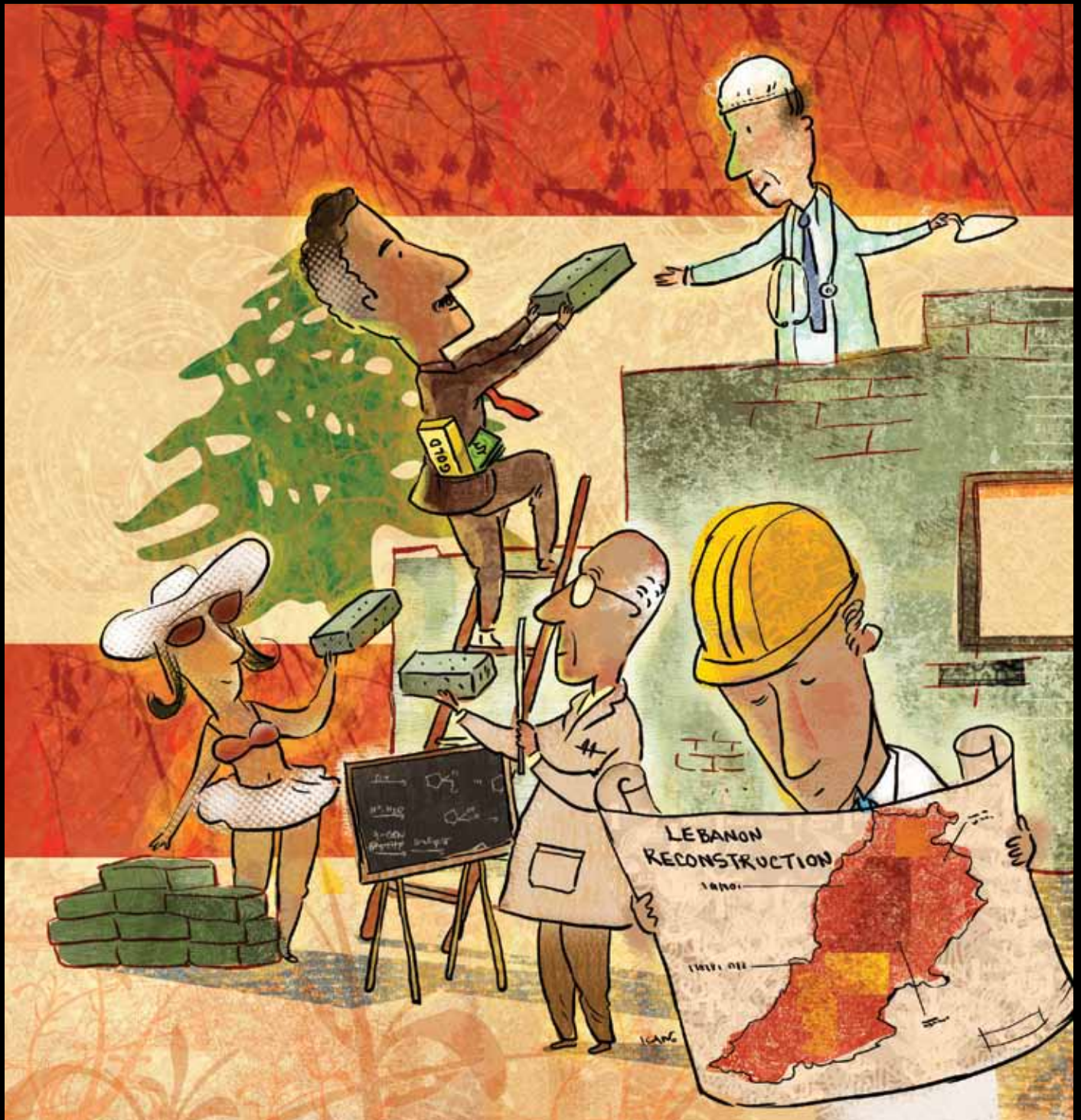


# LEBANON

## Government? Who needs a government?

Well, of course, it would help. But in a country whose greatest natural assets are its highly educated workforce and generations of entrepreneurial tradition, sectors as diverse as finance, tourism, education, construction and medicine are shrugging off the political upheaval as best they can and pushing ahead with rebuilding the economy.



# The triumph of a lifestyle

Why would one of the world's smallest countries, mired in political crisis, expect to grow more than the world's major economies this year? Because it's Lebanon, where a lifestyle of optimism and entrepreneurship always wins out.

Perched like a timeless jewel on the shores of the eastern Mediterranean, Lebanon is where the world's trade routes have crossed for at least 3,000 years, ever since the Phoenicians invented what we now call globalization. Today, despite seemingly endless political wrangling, business leaders in the glittering capital city of Beirut are looking firmly to the future.

True enough, investment and business activity slowed somewhat in early 2011 as investors waited for politicians to resolve a dispute that left the country without a government from January to mid-June.

Earlier this year, the World Bank was tipping Lebanon to grow by as much as 4.8 percent in 2011, but when the political uncertainty dragged on, the Fitch Ratings agency chopped its own prediction for Lebanon's GDP growth to just 2.5 percent. That's a far cry from the 7 to 9 percent rates of the three previous years, but still better than the World's Bank's prediction of 2.1 percent for countries in the euro area. Nevertheless, Fitch did not downgrade the country.

"Lebanon's ... substantial foreign exchange reserve buffers, lower debt levels and reduced interest costs, relative to the previous decade, mitigate the downside risks to political stability, growth and public finances in 2011," Fitch said, adding that moves in the middle of the year to form a new government under Najib Mikati, "a business-friendly politician," could improve the economic and fiscal outlook.

While permanent political peace was far from guaranteed with the formation of Mikati's new government, business

executives were hoping the administration would move ahead on key issues, including petroleum exploration, electricity and highways. Even if it doesn't, the Lebanese people won't sit around waiting.

In general, the Lebanese business community has become pretty used to stepping in and doing what's needed. Electricity is a great example: the state-run utility simply can't maintain a reliable supply. "People have initiative; it doesn't have to be a brilliant idea, but they have the initiative, say, to ship in generators, run wiring through a small neighborhood and charge houses perhaps US\$20 a month," said Tarek Khalifé, chairman and general manager of CreditBank.

"When there is no system, anarchy is the system. So, when you look at any neighborhood, you find people with satellite TV, electricity, water, and so on, sustained by private entrepreneurship."

This can-do, get-it-done approach has kept the Lebanese economy bouncing back — and growing — through countless political squabbles. It also powers one of the Middle East's most vibrant tourism sectors, built around dozens of luxury hotels, restaurants to rival those of Paris and a casino that glitters over the city at night.

Much of Beirut was damaged during the 1975-90 civil war, but that was followed by massive rebuilding. More recently, the city has been transformed by a new construction and property boom, albeit one that has now slowed. Luxury apartment blocks sell well both to local residents and the huge Lebanese diaspora, many of whom have leveraged their native Lebanese flair



## Lebanon in numbers

LEBANON MEASURES JUST 10,230 KM<sup>2</sup>, MAKING IT SMALLER THAN ALL U.S. STATES EXCEPT DELAWARE AND RHODE ISLAND, OR JUST HALF THE SIZE OF WALES. FOLLOWING, SOME KEY FACTS:

### • POPULATION

4.14 million in 2011; 87% urban  
Growth rate: 0.24% per annum

### • GOVERNMENT

Republic; suffrage excludes women without schooling  
**Head of state:** President Michel Suleiman (since May 25, 2008)  
**Head of government:** Prime Minister Najib Mikati (since June 13, 2011)

### • LANGUAGES

Arabic (official); French, English, Armenian also spoken

### • CAPITAL

Beirut: 1.9 million (urban area)

### • CURRENCY

Lebanese pound (LBP); US\$1.00 = LBP1,507  
**Inflation:** 3.7% (2010 est.)

### • GDP

US\$39 billion (official exchange rate, 2010 est.)

**Imports:** Oil, cars, medical supplies, clothing, consumer products

**Exports:** Jewelry, consumer goods, fruit, tobacco, ornamental stone





for trade and business into success abroad, particularly in Europe and the Americas.

Investors also see other areas of opportunity. International franchises have moved into the country, while Lebanese brands are franchising abroad. Higher education is booming, and a range of professions are finding that Lebanon offers an ideal base for operations within an extremely prosperous region. Beirut is a place where the various cultures and religions that swirl around the Middle East can coexist more easily, making it a favored location for expat employees. ■

## Resilience: a good thing, but ...

**Resilience:** defined by Merriam-Webster as “the ability to become strong, healthy, or successful again after something bad happens; an ability to recover from or adjust easily to misfortune or change.”

Normally, resilience is a good thing. But some people argue that the Lebanese have become too resilient: they’re now so adept at carrying on despite political upheaval that there’s less pressure to actually resolve problems.

The idea of resilience has been much in vogue since 2009, when the International Monetary Fund praised “the remarkable resilience of the Lebanese economy in the face of the global financial crisis” and commended authorities for their

“macroeconomic policy discipline and strict oversight of the financial system.”

Bankers point out the pluses:

- “The banking sector has a lot to do with resilience, the capacity to overcome major problems.” – Freddie Baz, Bank Audi
- “Lebanese banks are very resilient; we learn very quickly.” – Anwar Ali Jammal, Jammal Trust Bank
- “Lebanon as an economy is resilient for two major reasons: first, the entrepreneurial spirit of the private sector, not the public sector; the second is ‘belongingness,’ which is more intangible – the will of the people to maintain this relationship with their country.” – Tarek Khalifé, CreditBank

# Lebanese banks stretch their wings



## BANK AUDI

One of Lebanon's two largest banks in terms of customer deposits and total assets, with origins in a family-owned foreign-exchange house established in the early 19th century. Won the 2009 Euromoney "Best Bank in Lebanon" award. Largest shareholder is Deutsche Bank Trust Company Americas.

## BLOM BANK

One of Lebanon's two largest banks; founded in 1951; full name Banque du Liban et d'Outre-Mer, with 69 branches and affiliates in Lebanon and 85 abroad. Named "Best Retail Bank in the Middle East" and "Best Investment Bank in the Middle East" for 2010 by The Banker Awards.

## BYBLOS BANK

Founded in 1950; 75 branches in Lebanon; present in Armenia, Belgium, Cyprus, France, Iraq, Nigeria, Sudan, Syria, the United Arab Emirates, the United Kingdom and the Democratic Republic of the Congo. Listed on the London Stock Exchange since 2009.

## BANKMED

Established in 1944; now the country's fourth-largest bank, with 10 percent market share, 51 branches and assets of US\$10 billion; has a presence in Cyprus, Turkey and Geneva; largest shareholder in Solidere, a major Beirut real estate developer.

## FRANSABANK

One of the country's oldest banks, established in 1921, with majority local ownership and minority international participation. Fransabank ended 2010 with 107 branches and 40.2 percent growth in net profits, to reach US\$146 million. Present in Lebanon, France, Algeria, Syria, Sudan, Belarus, Libya and Cuba.



**Lebanon's financial institutions have learned how to cope and profit despite occasional political unrest. This has made the country's financial sector a byword for security amidst the confusion, giving banks a sound base from which to expand internationally.**

At the heart of this success lie generations of cautious financial management. It's the kind of old-fashioned, oak-counter banking where trust is everything, bolstered by sensible government regulation and the modest levels of leverage that many far more adventurous institutions in the United States or Europe would have laughed at — until, that is, the 2008 financial crisis came along and excessive leverage suddenly fell out of fashion.

"Lebanon did not suffer like many other countries during the financial crisis, because we have a very conservative banking sector," explained Riad Salameh, governor of the Lebanese central bank. "Our commercial banks are not allowed to invest in speculative investments such as derivatives or

shares, and we discipline credit for real estate. All this improved confidence, and cash inflows from Lebanese citizens working overseas increased. Bank deposits grew 10 percent by 2010, and we expect them to grow another 5 to 7 percent this year."

Early signs in 2011 were that deposit growth was slowing down, possibly to below Salameh's projection, as investors reacted to the country's most recent political confusion. However, there were also suggestions that Lebanese banks might yet profit from unrest in neighboring Syria, offering Syrians a familiar, nearby safe haven for their investments.

Short-term difficulties aside, Lebanese banks look set to continue their long-term regional expansion. According to the Association of Banks in Lebanon, its 68 member institutions have more than 200 branches in subsidiaries and sister banks in 33 countries, plus a large network of correspondents. There is also a substantial local presence of branches and representative offices of foreign banks, in particular from Arab countries.

"We have encouraged banks to expand their activities outside Lebanon, essen-





## LEBANESE BANKING: STRENGTH IN NUMBERS

### Liquidity requirements:

- At least 10% of foreign currency liabilities held as net liquid assets
- At least 15% of foreign currency liabilities deposited with the central bank
- 25% of LBP\* demand liabilities and 15% of LBP term liabilities deposited with the central bank

\*Lebanese pounds | (Source Association of Banks in Lebanon; data April 2011; conversion US\$1.00 = LBP1,500)

### Key figures:

- Total deposits (commercial banks): US\$42.6 billion
- Average interest (LBP deposits): 2.92%
- Checks cleared (2010): 101,700



**Mohammed Hariri**  
Chairman of the Board, BankMed



“We were seen as a corporate bank catering to high net worth (individuals) and corporations. Today we are on every street corner.”

tially in Arab countries and in Africa,” said Salameh. “This is important for their own industry and for the Lebanese economy; it could give Lebanon a strategic role in the area. The presence of Lebanese banks abroad helps Lebanese expatriates finance their businesses overseas.”

However, the central bank supervises this overseas activity, running stress tests to ensure that banks establish adequate controls and maintain proper levels of capital for their expansion. “Banks abroad must operate with the same conservative approach as in Lebanon,” the governor said.

There is a natural tendency for Lebanese banks to draw on their domestic market expertise when going international. BankMed, for example, set up the SaudiMed investment company to offer financial and investment advisory services and investment funds management in Saudi Arabia, while CreditBank opted to initiate its overseas presence with subsidiaries in Russia and Armenia. The bank is looking to leverage its know-how by implementing effective internal controls to compensate for the risks related to operating in a less-regulated market,

such as Armenia, which is routinely overlooked by bigger international competitors.

Jammal Trust Bank (JTB) boasts of being the first Lebanese bank to offer services in the United Kingdom and Egypt, but its name has been largely built on targeting lower-middle-income customers — “basically the proletariat, the working man,” says JTB Chairman Anwar Ali Jammal. “Most of my clients have probably never been inside an airplane. So, you see me moving to wherever I can replicate that kind of business.” This approach militates against the high-profile, super-rich Gulf markets, even though JTB also serves smaller corporate clients. “I will go to a market where there are clients that do not believe they are bankable, and I will say, ‘No, you are bankable. I have faith in you.’ That is our approach.”

That means targeting selected countries in Africa and maybe South America, but always working with a local partner. “Our approach is to find a local player who is doing a good job and give him the necessary equity and know-how. We do not pretend to know Ghana better than the Ghanaians.” ■

### What are the main lines of BankMed’s business strategy?

We have been following the same strategy since 2005, going more and more into the retail sector, attracting more deposits and offering new products that meet the needs of the country. We concentrate mainly on the local market, where we see growth eventually happening. I’m not saying that there’s no growth now, but not with the levels that we’ve seen in the past couple of years, due to the political situation.

### What are your expectations for 2011?

Maintaining the same level of liquidity or growth due to the political situation in the country. Last year, we had a spike in our growth; also in the inflow of capital and deposits.

### You have said that in order to compete, you want to double the equity of the bank. How will you achieve this?

We are different in that our capital base is currently owned mostly by one family. In order to grow, we definitely need greater equity. We have many options, for example a private placement or an IPO, depending on the political situation in the region. We will decide the timing of this, but basically, these are the paths available. Or maybe the family will decide to increase the capital themselves.

➔ *Point of view*

# Riad Salameh

Governor of Banque du Liban,  
the Lebanese central bank



## TODAY, WE ARE CONFIDENT ABOUT THE CURRENCY: WE ARE CONFIDENT ABOUT OUR BANKS

Lebanon's prize-winning central bank governor has the unenviable task of maintaining a stable currency and keeping the economy on a path of growth, despite moments of political turmoil.

**Peninsula Press: What has been the role of Banque du Liban over the last decade or two when Lebanese banking has done so well, despite the nation's political ups and downs?**

**Riad Salameh:** I would say that we have been instrumental in avoiding the negative impact of the various crises that this country has gone through. The central bank has been able to create growth in the past 18 years, multiplying tenfold the resources in the banking sector, keeping a stable currency and maintaining general confidence. In this way, we have helped the Lebanese people maintain a better standard of living despite all the difficulties — despite wars, internal fighting, and the global and regional financial crises.

**PP: What were your priorities when you became governor, and what are they now?**

**RS:** When I was nominated in 1993, the country was coming out of a war and my first concern was to restore confidence in the Lebanese pound, because this would create overall price stability. Now that the pound has been stable for 18 years, our priorities are to enhance credit to the private sector and expand financial resources in the banking sector so that the government can develop infrastructure projects in association with the private sector. That will help Lebanon have the proper infrastructure without increasing our national debt.

## CV

*Riad Salameh*

**1950** Born in Kfardebian, Lebanon; educated at the Jesuit College of Notre Dame de Jamhour; received a B.A. in economics from the American University of Beirut

**1973** Joined Merrill Lynch

**1993** Appointed governor of the central bank; reappointed in 1999 and 2005

### Awards:

**1996** Euromoney, *Best Central Bank Governor in the Arab World*

**2003** Euromoney, *Man of the Year*

**2005** Euromoney, *Best Central Bank Governor in the Middle East*

**2006** Euromoney, *Best Central Bank Governor in the World*

**2009** The Banker, *Central Banker of the Year*

**PP: One Lebanese bank was recently accused by the U.S. Treasury of money laundering. What are the consequences of those allegations, and what is the Lebanese central bank doing?**

**RS:** The accusations were limited to that one bank. Our concern was not to let the problem affect our market or create risks for our system of payment, or for the reputation

of the banking sector as a whole. So in agreement with the owners of the bank in question, we found a very adequate solution by having the assets and liabilities of this bank sold to another institution and by cancelling the bank's operating license. We are serious about fighting money laundering. We have laws and regulations, and the central bank's Special Investigation Commission does what is necessary to avoid illegal funds entering the country.

**PP: Some people have expressed fears that this could affect banking secrecy. Is that a valid concern?**

**RS:** Lebanon's banking secrecy is one of the reasons for confidence in the sector; it represents protection for the privacy of individuals and their funds, but it is not intended to hide illegal funds. So we have the authority to waive secrecy in cases where we are investigating money-laundering crimes.

**PP: You were with Merrill Lynch for many years before joining the central bank. How did that help you?**

**RS:** I think my experience with Merrill Lynch gave me the ability to sense the markets and their directions and effects on our policies. Markets play a big role in determining the success or failure of central bank policies. In Europe and the United States, the crisis was due to a general lack of sensitivity to market reactions at the regulatory level. It was not commonly perceived that the regulators should also have a market approach.



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## *What's the future for banking in Lebanon? And what is your own strategy, within that trend?*



**Tarek J. Khalifé**  
**Chairman and General  
Manager, CreditBank**

"Lebanon has two main advantages in the financial sector: regulation and human resources, including both people educated at local universities and those who have studied and lived abroad. These two major things give the Lebanese financial sector an advantage and the potential to expand in the region."

"CreditBank made a major acquisition in 2002 that kick-started our client services, giving us critical size. Within the current

situation there will certainly be mergers and acquisitions, but they won't be part of our growth strategy. Given the right target and opportunity, we would be open to acquisitions, but it would be opportunistic and not our main objective."

"We might be in the first tier of banks catering to the private sector, but we must keep things in focus. One is that we have to act fast. People like responsiveness from a bank. If you try to fit everybody into your own mold, you will lose a lot of business. Tailor-made and value-added solutions are very important; when somebody comes to you with a transaction, you have to give him advice over and above what he wants."



**Anwar Ali Jammal**  
**Chairman and  
General Manager,  
Jammal Trust Bank**

"Especially in a country like Lebanon, which has its customs and rituals, change is one of two things: it is either revolutionary, or it is gradual. But revolutionary change does not work in a bank; you lose your whole stakeholder base — your customers, your staff, your managers, everything. If you do it gradually,

then it is something that they can live with. They evolve with it."

"The essence of a bank is the factor of trust. If a customer has a question with regards to his bank, then there are plenty more fish in the sea; he can jump to any other bank where he doesn't have that particular problem. So we have to change very slowly, very gradually."

"We see ourselves as specialists in small and medium enterprises, but we are different from a nongovernmental organization that provides micro-credit using grants from the European Union, for example. We are a for-profit company. We explain to our customers how the system works; we tell them that they are borrowing money from a bank, and we will follow up and chase them to get our money back."

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**Freddie C. Baz**  
General Manager and  
Group CFO, Bank Audi

"I believe that since the early 1990s, Lebanese banks have gained a great deal in both size and standing — size meaning immunity, while standing is measured by capitalization levels. So the perception has improved a lot since the early 1990s about the financial standing of leading banks in Lebanon.

"We — Bank Audi — are the number one bank by far, because the asset differential between us and Blom Bank, the second bank, is US\$6 billion. That gap is as big as the eighth-largest bank in the system. Being the number one bank in our country gives us a very big responsibility toward our market, our country and our industry, but I believe at this level we are completely fulfilling our role.

"If you go back three or four years, you see that most of the global banks were affected by the financial crisis, and most of the regional banks followed suit. Lebanese banks, on the other hand, have been showing significant increases in assets and earnings at a time when most of the global and regional banks are showing a reduction in their size and earnings."



**Saad Azhari**  
Chairman and General  
Manager, Blom Bank

"The recent trend in expansion has been more toward opening full-service banks and establishing branches in Egypt, Saudi Arabia, Qatar and other nearby markets.

"In the past — say, 30 years ago — when we opened branches outside Lebanon, it was basically to follow Lebanese customers who were moving abroad, to London, France or the United Arab Emirates, because of the war or for other reasons. But today the goal is not just following Lebanese customers but to grow wherever we can; we want to become the leading regional bank in the area.

"We think that the future for Blom Bank is extremely bright, given the way our branches are developing in the region and building market share. It's an emerging region, and there is great potential.

"Our motto is 'Peace of Mind.' We chose this because our customers feel safer with us, not only financially but also because of the work we do within the community. We have helped with land mine clearance, education and children, for example.

"We are a conservative bank, but we aim to be dynamic — not just a local bank."

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# Hip Hop Beirut

Some years ago, British writer Jan Morris called Beirut “a phenomenon, beguiling perhaps, but quite, quite impossible.” Many outsiders are amazed how the city’s traditional mix of vibrant business and world-class nightlife can not only survive but thrive amidst the chaotic traffic and political confusion. But thrive it most certainly does.

As visitors quickly learn, the very best thing to do in Beirut is eat out. Restaurants are packed into the wee hours. Three recommendations:

**Babel** — A striking new venue overlooking the Mediterranean on the Dbayeh highway. Traditional Lebanese dishes with creative flair.

**Momo at the Souk** — Spectacular interior design sitting above the Jewelry Souk in Beirut Souks. Menu described as “North African flavors meet some more traditional French recipes.”

**Al Mayass** — A beautiful venue in Achrafieh, an old Christian district of East Beirut. Armenian dishes are a specialty. The live music and cozy atmosphere attract families and lovers.

Wherever you eat, do try Lebanese wine, a delicious undiscovered secret. And before or after visiting the casino, don’t miss the spectacular SkyBar, perched atop the Beirut International Exhibition and Leisure Center.

Where to stay? Beirut has many world-class hotels. Two options:

**Four Seasons** — A place to see and be seen, favored by many business and political leaders. Offers an impressive rooftop bar, a luxurious spa and super-fast Internet.

**Phoenicia InterContinental** — A traditional downtown hotel, very convenient to the business and banking district, with great views of the Mediterranean.



01



## Q&A Elie Saab

“I am not only a fashion designer; I am a businessman as well.”

Beirut-born Elie Saab is known around the world for his sumptuous, elegant evening dresses and wedding gowns. In 1997, he became a member of Italy’s Camera Nazionale della Moda, the first non-Italian designer so honored.

### How would you describe your style?

It’s more Western, even when I design for women from the Far East, because there are rules to respect. Certainly, I was inspired by Middle Eastern culture and the richness it offers. But these days fashion speaks the same language, and my style corresponds to all women from different parts of the world. I believe it is my vision of women all over the world and how I see femininity that makes the brand internationally recognized. I present what women need, with the appropriate embellishment.

### Is living in Beirut important?

It’s been a great asset and inspiration. In general, this is reflected through my choice of fabrics. I use rich materials and warm colors.

### What are the secrets of your success?

Creating your own identity is the first and most important thing in the fashion business. Perseverance, hard work and ambition are also very important.



02



03

01. Elie Saab Collection  
02. The Mohammad Al-Amin Mosque, located in Martyrs’ Square in downtown Beirut  
03. The famous Raouché (Pigeon Rocks)



## BEST PLACES TO SEE

Truth be told, there is almost too much to do and see in Lebanon. Here are just three great places you will never forget. But there are many more ...

**BAALBEK** A UNESCO World Heritage site with big, impressive ruins of a Roman temple complex, less than two hours' driving time from Beirut. See the Jupiter Temple, the Bacchus Temple, a circular structure known as the Temple of Venus and the remains of a fourth temple dedicated to Mercury.

**BYBLOS** An ancient town on a cliff 40 kilometers north of Beirut with a fascinating port and castle, ancient Phoenician temples, a historic quarter, and souks. This

UNESCO World Heritage site is emerging as an upscale tourist destination. Enjoy Byblos' sandy beaches and seafood restaurants, as well as open-air bars and cafes.

**FARAYA MZAAR** A mid-20th century winter ski resort 1,550 meters up in the mountains and just 44 kilometers northeast of Beirut. In the summer, visitors can enjoy great views, hiking, picnicking and ATV rides. The area also includes ancient monuments with temples, columns, altars and tombs cut into the rock.



Byblos



04

04. BAALBEK Some of the world's most spectacular Roman ruins

05. FARAYA MZAAR 42 slopes, beginners to advanced; hiking in summer

06. SKYBAR, one of the best night clubs high above the Mediterranean coastline



05



06

## BEST PLACES TO SHOP

Beirut is renowned as a great shopping town, offering everything from back-street bazaars to a striking modern mall complex that combines the flavor of traditional Middle Eastern markets with the comfort and elegance of a high-end shopping center.

Among the city's more popular souvenirs are silver items and jewelry, carpets, handmade cutlery, antiques, hand-tinted lithographs, satin slippers, chessboards and backgammon sets, ceramics, carved wooden boxes, cushion covers, tablecloths, handmade soaps and candles, and traditional clothing and Persian fabrics.

One place absolutely not to miss is Beirut Souks, right in the heart of the city. Many centuries ago, a souk was a temporary market set up on the edge of town by traveling merchants. The name then became used to describe more permanent markets within cities, and in the case of Beirut various souks formed a maze of commerce that includes traditional shops and more fashionable boutiques, together with vegetable, fruit and flower markets.

But the old souks were largely destroyed during the civil war.

Solidere, the development company responsible for rebuilding downtown Beirut, put together a visionary plan to rebuild the souks in a way that preserved as much as possible of their unique prewar character. In addition to Beirut Souks, look for these two popular shops:

Sophie's Choice (Patriarch Hoyek Street, Downtown) – Styles itself as a "concept boutique" stocking the work of hot new designers like Matthew Williamson, Sass & Bide and Jason Wu. There's also a great café.

Aishti – A major Lebanese luxury goods company with various stores in Beirut (including Beirut Souks). Carries the most prestigious brands from around the world.



## CASINO

The Casino du Liban, opened in 1959, is Lebanon's only legal gambling venue. And it's enjoying a boom, with net profits up 73 percent last year. Chairman and General Manager Hamid Kraidy has great plans, including a private casino, a 300-member dining club run by top French chef Alain Ducasse and a poker room featuring Texas Hold 'em.

"With the globalization of the world, you don't have things that are really private, really glamorous anymore," said Kraidy. "We are trying hard to promote Lebanon for more upmarket tourism."



Sophie's Choice



Sophie's Choice



Mireille Issa Jewelry

# Sun, shopping and surgery

**Tourism has traditionally been one of Lebanon's major dollar earners. But it's a sector that is very vulnerable to the ups and downs of political stability.**

Initial data for airport and hotel occupancy in 2011 suggests that Lebanon's tourism industry could be heading for a slower year after a period of rapid growth. Nevertheless, interim Tourism Minister Fadi Abboud told a travel forum in May that Lebanon would probably hold up better than most countries in what has been a turbulent region.

Businesspeople working in the country's capital say that foreign fears about a lack of

security for visitors have been exaggerated.

"You can find insecurity all over the world, even in Switzerland, but here (in Beirut) there is no problem — apart from the traffic!" said Hamid Kraidy, chairman and general manager of Casino du Liban, the country's premier gambling establishment. "There are no pickpockets in this country, and women are completely safe on the streets."

According to the World




Tourism Organization (WTO), Lebanon received 2.2 million foreign visitors in 2010, up 17 percent from the previous year and three times the level of a decade earlier. These visitors spent around US\$8 billion. Returns for 2009 showed 42 percent of Lebanon's visitors coming from surrounding Arab countries, 25 percent from Europe and 11 percent from North America.

Based on 2009 data from the WTO, the average expenditure per foreign visitor to Lebanon was around US\$3,700, no less than four times the average US\$900 per head for visitors to Egypt. This figure highlights that while Egypt, until the recent crisis the region's single largest tourism destination, might boast mass-market volume, Lebanon and particularly the capital city of Beirut


have traditionally pulled in the big spenders.

Beirut in particular draws much less package tourism, with a preponderance of top-line hotels and a shortage of good three- and four-star accommodation. And of course the capital's reputation as the "Paris of the Middle East" was not built on serving the cheaper segment of the market.

Lebanon has innumerable attractions — fabulous beaches, the casino, the incredible Roman ruins at Baalbek and eco-tourism in verdant mountains — but first and foremost is Beirut, one of the world's iconic cities, where local restaurants garner rave reviews in the world's top newspapers. The old adage that you can ski in the mountains in the morning, swim in the Mediterranean in the afternoon,




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## Facts&Figures

### Who visits Lebanon?

Jordanians, 12%; Saudi Arabians, 9%  
Iranians, 8%; French, 7%; Americans, 6%  
(2009 data)

### Beirut snapshot

4- and 5-star hotels: 35  
Average August high: 87° F (30.6° C)  
Average February low: 62° F (17.2° C)  
Average rainy days: January, 9;  
June-August, 0





and then party or gamble the night away has never been truer. That's if you don't take time off to check out the jewelry stores.

To facilitate tourism Lebanon is talking to Syria, Jordan and Turkey about introducing a single visa to enable tourists to move freely across borders, Minister Abboud said.

Mohamad El-Hout, chairman of Middle East Airlines, Lebanon's national flag carrier, agreed that negotiating visa-free movement was important: "When Cyprus imposed visas on the Lebanese, the volume of traffic between the countries dropped by more than 50 percent."

One of the most promising areas for boosting high-income tourism is medical treatment. International health travel is one of the world's booming service

industries: global revenue could reach some US\$100 billion by 2012, the U.S.-based Medical Tourism Association reported. As many as 1.6 million Americans could travel abroad for treatment in 2012. Four out of five will take a companion with them, and 90 percent of patients or companions will engage in regular tourism. Lebanon isn't yet a major center for medical tourism, but it has the necessary high-quality hospitals and additional attractions.

"Medical tourism is not only to provide healthcare but also services to the families and those accompanying the patient," said Salam Rayes, chief executive officer of the 260-bed Saint George Hospital, a leading Beirut institution that is gearing up for the global market. "What differentiates Lebanon from other

countries is our manpower. We don't import doctors; we have excellent nursing staff and paramedical personnel, all trained here. If you go to some other places, they may have better hospitals than we have in general, with some larger, computerized equipment, but they have foreign staff," Rayes said. ■



**Salam Rayes**  
CEO, Saint George Hospital

*"The differential of Lebanon is that we have coherent healthcare services."*

Saint George Hospital dates back more than 130 years, with religious origins. Is that important?

We are a Lebanese hospital owned by the (Christian Orthodox) church, but we have patients from all denominations. Disease does not have a religion. More than 50 percent of our staff are non-Orthodox; we employ people because of their qualifications.

What will Saint George Hospital specialize in, internationally?

We are going to have major centers for pediatrics, geriatrics, orthopedics, cardiology, oncology and intensive care services. We are well known for pediatric neonatology.

The Saint George Hospital has close ties with two leading French hospitals, the University Hospital Centers of Toulouse and Poitiers. How important are these international links? Our relationships with Poitiers and Toulouse were established to help us conduct medical and teaching conferences, and we still send residents there for training. They can learn more specialties.

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## The way forward: Lebanon 2020

**Lebanon faces interesting development options for the years ahead. Some projects might move faster if there is a lasting political settlement; others just require a modicum of stability and traditional private sector drive.**

Top of the list for Lebanon's development is undoubtedly oil. Mineral products — refined petroleum derivatives and natural gas — account for around one-fifth of Lebanon's total import bill, estimated at US\$18 billion in 2010, with power generation by far the biggest culprit. Electricity is in the hands of state-run *Electricité du Liban*, a perennial loss-maker that is bailed out most years by the government. Plans have long been on the table to overhaul the sector, seeking an end to constant blackouts, and the inaugural ministerial statement of Prime Minister Najib Mikati's new government promised, albeit rather vaguely,

to move the process forward.

The promise of hydrocarbon wealth could transform Lebanon into an energy exporter with huge financial impact. Substantial natural gas fields have been discovered in an area of the Mediterranean Sea whose borders are disputed by Lebanon and Israel. Both countries have filed seabed claims with the United Nations, but the maritime boundaries of the offshore reserves overlap substantially.

A further complication is the potential interest of Cyprus, some 200 kilometers northwest, which signed a bilateral

agreement with Israel to survey the seabed. Lebanese Foreign Minister Adnan Mansour said in July that this violated Lebanese interests, but Israel said Lebanon had moved the demarcation line.

Some hotter heads have spoken of "aggression" and of using armed force to defend national interests, but both Beirut and Tel Aviv have reiterated their determination to press their claims diplomatically. The question also becomes tangled in the countries' wider border disputes. Going forward, however, Lebanon's ability to defend



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**Baha Bassatne**  
Chairman, B.B. Energy

*"We'd like to cover the entire world; we want to be a real international oil company. We are still looking for more expansion"*

B.B. Energy is a Netherlands-registered oil trading, storage and distribution company belonging to Lebanon's Bassatne family. Since taking over the reins three decades ago, Baha Bassatne has propelled B.B. to a US\$6 or US\$7 billion a year operation, with ambitious plans to expand internationally and potentially venture upstream as well. "Our main priority is regional distribution; we are looking to go to Syria, Jordan and Turkey," Bassatne said. Iraq is also in the plans, as soon as it seems peaceful enough. This expansion would be strictly downstream. But no oil industry executive in Lebanon today can fail to think about the country's offshore deposits. "I don't know if the private sector will be able to get involved on the exploration side,

because this will need a lot of capital. We are looking at it within the group, but until the law is published, we can't do anything," he said. As a relatively small, family-run operation, B.B. Energy enjoys the flexibility to move quickly. "We don't have to go to a board for approval; we can just meet between us and decide. We can follow the market very quickly," explained Bassatne. "We are looking to grow either by expanding our business or by taking over another company." Like many Lebanese businessmen, he values personal relationships. "Most of my workload today involves maintaining friendships with the people we work with — keeping the personal touch."





**Hisham Itani**  
Chairman, Inkript

*"We partner with many European companies (providing technology) ... the value added comes mainly through providing and managing the service."*

Inkript is a Lebanon-based high-technology company involved in security printing, with operations in more than 40 countries. The company produces smartcards, SIM cards, scratch vouchers and tailor-made packaging solutions, in addition to identification and payment solutions, telecom value-added services, turnkey election supplies, and other related products. Inkript traces its origins back three decades to the firm Itani Printing and Trading. It is now a subsidiary of Resource Group Holding SAL, an investment vehicle also chaired by Hisham Itani, with additional operations in real estate, lottery services and telecom infrastructure.

"I can't give you a 10-year vision, but looking five years ahead, I would say that we want Inkript to be the gateway to Africa and Middle East markets, a counterpart for the major European companies," Itani said. "Our next target will be the potential acquisition of an existing company that has intellectual property in the security and telecom market and in government applications. Most probably, it will be a European company."

This acquisition, he said, would place Inkript in "a totally new quadrant" and transform it from being an operator of technology to a provider of technology.

"I believe that in the next five years, we will be among the 10 biggest companies in Europe, the Middle East and Africa in our businesses."

its corner may depend in part on Beirut's ability to maintain a strong government.

Some business executives worry that if the arguments drag on, gas fields in the disputed region may vanish. "If we don't do it (resolve the problem) very quickly, Israel will be pumping all our gas very soon," said Baha Bassatne of B.B. Energy.

Education is another strength. Business leaders in finance, hightech and other sectors emphasize how Lebanon's well-educated population constitutes a major asset. "Lebanon is such a small country with a small market, without natural resources. Our big advantage is our human capital," said Salim Zeenni, president of the American Lebanese Chamber of Commerce.

One example of this educational strength is Sabis, an international network of high-end preschool, primary and high-school institutions created a century ago in Beirut and now serving more than 56,000 students in the Middle East, Africa, Europe, Asia and United States. In higher education, both the American University of Beirut (AUB) and the Leba-

nese American University are examples of excellence. "The Lebanese are inherently smart, and there is a huge individual, family and community commitment to educating children," said AUB President Peter Dorman.

"Lebanon has highly educated people with excellent skills and good experience", said Hisham Itani, chairman of the high-tech security printing firm Inkript, which employs 500-plus highly qualified staff in its Beirut head office alone. The country offers "very well-rounded people who have graduated from Ivy League universities and have spent a lot of time in Europe, the United States, Africa or the Middle East." ■

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## The Rebirth of Beirut

Anyone visiting Beirut for the first time might be amazed to learn that less than a generation ago, the city center was a war-torn mess of rubble and ruin, shelled for years and given over to squatters. With the postwar government desperately short of money, the typically entrepreneurial Lebanese solution was to form a very special kind of joint-stock development company where tens of thousands of local property owners became shareholders alongside major investors. Essentially a form of public-private part-

nership, this new venture made everyone a stakeholder in success.

The company is Solidere, the Lebanese Company for the Development and Reconstruction of the Beirut Central District. It was given special powers of eminent domain and some limited regulatory authority. Then it prepared an ambitious master plan.

"It's the policy of Solidere that we should do something almost perfect," said Maher Beydoun, the company's vice chairman. "The ultimate goal is to have the finest city center in the Middle East, and to build to

very high standards."

Solidere implements its own projects and conducts joint ventures with private developers. It also offers investors services such as architectural design, development packaging and property management.

Developers seem to approve of the model. "What Solidere has done in 10 years is impressive; it deserves to be more widely recognized internationally," said Farouk Kamal, chairman of Stow Capital Partners, a high-end international real estate developer with interests in London, Beirut and Oman. ■

### PIECE BY PIECE, BUILDING A BETTER WORLD



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*"If peace comes to the Middle East tomorrow, the advertising and media business will triple in a year and grow exponentially after that."*

**Eli Khoury**  
CEO, Quantum Communications

"Lebanon has, in a way, spearheaded the advertising industry or even the whole communications and media industry in the Middle East, and one of the reasons is that historically, against all odds, we've managed to keep a certain level of freedom of speech in this country, even during the worst days of war and occupation.

"However you portray Lebanon today, whatever you say, it's difficult to be really accurate. If I were to tell the world about Lebanon today, I would ask: Is it the place? Is it the people? Or is it a combination of the two? I think it's really about how resilient the Lebanese are, how much they love life and how, despite the difficulties, you can still find a smile and a good drink, enjoy good food and a good night out. That's an honest description of Lebanon. But I wouldn't paint it golden and absolutely rosy."



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