well as by determining credit facilities to banks and financial institutions. It regulates banks' credit in terms of volume and types of credit, by imposing credit ceiling, by directing credits towards specific purposes or sectors and setting the terms and regulations governing credits in general.

The BDL imposes on banks reserve requirements on assets and/or loans as determined by BDL, as well as penalties should shortfalls occur. Investment in TBs may be considered by the BDL as part of the reserve requirements.

MEDGULF

THE MEDITERRANEAN & GULF INSURANCE & REINSURANCE CO

Medgulf - Beirut Central District

LEBANON

Aley	Ashrafieh	Chtaura
Jdeideh	Jounieh	Mkalles
Saida	Tripoli	Tyre
Dahieh	Nabatieh	Zahleh

SAUDI ARABIA

BAHRAIN

UNITED KINGDOM

UNITED ARAB EMIRATES

JORDAN

MEDGULF

THE MEDITERRANEAN & GULF INSURANCE & REINSURANCE CO

INTERVIEW

MedGulf

MedGulf, the number one privately owned insurer in the Kingdom of Saudi Arabia, has many assets in its hands. What are your main areas of activity and in which main countries do you operate?

MedGulf provides a comprehensive range of products and services with a high standards and reliability. Its main areas of activities are in offering insurance and reinsurance in the Middle East and the Gulf markets and third party administration, for medical portfolios in Lebanon, Saudi Arabia, Jordan, Bahrain, and UAE under the MediVisa name.

What is your position on the Middle East insurance market?

We are one of the leading insurance Groups in the Middle East. The strategic synergy created by our network and backed by our major international reinsurers gave us a competitive advantage especially in servicing our clients. With MediVisa, our TPA arm, and medical insurance accounting for more than half the Group's portfolio, MedGulf is strategically focused on enhancing customer care and service on all fronts.

What are the new opportunities offered to you?

As part of its expansion trail, MedGulf, Mediterranean & Gulf Insurance & Reinsurance Co is now all set up to exploit the opportunities offered in the Turkish market and in the growing dynamic Gulf region, including serving the needs of the Saudi market following the changes in Saudi insurance laws which calls for mandatory medical insurance.

What changes have you implemented since the enforcement of the new Saudi Insurance Law?

Based on the authorization of the SAMA to operate under the new Saudi Insurance Law, MedGulf, the number one privately owned insurer in the Kingdom before the implementation of this Law, decided to raise its capital to SAR 800 million and to go public in order to widen its shareholders base to include other financial institutions and major players in the Saudi economy.

The region is booming as well as the insurance sector. What are your expectations from this change and how do you foresee 2006?

Faysal M Malak, Vice President Corporate Affairs of MedGulf, said that the new growth star of the group will be its Saudi operations given the sheer size of the market and the new mandatory medical insurance requirements.

With the Group total written premiums amounting to some US$280 million in 2005, and a strong CAGR of 25 % for the last 5 years, MEDGULF is expecting to sustain the momentum for 2006.

What are your aims for the future?

We aim to become the "One Stop Shop" for all insurance needs in the Middle East and offer tailor-made solutions to each client's specific needs including a full range of financial products and services, throughout the Arab world. We pride ourselves on the more than adequate and friendly customer service offered by the highly qualified team of insurance specialists and employees who allow clients to maximize coverage at optimal cost. Although offering a comprehensive range, we are particularly strong in complex products in engineering risks, aviation, property all risks and medical covers.

The BDL grants licenses for the establishment of banks, financial institutions, brokerage firms, money dealers, foreign banks, leasing companies and mutual funds in Lebanon. The Banking Control Commission controls and supervises these institutions. Conferring with the Association of Banks, the BDL issues circulars and resolutions governing the relations of banks with their customers.

There is a regular coordination between the BDL and the Government in order to ensure consistency between BDL's objectives and those of the Government. Cooperation with the Government implies coordinating fiscal and monetary policy measures. It informs the Government on economic matters that might negatively affect the national economy and currency and suggests measures that might benefit the balance of payments, the price level, public finance and offers advice on how to promote economic growth. It also ensures the relations between the Government and international financial institutions.

Capital Market

The capital markets sector is very small, represented by the Beirut Stock Exchange (BSE), which was reopened in 1995. The BSE currently has 16 listed companies, the majority of which are banking shares (2004). The sector is supervised by the Banque du Liban and the Ministry of Finance. The United States Agency for International Development (USAID) and other international donors have been active in providing assistance to draft securities market regulatory legislation and promote further development of the capital markets sector (2003).

After a 13-year hiatus, the Beirut Stock Exchange (BSE) resumed trading in January 1996. As of May 2003, the Stock Exchange had a market capitalization of 1.4 billion. Solidere is a huge component of the BSE, with more than USD 800 million in shares listed. Banks have the next largest presence. The BSE is attempting to diversify from its traditional domination by banks and industrial firms, but financial institutions remain the core of Lebanon's stock exchange.

Insurance

The insurance sector in Lebanon is comprised of over 70 insurance firms and five re-insurance firms, though many of the smaller firms are undercapitalized. The largest fifteen firms accounting for 75% of premiums. The agency in charge of overseeing the Lebanese insurance sector, the Insurance Control Commission, was established in 1999 and is housed within the Ministry of Economy and Trade.
Like the rest of the free market economy the Lebanese insurance market is liberal and open. Private insurers have historically been the only players in the local market and state nationalisation or expropriation is unknown.

Additionally, since the Lebanese state has never owned insurers, private companies do not have to compete with state entities or worry about government monopolies, as is the case in many other Arab countries.

This characteristic has helped the sector respond to market forces and avoid the distortions associated with state-ownership of insurers. Further, the sector has very low barriers to entry and is one of the most open insurance sectors in the region.

The existing rules and regulations already allow foreign insurers full ownership of local operations and for the acquisition of a domestic insurer. Competition exists from a large number of domestic firms as well as from Arab and foreign insurers already present in the market.

The Lebanese insurance sector is facing a lot of changes and challenges. Specialization, concentration, increased competition, slow consolidation; cross-sector alliances, economic slowdown, and globalization are some of the ongoing trends that are shaping the sector.

Insurance premiums generated in Lebanon totalled USD 467.3 million in 2002, of which non-life premiums totalled USD 342.2 million and life premiums reached USD 124.9 million.

Overall premiums rose nominally by 11% in 2002 with non-life premiums growing by 6.04% and life premiums rising by 27.3% from the previous year. But on an inflation-adjusted basis, total premiums rose by 6.53%.

Lebanon's real growth rate of 6.53% in total premiums is slightly higher than the 5.5% growth rate in global premiums but significantly lower than the 11.8% rate posted by emerging markets.

The consolidated profits of the sector totalled USD 19.6 million in 2001, with shareholder equity at USD 222.8 million and assets at USD 795.5 million.



The insurance market in Lebanon is highly fragmented. The number of insurers increased significantly after the end of the 1975-1990 war due mainly to lax regulations and an attempt to fill market demand. There were 113 licensed insurers in 1992, of which 79 were operational.

Despite a reduction in the number of insurance firms, the sector is still characterized by an unjustifiably large number of players. Gross premiums per operating company have steadily improved between 1997 and 2002, rising from USD 3.9 million in 1997 to USD 7.9 million in 2002.

Although this growth reflects the reduction in the number of operating insurers in the Lebanese market, the low figures per firm point to the need for further consolidation, as small and medium-size insurers are under increasing pressure to have the necessary technological infrastructure and human resources to compete on products, market share, as well as profitability levels

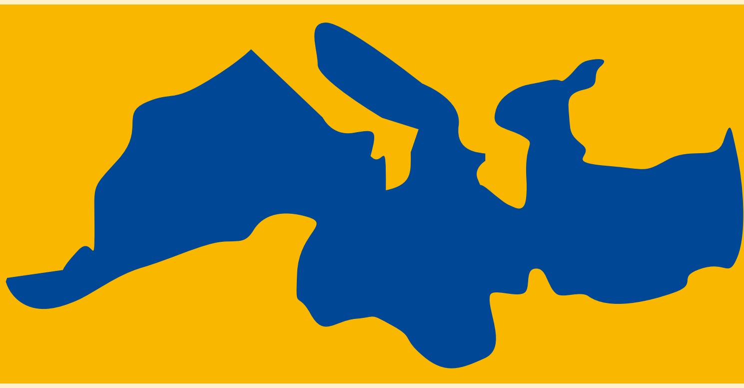
Health, auto and life insurance dominate the underwriting of insurance categories in the Lebanese market. The business of health insurance requires large outlays for service infrastructure such as claims-handling technology, and sufficient membership to generate negotiating clout with providers.

It is questionable whether the auto insurance market in Lebanon will reach a position of strong underwriting profitability in the next few years due largely to the business' highly competitive nature and the uncertainty of regulatory and legal factors.
The operational efficiency of the Lebanese insurance sector is positively influenced by the fact that the industry is totally in the hands of the private sector. On the other hand, Lebanon does not have the advantages of the more efficient Arab markets in terms of large industries related to oil production.

Further, Lebanon has one of the more developed life insurance sectors relative to other Arab countries, which increases the comparative efficiency of the Lebanese market. Consolidation would bring about improved operational efficiency. The reduced number of firms will inevitably result in a smaller workforce, leading to higher premiums per employees.

Already, several large Lebanese insurers have a regional and international presence. There is a general consensus that the regional markets that offer the biggest potential for Lebanese insurers are Iraq, Saudi Arabia and Syria.

The three countries are considered to be the largest 'natural' markets for Lebanese insurers. The sheer size of the capitalization of Gulf insurance firms as well as the scale and scope required to enter the Saudi and Iraqi markets tend to limit regional expansion to the large, well-capitalized Lebanese insurers that have alliances with Gulf or foreign players.



INTERVIEW

H.E. Mr Mohammed SAFADI
Minister of Public Works And Transport

Lebanon is ambitioning to become a major tourism destination and is planning to receive more visitors rapidly. Are the transport infrastructures efficient and sufficient enough to respond to your country's ambitions?

The transport sector plays a key role in facilitating and enhancing mobility of passengers and goods. It provides priceless support and indispensable contribution towards the dynamic development of the industrial, agricultural, finance, commercial and tourism sectors.

In the last few years, the Government of Lebanon has taken giant steps towards the improvement of the infrastructure of the transport sector. This stems from our conviction that an improved transport sector will positively affect the quality of life and significantly enhance the national economy. In this respect, massive and carefully planned investments have been made to upgrade the infrastructure, to modernize the equipment and to optimize the operations at the airport, ports and land borders.

Let us take for example the Aviation sector, Beirut Rafic Hariri International Airport (BRHIA) is the main gate to Lebanon. This new airport was inaugurated in end 1992 and was fully operational in 2002. 54 airline operate to BRHIA including regular and charter operations. Middle East Airlines represents the national passenger carrier and Trans Mediterranean Airlines is the main cargo airline. Eight Lebanese Charter Operations have been newly licensed to link Lebanon to the most attractive touristic and business cities in the region.

The charter operations use the newly opened general aviation terminal that is fully dedicated to offer the highest standards of services to VIP passengers.

In order to attract passenger and cargo, the government has approved the following:

a) Overcoming bureaucratic obstacles traffic rights.
b) Modernization of all rules and regulations.
c) Reducing all fees at the airport.
d) Abolishing of all monopolies and therefore allowing fair competition to reduce ticket prices and service fees.
e) Offering the highest level of services in duty free shops, restaurants, ground handling, taxi operations and parking facilities at the airport.

What are the main projects under way in the transport sector and what are the major opportunities of investment in this sector?

Several planned projects to improve the transport infrastructure have been initiated, namely:

- Expansion of Tripoli Port: Two projects were launched last year to expand the capacity of Tripoli Port and enhance its facilities. It constitutes the extension of the main break water by 1000m and new construction of a secondary break water of length 900m, in addition to the construction of a new quay of length 600m with a depth of 15m. The project encompasses a new reclaimed land which is made available for the port use of area 1,200,000 sq.m.

- Rehabilitation of the railway section from Tripoli Port to the Lebanese — Syrian border, connected with the Syrian Railway network which is in turn connected with the Turkish & Iraqi railway networks.
- Traffic Management scheme for Greater Beirut, through which major intersections are provided with grade separated interchanges, in addition to installation of traffic signals at all intersections which is connected to traffic control center. Besides, a pilot project is implemented for the on-street parking in Greater Beirut.
- Rehabilitation of the passenger terminal at Beirut Port
- Rehabilitation of the passenger terminal at the tourist port of Jounieh

Besides, several planned projects are under consideration, under study or tender namely:

- Expansion of Beirut Port
- Transforming Qlaiaat airport into main hub for transportation of Goods
- Rehabilitation of Beirut - Damascus road which serves the mountainous touristic places in Lebanon
- Lebanon has approved an aviation liberalization strategy based on open sky policy including the 5th freedom. This has resulted in a large growth of traffic to the country, airport income has tripled and 15 new airlines have joined the large group of operators to BRHIA. Growth in employment and the enhancement of safety, security and customer services have been the achievement of the new aviation safety. Lebanon has approved new aviation law and safety bill that conform with the international standards and practices.

Have you developed a legal framework or incentive scheme able to attract foreign investors in Lebanon?

As related to the Transport sector, we have recently revisited and updated the Transport Policy in Lebanon to reflect our vision of involving the private sector in the operation of its various activities. The Policy is committed to restricting the role of the public sector as regulator, while promoting sound private sector competition in public and freight transport markets.

Besides, a draft law was prepared to establish a Special Economic Zone (SEZ) in Tripoli. It constitute stream of incentives for the private sector to effectively participate in the construction and operation of the various activities in the SEZ.

In order to attract investments, the ministry has planned for a large free zone, maintenance facility for all types of aircraft, cargo airport north Lebanon and training facility for all aviation requirements.

Lebanon has a unique geographic location, at the crossroad between Europe, the Mediterranean and the Persian Gulf, What strategies have you adopted in order to turn Lebanon into a hub for the region?

Lebanon is an active member of the Arab League, ESCWA region countries and Euro-Med countries. We have maintained close coordination and full cooperation with those entities, and we endorsed the various agreements that can facilitate the movement of passengers and flow of goods between Lebanon and the hinterland. Equally as important, we have made all our policies, plans, regulations, practices, procedures and implementation priority program relating to transport sector in full harmony with those agreed among the region's countries.

The ministry has planned to link Lebanon's transport sector to the regional and international network and transport. Airport, seaports and railways are on the plan to link the Mediterranean sea to the Arabian gulf in order to make Lebanon the economic hub in the region.

Our efforts have not yet concluded, we are still exerting efforts towards improving and enhancing the level of service and competitiveness of the transport sector as related to increasing its efficiency and cost-effectiveness, as well as enhancing logistic methods and techniques.

Our efforts have been triggered by our desire to restore the leading role that Lebanon piloted in the transport sector since the Ancient times of the Phoenicians, and have been driven by our aspiration to reinstate the international status of Lebanon as the link between the East and West, and as the gateway to the Middle East.

H.E. Mr Mohammed Safadi
Minister of Public Works and Transport



6. Construction

Prior to the conflict, the property sector had always been important, with a substantial portion of the activity concentrated in Beirut, where the housing needs of the city's rapidly increasing urban population had to be met. Beirut saw an almost uninterrupted boom from the late 1950s to the early 1970s, when it expanded dramatically, eventually to house half of the country's population. Mountain towns and villages close to Beirut favoured by tourists, such as Aley and Bhamdoun, also experienced a boom.

The post-conflict era has witnessed a significant construction boom. Real estate prices have risen steeply, especially for prime property, but have recently stabilized. The boom has been fuelled by a mixture of local, expatriate and Gulf Arab funds. With respect to residential property, it has been concentrated mostly at the upper end of the housing market. As the stock market has resumed its operations only recently, land and construction have been viewed by many as attractive investment opportunities. Construction projects are financed mainly by equity investments. In 1995, construction activity accounted for 9.2 per cent. of GDP, a significant increase from approximately 4.5 per cent in 1972. Since 1996, this activity has slowed, as witnessed by decreasing cement deliveries and number of construction permits.

Although debt-servicing constrains current expenditure, the government continues to invest as much as possible in repairing and upgrading the country's infrastructure. In addition to the Horizon reconstruction program, the Council for Development and Reconstruction (CDR) has focused on the repair and rehabilitation of the south, after the Lebanese cabinet approved a USD 1.2 billion five-year plan to restore and develop the area. The CDR is overseeing such projects as rebuilding damaged houses, restoration of electricity, providing water, construction of roads, and expansion and upgrading of the telecommunications sector. Seeking funds for infrastructure projects, the Lebanese government has received encouragement and support from the World Bank and international donors and lenders. On top of the USD 145 million given in 2000 by the Islamic Development Bank for Lebanese reconstruction, another USD 37.5 million has been added in April 2003. Also, in the same month, the World Bank agreed to loan USD 31 million for urban renewal in the country's five largest cities. Thus construction is well-funded from the outside, and this year's improved debt payments also free up domestic funds for such projects. The Litani river project will be one such product of international generosity; built by Kuwaiti funds, the USD 459 million facility will irrigate 14,700 hectares of farmland and supply drinking water to 76 villages and towns.

One of the largest projects planned is the USD 246.3 million construction of a segment of the Pan-Arab highway running from Beirut to the Syrian border. In June of 2003, the project received a USD 15 million loan from OPEC's development fund, which has



given Lebanon similar loans in the past to improve its infrastructure. Also in the works are an USD 150 million plan for the expansion of the American University of Beirut, new high rises and hotels for the waterfront district of Beirut, and Beirut's historic souks, razed by the war, have been targeted for rehabilitation. The rehabilitation and modernization of the Beirut waterfront is underway, an ambitious project to turn a waste heap into a landfill that will become prime waterfront real estate. Elsewhere in the country electrical and water infrastructure projects are ongoing, and the port of Tripoli is being extended by the Dutch firm Ballast-Nedam. In mid-2002, the Council for Reconstruction and Development (CDR) announced that, pending Cabinet approval, it would be financing approximately USD 3.87 billion in projects over the coming three years.

7. The Industrial Sector

In 1995, the industrial sector (mainly production of cement, furniture, paper, detergents, cosmetics, pharmaceuticals, batteries, garments and processed foods) accounted for 17.3 per cent of GDP, an increase from 15.9 per cent. of GDP in 1972. Virtually all industry is privately owned.

Exchange rate and price stability coupled with the gradual fall in Lebanese Pound interest rates have contributed to a better environment for investment and growth in industry. Infrastructural bottlenecks resulting from the conflict are being addressed as improvements in roads, telephones and electricity supply are realized. IDAL is in the process of establishing free industrial zones in several areas around the country. The Government provides various incentives for the establishment of industrial facilities in Lebanon, including fiscal incentives in the form of reduced customs duties and tax exemptions.

From 1993 to December, 1999, the International Finance Corporation ("IFC") carried out 31 investment and financing projects in Lebanon in an aggregate amount of USD 316 million, with an additional USD 256 million raised by the IFC through loan participations. Investments during 1999 included loans to three companies for USD 50 million. As of December 31, 1999, USD 237 million representing IFC loans, loan participations and equity investments had been disbursed and remained outstanding.

Lebanon's industrial base has traditionally been small-scale. Prior to the civil war, the largest industrial employer was the food processing industry, followed by the well-developed textile industry. These two industries combined to account for 44 percent of industrial output, with furniture and woodworking factories accounting for 29 percent, and mechanical industries accounting for 7 percent. The remainder of industrial output was produced by the cement, ceramics, pharmaceutical, and plastic industries.

The civil war inflicted severe damage on the industrial sector in terms of human and capital resources. By 1985, one-fourth of the country's productive capacity had been destroyed, and with 600 to 700 factories closed, those that remained functioned at only a quarter of pre-war capacity.

Industry is a high growth sector lately in Lebanon, with the goal being not only to re-establish industrial capacity, but to improve upon the status quo antebellum. In the first 10 months of 2002, 76 new plants were built in Lebanon. This is 51 percent more plants representing 105 percent more capital than was invested for the same period in 2001.

Solidere, incorporated after the close of hostilities in 1994 and entrusted with the reconstruction of downtown Beirut, has almost completely revamped the city, but is still busily occupied with remaining in war-torn areas and buildings. The company is doing well though, and had an amazing year in 2002 thanks to high rents, an increase in sales of developed land and an even higher increase in the sales of undeveloped land that it holds. Profits on 2002 were USD 41 million, some twenty-times what they were in 2001.

Not surprisingly, the new factories reflect many of the same industries as were prevalent prior to 1975, mainly food processing and textile industries. The Egyptian-based Arab Brothers announced plans to build a sugar beet plant in the Bekaa Valley, along with facilities at Tripoli port aiming to export 80 percent of its product to the Arab world. The sugar refinery is set to open within three years and plans to use about 50 percent of the sugar refinery's sugar beet input from local farmers. Also on the agenda are plans for a flourmill, a sunflower and soybean press, and a water bottling facility.

A shopping website, that promotes Lebanese industries and their goods to international markets, was launched from its operational base in Beirut in late 2000. BuyLebanese.com, which mainly focuses on the country's food products, delivers to most countries around the globe.

Hotel construction is big business in Lebanon lately. An estimated 15 new projects are anticipated over the next few years. Construction is soon to begin on one of the larger projects, Saudi Prince Waleed Bin Talal's 250-room Four Seasons hotel in Beirut. Hilton has two projects planned as well. Construction of hotels and upscale real estate are worthy investments in the Lebanese market at the moment. Bin Talal's recently completed Movenpick sold every one of its USD 300,000 chalets before it even opened.



8. The Energy Sector

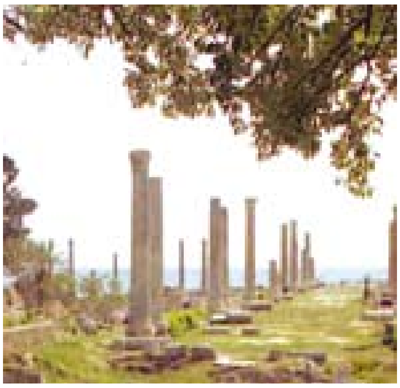
Lebanon has no known fossil fuel resources. Apart from relatively modest hydroelectric resources and the import of 50-100 megawatts of electricity semi-annually from Syria, all energy needs are met with imports of petroleum products, which represented over 4.2 million TOE (tonnes of oil equivalent) in 1995. Two state-owned refineries (one in Tripoli and one in Zahrani) are currently non-operational. The power sector accounts for about one-third of fuel imports.

Lebanon's energy sector is dominated by the state-owned Electricité du Liban ("EDL"). EDL is a vertically integrated utility with approximately 900,000 customers. Lebanon's energy production facilities include three thermal power stations, two gas turbine stations in each of Baalbek and Tyre and seven hydroelectric stations. In addition, two new combined cycle power plants have been constructed. Besides using its own plants, EDL purchases power from four independent hydroelectric power producers and sells wholesale to four private distributors. EDL is also the majority shareholder in the previously private-owned Kadisha company, a thermal and hydropower producer and distributor to about 100,000 customers in North Lebanon.

The power sector sustained severe physical damage to all its production transmission and distribution facilities during the conflict. EDL also incurred financial losses resulting from low tariffs, high technical and non-technical losses, including widespread illegal connections, and loss of control over its commercial operations.

EDL has been regaining control over its operations. Following the rehabilitation of existing plants, tariffs were increased significantly, and, commencing in 1996, steps are being taken to address billing and collection weaknesses as well as non-technical losses. The program for the rehabilitation of the Republic's energy sector is further described under "Reconstruction—Electricity Generation."

The Israeli attacks on power stations near Beirut in June, 1999 and February, 2000 resulted in damages estimated at approximately USD 40 million. Required repairs to the power stations as a result of the latest attacks have been substantially completed.


9. Agriculture

Only one-third of Lebanon's land is cultivable, with its primary agricultural areas along the Mediterranean coast and in the Bekaa Valley. Lebanon has long exported fruit and vegetables to other Arab states such as Syria, Saudi Arabia, Jordan, Kuwait, and Iraq. Other prominent crops include olives, cane and beet sugar, potatoes, wheat, tobacco, and barley. Sheep and goats are also raised. Civil war and invasion devastated agricultural production particularly in the south and the Bekaa Valley.

In 1995, agriculture contributed approximately 12 per cent to the Republic's GDP, as compared to approximately 9.9 per cent. In 1972. food and agricultural exports, which include forestry products, provide about 10 per cent. of merchandise export earnings.

Agricultural exports have rebounded from the civil war period, but have been undermined lately by subsidized EU zone production. The government announced a USD 33 million dollar export subsidy program in August 2001 to counterbalance this. The Bekaa valley, having been decimated by the factional fighting and artillery, is now becoming known for its fine wine as the country re-establishes its reputation for quality wines. Lebanon inherited its world-class wine making expertise from its years of being a French protectorate, although Lebanese wine making traces its roots throughout the centuries. Vineyards have proliferated in the past decade and the industry did USD 25 million in business last year. Lebanese wines have come into vogue in Europe and to a smaller extent in the US lately, and may become a strong export product.

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