

# Executive

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- 12 | **Into the blue**  
Lebanon's oil & gas sector nearly open for business
- 30 | **Full of gas**  
A lot of talk but little detail on plan to tackle electricity
- 34 | **Unleash the speed**  
Ogero flips a switch and local internet transforms

## GET OFF THAT ASS\*

*Dealing with a self-absorbed system*



\* To our esteemed readers: 1. We fully respect the dignity of all domesticated animals, including the *Equus Africanus Asinus*, also known as the ass or donkey. 2. This cover does not make reference to any vile American colloquialism. 3. In no way do we wish to imply that the Lebanese system of public governance is hesitant, stubborn, indecisive or inactive. Any similarity of rider or animal with a real existing populace or institution is in your mind only.



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# EDITORIAL

#213

## The donkey strategy

**A scantily clad singer belts out another frivolous song, and not only does her video clip get banned, she has her travel privileges revoked.** A university blogger dares to criticize the system only to find himself officially ostracized and harassed.

As this is taking place, a former head of Lebanon's telecommunications company, himself under investigation for corruption, can be found in an expensive downtown restaurant publicly relishing his surroundings without a care in the world. Can this possibly be real? Is it acceptable by any standards?

For years, the Lebanese have been clamoring for faster internet services – their right. Practically immediately after the disgraced telecoms chief was fired, the company he was heading proved that fast download speeds were achievable with the flip of a switch. The word suspicious is too weak here. This could not have been a coincidence. The refusal to deliver optimum internet speed was obviously a deliberate choice by corrupt individuals to sabotage the delivery of fast internet service to the country to suit their twisted personal interests. All this at the expense of millions of resigned Lebanese who are guiltless bystanders.

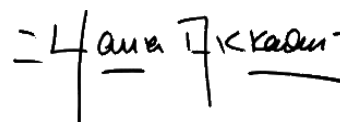
In a democracy, the government is assumed to work for the people. Its purpose is to serve its citizens and facilitate their transition between stages of their personal and professional lives. This is what a horse does. A horse responds to its rider. A horse meets needs with speed and loyalty.

In our beloved Lebanon, does our system of governance remotely resemble the values embodied in a horse? The answer is a resounding NO! Instead, it is a donkey, moving at its own pace, stopping, drifting aimlessly through life, taking inane steps along the way, with only its own interests in mind, oblivious to the world around him.

Our donkey delayed oil and gas exploration for no justifiable reason – giving our neighbors a head start. Our donkey could neither manage waste management in the country nor pass a much-needed electoral law, even though it had ample time and no shortage of reasonable proposals for both. Our donkey simply waits. And eats. And waits. Our donkey does not care where we need to go. It is completely self-absorbed, self-centered, self-indulgent. Pure and simple.

Don't be fooled! Our donkey is not foolish. It knows exactly what it is doing. It is playing the waiting game and it knows that time is on its side. As for us, the riders, we sit defenseless, watching the race pass us by, despite being reconciled not to win. We have been denied participation, let alone victory. Wherever I look, I find that the Lebanese have abandoned their rightful aspirations and no longer attempt to even nudge the donkey. We all know that stubbornness is the donkey's strength. Once again, the creature has outwitted us.

I, for one, refuse to be cowed. I no longer expect anything of the donkey. It is time to find a horse.



Yasser Akkaoui  
Editor-in-chief

# CONTENTS

#213

## LAST MONTH

- 6 April's essential headlines

## LEADERS

- 10 **Self absorbed**  
Time to get back on a horse
- 11 **Don't sweat the details**  
Things are moving, but too often behind closed doors

12

## SPECIAL REPORT OIL & GAS

- 12 **Into the blue**  
Lebanon's oil & gas sector nearly open for business
- 16 **Troubled waters**  
Lebanon seeks to join its neighbors in oil & gas exploration
- 20 **Russian expansionism**  
Moscow's interest in East Med gas resources
- 22 **Investment expectations**  
What will oil & gas mean for Lebanon? Hard to predict
- 26 **Maximizing oil & gas potential**  
Lebanese Petroleum Administration plans ahead
- 28 **Transparency cookies are in the oven**  
Lebanon takes steps toward clean oil and gas sector

## ECONOMICS & POLICY

- 33 **Full of gas**  
A lot of talk but little detail on plan to tackle electricity shortage
- 34 **Unleash the speed**  
Ogero flips a switch and local internet transforms
- 38 **Glittering in the shadows**  
Lebanon's gold trade



## THE STUBBORN SYSTEM

10 | Self absorbed

## BANKING

- 42 **Q&A with Makram Azar**  
Chairman of Banking EMEA and chairman of Barclays Bank PLC

## COMPANIES & STRATEGIES

- 44 **Visions of community**  
Translating passion into a career

## HOSPITALITY & TOURISM

- 52 **And the livin' is easy**  
Lebanese travel agents talk summer destinations
- 56 **Le Gray grows**  
Expansion opens doors to untapped market segments

## BOOK REVIEW

- 58 **Knowledge production in the Arab World**  
On regional research

## EXECUTIVE LIFE

- 60 **The cars of the future are here**  
New models in Lebanon's luxury auto market
- 64 **For the love of art**  
Three Lebanese artists exhibit at Venice Biennale
- 70 **Bending bodies & boundaries**  
Celebrating diversity and contemporary dance

## BUSINESS ESSENTIALS

- 74 Company bulletin
- 78 Conferences & exhibitions

## LAST WORD

- 80 **Rethinking the world**  
Lebanon redefined



# Marc O'Polo



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LARA STONE

EXCLUSIVE AT  
**GS**

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# LAST MONTH

## ZOOM IN



*A Syrian child receives treatment at a small hospital in the town of Maaret al-Noman following a suspected toxic gas attack in Khan Sheikhun, a nearby rebel-held town in Syria's northwestern Idlib province, on April 4, 2017.*

### Hariri calls for international investment in Lebanon

Prime Minister Saad Hariri urged the international community to invest in Lebanon and create programs for Syrian refugees at the Brussels Conference on Supporting the Future of Syria and the Region on April 5.

The prime minister painted a grim picture of the situation in Lebanon, saying: "Estimates suggest that more than 500,000 Syrian and Lebanese youth are at risk as social discontent rises. 90% of Lebanese youth feel threatened by the displaced Syrians, and tensions between both communities are reaching a dangerous level."

"I stand before you this morning to ask you to invest in hope. Just like Lebanon did. We have developed a clear strategy to deal with the severe repercussions of the Syrian crisis, and to put Lebanon back on a sustainable path of stabilization and development," Hariri said. He added that the strategy relies upon "two pillars." "The first is to launch a large-scale capital investment program that would help generate employment for both Lebanese and Syrians. The second is to provide education opportunities to displaced Syrians, including non-formal education, technical and vocational training," he said.

Hariri's speech came amid a flood of diplomatic activity from the Lebanese government as it seeks further development aid.

### US launches military strike against Syria

The United States launched a military strike against a Syrian air base in the early morning hours of April 7 in response to an alleged chemical weapons attack earlier in the week. Fifty-nine Tomahawk missiles were fired at the air base from which the chemical attack was allegedly launched, in an operation undertaken by US warships in the Mediterranean Sea.

In remarks delivered to reporters at his Mar-a-Lago stet in south Florida, US President Donald Trump said, "There can be no dispute that Syria used banned chemical weapons, violated its obligations under the Chemical Weapons Convention and ignored the urging of the UN Security Council. Years of previous attempts at changing Assad's behavior have all failed and failed very dramatically."

The strike came in response to a chemical weapons attack on the town of Khan Sheikh-





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# LAST MONTH

## QUOTE OF THE MONTH

“We have 2 options, be positive and try to learn and improve or be negative and go nowhere.”

*Director general of Ogero, Imad Kreidieh, tweets on April 8 during the telecommunication provider's Unleash the Speed tests*

houn in the Idlib Governorate of Syria on April 4. Dozens of people were killed in the attack, which has widely been attributed to the Syrian government. Syria and Russia have denied that chemical weapons were used in the airstrike.

The decision marked a dramatic shift in the administration's policy toward Syrian President Bashar al-Assad's regime. Just a week earlier, U.S. Ambassador to the United Nations Nikki Haley said that forcing Assad to resign was no longer a priority. The same week, US Secretary of State Rex Tillerson said during a visit to the Turkish capital of Ankara that Assad's long-term status will “be decided by the Syrian people.”

### Aoun postpones Parliament extension session

On April 12, President Michel Aoun postponed a parliament extension session scheduled for the next day, preventing lawmakers from extending their term by another year. The move prompted the Lebanese Forces and the Free Patriotic Movement to cancel planned demonstrations over a potential extension.

In a televised speech, Aoun said, “I decided to postpone the Parliament's meeting by one month, based on Article 59 of the Constitution.” Article 59 stipulates that the president “may postpone the Parliament's meeting for a period not exceeding one month, but he may not do so twice during the same session.” As such, Parliament will be able to hold a new session on May 15.

Despite the extension, Lebanon's major political blocs remain deadlocked over the drafting of a new electoral law. The current Parliament's tenure ends on June 21.


### Hezbollah gives controversial border tour

Hezbollah organized a tour for dozens of local and international journalists along Lebanon's southern border on April 20. The tour's objective was to highlight Israeli defensive measures taken in the past year along the southern border. Journalists encountered fully armed Hezbollah fighters during the tour in open disregard of U.N. Security Council Resolution 1701, which permits only the Lebanese Army and UNIFIL to carry arms south of the Litani River.

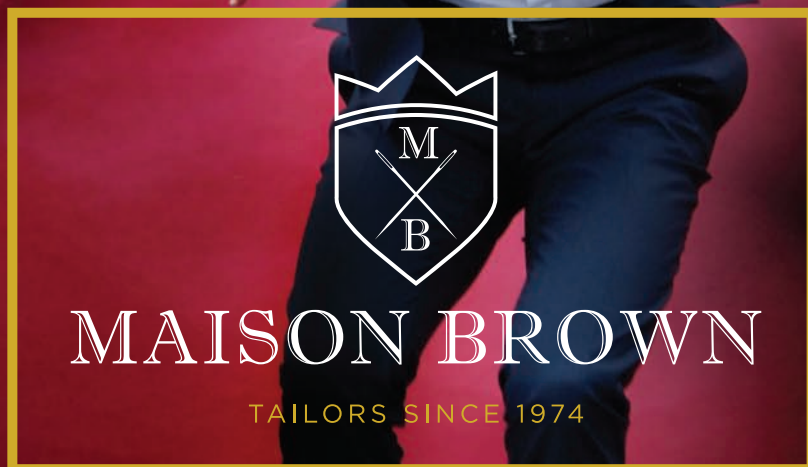
The tour was criticized by Lebanese Forces leader Samir Geagea, who described it as a “strategic error, not just a mistake.”

In response, Prime Minister Saad Hariri conducted his own inspection of the border the next day.

“I am visiting the south and the Blue Line today ... to thank our troops, and to tell the Lebanese Armed Forces that they and only they are the legitimate force in charge of defending our borders,” he said from the UNIFIL headquarters in Naqoura.

Hariri, along with LAF Commander Joseph Aoun and Defense Minister Yaacoub Sarraf, met with UNIFIL Head of Mission Major General Michael Beary and were briefed by local commanders on the Army's activities in the region. 





EXCLUSIVE AT 

# LEADERS

LEBANON

## Self absorbed

Our vain donkey has failed us,  
time to get back on a horse

Donkeys deserve more respect than they get. For some 5,000 years, humans have been using them as strong, reliable beasts of burden. We've made progress on the backs of these noble creatures, yet denounce them for a strength of will we praise in ourselves. Intransigence is in the eye of the taskmaster, it seems. Donkeys aren't stubborn because they're lazy. A donkey's stubbornness actually belies its intelligence. While humans can poke and prod horses to do nearly anything, if a donkey senses it is being pushed to act against its self-interest, it won't budge. Hardly ideal for a work animal, but a respectable trait nonetheless. That said, a donkey will never win the Triple Crown. For both strength and speed, the more malleable horse is a far better bet. Lebanon's economy needs a horse. The donkey we've been riding is old, tired and clearly not up to meeting new challenges with anything that resembles swiftness.

Our system is our donkey. Not parliament, cabinet or the presidency as such, but the whole confessional, consensual system. The so-called 1 percent have a disproportionate amount of power the world over, but Lebanon's elite have their status further protected because each is a guardian of a self-absorbed community worried about its own interests and protection rather than the creation of a strong and functioning state that could benefit all citizens. Our donkey is at once the people in power, but also, the unwritten compromise that keeps them there and paralyzes



decision making in this country.

While the donkey has overseen some decent economic times in the past 25 years, recent times have proven just how useless our donkey has become. While the Great Recession did little damage to the Lebanese economy, fallout from the civil war in Syria has been devastating. As growth fell from 8 percent in 2010 to 2 percent in 2011, as per World Bank figures, the donkey didn't budge. And it has only barely moved since. This

■ Our system is our donkey. Not parliament, cabinet or the presidency as such, but the whole confessional, consensual system

stands in stark contrast to Banque du Liban, Lebanon's central bank, which has proven to be a thoroughbred, albeit one still confined to the paddock. Boosting growth is not BDL's

job, yet the institution has been doing all it can in this regard as the donkey munches grass, neither inspired to follow suit, nor willing to lend a hoof. In the past five years, BDL used subsidies and circulars in an effort to prop up the so-called pillars of Lebanon's economy, real estate, tourism and banking. The hardest hit – real estate – has received the most help, and BDL still claims responsibility for 50 percent of growth since 2012, which EXECUTIVE is unable to verify. The donkey makes no such boasts.

This is infuriating. In the pages that follow, the donkey's dereliction of duty is well documented. Seven years after a plan for fixing the electricity sector won the donkey's support, nothing has changed. In fact, the donkey is still munching on the same plan it approved but never implemented (see story page 30). Two electricity bills drain households of disposable income and restrict the regional competitiveness of local industry. Twenty-four hours of state-



supplied electricity by 2015, as the donkey promised in 2010, would have had a cumulative impact by now.

For its handling of telecommunications – particularly the quality of internet service in the country – the donkey deserves a beating. Download speeds in Lebanon have been kept very slow on purpose in recent years (see story page 34). While blame for this is often laid at the feet of one man, the donkey kept that man in place. A World Bank study from 2009 found that a 10 percent increase in access to fast internet gives GDP growth a recurring 1.3 percent boost

in developing countries. Again, widespread, faster internet was possible years ago and our economy would be stronger today had the donkey but moved.

The donkey also delayed the launch of Lebanon's oil and gas sector, and could yet stand in the way once again (see special report page 12). To explore the country's offshore potential, wells must be drilled. That won't happen without contracts between the government and companies qualified to do that drilling. Contracts were supposed to be signed back in 2013, but the donkey failed to pass two needed de-

crees. While the donkey passed the decrees in January, we need a donkey to sign contracts in November, but might not have one, as the donkey's plans for long-overdue parliamentary elections are anything but clear. The donkey's refusal to choose an electoral law adds an unnecessary and unwelcome element of uncertainty onto an already disastrous economic situation.

The donkey is a losing bet. We've done all we can to push it into action over the years, with little to show for our efforts. It's time to ditch the donkey and start betting on a horse.

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#### ENERGY SECTOR

## Don't sweat the details

Things are moving, but too often behind closed doors

After a rocky start that saw a several-year delay of the sector's development as a result of political squabbling, in late April the Lebanese Ministry of Energy and Water (MoEW) announced the oil and gas companies that will be eligible to bid for offshore exploration licenses in late. EXECUTIVE lauds this milestone and hopes the government adheres to the ministry's step-by-step plan to get contracts signed in November.

Parliament must immediately ratify a newly produced draft transparency law to oversee the country's hoped-for oil and gas sector. The law codifies the publication of information, like payments from companies to the government, and criminalizes illicit behavior. Its ratification would send a positive signal to the companies and professionals looking to do business in the country on a level playing field. It would also show the public that the government's management of the sector will be open.

Lebanon needs this law because, as experience shows, we cannot rely

on the good faith that the MoEW, and the rest of the government, says it is bringing to the oil and gas sector. We need strong legislation to hold them to account as they manage an industry that is notoriously dirty the world over.


The ministry says it wants to manage oil and gas in an efficient and transparent manner, its track record in other industries, however, sometimes shows it doing the opposite. While it has articulated its near-term plan for oil and gas, and shown its willingness to engage the public, it has not done so for its other major portfolio – electricity. Lebanon was not able to complete the implementation of its 2010 electricity plan; and the ministry has never explained why it failed.

With regards to the the latest plan for electricity, dubbed the “plan to rescue the sector,” the government has given the ministry a carte blanche in filling out the particulars, and the ministry has avoided sharing the details with the public. The last cabinet meeting to discuss the electricity plan took place at the end of March, but what has happened since then, and how will Lebanon secure both its short and long-term electricity needs?

Do not worry about it, the Minister of Energy and Water wrote on Twitter, as EXECUTIVE went to print. The message was, as long as there is

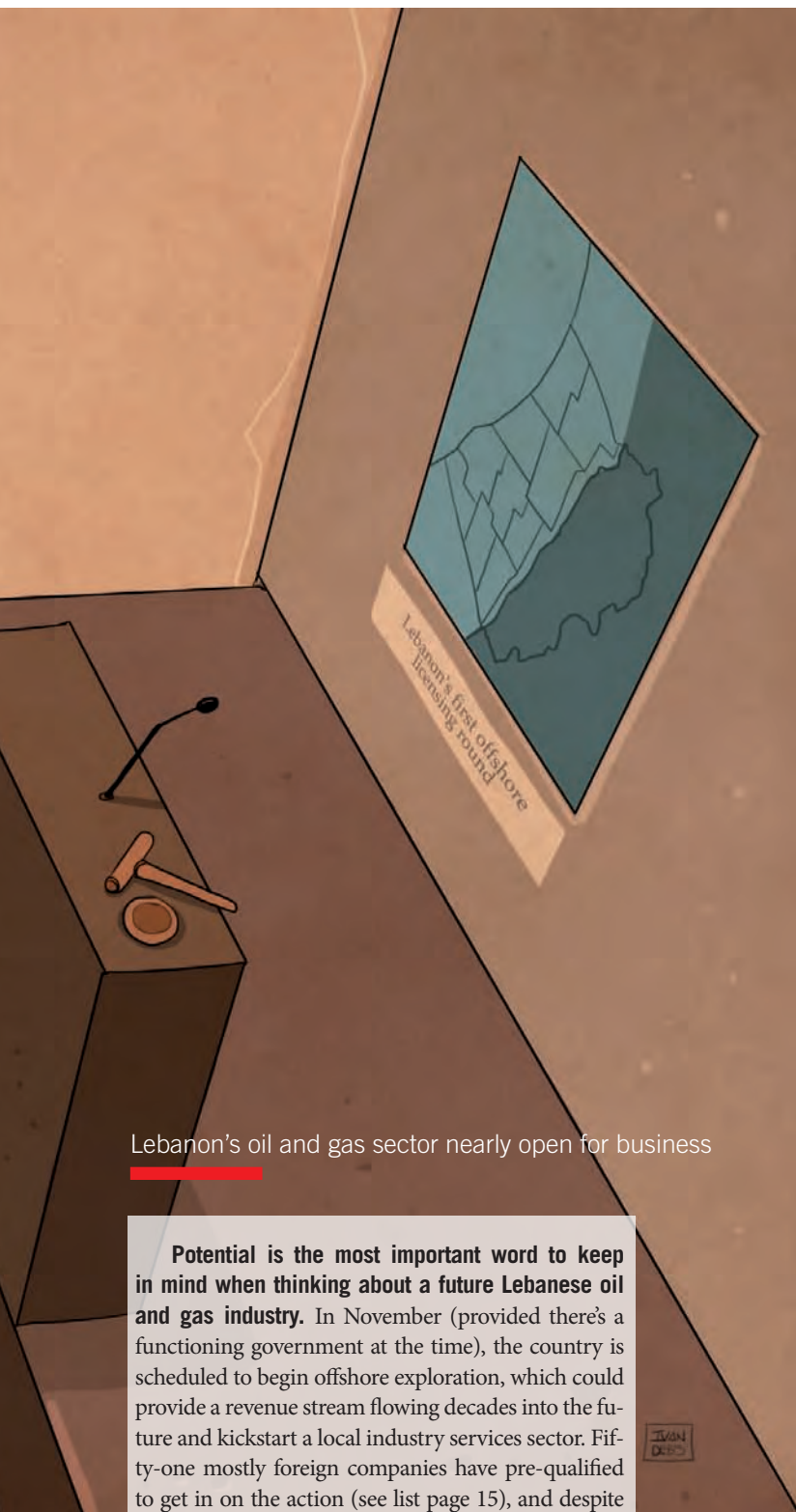
an electricity boost in the summer, do not sweat the details and trust us. Trust a ruling class whose governments have successively failed since the 1990s to provide cheap and reliable electricity? That, in that same time, drained tens of billions of dollars from the public treasury to subsidize *Electricité du Liban* – a failing public institution that the 2010 electricity plan admits is vastly overstuffed with unqualified political appointees? No, thank you.

The electricity plan needs to be scrutinized, but first, it needs to be detailed. We have no idea, beyond some high level bullet points, of what its measures will cost or how they align with Lebanon's climate change commitments. We do want 24-hour electricity, but are not willing to write a blank check to get it.

Lebanon's potential gas resources might be used to generate electricity down the road, linking these two issues, and the ministry is at a crossroads regarding the intersection of these two portfolios. The path taken could lead us miles forward, or in the other direction. Unfortunately, any confidence that could be inspired in the transparent planning of oil and gas is immediately shaken by the opacity with which electricity is handled. 

# INTO THE BLUE





Lebanon's oil and gas sector nearly open for business

**Potential is the most important word to keep in mind when thinking about a future Lebanese oil and gas industry.** In November (provided there's a functioning government at the time), the country is scheduled to begin offshore exploration, which could provide a revenue stream flowing decades into the future and kickstart a local industry services sector. Fifty-one mostly foreign companies have pre-qualified to get in on the action (see list page 15), and despite

weaker prices per barrel than Big Oil would like, there is clearly appetite for investment in east Mediterranean acreage (industry slang meaning, in this case, drilling and production rights in blocks of a country's Exclusive Economic Zone (EEZ), see map page 17). Evidence, from both drilling in the neighborhood and abundant subsea survey data covering nearly all of offshore Lebanon, suggests there could be good news in the country's near future. That said, detailed predictions about what to expect (which companies will bid to win a contract, how much gas or oil will be found, how much it will be worth) remain as useless today as they have been previously. What is undeniable, however, is that Lebanon's slice of the gas-rich East Med is on radars near and far (see story page 16).

## TERMS AND CONDITIONS

Some four years behind schedule, in September Lebanon will accept bids from oil and gas companies keen to explore its offshore. The rules say each bid must come from a consortium of prequalified companies (one operator, the company actually overseeing the complicated work of drilling hundreds of meters into the seabed, and at least two non-operators). Bids will be based on a model exploration and production sharing contract with a potential lifespan stretching more than 30 years. Certain technical and financial provisions in these contracts have been left undefined, and filling in these blanks is the heart of the bidding process.

The financial offer is the more important of the two in terms of bid evaluation (i.e., on a 100-point scale, it is worth 70 points). Lebanon's plan for an oil and gas fiscal system (i.e., how the state captures rent from potential resources) has been loudly maligned, but not very well understood. There are certain fixed revenue mechanisms in the contracts, the most talked-about being a 4 percent royalty on natural gas, and a sliding royalty on oil ranging from 5 to 12 percent, based on volumes. Were these royalties Lebanon's only straw for syphoning revenues from the sector, they would be laughably low, and the critics of this one component of the overall fiscal system would be correct to complain. However, royalties are only part of the story. In addition to paying Lebanon's corporate income tax (currently set at 15 percent but expected to rise to 20 should Parliament approve a long-promised new oil and gas tax law), companies will bid on the parameters of further revenue sharing with the state based on the volumes of resources (if



## Oil & Gas

any) found. The details are complicated (and covered by EXECUTIVE in the past), but in essence, no matter what exact numbers companies put in their bids, if enough oil and/or gas is found to justify extracting it, the state will begin sharing profits from resource sales immediately, with the state's share growing over time. Not every country uses the same model, but it is common and – as a system – perfectly capable of maximizing the state's take from the sector. This is all to say that there's no way to predict what revenues Lebanon can expect at this point, but the system in place has been proven in other markets and attacks against it are likely to be driven by ulterior motives.

The technical bids are arguably more exciting. Evidence from both drilling in the neighborhood and abundant subsea survey data, which today covers nearly all of offshore Lebanon, suggests there could be good news in the country's near future – and that is not hyperbole. The aforementioned delay, abundant data and regional evidence have pushed Lebanon to be more ambitious than one would expect of a country that has never drilled an offshore well (a frontier area, in industry parlance). If contracts are signed in November, winners will be committed to drilling at least one well (if not more) in the first three years (as opposed to after 7-10 years, which can be the case in other frontier areas). What many people fail to realize is the value drilling offers in terms of useful information that itself can be of greater value in the future. For all the large natural gas discoveries nearby and talk about Lebanon's potential, we actually know nothing about Lebanon's offshore. Absolutely nothing. Drilling will change that, even if no discoveries are made. One arguably learns as much from “failure” (a dry well) as from success. The truth is out there, and the first real answers on Lebanon's potential will come relatively quickly after contracts are signed.

### SLOW AND STEADY WINS THE RACE

Oil and gas is a long game. The contracts Lebanon hopes to sign soon will last more than 30 years, provided a discovery is made (if companies do not find anything in Lebanon's offshore, the sector could well be very short-lived, although all available indications suggest this will not be the case). A big discovery will no doubt intensify interest in Lebanon's offshore in the same way large gas fields in Israeli, Egyptian and (to a lesser extent) Cypriot waters make the whole East Med an exciting exploration area (see regional context story page 16). With this in mind, the Lebanese Petroleum Administration (LPA), the

sector's not fully independent regulator, pushed long and hard for gradual licensing (i.e., offering chunks of offshore acreage over time instead of signing contracts covering the entire offshore all at once). From a strategic point of view, gradual licensing allows Lebanon to leverage knowledge gained from drilling to get better terms in the future and also potentially expand the timeframe over which revenues from the sector pour into state coffers. At one point in the past four years, some politicians were against gradual licensing. Ultimately, however, the LPA won. Of the 10 blocks into which Lebanon's offshore is divided, five are on offer in the first round (see map page 17), with no obligation for how many contracts the government must sign.

### MANAGING EXPECTATIONS

If the deadline is respected, Lebanon will be doing more than signing contracts in November; it will be establishing a potentially valuable new sector. However, even if all goes as well as possible, oil and gas will not transform Lebanon's economy. In the first few years, most Lebanese likely will not notice a difference (see investment story page 22 and Q&A page 26). Even 30 years from now, if Lebanon is a regional gas powerhouse, the oil and gas sector will not be an economic pillar the way banking and tourism are. While there will be direct job creation, exact numbers are hard to predict, but thousands and thousands of jobs is an unrealistic expectation. The industry will need services (from housing and transportation to catering and local legal advice), and many local companies may find new opportunities, but again, not in a volume to actually re-configure the economy. In fact, one risk the LPA is actively trying to avoid is known as Dutch Disease, or the rapid refocus of an economy on one sector to the detriment of all others.

### THE \$1,000,000 QUESTION

As noted, it is far too early to guess what revenues Lebanon can expect from potential oil and/or gas finds. It is also a bit too early to say for certain how those potential revenues will be managed. A 2010 law governing offshore exploration and production calls for all state earnings to be deposited in a sovereign wealth fund. The law gives the fund a dual, and potentially contradictory, mandate: save some, spend some. Writing a separate law fleshing out the sovereign wealth fund will function as the sector's next political priority after contracts are signed. The success of drilling will determine just how quickly the sovereign wealth law needs to be written.

## OIL AND GAS COMPANIES PREQUALIFIED TO BID IN LEBANON

<i>Name of company</i>	<i>Jursidication of incorporation</i>	<i>Awarded block in East Med</i>	<i>Bid on East Med acerage (individually or in partnership)</i>
<b>OPERATORS</b>			
Anadarko International O&G Company	USA	None	
Chevron Eastern Mediterranean Exploration and Production Limited	USA	None	
Eni International BV	Italy	Cyprus, Egypt	Cyprus
ExxonMobil Exploration and Production Lebanon Ltd	USA	Cyprus	
Inpex Corporation	Japan	None	
MAERSK Olie og Gas A/S	Denmark	None	
ONGC Videsh Limited	India	None	
Petrobras International Braspetro BV	Brazil	None	
Petronas Carigali SDN BHD	Malaysia	None	Cyprus
Repsol Exploracion SA (REXSA)	Spain	None	
Shell Exploration and Production (LXV) N.V.	Netherlands	None	
Statoil ASA	Norway	None	Cyprus
TOTAL S.A.	France	Cyprus, Egypt	Cyprus
<b>NON-OPERATORS</b>			
Cairn Energy Plc	Great Britain	None	
Cairn India Limited	India	None	
CC Energy Limited	Lebanon	Palestine	Cyprus
Crescent Petroleum Company International Limited	UAE	None	
Crescent Petroleum Company International Limited and Apex Gas Limited	UAE and Hong Kong	None	
Dana Gas PJSC	UAE	Egypt	
Dana Petroleum E&P Limited	Great Britain	None	
Dragon Oil	UAE	None	
Edison International SpA	Italy	Egypt	Cyprus
GDF Suez E&P International S.A.	France	None	
Genel Energy Plc	Turkey/Great Britain	None	
GeoPark Holdings Limited and Petroleb SAL	Bermuda and Lebanon	None	
Heritage Oil Plc	Great Britain	None	
INA-INDUSTRIJA NAFTE, d.d	Croatia	None	
Japan Petroleum Exploration Co. Ltd.	Japan	None	
JSC Novatek	Russia	None	Cyprus
JX Nippon Oil & Gas Exploration Corporation	Japan	None	
KOREA GAS CORPORATION (KOGAS)	South Korea	Cyprus	Cyprus
Korea National Oil Company	South Korea	None	
Kuwait Foreign Petroleum Exploration Company K.S.C.	Kuwait	Egypt	
Marathon oil	USA	None	Cyprus
MDC Oil and Gas Holding Company LLC	UAE	None	
Mitsui E&P Middle East B.V.	Japan	None	
MOL Hungarian Oil and Gas Company Plc	Hungary	None	
New Age (African Global Energy) Limited	Great Britain	None	
OMV AKTIENGESELLSCHAFT	Austria	None	
Petroceltic International Plc	Ireland	None	
Petropars Limited	Iran	None	
PJSC Lukoil	Russia	None	
PTT Exploration and Production Public Company Limited	Thailand	None	
Qatar Petroleum International Limited	Qatar	Cyprus	
Rosneft Oil Company	Russia	None	
Santos Limited	Australia	None	
Sapurakencana Energy Sdn Bhd	Malaysia	None	
SOCO International PLC	Great Britain	None	
Sonatrach International Petroleum Exploration and Production Corporation (SIPEX BVI)	Algeria	None	
Suncor Energy Inc.	Canada	None	
Turkiye Petrolleri Anonim Ortakligi	Turkey	None	

\* Cyprus discloses all bidders in each round. Egypt only announces the winning bidders.

Source: Lebanese Petroleum Administration; Executive research



## Troubled waters

Lebanon seeks to join its neighbors in oil and gas exploration

From a technical standpoint, the East Mediterranean is a challenge because the seabed is generally more than one thousand meters below the surface. Ultra-deep water, in industry parlance. From a geopolitical standpoint, the complexity is arguably even greater.

### MANY PROBLEMS AMONG A VARIETY OF NEIGHBORS

Production of East Med gas began in Egypt in the late 1960s. Activity remained localized for over thirty years until discoveries were made off Israel and the Gaza Strip in 1999 and 2000. For political reasons, the relatively small Gaza find remains undeveloped, while exploration continued apace offshore Israel, resulting in discoveries – namely Tamar in 2009 and Leviathan in 2010 (see map page 17) – that have helped spark intense interest in the so-called Levantine Basin, a subsea structure shared by Lebanon, Israel, the Palestinian Authority, Syria, Cyprus, and Turkey, at least from Turkey's perspective. In 2012, Cyprus was elated by news of the Aphrodite discovery, but for all the gas Israel and Cyprus have found, not a molecule has yet been exported. In fact, most of the gas (including everything in Tamar, Leviathan and Aphrodite) remains buried for lack of a clear means to move it out of the region, among other reasons.

In essence, there are two ways to move gas: via pipeline or in liquid form. Shipping gas as a liquid requires liquefying it, which itself requires very costly infrastructure (think hundreds of millions of dollars) regardless of whether the facility is built onshore or offshore. Back in 2013, Cyprus was touting plans to build an onshore liquefaction plant, although the country's lone discovery did not – and still does not – justify the cost, meaning without more gas (from Israel, for example), there would not be sufficient reason to build an onshore plant, and this plan is currently on hold apparently in favor of a pipeline to Greece. Egypt was also an export route option for East Med gas. As noted, Egypt has been in the natural gas business for decades. However, it has not been the best manager of its resources. Egypt has two on-

shore liquefaction plants, evidence of past export hopes. Domestic demand far exceeded expectations, however, and for years now the liquefaction plants have either not been used or were used far below capacity, opening an export opportunity for Israeli and/or Cypriot gas. The late 2015 discovery of the “supergiant” Zohr gas field in Egypt's offshore near the maritime border with Cyprus may change just how much spare liquefaction capacity Egypt can actually offer. In that context, politics have re-entered the equation. The latest Israeli-Cypriot export plan involves a very long subsea pipeline to Greece, and then on to the rest of Europe. Pipeline plans come and go, but a Europe desperate to diversify its gas supplies (over 30 percent of European gas imports come from Russia), an Israel desperate for a political line to Europe, and currently stranded gas earning nothing for anyone could give life to a project that might have been dismissed in a different geopolitical context.

### WHAT THIS MEANS FOR LEBANON

Even before the Zohr discovery, available evidence suggested Lebanon's coastal waters were

well worth exploring. Zohr changed the game and in the past year, companies prequalified to bid on Lebanon's offshore blocks have successfully won acreage offshore both Cyprus

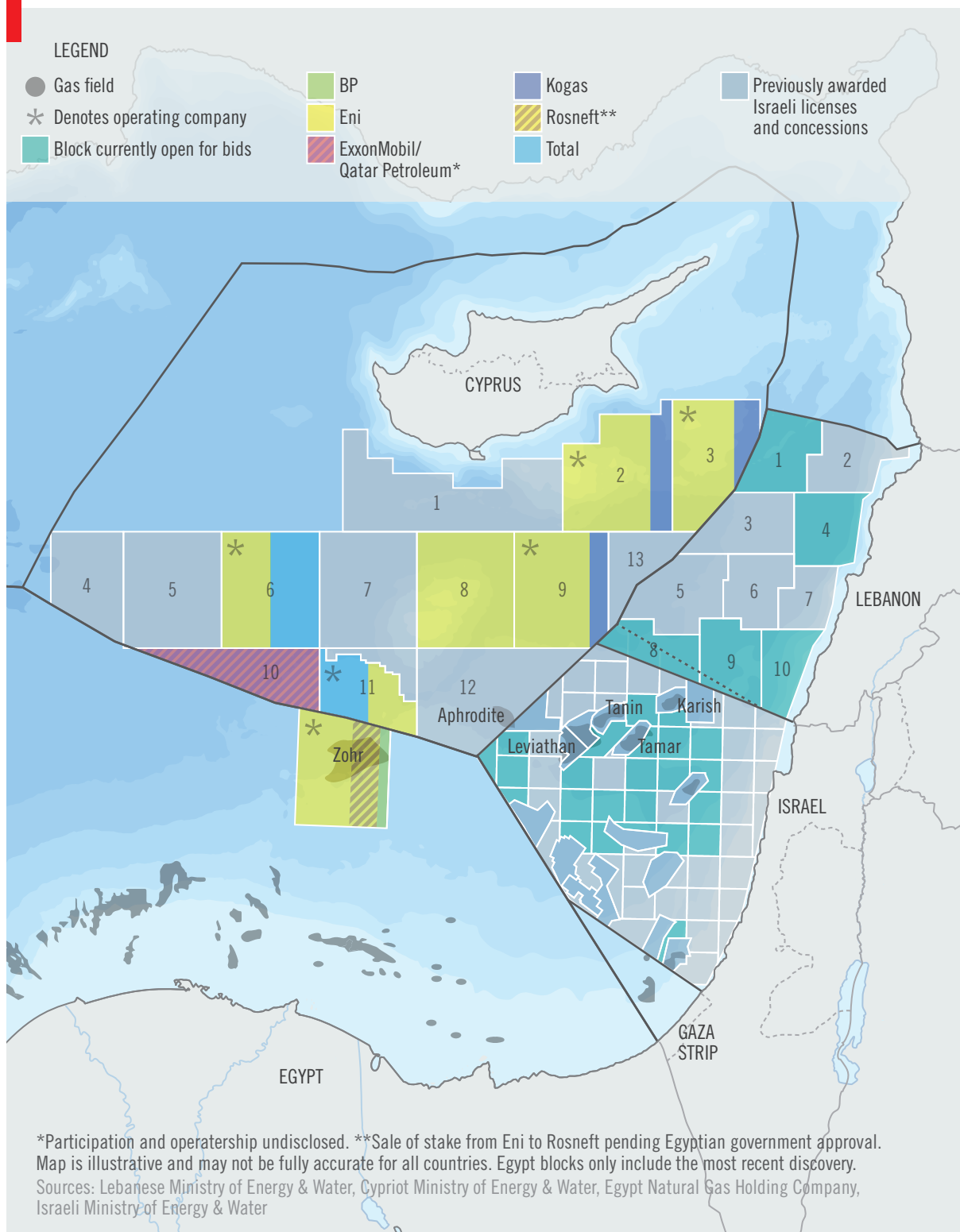
■ For all the gas Israel and Cyprus have found, not a molecule is yet being exported

and Egypt (see company table page 15). While this is no guarantee companies prequalified in Lebanon and working in the neighborhood will bid here, it is a positive sign. In contrast, Israel is also holding a bidding round, but extended its closure from April until July, reportedly due to lack of interest from the major oil and gas companies currently working in Egypt and Cyprus. Receiving bids, of course, is only the first step on a long journey.

It is arguably too early to delve deep into potential export routes for Lebanese gas (remem-




## RECENT OFFSHORE GAS ACTIVITY IN THE EAST MEDITERRANEAN



## Oil &amp; Gas

ber, we have not found anything yet and have not even really begun searching), but it is worth noting that Lebanon is arguably in a better position than Cyprus or Israel, namely because of existing onshore infrastructure. The Arab Gas Pipeline (AGP) already connects Lebanon to potential buyers in Syria, Jordan and possibly even Egypt, depending how much domestic demand gas from Zohr will meet. How much damage the AGP has sustained during six years of conflict in Syria is unclear, but fixing stretches of a pipeline is clearly cheaper than building an entirely new one. On top of that, building a relatively short additional leg out of Syria can connect the AGP to Turkey, and Lebanese gas to Europe (although the hypothetical leg

connecting Homs in Syria to Turkey is currently a war zone, meaning this is not a short-term option).

It's also important to remember the commercial aspects of the oil and gas business. Lebanon is not drilling for resources, profit-driven companies are. Barring a serious disruption in the energy industry, natural gas is expected to be an important part of the global energy mix even if the world keeps its climate change commitment to reducing the use of fossil fuels and stemming the global rise in temperatures. Floating gas liquefaction technology was born to bring stranded gas to market. If companies find quantities worth selling in Lebanon, history suggests they will manage to find a way to bring it to market. 

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## Russian expansionism

Moscow's interest in East Mediterranean gas resources has yet to take shape

**There's no shortage of headlines about Russia's grand design for the East Mediterranean gas resources.** An unrealistic understanding of the strategic significance of these resources and the role they could play in weaning Europe away from Russian gas fuels these claims. In reality, we have yet to see a Russian breakthrough in the upstream oil sector of the countries surrounding the Levant Basin.

Cyprus has recently concluded a successful licensing round, awarding exploration licenses to Italy's Eni, France's Total and US-based ExxonMobil, alongside the latter's partner Qatar Petroleum. No Russian company participated in this round. In the previous round, Russia's Novatek and GPB Global Resources (part of state-owned Gazprombank Group) presented an offer together with Total but ultimately failed to win a license. In 2012-2013, at the height of Cyprus' financial woes, it was reported that Cypriot officials were tempting the Russians with rights to gas exploration in the country's Exclusive Economic Zone in return for a second loan from Moscow. It was even rumored Gazprom would offer Cyprus a private bailout plan, as reported in *The New York Times*, but the Russians were not tempted.

Russia's interest in Israel's gas sector has been more palpable. It has made several attempts to enter the Israeli gas market, with no success so far. In 2012, Gazprom bid for a 30 percent stake in the Leviathan gas field. The Russian company reportedly submitted the highest bid but lost to Australia's Woodside Petroleum (whose bid was ultimately aborted). In 2013, Gazprom signed a letter of intent with the Tamar gas field partners to buy and export liquefied natural gas (LNG) through a floating facility. It never materialized. More recently, Russian President Vladimir Putin and Israeli Prime Minister Benjamin Netanyahu addressed the issue of Leviathan's development in their latest meetings, with the rationale being that Russian involvement in the Israeli market would contribute to securing Israeli offshore drilling platforms and installations from cross-border threats, particularly those that of Hezbollah. But, here too, we have yet to see concrete results. It will be interesting to follow the results of the first Israeli offshore licensing round and see whether Russian companies place bids, and more

importantly, if they will be awarded contracts.

In December 2013, the Russian state-controlled Soyuzneftegaz was awarded an exploration and production license in Block 2, off the Syrian coast. In September 2015, its chairman decided not to proceed with the project because of the risks involved, and announced that the project would go to another Russian company. On April 21 this year, Syrian President Bashar Assad was quoted as saying that his government has started signing deals with Russian oil and gas companies. No details have yet been disclosed.

In Lebanon, three Russian companies prequalified in 2013 for the first licensing round in offshore oil and gas. All of them sought a non-operator role (and some of them partnered with western operators at the time), which came as a surprise for those expecting a more visible presence by Russian companies, and behind them, the Russian state. In the latest prequalification round, one of these companies, Lukoil, sought to modify its status and qualify as an operator for the tender, but the attempt was unsuccessful.

The picture is different in Egypt, where Russian companies are more active and are looking to expand their presence. Lukoil is involved in three upstream projects in Egypt, while Rosneft is negotiating a 30 percent stake in Zohr, Eni's massive 2015 gas discovery.

Generally speaking, Russian energy companies have yet to match Russia's growing political influence in the region.

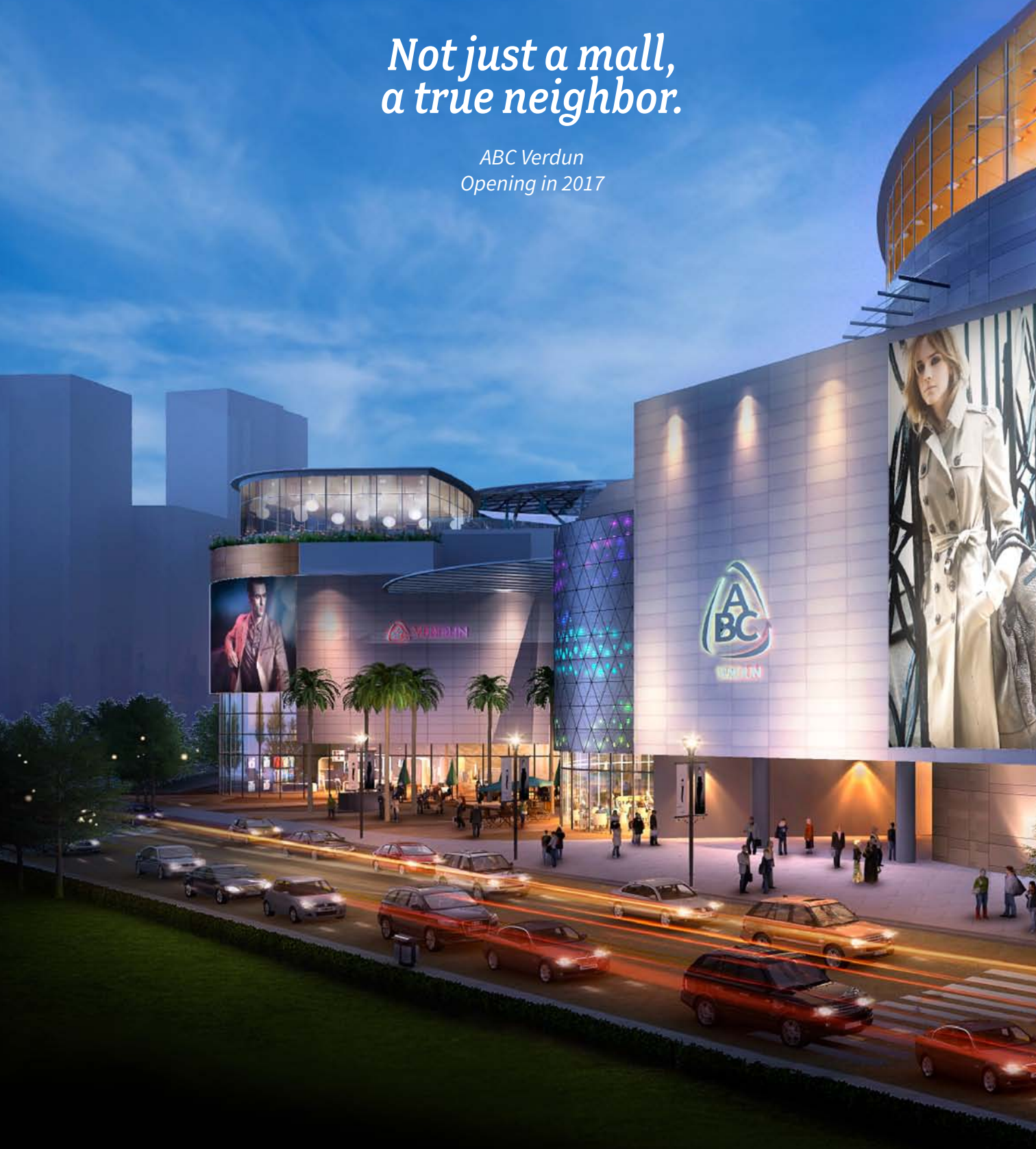
There are two ongoing licensing rounds in the region: the Israeli bidding round will close on July 10, the Lebanese on September 15. By the end of the year, we will see if Russian corporations express interest, and – more importantly – if one or more is awarded a license. Where Russia will choose to set its foot, and who will award it a license, are both equally important questions. ■

MONA SUKKARIEH is the cofounder of Middle East Strategic Perspectives, a Beirut based political risk consultancy



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## Investment expectations

What will oil and gas mean for Lebanon? Hard to predict

**Walid Nasr's eyes rolled so far back his head, EXECUTIVE worried he was having an episode.** The Lebanese Petroleum Administration (LPA)'s head of strategic planning was clearly disappointed. Only a few moments into an event organized by the Lebanese Forces, the emcee had wasted no time in estimating the value of Lebanon's undiscovered offshore oil and gas. Whether she said it was hundreds of millions or billions USD, EXECUTIVE forgets, as any such forecast is not worth remembering. As promising as Lebanon's offshore may be, (with each new discovery in the east Mediterranean only adding to the hype), only actual drilling brings any certainty.

That said, revenues are no doubt the first thing to come to mind when one thinks about the oil and gas industry, followed closely by images of a country and economy transformed (think back to the billboards promising bullet trains built with resource money peppering Beirut in 2013). In an interview with EXECUTIVE (see page 26), however, Nasr explains, "To get an answer on all the [economic] impacts [the industry could have], you need four important factors: the volumes (discoveries and how large they are), the cost of production, the market price and your actual market. Those four variables are totally unknown." The LPA, he says, has done scenario planning based on a variety of estimates, but "those series of results are not actual numbers that will be published because they are based on a lot of estimates and assumed values." And this is only measuring the direct economic impact from the sector (i.e., revenues and employment). The LPA is also embarking on an exercise to estimate the multiplier effect the sector would have throughout the economy. "To have an actual number in ripple effect, you have to know all the variables I talked about [on] one side, plus you need data from the country itself, like the national accounts, economic indicators, facts and figures about other relevant sectors. This is what we are trying to collect, and you know the challenges regarding accurate data and the availability of data," Nasr says. A sober and pragmatic economic approach to building an oil

and gas industry is key, he argues, pointing to a problem already manifesting itself in the education sector.

Lebanon's first offshore licensing round opened in 2013, with an expectation for exploration and production sharing agreements to be signed in the first quarter of 2014. Many of the country's universities took this deadline seriously –





even if its politicians did not – rolling out courses and majors in fields like petroleum engineering and the like. “This is a major problem,” Nasr says, “because the students that have already graduated can’t even find [local] training opportunities, since the industry doesn’t exist. We need to go step-by-step and be really gradual in thinking and moving forward.”

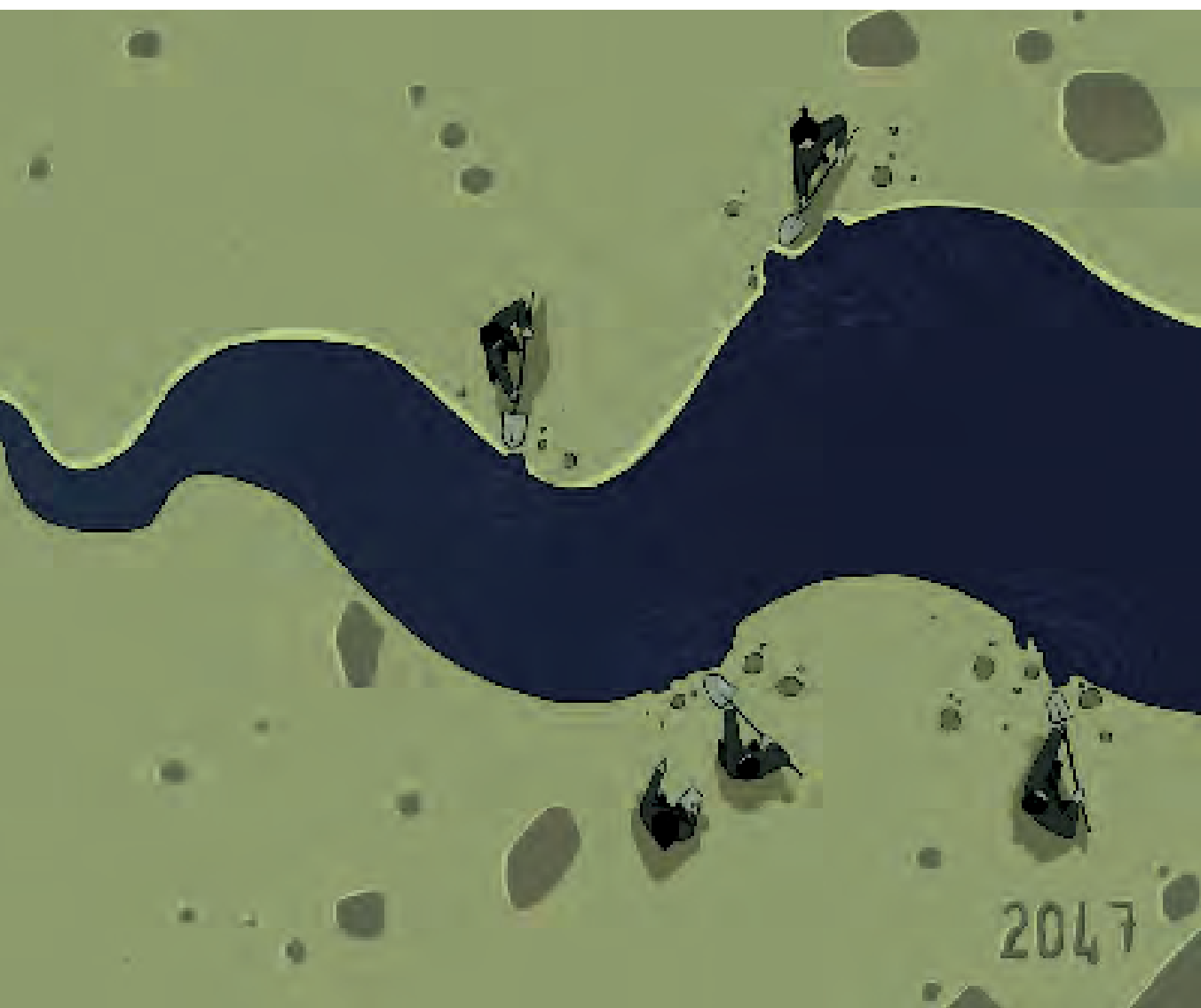
## A SLOW START

Oil and gas is a long game. Contracts tend to last 30 years or more. For offshore acreage like Lebanon’s – which has never been drilled – this means that if contracts are actually signed as planned in November 2017, the country’s economy is still many years away from an oil and gas boost. An October 2014 guide from the United Kingdom’s Department for International Development

estimates that – at the long end – a country can wait more than a decade between signing an oil and gas contract and the first revenue flows, as companies decide where to drill (exploration phase) and evaluate any discoveries made (appraisal phase). The guide states, “It is important to note that in the majority of instances, [oil and gas] activity is unsuccessful at the explore and appraisal phase – no potentially viable oil/gas sources are found, or when exploration wells are drilled no

oil/gas is discovered or the reserves are not sufficient to justify the size of investment required to extract them. The majority of projects will therefore not reach stages three [develop-

■ A country can wait more than a decade between signing an oil and gas contract and the first revenue flows



## Oil &amp; Gas

ment], four [production] or five [decommissioning] of [a typical project] life cycle.”

In Lebanon’s case, keeping its first offshore licensing round open for more than three years has given it a data advantage. It is not uncommon for a country to open a licensing round on acreage that has never been surveyed. Nearly all of Lebanon’s offshore, however, has been covered by 2D and 3D seismic surveys, with the data being interpreted and reinterpreted over the years. This means that the companies that win contracts will start with a pretty good idea of where they might want to drill. Some additional surveying may still be needed, but the bulk of the work that can make the exploration phase take up to five years has already been completed.

Lebanon’s exploration phase, by law, can last up to 10 years. However, the model contracts the state hopes to sign soon narrow that timeframe to five years, divided into two periods (the first a three-year period, and the second a two-year period extendable for another year with sufficient justification, according to the model contract). Companies are obliged to drill at least one well in each of the periods, though they can opt for more. An exact work program (drilling plans and other components) during the full exploration phase is one of the items (with multiple sub-components) companies bid on when submitting an offer. While this seems a strategy in part based on the aforementioned wealth of data and designed to get the sector moving relatively quickly, the actual impact on the economy in the first years after the contracts are signed is likely to be minimal.

## DAY 1

Zooming in a bit, as soon as contracts are signed, the winning companies will have to open branch offices in Lebanon. With a theoretical maximum of five contracts being signed, this translates into some very minor FDI flows into real estate (it applies to each company in a consortium, so if two contracts are signed – each with a three-company consortium – that is six branch offices). On employment, it’s impossible to guess at this point, but it seems clear that a few branch offices will only require limited staff. And while the model exploration and production sharing agreement includes a much-talked-about requirement for contractor staff to be comprised of 80 percent local citi-

zens, Nasr stresses this a target and “a gradual thing.” “Knowing the situation and to be very pragmatic, we know that we cannot supply 80 percent of professional Lebanese experts from day one, it’s not something doable. However, we kept this target so that companies make every

■ We know that we cannot supply 80 percent of professional Lebanese experts from day one, it’s not something doable

effort to recruit as many Lebanese as possible,” he explains. “Every year the companies will have to submit a recruitment plan – what they need in terms of human resources – and they also do public recruitment, so they would announce the professions

needed and Lebanese can apply. If they have the qualifications and skills needed they receive preferential treatment, if they don’t, companies are not obliged to recruit any Lebanese who doesn’t fit the criteria.”

Additional surveys that companies may want to conduct will only have a limited economic impact. An offshore geological survey can cost millions of dollars, but most of that would not actually enter the local economy. However, Nasr notes that for past offshore surveys, “when those [survey] companies were working here, they used some Lebanese services like legal firms, logistics, whatever they needed to actually implement the survey, but of course this is a small percentage of the total investment.”

## FEEDING THE BEAST

In an effort to pull maximum investment into Lebanon, the rules call not only for hiring locally when possible, but for sourcing goods and services locally as well. In fact, the model contracts give local companies an advantage, requiring oil and gas corporations to use a public procurement procedure when contracting and subcontracting for every good and service, and demanding locals be given preference even if their prices are slightly higher (10 percent for services, 5 percent for goods) than an equivalent foreign supplier. In the earliest days this might not amount to much in terms of opportunity for the private sector, but if commercially viable discoveries are made, the opportunities (and revenues) will begin flowing. Again, Nasr will not put any numbers on what the future might hold, but notes, “I think with a few efforts from the Lebanese private sector, they can start getting involved.” ■

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## Maximizing oil and gas potential

Lebanese Petroleum Administration plans ahead

**In an effort to maximize the benefits for the local economy from the oil and gas industry, the Lebanese Petroleum Administration (LPA) has included provisions in the model exploration and production sharing agreements to help domestic companies.** The contracts state that when oil and gas companies need to procure goods, they must give preference to qualified local suppliers, even if the suppliers' price is up to 5 percent more than a foreign providers'. For services, local contractors will get preferential treatment, even if their prices are up to 10 percent more than a foreign supplier. EXECUTIVE sat down with Walid Nasr, the LPA's head of strategic planning, to take a closer look at how a Lebanese oil and gas sector might impact the private sector.

**E Take us to Day 1, the contracts have been signed, what happens next?**

In the contract, the companies are required to operate from Lebanon, and are required to open a branch locally. This is where the first activity starts; they have a branch, they recruit [a] few people to work at the branch, and then what we mean by operating from Lebanon is that they need actually to do the services and logistics from Lebanon – unless there's big justification not to do so. But, in principle, this is what the contract says. And then, they need to use as many goods and services from Lebanon as are available, and this will grow gradually, of course because we don't have an existing oil and gas industry in the country. But, we have the potential to have one, and it depends on which services we are talking about. For example, for legal and financial services, shipping, transportation, communication, I think with some effort from the Lebanese private sector, they can start getting involved. In the contract, we have a provision to give incentives for local goods and services, so if the Lebanese companies offer the quality and the services required by the operator, they'll get preferential treatment. It's also in the regulation that all contracting and subcontracting has to be done by public procurement. This is extremely important because the operators will have to procure every single thing they need



[publicly], whether it's goods or services, and Lebanese will have the opportunity to apply, compete, and get those contracts.

**E And will that be done via the LPA's website?**

No, this will be done by the companies directly. We're working on [the details of what this will look like], but definitely [all procurement notices] will be public. The tools and the [exact mechanism are] being designed now and will be agreed upon with the operators. But, the important fact is that it [will be done publicly]. Everyone will have the opportunity to see what's required, and apply if they have the services and can compete.

**E Aside from contracting and subcontracting incentives for local businesses, is the LPA working with the private sector to prepare for the birth of this industry?**

It's not our job to do it, and the operator will have to [contract out various goods and services]. I think the Lebanese private sector is good enough

to grasp opportunities, establish itself, and provide these services. Of course, we would encourage that, but it's not the LPA's job to [get the private sector ready]. So, the operator will have to say, 'We need such and such services,' and any company that can provide [them], Lebanese or non-Lebanese, they can compete and get it.

**E** *When it comes to project finance, are there are big opportunities for local banks or will most of the operations be financed from abroad?*

Typically the operator [will finance the project] because we require a consortium with a minimum of three companies [one operator and at least two non-operators] for prequalification, and the financial requirements are high. The operator needs to have, at minimum, total assets of \$1 billion, and non-operators [must have] \$500 million, so already the consortium will have a lot of capital available. And, those three companies – they may be more, but at least three – usually have their own funding sources. But, of course, as with all the services these companies will need, if Lebanese banks wish to, they can provide certain financing for these companies and agree on some things. But, by law nothing is mentioned, the operator is free to get its funding from anywhere.

**E** *Oil and gas projects, especially in the exploration phase, tend to be valued in the hundreds of millions of dollars. In other emerging markets, do local banks play a big role or does the finance come from abroad?*

I'm not aware of the specific cases of local banks. But, what I know is that which is usually industry practice for any business – the operator will search for the least expensive source of funding. So, I presume they are open to getting funding at the cheapest rate. If Lebanese banks are willing to get into this venture and provide cheap financing, or at least competitive financing, I think they have an opportunity. But, we need to always emphasize that exploration is risky. If the bank or the operator wants to get into an agreement on funding this risky operation at a competitive rate and they both agree, they can do that.

**E** *What about local insurance companies, I know they were asking for regulations allowing local insurers to pool capital and requiring contract winners to insure projects locally. Did that ever get written into the rules?*

No, they have to compete. If they can provide the operator with the coverage that operators need at a competitive price, why not? But, that's their job.

**E** *One could argue a Lebanese oil and gas industry could boost the country's dormant capital markets. The model contracts require each company that is part of a winning consortium to open a local branch office. Did you consider requiring companies to turn the consortium into a locally registered company, some or all of which must be floated on the Beirut Stock Exchange?*

I think it can be done in the future. But, we need to start somewhere. It's a frontier area, it's our first licensing round, first well to be drilled, so let's take it step-by-step.


**E** *Finally, should natural gas be found offshore, as many expect, what are the plans for using it domestically?*

We're planning, with the ministry of energy, to start increasing the demand for natural gas in Lebanon. First, it's environmentally better, not as much as renewables, but it's much cleaner than using fuel oil or diesel oil, and it's relatively

■ If we manage to extract our own gas, we'll be using indigenous gas and ensuring energy security

cheaper. If we manage to extract our own gas, we'll be using indigenous gas and ensuring energy security. We did studies on this. The first client [for local gas] will be the power generation sector. Of the [country's] current [electricity] generation capacity, around 60 or 65 percent could be generated using natural gas, and [any] new plants will all be operating using natural gas.

The next client after power is the industrial sector. Today the industrial sector is facing difficulties, especially as they can't compete with industries in other countries, and the main factor [behind this] is [the high] energy bill [they pay because of generation shortages from the public utility, Electricité du Liban]. If we can provide the industrial sector with a cleaner, cheaper, more sustainable source of energy, they may be better able to compete. [Down the road, we may have] an opportunity for new industries to be established that depend more on energy [like petrochemicals].

So, the short-term is power, the medium-term is industry, and the longer-term is [getting] the commercial residential sector to be able to use natural gas. Here, you have two options, either you gasify the commercial residential sector [which requires building a residential pipe network to deliver the gas] or you [encourage more residential electricity use] and the electricity will be [generated from] natural gas, which is more reasonable and cheaper to do. 

## Transparency cookies are in the oven

Lebanon takes nascent steps toward clean oil and gas sector

**The tools to monitor Lebanon's hoped for oil and gas sector are nearly on the workbench.** In January, the government committed itself to joining a global transparency initiative, and in March, a draft law promoting the future sector's transparency was finally shown to the public. Taken together, they could help Lebanon build a clean oil and gas industry.

But, the draft law is no longer being billed as an anti-corruption bill. Instead, the law, under preparation for at least the past two years, is now being touted as legislation to support transparency in the petroleum sector. The name change can be likened to a marketing tool – the word corruption was in the law's title, it would suggest that there is a battle to wage, and that the sector is already dirty. Pitched differently, as promoting transparency, represents a glass-half full approach – it both sounds prettier and presents a better image.

The law has passed through several drafts in the last couple of years, which EXECUTIVE covered in its 2015 and 2016 special reports on oil and gas. In late March, it was released to the public and is now ready for Parliament to debate and vote on.

Earlier this year, Lebanon committed to joining the Extractive Industries Transparency Initiative (EITI). The EITI is a voluntary global transparency initiative led by governments, companies and civil society, and is a tool to facilitate the disclosure of information. Its standards include releasing such information as: the allocation of rights, production data, revenue transfers to local jurisdictions, the industry's social impact, and revenue management. It promotes transparency by encouraging the government, the companies awarded exploration licenses, and civil society to share information and decide what additional data should be published.

The draft law goes hand-in-hand with EITI by codifying its current standards. The law would mandate that signed contracts, the terms of the licenses, beneficial ownership, as well as payments from companies to the government should all be published.

"Every single item found in the EITI is there; it is a very good reflection," says Diana Kaissy of the Publish What You Pay NGO on the merits of the draft law. The main distinction between the proposed legislation and the EITI is that the latter involves for civil society. "That's the big advantage of the EITI. But the EITI is

tied to political will, so even if that disappears we could fall back on the law," Kaissy tells EXECUTIVE.

If the release of so much data were mandated by the draft law, the EITI could then be used to collect other information, such as data on environmental prudence and protection, social impact and corporate social responsibility. Were the law ratified, Kaissy says, "We can really go wild and be very creative in the EITI report."

It is not clear whether Parliament will vote on the law before the government signs its first exploration contracts in November. And, to be truly effective the law would require auxiliary legislation. The bill points to a yet unlegislated anti-corruption commission as the arbitrator when compliance comes into question or infractions occur. Walid Nasr, the Lebanese Petroleum Administration's point man for strategic planning, downplayed the lack of that body in the near-term. "Many of the provisions of the [draft] law are related to publishing information and don't require any other party," Nasr tells EXECUTIVE, adding that much of what is written in the draft law is already integrated in oil and gas regulations. But, if there were infractions, like bribes, or non-compliance by the government or companies in providing or publishing data, then the anti-corruption commission would definitely matter.

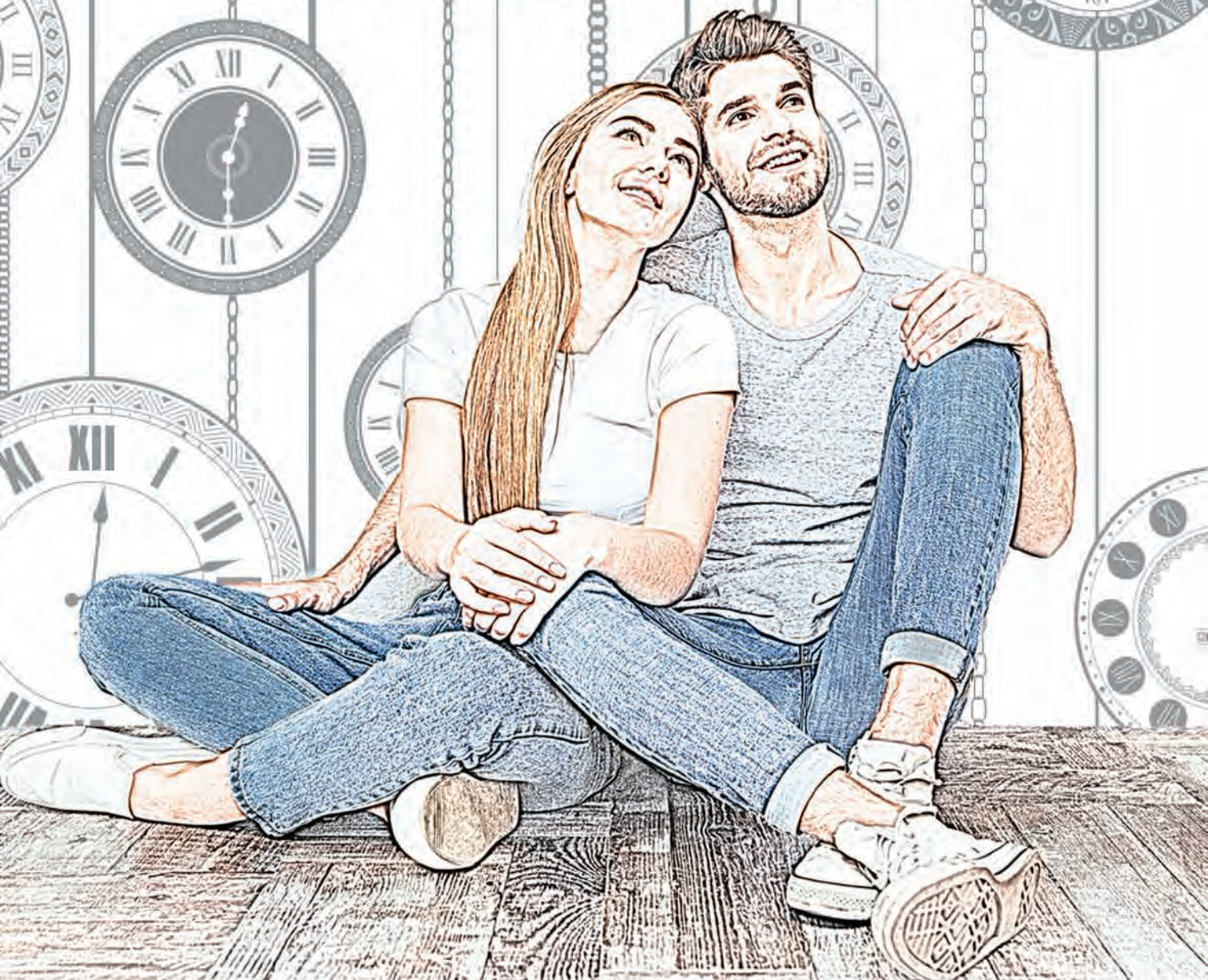
As for the EITI, Nasr says the government has already committed to joining and is waiting to sign contracts later this year to learn which companies will be participating in the transparency initiative. Civil society will join the government and companies, but faces a long road of preparation to choose its representatives and demonstrate their capacity and credibility for enforcing oil and gas transparency. "This is something civil society needs to work on to have really strong representation and an active role," Nasr says.

The EITI is coming, but it will be up to civil society to force the government to stick to its promises of transparency. The onus is on civil society to figure out how it will bring together non-profits that have competing interests. The government will move forward regardless, with or without the EITI and the draft law. Civil society must be an active partner in the former and must lobby Parliament to ratify the latter.





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TAMER



## Full of gas



A lot of talk but little detail on plan to tackle electricity storage

**Lebanon will finally be rescued from the electricity cuts it has long suffered from, or so says the government as it trumpets its latest plan for the sector.** Eight years ago, Electricité du Liban (EDL) supplied, on average, only 18 hours of electricity per day, and an ambitious plan from 2010 did not accomplish much in terms of reducing the country's shortfall in generated electricity. It did employ short-term measures, like leasing electricity barges, refurbishing existing power plants, and constructing small-scale renewables, all of which slightly boosted the electricity supply. The latest proposal looks like it will, again, emphasize short-term measures, but the government has so far avoided detailing the plan to the public.

At the end of March, Cabinet heard the electricity plan. According to minutes from a meeting that took

place, Lebanon's Minister of Energy and Water Cesar Abi Khalil presented the plan to the cabinet, which agreed to it in principle, permitting him to publicly announce the plan the following week in early April.

But Melhem Riachy, the Minister of Information, told reporters after the March cabinet meeting that ministers had made many comments on the plan, which would be kept secret, and that the plan would be implemented in a completely transparent way after it was ratified.

EXECUTIVE requested an interview with the Ministry of Energy and Water (MoEW) but did not receive a response. A source at the ministry, who did not want to be named, wrote to EXECUTIVE in an email at the beginning of April that details of the plan

could not be discussed because there were several issues yet to be resolved. The source would not explain what those issues were and could not give a timeframe for the finalizing of the plan's details.

The plan, in general, calls for measures to bridge the gap between the supply of electricity and consumption, according to a draft that a separate ministry source, who also did not want to be named, confirmed to EXECUTIVE as authentic but outdated (it was dated March 24, 2017). In the short-term, the plan will call for new generation capacity by leasing new barges. Over the long-term, the focus will shift toward constructing new power plants, and a switch from fuel oil to natural gas for power generation.

### SHORT-TERM MEASURES

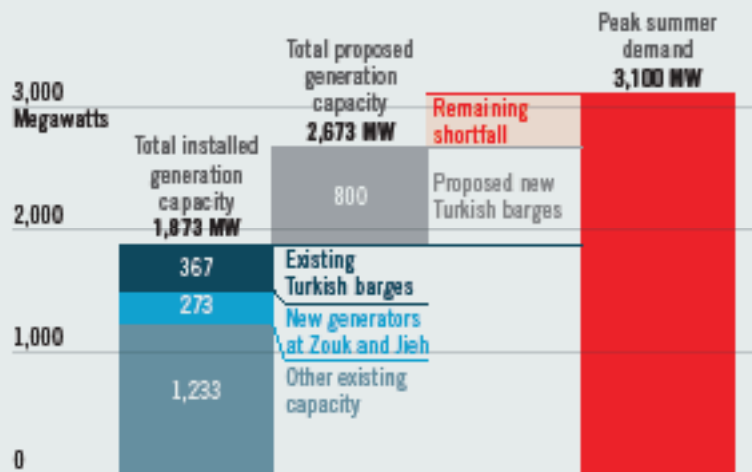
Lebanon, by the end of 2016, had a total generating capacity of 1,873 megawatts (MW). The figure includes megawatts from two Turkish barges that connected to Lebanon's electricity grid in 2013, and from new reciprocating generators installed at the Jiyeh and Zouk power plants in 2016.

Last summer, peak demand reached 3,100 MW. The government

■ The plan calls for measures to bridge the gap between the supply of electricity and consumption

wants to increase the supply of electricity by leasing new barges, according to the draft plan, as a short-term measure to meet this summer's electricity needs.

## ELECTRICITY GENERATION CAPACITY VS DEMAND, 2016



Source: Ministry of Energy

■ New electricity barges that the government might rent are meant as short-term measures that could turn into long-term

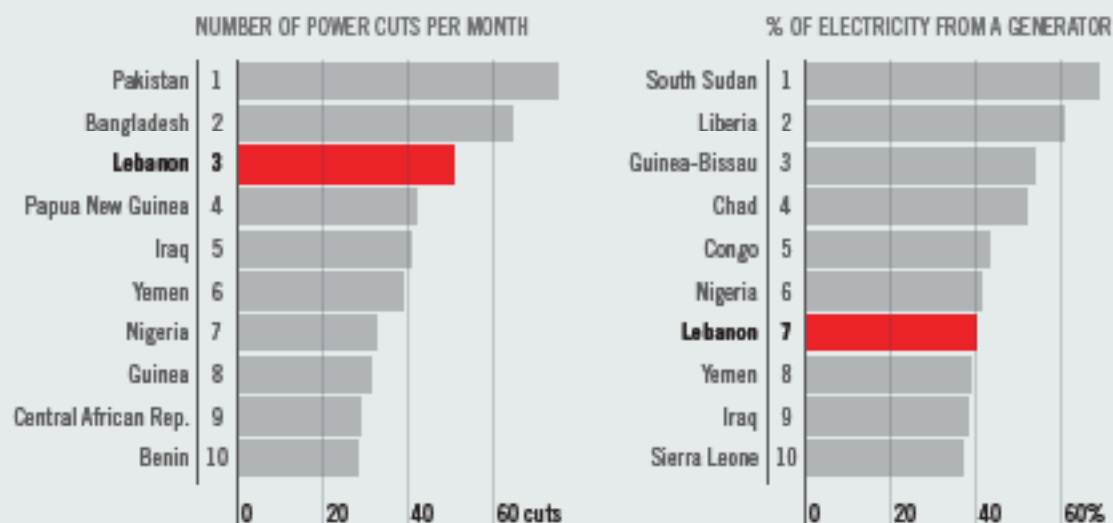
In early April, the ministry did publish a tender for two new electricity barges that would generate between 800 to 1000 MW, but bidding was postponed, according to a report in *Al Akhbar*.

## LONG-TERM MEASURES

The new electricity barges that the government might rent are meant as short-term measures that could turn into long-term. The government wants to lease those barges to meet Lebanon's electricity demands, while it builds new power plants that it hopes to power with natural gas or renewables.

According to the draft plan, the government wants to partner with the private sector to build new power plants through a modality known as Independent Power Producers (IPP), where companies would own the power plant and sell the generated electricity to the public or Lebanon's utility, Electricité du Liban.

## WORST RANKING COUNTRIES FOR POWER CUTS & RELIANCE ON ELECTRICITY GENERATORS



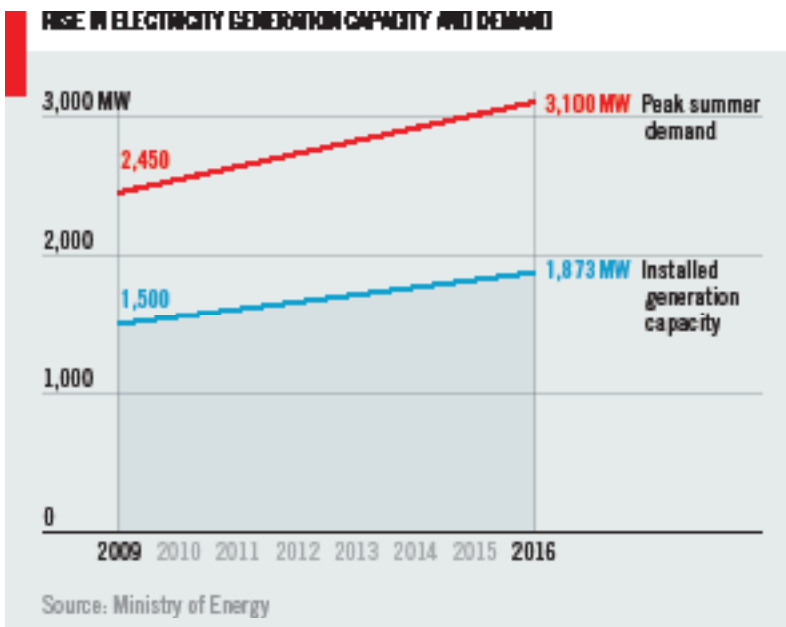
Data from survey of businesses. Data for most recent year available, inclusive of 139 countries.  
Source: World Bank Enterprise Survey, 2016



## Electricity Plan



One of the two Turkish barges currently connected to Lebanon's grid



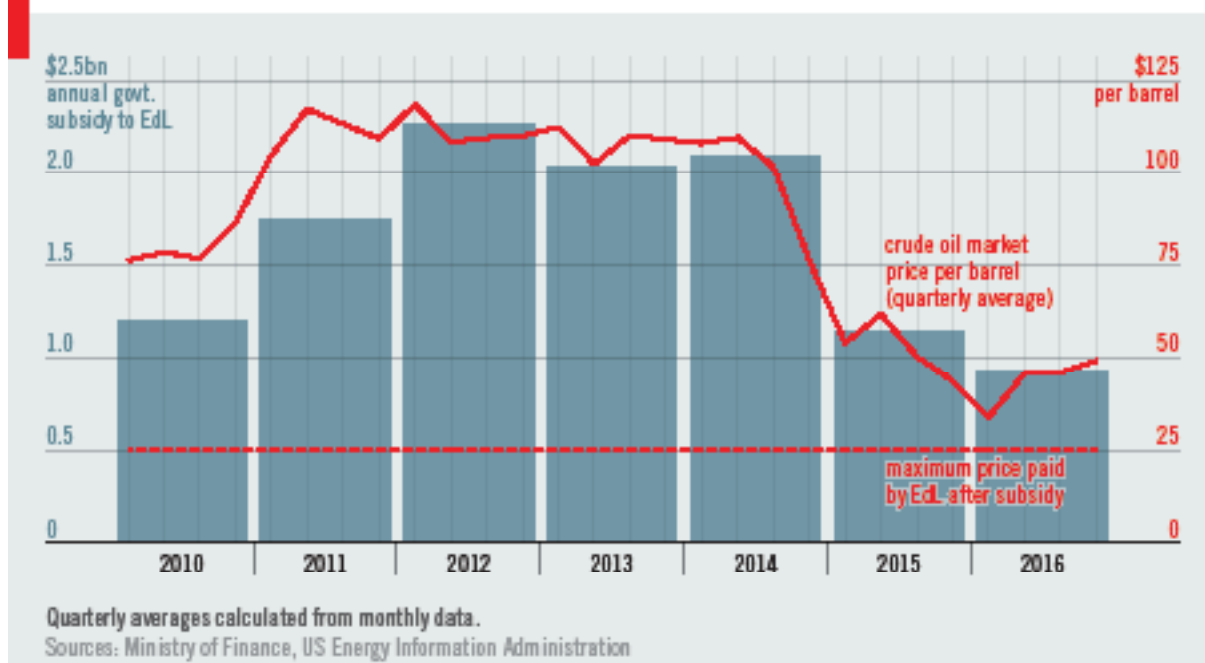
The government wants to set up solar power infrastructure that would generate 1,000 MW and is now readying to tender 120 MW of solar generated electricity after receiving 265 expressions of interest at the end of March, according to a list of applicants published on the website

of the Lebanese Center for Energy Conservation (a government agency tied to the MoEW). The plan also calls on the private sector to build a 1000 MW plant at Solata to be powered by natural gas. Electricity Law 462, ratified in 2002, stipulated that a regulator would be the authority

to license new power plants, but the government never got around to appointing that body. Parliament, instead, passed legislation in 2014 and 2015 to get around that roadblock by allowing cabinet, on the recommendations of the MoEW and the Ministry of Finance, to decide when the private sector can build power plants.

The government is again looking to shift from burning fuel oil to generate electricity at most of Lebanon's power plants to using natural gas (see Walid Nasr Q&A, page 26). The country's newest power plants at Deir Ammar and Zahrani, built in the 1990s, were meant to use gas but were never supplied. Gas burns cleaner and would help Lebanon reach its climate change commitments, and gas imports would be cheaper and more predictable than fuel oil. It is also possible that Lebanon might find offshore gas fields as companies are now preparing to bid for exploration, with licensing expected in November this year. However, finding gas and extracting it is a possibility that is several years

## CRUDE OIL PRICE & GOVERNMENT SUBSIDY TO EdL



down the road at the earliest (see O&G overview page 12).

For now, if the government's plan is to use gas to generate electricity, then Lebanon will have to import that gas. In 2009, the Lebanese government inked a deal to import gas from Egypt via Syria using the Arab Gas Pipeline (AGP). Media reports point to dozens of attacks damaging sections of the pipeline in the Sinai Peninsula since 2011, hampering gas supplies to Jordan and Israel, and it is not clear whether the sections of the pipe snaking through war-torn Syria are functional. Even if the AGP was fully operational, the problem has been that there was never enough gas to supply Lebanon. Egypt is currently a net importer of gas to meet its own consumption needs. Its 2015 discovery of the Zohr gas field offshore might change that, but the first gas is expected from Zohr in 2018, and it is not clear where that gas will be allocated, domestically in Egypt or for export (see regional O&G story, page 16).

In any case, the AGP only connects Lebanon in the north, at Trip-

oli. Lebanon would have to import Liquefied Natural Gas (LNG) from a supplier abroad to feed the country's other power plants, and it would need to build a pipeline to connect them. The plan calls for a pipeline that would extend from Solata, the proposed 1000 MW power plant in the north, to Tyre in south Lebanon. The plan forecasts the construction of the pipeline at just under \$200 million, but does not acknowledge that much of its proposed pathway cuts through urban areas.

The government would have to clear land, including part of the Palestinian refugee camp Ain al-Hilweh, to construct the proposed pipeline, and its proposal does not mention the costs of doing so.

The plan suggests the alternative of contracting three floating storage regasification units (FSRUs) to import the needed gas. A FSRU takes LNG and converts the liquid gas back into its gaseous form for power

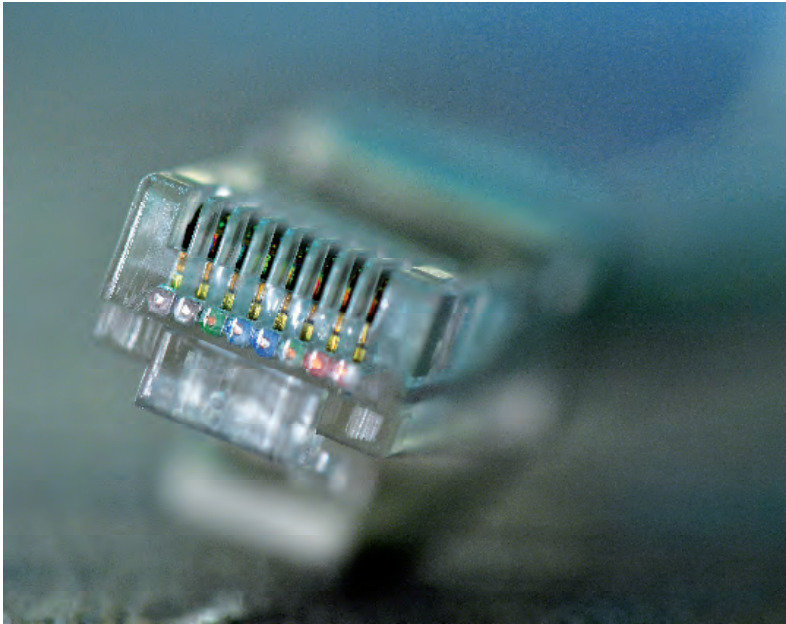
plants to burn and generate electricity. FSRUs come in different capacities, but three FSRUs would be unnecessary if Lebanon's power plants were connected by pipeline. If the government does end up with plans to tender three FSRUs, then it is tacitly acknowledging that a coastal pipeline connecting Lebanon's power plants is not possible.

The MoEW did not want to dis-

■ The plan forecasts the construction of the pipeline at just under \$200 million

cuss the proposed electricity plan with EXECUTIVE and has kept its public comments on the plan to a minimum. One of the ministry officials that EXECUTIVE spoke with on condition of anonymity described many of the items in the plan as too far-fetched and politically motivated. In the end, the government is proposing a plan in the same way it has operated the electricity sector, and we are all still living in the dark. ■

## Unleash the speed



Ogero flips a switch and local internet transforms

**During five days in April, Lebanese internet users were given proof that their notoriously terrible connections have been kept that way on purpose.** Lebanon had become a laughing stock. Back when Ookla – the US-based operator of the ubiquitous speedtest.net – offered public rankings of average internet download speeds by country, Lebanon was always near the very bottom of the list. With the rankings no longer public, it is hard to reliably say where we stand today, but we do not really need an official ranking to know typical Lebanese download speeds of 1 to 2 megabits per second (mbps) are pathetic.

Last month, the publicly owned gatekeeper of Lebanon's internet – Ogero – conducted five days of speed tests in different parts of the country. The results were jaw-dropping. The company's new director general (appointed by the cabinet in January)

claimed on Twitter that some users reached download speeds of 27 mbps, a 1,250 percent increase from the 2 mbps standard of the past few years. The majority of speedtest.net results tweeted at Ogero showed speeds around 16 mbps. And this without any intensive infrastructure projects. It was programmable.

"We've been saying for years that a simple administrative decision would improve the internet by at least 30 percent in terms of bandwidth, in terms of speed," explains Maroun Chammas, CEO of IDM, a local internet service provider (ISP).

### THE BAD OLD DAYS

The Ministry of Telecommunications (MoT) is the sector's steward. In addition to devising and implementing policy, it owns nearly all the infrastructure (fiber, copper and mobile-phone base stations). On the MoT's recom-

mendation, the government decrees the price of every phone call (mobile and landline), and the ministry's hand is heavy on the internet. Competition in this segment is permitted, though in recent years it arguably has not been encouraged. In 2007, the steward oversaw a transformation in the market. At long last, the dial-up connection (complete with screeching modem) was replaced with a digital subscriber line (DSL) service. The future. Lebanon was a last adopter of this technology. Local rollout was slow, and download speeds are, a decade later, still abysmal.

To make a long and technical story short, the MoT and Ogero, a state-owned enterprise working as a ministry contractor, have considerable power over the internet market. With control of most of the infrastructure that allows someone in Lebanon to check their email, competition in the market can be easily hobbled. Private companies are allowed to use some of their own equipment to serve customers, but Ogero is in charge of the links that move customer traffic from one piece of equipment to another, before actually moving that traffic on to the information superhighway (via cables Ogero manages all access to). In other words, Ogero is the one closing lanes on access roads and opening only two tollbooths onto the highway during rush hour. Except it is at all hours. Every day. Whenever an unhappy customer – or a curious reporter – would ask a private provider why the internet was so bad, there was always one answer, however diplomatically delivered: Ogero, specifically in the person of its former director general. This has been true for 10 full years. It almost seemed like a convenient excuse ("Abdel Moneim Youssef ate my homework") until the internet magically got better. Much better. Just like that.



## THE GREY MARKET

There used to be informal advertisements all around Beirut (which, when EXECUTIVE decided to photograph one in April, were surprisingly very hard to find). An A4 piece of paper adorned with a few words in black ink, slapped up on a wall: “Wireless Internet Free for one month [local mobile number].” Some included monthly prices, some did not. This is the grey market. You pay a guy. He brings a wire to your house, sells you a router, and you have internet as fast as the two lowest-priced DSL packages, which an estimated 90 percent of legal users opt for, according to interviews with private players and an Ogero official that EXECUTIVE conducted in 2014. Until recently, these illegal providers would get international bandwidth (actual internet access) in one of two ways: 1) by redistributing several legal connections to multiple users (small fry, and as best EXECUTIVE can ascertain, the smaller part of the grey market segment) or 2) by bringing it in from abroad. As noted, Ogero controls the cables connecting Lebanon to the actual internet, but international capacity (as that on-ramp to the highway is called) can be secured via satellite or microwave. Many grey market providers were avoiding Ogero (and associated costs) all together.

Anywhere in the world, an ISP is that link to the highway. They buy access to the internet (bandwidth) and sell it to users at a higher price. The price at which Ogero buys bandwidth and from which provider has not been made public, but market estimates of around \$4 per E1 line (2 mbps of bandwidth) seem reasonable based on internet research into the topic. ISPs in Lebanon currently pay Ogero \$250 per E1 line (reduced from over \$1,000 in 2014). Grey market providers buying bandwidth abroad no doubt pay more than Ogero (having at least a satellite link provider between themselves and an actual internet seller), but almost certainly less than local ISPs pay Ogero.

And the advantage is not only on international bandwidth. ISPs must deposit a \$1,000 letter of guarantee on every E1 line they get from Ogero, according to both IDM’s Chammas and an ISP owner who spoke on condition of anonymity. Also, ISPs can only offer DSL on an Ogero cable. The grey market providers just add another wire to the tapestry slowly being weaved from building to building across Lebanon and hook users up the next day.

Between 2014 and 2015, the grey market got a bit whiter. Chammas as well as one private-sector and one public-sector source told EXECUTIVE that around 120 grey market ISPs were semi-legalized during that time period.

Details are unclear, but what EXECUTIVE can confirm is that companies

formerly buying international bandwidth from abroad were sold bandwidth by Ogero – at a time when previously licensed ISPs were asking for bandwidth and not receiving it – but continued to be exempt from providing letters of guarantee and respecting distribution rules. Shortly after this apparent attempt at better regulating the market – which disrupted a supply chain at least 10 years old – corruption charges against then-Ogero Director General Abdel Moneim Youssef began to fly.

## A NEW ERA?

Ogero’s director general is one of three directors general at the MoT. As such, the company’s head is an integral part of devising the ministry’s strategy for developing the country’s telecom sector. Ogero implements whatever strategy it helps write. The three-seat power structure gives the MoT’s Director General of Maintenance and Operation power to oversee Ogero’s work, and act as a check and balance, as Imad Kreidieh, the new head of Ogero, explains it. Until January, Abdel Moneim Youssef

was both Ogero’s DG and the DG of maintenance and operation, “judge and jury,” Kriedieh says. That situation has now been resolved. Youssef is currently being scrutinized by the judiciary and is out of, well, two jobs. Kreidieh replaced him at Ogero, and Bassil Ayoubi is now in Youssef’s other former leadership spot at the MoT.

Market reaction to the change – only around 12 weeks old when EXECUTIVE made the rounds – was cautiously optimistic. Communication between the private sector and both Ogero and the MoT is significantly improved, and Kreidieh speaks to EXECUTIVE like a penitent. He admits that, prior to assuming his post in January, for Ogero, “the private

■ Ogero used to view the private sector as the enemy

sector used to be seen as the enemy.” He insists, however, “my role is not to consolidate a monopolistic position, but to offer the infrastructure for anyone who has a license, the technology, and the content to deliver it.”

Offering the infrastructure he reportedly is. On April 11, 13, 15, 27 and 29, Ogero quite simply unleashed the speed, to borrow the company’s hashtag. The tests lasted only a few hours, and were conducted in a handful of areas on each day. However, according to Habib Torbey and Patrick Farajian, heads of the data service providers Globalcom Data Service and Sodeltel, respectively, the private sector has been able to keep the speed unleashed in the spots Ogero tested, as the lines between privately owned equipment are no longer congested.

Kriedieh has repeatedly said in public (both in March at ArabNet and during April on Twitter) that a new internet pricing decree will be presented by the MoT to the cabinet sometime soon, never committing to a precise deadline. While in the mobile phone segment, such a decree sets the price of all phone calls in the

## Telecom

country (and out of it, which is why voice over IP services, like Skype, are still technically banned). In the internet segment, such a decree only sets internet package prices for Ogero. Private sector ISPs can charge customers whatever they choose (although most stick close to the decree to remain competitive), but the price of internet access (an E1 line) they pay Ogero is set by the decree. In the past, the price of internet packages for end users has been based on two factors: the speed of the connection and the monthly cap on download capacity. The decree will remove speed as a factor, Kriedieh explained, meaning users will be given the fastest speed their connections can deliver. Word on the street is that Ogero's speed test days will become market realities after the decree. EXECUTIVE interviewed Kriedieh before the tests, and he was unavailable for comment after.

#### REMAINING CONSTRAINTS AND THE ROAD AHEAD

This is not to say it is internet Christmas eve for every last one of us. Congestion is only one part of a series of problems. Individual internet users in Lebanon connect to central offices (COs), which then connect them to the internet, with copper cables. This is an old technology, with speed transfer limits and a serious problem transferring data quickly over a distance more than one kilometer. Fiber optic cables are now industry standard, and Lebanon has fiber in many places where it is needed (the country has 6,000 kilometers deployed, Kriedieh says). With a new government taking office in January came a new policy for the sector, Kriedieh explains. He describes the new strategy as "not politicized, user-centric and time-bound," adding that "by the end of 2018, things will be much, much better." Four projects are currently in motion, he says, the centerpiece of which is a long-discussed

fiber-to-the-cabinet project (a cabinet being a piece of telecom equipment placed between users and a central office, not to be confused with the Council of Ministers). The project involves connecting individual users via copper wires to nearby cabinets – which would themselves be connected by fiber to COs, meaning only a few cabinets and fiber cables would need to be installed to provide a multitude of users fast connections instead of fiber from the CO to each individual home. The project should begin in September and take 18 months to complete, Kriedieh says. He promises download speeds of "over 100 mbps without fiber" to the home (a technological breakthrough circa 2010). [Editor's note: Fiber to the cabinet was phase two of the now-fully-abandoned MoT national strategy launched in 2015. It was supposed to be nearly completed by now.]

#### THE ELEPHANTS IN THE ROOM

Kriedieh claims not to see himself at the helm of a purely profit-driven commercial enterprise. At one point during the interview, he describes Ogero as a regulator. What he promises to deliver is a nationwide telecom network capable of providing all users with voice, data and streaming video services on the same cable. Triple-play, as it is called in the industry. Yes, a better network will benefit Ogero and help expand its market share (which he pegs at 290,000 of 700,000 legal subscribers, or 41 percent, admitting, however, that there are "leakages" that make the true number of subscribers unknown). Kriedieh, however, insists strengthening Ogero's market position is not his goal. With a network capable of modern offerings, he says that he wants the private sector to flourish. The private sector, meanwhile, seems to want the access it has long been denied and a level playing

field (meaning either fully licensing the 120 or so providers semi-legalized two years ago or forcing them out of business). Many estimate these semi-licensed providers have a significant customer base, although the numbers are very fuzzy.

Lebanon's reported total number of fixed-line broadband (DSL) connections stands at slightly over 1.2 million, according to MoT data supplied to the International Tel-

#### ■ Congestion is only one part of a series of problems

communications Union. If both that number and Ogero's figure of 700,000 fully legal connections are correct, the formerly grey market would service over 500,000 customers. Ignoring the fact that 1.2 million fixed connections would mean Lebanon's estimated 900,000 households are all wired, with some households actually having two or more DSL lines, it is safe to assume that there are at least some potential market share gains for fully-licensed ISPs if some providers leave the market when the rules apply equally to everyone.

Kriedieh offers no detail on how to deal with the 120 or so semi-legalized ISPs aside from suggesting that when the service offered by Ogero and fully licensed private ISPs is significantly improved the market will correct itself. If these providers are allowed to continue buying bandwidth from Ogero while being allowed to ignore the rest of the rules, however, it is hard to see how they will be pushed out of the market completely. Fully licensed ISPs may have more services to offer in the not-too-distant future (i.e., streaming, high-definition video and TV over the internet), but the market overwhelmingly demands a cheap connection, and is conditioned to accept vastly inferior services. ■



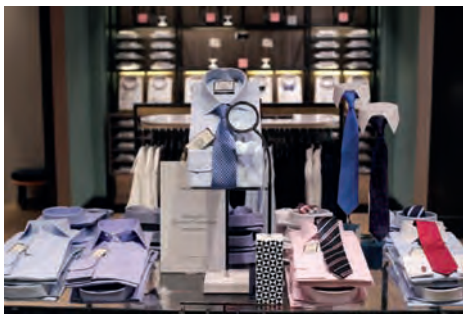


# THOMAS PINK

JERMYN STREET  
LONDON



You may have noticed in the streets of Beirut or on social networks some cheeky foxes roaming the city. Well, these are the Cheeky Foxes of Thomas Pink; the modern British shirtmaker that is part of LVMH Group. The Brand's muse is the Cheeky Fox, a tribute to the famous scarlet hunting coat that Thomas Pink was the first to design more than two hundred years ago. On the occasion of the opening of the first shop in Lebanon, Holdal Abou Adal Group launched an intriguing campaign aiming to spot the 4 foxes around town. This was followed by an opening event on April 6th at the shop at ABC Achrafieh in the presence of members of the press, stylists, VIP clients and other personalities. As well as an exquisite choice and cuts of shirts, Thomas Pink carries a wealth of ties and accessories.



THE CLEVER CHOICE OF SHIRT



## Glittering in the shadows



An analytical view of the Lebanese gold trade

**Lebanon is historically notorious for its lack of metals and similar natural resources.** This makes it even more astonishing that almost one quarter of Lebanese exports are constituted by a precious metal: gold. In 2016, non-monetary gold accounted for 23 percent of total exports, which were worth a little over \$700 million according to customs data. Most of this gold was exported to South Africa.

Since mining of gold is non-existent in Lebanon, a second look at trade figures confirms that Beirut mostly acts as a transit point in the gold trade. It imports gold from Egypt, which is a smaller producer, from Switzerland, which is not on the list of the top 100 producing countries, and from several West African nations. Imports of non-monetary gold in 2016 reached nearly \$1 billion, or about 5 percent of total imports.

According to the United Nations trade classifications, gold is considered monetary only when it is held in reserve assets by monetary authorities and related institutions. Non-monetary gold includes bullion, including coins, bars or ingots, and gold in powdered or other unwrought or

semi-manufactured forms.

Although imports and exports of gold have a ballooning effect on Lebanese trade statistics, there is very little value-added or actual contribution of the gold trade to the economy. “Numbers are not important enough for gold to really contribute to the Lebanese economy. Even though jobs are created in the jewelry sector, margins are small,” explains Chris Boghos, who, along with his father, manages the family business Société Boghos that trades in gold both regionally and internationally.

Investigating gold as an important element of the Lebanese economy may thus be a fool’s errand, and any assumption that the high value of our gold exports translates into substantial contributions to our GDP would be misguided. The lure of gold nonetheless is not to be underestimated in the context of our economy. There are many questions about possible links between the gold trade – here as in many other countries – and concerns over organized crime. On the brighter side of this precious metal, local consumption of gold has productive contributions from jewelry production to investments.

### A SMALL NODE BY GLOBAL STANDARDS

Lebanon is the 27th largest buyer of gold in the world, behind regional hubs such as the UAE, Turkey, Jordan, Kuwait and Iran, while the biggest importers are Switzerland, China and India, according to the United Nations Conference on Trade and Development (UNCTAD). In terms of exports, Lebanon ranks 61st, far behind global producers such as South Africa, Russia, and Burkina Faso.

There are only a handful of re-

finers in Lebanon. According to one trader, these are not registered with the London Bullion Metal Association (LBMA), which lists bars and refineries that are acceptable in London and in other markets. For reasons that are unclear, gold from West Africa transits through Lebanon before being exported to be refined. Part of it is then re-imported and stamped with the name of LBMA-recognized refineries such as Valcambi, Metalor or Rand, confirming its value. Lebanese customs figures show that a little under \$300 million of gold remains in the country. Some is bought by jewelers, some by investors.

As a prominent Lebanese trader puts it, gold has always been a safe haven in uncertain political times and has an added lure to local investors. “Do not forget we are in the Middle East. Especially in Lebanon, people have lost their money and savings many times. The political risks in the area make people purchase more gold. Even though Lebanon has a strong banking system, there is always more comfort in knowing your money has been invested in gold. It is a measure against inflation and is the real essence of having safe wealth,” says Boghos.

In 2016, 41 percent of gold imports came from the West African countries of Togo, Ghana, Benin, Guinea, Mali and Burkina Faso. When asked why gold transits through Lebanon rather than being exported directly to refineries in countries like Switzerland or South Africa, professionals are vague in their answers. “Historically, Lebanon has always played the role of a commercial intermediary between Europe and Arab countries, East and West,” says economist Elie Yachoui.

“We have kept a little of this role. Of course, it helps that we work

with Lebanese gold exporters based in West Africa,” confirms a trader speaking on condition of anonymity. He adds, “The same trader usually has offices in different countries and can easily transfer the gold from country to country to centralize his exports from one place. This strategy is adopted because his gains are small, around 0.25 percent; he would make maybe \$100 per bar that is worth \$40,000.”

Whenever terms like gold mining and impoverished African nations appear next to each other, questions over illegal practices and money laundering tend to come up in the media and international civil society. Thus, it cannot be a surprise that gold trade from West African countries is a focus of investigations by a four-year-old network called The Global Initiative against Transnational Organized Crime, which works on human rights and development issues where organized crime is considered to be increasingly pertinent.

Marcena Hunter, a senior research analyst with The Global Initiative and one of the authors of a recent report on the financial flows linked to gold mining in Sierra Leone, confirms that practices are engineered to obfuscate where gold originates and could have some Lebanese involvement. For example, Lebanon imports from Togo and Benin, which are not significant gold producers, she says. “It is likely [that] a lot of the gold being exported out of Togo has been smuggled into the country. Togo itself produces very little gold. Previously, a lot [of] gold exported from Togo was thought to come from Ghana; currently a lot is thought to be smuggled from Burkina Faso,” she wrote in an email to EXECUTIVE.

Another reason why West African gold transits first through Lebanon before being re-exported is that it becomes harder to trace, explains

a second Lebanese trader, who also spoke with EXECUTIVE on condition of anonymity. According to him, a lot of small refineries in Switzerland cannot work directly with many West African mines. “If an NGO has reported that a mine employs children, for example, Switzerland won’t trade with it. So maybe professionals are avoiding these regulations by using Lebanon as a transit point,” he says.

One of the examples of an effective naming and shaming is the report published in September 2015 by the Swiss NGO Public Eye, which accused a major Swiss refiner, Valcambi, of importing gold from a non-producing

■ If an NGO has reported that a mine employs children, Switzerland won’t trade with it

country, Togo. The gold was allegedly smuggled from Burkina Faso, where it is extracted by children and adults “under abysmal conditions.” In the same report, Public Eye mentions that Wafex, a trading company owned by the Lebanese Ammar family and based in Lomé, the Togolese capital, played a role in exporting this gold. EXECUTIVE was unable to get in touch with Wafex on the phone or through social media to obtain their comment on this report.

After the report’s publication, Valcambi promptly issued a press release in which it said that all “refining activities regarding imports from Togo” were suspended pending an internal investigation. Last February, Valcambi announced that the investigation revealed no abnormalities. In an email to EXECUTIVE, Valcambi referred to “stringent” Swiss laws against money laundering and the financing of terrorism and emphasized that monitoring of compliance with the law is done by the Organization for Economic Cooperation and Development (OECD). Valcambi claimed that large Swiss

gold refiners have adopted OECD and LBMA due diligence recommendations to avoid getting entangled in child labor or human rights violations.

## A VARIETY OF EXPLANATIONS

According to Lebanese customs, Switzerland is one of only two export destinations for non-monetary gold that transits through Lebanon. However, it is the smaller destination and seems to be becoming less important in this regard when compared with gold exports to South Africa. In relation to Lebanon, the role of this country grew from 71 percent of Lebanese gold exports in 2013 to 89 percent in 2016.

One explanation why South Africa’s share has been increasing, put forward by one of the anonymous trader mentioned above, is that South Africa’s anti-money laundering and anti-child labor measures are less strictly observed than in Switzerland. None of the South African refineries, such as Rand and Gauteng, nor the South African diamond and precious metals regulator responded to EXECUTIVE’s questions on this matter by the time this article went to print. The Ministry of Finance in Lebanon, which supervises local customs authorities, also declined an interview.

However, this does not automatically imply that anything sinister is going on. One of the traders who spoke to EXECUTIVE anonymously stressed that Lebanon implements strict due diligence rules, and that South Africa has similar regulations to Switzerland. He instead pointed to a commercial explanation. “The reason Lebanon exports more to South Africa is that it’s cheaper. The price difference for refining gold is approximately 5 to 10 cents on the ounce, which is important to us,” says the trader, whose company is a major player in the Lebanese gold market.

Lebanese customs figures show that in 2016, gold exports to South Africa tripled (up 226 percent) in terms of value in comparison to 2015.

## Gold Trade

“We decreased our commissions, so we are able to increase our market share. People who were selling through Dubai realized we had better rates,” disclosed the trader, without giving further details on prices. He maintained that his Lebanese company offers other advantages to sellers. “We pay the gold trader on the spot, as we trust our clients. However, most buyers wait until the gold is refined to know how much it is worth, which can take a few days.”

Another shift in trade could be related to taxes. As Boghos points out, Dubai imposed a 5 percent tax on imported gold jewelry in early 2017, and this could have played a role in a recent increase in the amount of gold transiting through Beirut.

#### JEWELRY HAS ITS OWN DEMAND

What complicates the picture further is that Lebanon doesn't only import gold from West Africa or newly refined gold from other countries; one important component of imports is scrap gold. Jewelers acquire scrap gold from old jewelry and other golden items for reuse in new pieces. Jewelry is Lebanon's number one manufactured export, with over 1,000 gold workshops and small factories that for the most part export to the Gulf, Boghos says.

Trade sources for scrap gold can vary according to geopolitical circumstances, as was the case for Egypt last year. In 2016, Lebanon imported 30 percent of its gold from Egypt, a relatively new trend. In 2013, only 9 percent of gold came from there. “Following the recent political and financial instability that Egypt has witnessed, people started selling their jewelry, which is then melted, for extra cash,” explains one trader.

According to the same trader, unregistered scrap gold is also smuggled into Lebanon from Syria, presumably for tax avoidance or even attempts to circumvent sanctions against the

regime in Damascus. “According to Lebanese law, you are supposed to declare any gold that you import or export, but no one will notice 5 or 6 kilos of gold bars in a passenger's pocket. There is no tax on raw gold, however, which means that big quantities are rarely undeclared. Jewelry has a higher chance of being smuggled, as it is taxed between 5 and 10 percent,” the trader explains.

As indicated by the import and export data, gold consumption in Lebanon can be estimated at a little under \$300 million for 2016. In constant price, taking December 2015 prices as base, local consumption went up 10 percent between 2015 and 2016. According to a source, this increase in consumption is linked to the fact that Lebanon slowly started moving toward more transparent banking when it promised, back in May 2016, to adopt the OECD's Common Reporting Standard (CRS) starting in 2018.

The CRS facilitates – supposedly automated – financial information exchange between countries that is relevant for taxation in a similar way to the United States' Foreign Account Tax Compliance Act (FATCA). “People who do not want their banking information revealed started buying gold instead,” the source adds.

Even without the added potential usage as means to avoid taxes, it is no simple task to assess reasons for gold demand and movements in the trade of gold. In the turbulent recent years of the global economy, this precious metal has seen prices fluctuate greatly – on a five-year trajectory from April 2013 to April 2017 one can find a high of almost \$1,800 per ounce and a low of little more than \$1,050, as well as a price near \$1,300 in April 2017. Demand also reflects what investment recommendations

are in vogue at any given time and how asset allocations are distributed between gold and other securities.

According to Boghos, another factor driving up local gold demand was a drop in prices late last year. “In November and December 2016, we saw prices go from \$1.3 the ounce to \$1.128 per ounce. As prices were cheap, demand quadrupled. Lots of

■ Dubai imposed a 5 percent tax on imported gold jewelry in early 2017, and this could have played a role in a recent increase in the amount of gold transiting through Beirut

this gold will be saved, and lots will be sold again to make a margin. It will then be recast and transformed into a new bullion or jewelry,” he says.

This gold might find its way into many different hands. “Gold is bought by households as gifts for newborns, baptisms, communions, weddings and divorce, engagements or savings. Companies also buy gold as bonuses for their employees. Like banks, they also diversify their investments by buying gold,” Boghos adds.

However, buying gold as an asset only represents about a quarter of local consumption, reckons one of the two traders questioned by EXECUTIVE. “Out of the \$300 million that is bought in Lebanon, we cannot know what amount stays here. A lot of expatriates that come to Lebanon for the summer buy gold jewelry which then exits the country unregistered,” he explains. As for now, he expects prices of gold to go up because of rising geopolitical instability; an opinion which Boghos shares, “In this case, there will be even more demand and consumption,” concludes Boghos. ■





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## Makram Azar

Chairman of Banking EMEA and chairman of Barclays Bank PLC, MENA.

**E Where do you think the next economic bubble is?**

It's the broadly defined technology sector, in which you need to differentiate how you approach and analyze each one of these ventures because some of them will be very successful – as the 90s showed us with Amazon, Google, Apple, etc. – yet, many of them will not be successful. So with experience you learn how to do due diligence on companies, but I think there are certain aspects or segments of the technology and media sector that people are excited about today that you have to analyze very carefully.

**E What are the big changes you have noticed since the crisis in the banking industry?**

There have been many changes in the banking industry ... [it] is in a much better place now, from a regulatory and compliance standpoint. I think, from a deal-making standpoint, there was obviously more excitement for leverage before the crisis that has come down a little bit, though we are seeing some improvements in these levels over the last couple of years. However, in terms of mergers and acquisitions (M&A), the activity and deal-making is back to the levels we had reached before the 2008 crisis, and one can observe many large transactions that have been announced over the last few months on both sides of the Atlantic. Therefore, I think M&A is back, and the backdrop is relatively healthy at the moment, but with the uncertainty recently created in elections around the world, there has been a bit of caution, so we will see what happens next.

**E If we turn to the United States, President Trump's economic agenda now seems a little bit uncertain given what happened with the healthcare bill. Do you think there will be a major, or even a small setback with the tax reform, given the divisions that exist in the Republican Party?**

I don't have a crystal ball, but I don't think the same would apply to taxes [as] usually the Republican side is in favor of reducing taxes. They will therefore probably be less resistant than on the healthcare reform. On the tax side and deregulation, I expect those to go through. We are, however, still in the early days of the new administration.

**E With regard to the UK, now that Article 50 has been triggered, what do you think will be the downside for the country?**

The British Pound has already taken a hit following the referendum, so I don't expect much more pressure there – it even reached levels under 1.20 against the [US] dollar on the cable – and now we are back to a better level. But, I believe it is a double-edged sword, as the low currency makes investments in the UK, as well as exports, more attractive – it works both ways. Moreover, following the referendum, the expectations were for a much more negative economic performance, but the reality surprised everyone. In fact, there has been a lot of resilience in the UK economy following the Brexit referendum and the decline in the pound. The next couple of years will probably provide some uncertainty now that Article 50 has been triggered, and uncertainty is never really good for investments or for people with a long-term view, giv-



en that they need to have visibility. It is, however, in the benefit of both the UK and the rest of the European Union to agree to a good deal, because the EU also benefits from the UK. If you look around this neighborhood, whether Belgravia, South Kensington or London more broadly, there are many Europeans that live here and work in the City, so the UK should be able to negotiate a reasonable deal that is beneficial to both parties – as Prime Minister [Theresa] May has mentioned several times. I, however, believe that it will take time to have that visibility, and it will also depend on the elections in France, Germany and other countries that are important for the European Union, and on the [upcoming] negotiations. So, it's [too] early to say. However, we have seen, through the recent announcements from the Qatari delegation, billions of pounds [worth] of investment in the UK, irrespective of Brexit, and the same was announced by other countries from the Gulf over the last months. The UK has a long history of being a good trading partner for many regions around the world, not only for Europe. I strongly believe that given the importance of

the City of London – not only as a financial center for the rest of Europe, but also as the deepest pool of capital in Europe – it's in the benefit of both [the EU and the UK] to reach a good deal, and I think the worst case scenario, as Prime Minister May has mentioned, is no deal, instead of a bad deal.

**E** *You just mentioned that politics will continue to be at the fore in Europe, so what do you think is the next shock in Europe? A Frexit, with France leaving the EU?*

Well, that would be a big one, but nothing is surprising anymore. I think the fact that there are two rounds in French elections, unlike the referendum in the UK, or the elections in the US, make it harder for Mme [Marine] Le Pen to be elected in the second round on May 7. But, we've been surprised before, both by Brexit and the US elections. It's hard to predict, but Germany and France are at the core of Europe, so obviously if one of the two goes, it would be a big blow to the concept of Europe.

**E** *So, where do you think we will be in December 2017?*

Ha! I learned a long time ago not to make such predictions because I was actually in Davos – where I go every year – in January 2008 with all the big CEOs of the Wall Street banks, alongside the private equity firms, and we all saw what happened less than a year after that. When I went back in January 2009, many of those CEOs had lost their jobs. So, it is hard to predict what could happen in less than a year from now. All the more so, 2016 was another lesson; it was very hard to predict the black swans that were Brexit and Donald Trump in the White House. Nevertheless, I'm cautiously optimistic. The Dutch elections showed a new turn in the populist movement in Europe, and the next big test will be in France. If the French elections go as planned, there will be less to wor-

ry about. Moreover, on the US side, at least from an economic standpoint, [things] are going well, so on that basis I am cautiously optimistic for the rest of the year.

**E** *Based on that, do you still think the euro will still be around in 10 years?*

Well, if I cannot predict one year, it's hard for me to predict 10! But it really depends on the French elections, so we will find out soon.

**E** *You are originally from Lebanon, if you were the Lebanese president what would be the first thing you would do?*

I left Lebanon a long time ago, but I still take a vested interest in its politics and future direction. It's obviously a tough question, and I think it would take a lot of political headache to achieve, but I strongly believe that if we can overcome the religious fragmentation in Lebanon, it would be a great achievement – so, any move in that direction would benefit the country and would benefit the region because more religious tension can only lead to conflicts, pressures and obstacles.

**E** *How attractive do you think it currently is to have deposits in Lebanon?*

For a Lebanese person it is very attractive because they get a very attractive return on their deposits, even in dollar terms, much more so than what they can get outside the country. It is a timely thing that you mention, but in the context of Barclays [and Eurobonds], we raised \$3 billion in the last [few] weeks for the Republic of Lebanon, which is a record amount of capital raised for the country in a series of transactions, as there were three tranches. We saw demand of over \$17.5 billion for the \$3 billion that we closed on, so it was almost six times oversubscribed.

Interestingly, a lot of the demand came from Lebanon, obviously, but a record level of demand came from international investors, much more so than at any point in the past. This also highlights that Lebanon has become increasingly attractive as a destination for foreign investors, which is a good thing to see in the context of Lebanon, given what is going on in the Levant. It's a positive indication of the direction of travel that Lebanon is taking, particularly after the recent election of the president and the more peaceful arrangement that the parties have reached – all the more since the economy is on a

■ The Dutch elections showed a new turn in the populist movement in Europe, and the next big test will be in France

better track now as well. So, to answer your question, deposits are attractive for both Lebanese investors and foreign investors.

**E** *Are deposits/Eurobonds the least risky investments in Lebanon, appreciating the level of political risk in the country?*

I believe the components are very linked, in Lebanon in particular. Given the interconnection between the central bank and the Lebanese banks themselves being the main buyer of sovereign paper and the bonds, I think the three components are very well linked to each other. So, I don't think it is very risky to invest in deposits in banks because those are very well regulated by the central bank, and have been for a very long time, and in turn, I think the Lebanese banks support the government in their bond issuance, so the three components are there to safeguard the security of the investments of investors and depositors.





## Visions of community



ABC Verdun prepares to open its doors

**It's hurray time for Lebanon's consumer society.** Shopaholics, retail marketers, mall strategists and their assorted public relations minions are gearing up for the launch of the third ABC Mall in Lebanon. The new retail temple is slated to open its doors this summer in Beirut's Verdun quarter. It will accommodate over 200 stores, including its signature 10,000 square meter (sqm) department store. With a total gross leasable area (GLA) of 50,000 sqm, the mall promises to provide plenty of leisure opportunities, from a multiplex cinema, to a roof garden and restaurants. The mall was designed by US-based architects Callison (today CallisonRTKL), a Seattle firm specialized in mall architecture, and a leader in the design of retail environments. With its design, commercial and leisure offerings, and a built-up-area (BUA) of 120,000 sqm, the opening of ABC Mall in Verdun

is going to change the urban fabric of the Lebanese capital, both in terms of shopping and in terms of communal living – or so hopes Frank Kuntermann, deputy CEO of the mall's operating group, ABC.

The Verdun project, in Kuntermann's view, is the next stage in development after the success of the group's mall near Sassine Square in Ashrafieh, which dazzled competitors with its design and architecture when it opened almost 14 years ago. "It is the 2.0 of [ABC] Achrafieh, integrating all the needs of the community. What are the aspirations of the population living in the surrounding area, and how can we answer those aspirations? That is the real question," he says. (see interview page 46)

Describing the Verdun project as a "community mall," he explains that the concept behind both the new department store and the entire mall is

"by the community and for the community." According to Kuntermann, this approach led ABC to take new measures in considering its design, such as responding to the area's lack of green spaces by allocating more room for a roof garden than was initially planned. They also sought to address Verdun's propensity for traffic by focusing on pedestrian access and increasing the parking capacity to 1,700 spaces.

"The model of the community mall, as ABC conceives it, is extremely interesting, and the approach is [apparent] in how it is constructed and even in the priorities of recruitment," Kuntermann says, explaining that the first round of hiring focused on candidates from the area around Verdun.

ABC also sought to extend the mall's offerings to a very wide bracket of consumers, from those with student budgets to upper-middle income earners. This is reflective of the wide range of income strata in the potential catchment area, which according to Kuntermann is not conclusively defined at this time, but presumably stretches from West Beirut to southern parts of Lebanon.

In investment terms, the mall is a \$300 million project, excluding the land value, Kuntermann says. He confirms that a joint venture for the development was formed between Verdun 1544 Holding, a company under the portfolio of the Bahaa Rafic Hariri Group (BHG), and ABC group. ABC brought its knowhow and concepts, whereas BHG brought the land and Verdun 1544 Holding invested in the project. Kuntermann denies knowing the land value of the joint venture, saying the assessment was done several years ago, before he joined the ABC

Group. Kuntermann began working at ABC in 2013; his previous position was Middle East general manager at a regional company representing French luxury group Hermès.

Shopping malls have encroached on Lebanese consumer habits since the beginning of Beirut's gradual recovery from internal violence in the 1990s. In the early days of this development, malls were created in existing commercial buildings or as small-scale affairs. Walking through Verdun quarter in the late 90s, one could stumble up a narrow escalator in the Concorde Center and venture between the racks of a hastily put-together fashion sales zone to buy a suit from German brand Boss, or browse through a crowded (with paper, not people) bookstore in a dark first-floor corner of Verdun

730, where three floors of retail space made an attempt to emulate a mall.

Given that consumption and imports have been prime drivers of the Lebanese economy over the last 25 years, it did not take very long for larger purpose-built malls to debut in the Beirut market. ABC Achrafieh and CityMall in Nahr El Mott provided enough size to draw crowds and serve as regional centers, to go by the definition of the International Council of Shopping Centers. A third project, the Souks in the Beirut Central District, had plans dating back to the 1990s, but was held up by non-commercial delays.

With the opening of these 'real' malls between 2003 and 2009, the story of Lebanese retail centers entered a new phase, but not one that was void

of difficulties. Some 1990s shopping centers attracted significant footfall for a while, but had to settle back into more modest C-Class or neighborhood malls, as their attractiveness was eclipsed by larger and newer malls. Others launched with fanfare only to flounder within a few years, such as a project on the Mkalles Hill, or languished during the various difficult economic periods of the 2000s and 2010s. Further malls opened in and after 2009 in various parts of the Beirut conurbation, only to be quickly affected by an apparent dichotomy of increasing purchasing power and the rollouts of new grade-A retail GLA.

Even more convincing malls like Beirut Souks, ABC Achrafieh and CityMall, underwent serious remodeling and numerous changes in terms of retail concepts, anchor tenants, and leisure offerings to arrive at their current incarnations. Some sins bred into their designs by obliviousness to optimal circulation (whether of exterior car traffic, interior pedestrian traffic or just air flow) proved impossible to breed out.

Given Lebanon's economic vagaries over the last 20 years, ABC Group has developed its skills for operating retail environments in a school of hard knocks. Today the company aspires to transform itself from a family business to a veritable corporate player on the regional retail scene.

ABC has retained and expanded its brand equity to a level where the group can boast of very strong brand awareness in Lebanon. Kuntermann cites brand awareness and assisted brand awareness to be at 95 percent, and says, "BHG decided to go into this project with ABC because they knew that we were the ones that could not only implement a project that was in line with the aspirations of this community, but also, would be able to attract the brands, who would be confident enough that this mall would be run in a way to make it a success. I think the brand value of ABC is what allowed this chemistry to happen."



ABC Verdun during construction



## Q&amp;A

By Thomas Schellen

# Visions of community

Q&amp;A with Frank Kuntermann, deputy CEO of ABC Group



**E** *You say that the ABC Mall in Verdun is seeking to be a community mall, starting with the priority hiring of local staff who can walk to work. You are well aware of the challenges that exist in the neighborhood relating to traffic congestion and parking. What is your recipe for organizing parking and charging parking fees in the community mall?*

The problem is that you see a lot of abuse when [parking is offered] free of charge. The question is: how much [in terms of an hourly or daily fee] is enough to discourage abuse, and how much is low enough [for people to not be discouraged from using the facility]. This is a huge discussion, almost [like] a Byzantine discussion on the gender of angels. The legend says that while the Ottomans were besieging [Constantinople] the people there were talking about the gender of the angels. I think what was found as a solution [for parking] is acceptable, but we need to take into consideration that being a community mall means serving the community, and we need to listen and see if we will [need to] adapt.

**E** *What else are you adapting?*

We are adapting our offer to bring more medium brands with a lower price level. We are likely to review [the brand mix] later on, if we believe it becomes a problem. We need to listen to [the people].

**E** *No supermarket as an anchor?*

No, the strategy of [having] no supermarket is still the same [as with the other two ABC Malls]. It was also a long discussion. We believe it is a different motivation to shop, and that people who want to have a quiet time to go for a coffee or do some shopping should not bump into people with [supermarket trolleys].

**E** *Anything else about the mix of products and brands?*

The brands are very similar [as in the two other ABC Malls]. Within the department store, we will still have the same positioning. [The orientation] will be what we call medium-premium, not premium, and fashion-forward with a strong component of French brands. Historically, when the first ABC department store opened in Bab Idriss (near the center of Beirut), it was the first department store in the Middle East, and they brought in exclusively French brands, lingerie, perfumes, toiletries, etc.

**E** *Any new brands or consumer electronic stores?*

Electronic no. There are ongoing discussions, but nothing is confirmed. In terms of new brands, we have a few new brands arriving because we

wanted to have a new component in our offer compared to the other ABC [Malls]. We have, for instance, a Calvin Klein as a standalone store. It will be the first Calvin Klein standalone store in the Middle East. Dubai will be after. There will be [other] new concepts in restaurants and perfumery, which will make it a bit different, but overall the positioning will be sophisticated but reasonable [in price].

**E** *Do you have community participation in the form of a community board or through regular meetings to address community concerns?*

We had very intense [community consultations] during the preparations, and I have raised the question of whether we should give [these consultations] a regular rhythm. The question is in which form and how people would be part of it.

**E** *How large is your catchment area?*

This is [also a] Byzantine discus-

■ We have, for instance, a Calvin Klein as a standalone store. It will be the first Calvin Klein standalone store in the Middle East

sion. We had very contradictory studies on this. It all depends first on how you include the southern part [of Lebanon]. Do you consider the mall to be half-way between western Beirut and Tyre? Some people consider the time of transportation, others take the kilometers for saying that the catchment area can go up to there or there. We had very contradictory figures, which





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## Q&amp;A

at the end of the day, we didn't use because they were not coherent. The catchment area is western Beirut and part of the southern part of the country, halfway up to Tyre, where it makes sense for people to [comfortably drive to Beirut].

**E What can you tell our readers about your approach to the concept of an Arab mall and Arab department store?**

The first thing is that from a design point of view, it's extremely Lebanese, in its visual fluidity. Fluid, simple, architectural and transparent – this is for me the Lebanese identity. We integrate – and we should do it more intensely – by giving more space to Lebanese designers. There's talent everywhere; fashion and jewelry is what everyone talks about, but [there are examples of other crafts] that you would not find anywhere else.

**E How can you promote this?**

In jewelry, it is pretty easy; [we have both established jewelers and new, young ones]. In fashion, I would be very favorable to have some kind of Lebanese designers' corner. [We have a small one], and I think we could intensify it. There is an amazing substance of creativity, and we should be even more Arab and Lebanese in this sense. We want to be modern, creative, and we have to "Lebanize" our offerings more strongly. At the same time, we don't want to be luxury.

**E You're placing great emphasis on culture and integration with the community. On the other hand, aren't you engaged in an activity – retail – where there is intense competition in Verdun, given that it is a district where a business structure is already established?**

Your question is about the impact on business in the neighborhood. The first thing is that some retailers decided to [pull over and work with us]. [One local store], with whom we have been working in the Ashrafieh mall, decided to leave [a nearby mall] and come with us. He said, 'I want a modern retail en-



ABC Verdun takes shape

vironment, service and parking for my customers, so I [will] move over [to ABC]. It is true that existing mall operators in Verdun are being challenged by the arrival of ABC. But challenges are a part of life and part of business. People are going to move, and thus, operators [of retail spaces] will have to reinvent themselves. They will have to find and take advantage of their location.

**E What about small stores in the area?**

First, we don't go into the utility store business, so we are no competition to the [dekaneh] or mom-and-pop store. Second, we open doors to local retailers on conditions that are not the same as for the big groups.

**E Did you entice some of the more desirable large stores away from nearby locations by giving them special deals?**

We contacted all of them. Putting the project through was a tough challenge because people today are thinking twice about putting capex (capital expenditures) on the table. Some brands, including major brands, have said, 'We are not coming in now, we will come in in one year because this year, we have no capex.' You can feel that the [economic] environment is difficult, and yes, there have been very tough negotiations.

**E So, you're saying that you are flexible when it comes to negotiating with a potential lessee?**

Yes, these days you have to [be].

**E Are you satisfied with the outcomes of all these negotiations?**

We are satisfied in that we have leased 85 percent [of the mall's GLA space], and that the department store is leased nearly 100 percent.

**E Mall operations in the Middle East have seen many developments with varying architectural accomplishments, but also malls which have been fairly dysfunctional in terms of noise reduction, access options, air flows and overall design and efficiency. Does ABC have aspirations on regional terms, and did you ever consider doing an IPO and getting listed somewhere?**

We thought about it and have been contacted by people who said they love the way in which we run malls and asked if we would run their mall. Inquiries came even from some exotic countries. We are not ready for that, but [we are approaching this possibility] in several steps. The first step is that we would transform a family company into a corporation. This involves processes with long-term outlooks and structure. We are a developing people. I'm just about to create an internal think tank.



It would definitely make sense for the only Arab department store concept to go elsewhere, into another country. If we did something like that, it would have to be really Lebanese. Running malls for other people is an option, but it would have to be in the Arab world as you have Lebanese talent were speaking Arabic is an asset. The thing is that running a mall that is not your own is not easy when you have a very special concept on how a mall should be designed and operated.

**E** *So you would favor a sort of joint venture where you are part owners of a mall?*

And also, owners of the concept. When you have a community concept and see how such a concept [needs to be implemented gradually], you cannot just take on running a 'box' in the middle of nowhere. The conditions would have to line up, but I think ABC is slowly growing into the position of a company that is ready to move outside [of Lebanon].

**E** *What do these aspirations mean in terms of board structure and corporate governance?*

First of all, the board has been renewed quite heavily and we have people with international exposure within the board. One comes from Geneva, the other from Dubai and from America. We also have local personalities who bring a lot of added value.

**E** *Do you have non-executive directors on the board?*

It is a bit more complicated. We have the chairman of the board, which is [former Tripoli MP] Robert [Fadel]. He is still executive [director]. The plan is for [him at] some point in the future to become non-executive. [In terms of] organization of the board, we work through committees and follow the [standard] recommendations of the International Finance Corporation.

**E** *So what you are saying is that you're in the process of creating a capacious board*

*and upgrading its structure, in addition to which you are creating an internal think tank. What can you tell us about this project and what it is going to be its budget?*

We are planning to launch the think tank in the second quarter. It is a very exciting project. First of all we will use it in our talent development program [by including some of our young talents in this think tank]. We have [involved] an academic who has a PhD in innovation and gives us an outside view. We are thinking about how we can completely rethink the future of the company and what the department store of tomorrow is going to be like. We could go in many directions, from buying studies, to getting in professors from around the world on special topics, or sending the young talent on fact finding trips abroad. All of this has to be put into a budget. We are working now on our ideal [scenario]. Then we will see what the gap between the ideal world and our reality is and will try to bridge it, as always in life. No company has done this kind of thing in Lebanon, but the board was very open to undertaking such an exercise.

**E** *Any numbers on ABC turnover that you can give me?*

We don't publish them. It is a policy which I asked about. One day [transparency] will be the direction, and people will have to change their habits. The whole company is progressing very rapidly and the subject of publishing the numbers will one day come back onto the table. Also, in regard to your question of an initial public offering there is no project for an IPO. The company [has been] changing completely in the past three years already. We are here (points to the new head office villa where the interview is being conducted) in a totally new environment, and in six weeks we will open a new logistics organization with top notch structure.

**E** *Can you dare a guess at the valuation for the company?*

We've done this exercise recently. I can't give you a value because we're challenging this figure.

**E** *But when you live in Beirut today it's almost synonymous to say "go to the mall" and "go to ABC." Shouldn't ABC be able to assess the value of its brand equity, after having invested so much into it over the past 15 years?*

There is the technical value and the brand equity. If the brand would one day be for sale, I think someone with the means [to buy] would put a lot of money on the table only for the brand. But, I have no clue about how much.


**E** *Surely you must have an idea how much the enterprise is worth between hard assets, soft assets and equity?*

As I told you, we have done the exercise recently but are challenging the logic of this exercise. The question is not that easy to answer. The question

■ We are satisfied in that we have leased 85 percent [of the mall's GLA space], and that the department store is leased nearly 100 percent

of good will is really the central question. As the brand is nearly 100 years old, some Lebanese might put a [very high] figure on top of what is the value of the company, but I don't know. If we have a more established valuation, we will talk about it on the day that we have a valuation that makes sense to us.

**E** *It just gives one the feeling that as a company in the 21st century global economy, you still have a 19th century corporate habit as far as valuation.*

That's quite true, and it's the same when it comes down to publishing figures etcetera. But, as the saying goes, Rome wasn't built in a day. We'll get there. 



# YOUNG LIONS PRINT COMPETITION

Executive  
congratulates  
this year's  
winners



1 st prize

Elie Fakhry and Stephanie Koyess from Fortune Promoseven

Executive Magazine, the country representative of the Cannes Lions International Festival of Creativity, in cooperation with the IAA (International Advertising Association) Lebanon Chapter and AA (Advertising Association), invited young creatives to take part in the third edition of the national Young Lions Print Competition on April 7 at the American University of Beirut. On April 11, a panel of expert judges assembled at the magazine's premises and after a thorough judging process, Elie Fakhry and Stephanie Koyess from Fortune Promoseven were declared the winners. Coming out on top after an exciting race, the winning team will go on to represent Lebanon in the global Young Lions Print Competition at the Cannes Lions International Festival of Creativity 2017 in Cannes, France. Executive extends our heart-

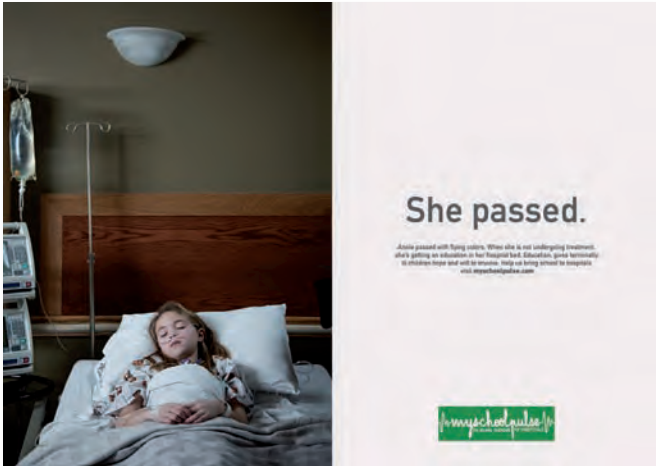
felt congratulations to the winners for their victory.

The Cannes Lions festival was launched in 1954 and is today the most prestigious advertising and communications awards event in the global advertising industry. Every year, the best and brightest professionals in the field from around the world gather in Cannes during the third week of June to celebrate the world's most creative minds. Running for the third consecutive year in Lebanon, the Young Lions Print Competition challenged 33 teams of young professionals in the advertising industry. The competition's participants had to respond to a creative brief provided by "MySchoolPulse" – a Lebanese non-profit organization whose mission is to provide children undergoing treatment for life-threatening illnesses the opportunity to continue their education through tailored lessons adapted to their needs –



Young Lions Print Competition participants.

# Executive



2<sup>nd</sup> prize  
Maya Mohtar and Maher Dahdouh from J. Walter Thompson



3<sup>rd</sup> prize  
Tina Arab and Nour Jurdi from Memac Ogilvy

and only had six hours to develop and produce a print ad. The winners, Elie and Stephanie, will represent Lebanon and compete internationally at the 2017 Cannes Lions Festival from June 17 to June 24, having been awarded an all-expenses-paid trip, including flights with Air France, the competition's official carrier, accommodation and a full week delegate pass to the festival. Among the outstanding entries in this year's competition, Executive would like to congratulate the 2nd place winners, Maya Mohtar and Maher Dahdouh from J. Walter Thompson, as well as the 3rd place winners, Tina Arab and Nour Jurdi from Memac Ogilvy. Executive would also like to offer its thanks to the Lebanese advertising industry, Bobolink, Choueiri Group, Fortune Promos-even, Grey Worldwide, H&C Leo Burnett, Impact BBDO, Intermar-

kets Advertising, J. Walter Thompson, M&C Saatchi, Memac Ogilvy, Pimo, Publicis, Team Young & Rubicam Lebanon, alongside the American University of Beirut and Air France, for its united support of young talented professionals. As a strong believer in Lebanon's creative talents and the potential of our young professionals, Executive is proud to continue its support for young pioneers in the advertising field. We are confident that young creative Lebanese will surpass our greatest expectations, and we are honored to be able to advocate for, nurture and support them. This competition is both an unparalleled opportunity for young creatives to kick-start their careers with national and international recognition and a great way to position Lebanon at a higher level of creative recognition globally.

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## And the livin' is easy

Lebanese travel agents talk the business of summer destinations

**As the weather heats up, the Lebanese people have turned their eyes to the upcoming summer season, earnestly planning their next grand escape.**

Whether potential travelers take matters in their own hands and book through an international or local online travel agency, or whether they consult with one of the many travel businesses in Lebanon, one thing is for sure: the busiest period for many of the country's travel agents is upon us.

### SUMMER FUN

With school children off for the summer, and employees' productivity challenged by the long warm days, it

is no wonder that around 60 percent of outbound tourism trips are scheduled between mid-June and mid-September, according to travel agencies interviewed for this article. "We cater to the holiday travelers, and the bulk of our work is in the summer – we don't cater a lot to business travelers," says Elie Nakhal, general manager of the travel agency Nakhal.

For many Lebanese, the summer getaway is the only vacation they take all year and is, therefore, perceived as a reward for their hard work, according to Charbel Kahaleh, head of marketing and communications at Kurban Travel.

Travelers take many factors into

careful consideration when planning for that all-important holiday, the most important being proximity, ease of access, price and activities at the destination, according to those interviewed by EXECUTIVE.

### BRINGING THE WORLD CLOSER

When traveling for a short getaway (the average summer trip is for up to seven days according to those interviewed for the article) it is very important not to squander precious time in airports waiting for connecting flights.

Indeed, ease of access to a destination through a direct flight is a strong indicator of the location's popular-



Mykonos, Greece





■ During the summer, operating charter planes constitutes the bulk of business for the bigger travel agents in Lebanon



*Sani Marina, Halkidiki*



*Santorini, Greece*

ity among summer leisure travelers. While certain locales may be attractive in their own right, a lack of direct flights can affect their success. “Past experience has shown us that good flight connectivity and easy access can significantly increase the destination awareness to the leisure travelers. The uncomfortable flight connection from Beirut to Thessaloniki is not an ally in our effort to showcase our luxury resort group, and the unique destination of northern Greece and Halkidiki to the Lebanese travelers,” explains Periklis Gompakis, senior market development manager at Sani Resort, adding that they counteract that issue by putting in extra effort into marketing Halkidiki to the Middle Eastern market through industry fairs, press trips and joint activities with their travel partners in the region.

#### **THE CHARTER PLANE**

Many full service and some budget carriers fly out from Beirut Rafic Hariri International Airport to key business cities – mainly in Europe and the Gulf countries – on a regular or daily basis.

However, there are no such flights to destinations which are more popular in the summer, such as the Greek islands or the south of France. And since ease of access is of such importance to the leisure travel market, Lebanese travel operators have stepped in with charter planes.

Charter planes are planes typically used for full service travel, but are leased to tour operators who pay in advance for the whole plane. They then resell the seats to their clients or to subagents.

#### **LEASED SUCCESS**

During the summer, operating charter planes constitutes the bulk of business for the bigger travel agents in Lebanon. Nakhal, for example, has charter flights to 30 destinations known for their summer appeal. “We fly to destinations which are summer

## Seasonal Getaways



Bodrum, Turkey



Limasol, Cyprus

destinations and which other airlines don't travel to. Our strength is that we allow travelers to reach their holiday destinations through direct flights," says Nakhla, giving the example of how they fly to Venice and Naples during the summer while MEA or Alitalia only have flights to Rome and Milan.

These travel agencies use their chartered planes primarily for their clients, but they also open them up to subagents or smaller travel agencies in Lebanon. "We fill a lot of it and small travel agents, which are many in Lebanon, who don't have the capabilities to charter planes benefit from this and go through us," says Kahaleh. Kahaleh explains that there is no need for daily charter flights to these summer destinations. "There is not enough demand or volume to have daily charter flights in Lebanon. Two to three times a week is more than enough," he says,

explaining that flights are scheduled based on their experience with the Lebanese market, with most travelers wanting to travel on a Thursday and get back on a Sunday.

While customers can book just the charter flight ticket through the agencies, they are also encouraged to book accommodation. "The client does not have to reserve his entire trip through us, but once we have him looking into our flight information, we offer him the option to book the hotel and guides through us. Why not? They are booking the ticket through us and can get the whole package from one place," says Nakhla. In this manner, the charter flight becomes a tool to rake in profit from accommodation as well.

### THE CLASSICS

It is when winter creeps in and dreams of seasons in the sun are put

aside for the year that travel agencies begin planning for the upcoming summer.

Agents consider several points when deciding on which destinations to work on for the summer. "We try to combine curiosity for new destinations with convenience. We think of whether the destination is worth it, if it would be interesting for the client. The city has to have many aspects they can take advantage of, such as visiting a new destination and spending time on the beach," explains Kahaleh.

Some destinations, such as Greece or Turkey have become classics. While security concerns in 2016 affected the flow of Lebanese tourists to Turkey, it seems the appeal of affordable prices and proximity was too much to resist. "People are still going to Turkey, especially the islands. For example, twice as many people went to Bodrum this year, compared to the same period last year. The demand is still there because we changed the system of pricing and had heavy negotiations in the area to reduce costs," says Nakhla.

Kahaleh also speaks of Turkey's popularity pointing out the lack of visa requirements as one of the major allurements. In fact, Nakhla says he was encouraged to charter direct flights to Georgia this summer because he knew from experience with Turkey that the lack of visa requirements would appeal to his customers.

### A WHOLE NEW WORLD

For the seasoned leisure traveler, going to the same destinations, however popular, can be redundant. Travel agents are aware of that and add new destinations to their portfolio on an annual basis. "Lebanese like to discover new places and not stick to classical destinations. Therefore, I keep the same destinations, but also add to them, offering the opportunity for the Lebanese to discover new destinations in a convenient way. This allowed the market to grow," explains Nakhla.

The relatively new summer des-





tination on the block for the past five years has been Dubrovnik, Croatia, with both Nakhal and Kurban offering direct flights there. “Dubrovnik is a requested destination, and it combines a winning mix: beach destination, amazing scenery, site seeing, landscape and nature. [It has] affordability and proximity, with a Beirut/Dubrovnik flight duration of around two hours and 30 minutes,” says Kahaleh.

#### BEYOND THE QUICK GETAWAY

While many opt for a close beach getaway for their summer break, there are still others who prefer to do something different with their vacation.

Wild Discovery specializes in tailor made packages that cater to those individuals. “Wild Discovery is the specialist for customized packages and personalized travel experiences. Our selection ranges from simple stays in vibrant cities to honeymoons in exotic islands to unconventional stays, which include, for example, a 13 day tour of Argentina, Peru, or Japan,” says Johnny Medawar, marketing director at Wild Discovery.

For those who want to combine many cities into one trip, Kurban Travel offers guided tour packages to a collection of adjacent destinations typically over a period of seven to eight days. These packages are often in Europe, with the most recent addition being a trip to the Baltic

countries. Kahaleh says that these tours appeal to a variety of travelers explaining, “It is always a good idea to discover several cities when you don’t get the chance to travel more than once a year.”

Another way to see a lot in one trip is to take a cruise. All the travel agencies EXECUTIVE interviewed spoke of their affiliation with international cruise liners, which provide trips as near as the Greek islands and as far off as South America.

#### IF YOU CAN’T BEAT THEM

This April, Nakhal launched an aggressive marketing campaign across all media forms with one specific goal: to market Nakhal online for flight booking. In 2015, Kurban Travel had a similar campaign for GoKurban.com, their online travel agency site.

The market share of online booking has become too big to ignore, even in Lebanon. “A growing number of people in Lebanon these days prefer to book their trips online, whereas this was not the case in our early years. We’ve had the online flight booking system for a decade now, but previously, we only gave access to our employees and to other travel agents. This year, we decided to open it to the public,” says Nakhal.

Lebanese travel agents see their online presence as a means of gaining back the customers they lost to


online booking sites by offering the service themselves – with a little edge over the international booking sites.

According to both Nakhal and Kurban Travel, Lebanese customers have two main concerns when booking a vacation online. The first is the insecurity that Lebanese feel when using their credit cards online. Nakhal believes their secure payment system with Bank Audi should reassure their customers that their financial information is safe.

Meanwhile, Kurban Travel allows their customers to complete and pay for the booking online or opt for a pay in cash option through money transfer or a personal visit to the agency’s representative offices.

The other drawback is the anonymity of the big international online booking sites, as opposed to the familiarity of names like Nakhal or Kurban to Lebanese travelers – a fact which both agencies promote fully. “We have the local edge in that we have a cultural proximity with our clients. Besides, they can get instant assistance from our travel consultants via the ‘live chat’ feature on the website or talk on the phone on a dedicated line, for example – they feel there is a human element behind the technology,” explains Kahaleh.

Another advantage that both Kurban and Nakhal have over international booking sites is the availability of flights on the charter planes they themselves operate from Beirut. “Although [flights] can be found on international booking sites, they don’t provide the direct charter planes and packages that we provide from Beirut to other destinations,” says Nakhal.

Year-on-year comparisons from travel agencies indicate that more Lebanese have traveled so far in 2017, compared to 2016, with 10,000 Lebanese going to Sharm el-Sheikh over the Easter break, according to Nakhal. If this is any indication of what’s to come, then summer 2017 is going to sizzle. 



**Le Gray Expansion***By Nabila Rahhal*

## Le Gray grows

Planned expansion opens doors to untapped market segments

**Situated across from Martyrs' Square with a view of the mountains over the Mediterranean, Le Gray hotel has been a prominent structure in downtown Beirut's landscape ever since it opened in October 2009.**

Operated by Campbell Gray Hotels and a member of the Leading Hotels of the World (a global hospitality consortium of more than 375 hotels and resorts in over 75 countries), Le Gray Beirut is a luxury five-star property with 87 rooms, six F&B outlets and a spa. As such, Le Gray is positioned as a high-end boutique hotel with an emphasis on accommodation and dining.

This has served the hotel well in its eight years of operation in Beirut, but since the property lacked a banquet hall or large meeting rooms, certain market segments were closed off to it – namely the meetings, incentives, conferences and exhibitions (MICE) and wedding segments.

While the presidential suites on the hotel's top floor were often used for small meetings or receptions, this was not enough to usher through the large volume generated by these two segments. The current expansion the hotel is undergoing is meant to allow the property to fully tap into these markets.

### INVESTING IN TIMES OF CRISIS

EXECUTIVE last spoke to Gordon Campbell Gray, CEO of Le Gray's operating company, in 2015, when he discussed the expansion plan which was to commence that year.

That period – starting with the onset of the Syrian crisis in 2012 and followed by a series of internal instabilities and regional insecurities –

was tough for Lebanon's economy in general and the country's hotels specifically, which witnessed their number of guests drop significantly.

According to the Le Gray's General Manager Georges Ojeil, however, it was the ideal time to embark on an expansion strategy. He explains that beginning these projects when the market demand was low allowed the hotel to be in a position to reap the benefits when demand increased again. "We took the right decision to invest in tough times back in October 2015. We will be inaugurating the project with perfect timing," says Ojeil. The inauguration is planned for summer 2017.

### THE NITTY GRITTY

As per Ojeil, close to \$13 million was invested into the expansion project, which stretches across three floors: the basement, the ground level and the hotel's first floor.



The ground floor will see the addition of a new lobby and lobby lounge, where the atrium's open space extending from the hotel's top to bottom level can be appreciated. Twelve suites and four guest rooms will be added on the first floor, bringing the total number of rooms in the hotel to 103.

Additionally, two new entrances on the ground floor are being finalized: a pedestrian one on Weygand Street and a main entrance on the street facing the Virgin Megastore.

#### **NOT YOUR AVERAGE BASEMENT**

Perhaps the most noteworthy additions are the ones being made to the basement. A ballroom, which can accommodate up to 350 people for dinner and is geared toward hosting weddings and other large scale social events, will be situated on that floor.

Adjacent to the ballroom will be

a private screening room, which accommodates 53 people and will be promoted for use in product launching events or private movie screenings. A multi-purpose room for up to 60 people and a board room for smaller meetings of up to 26 are also part of the basement additions.

Finally, a central kitchen, which will serve Gordon's Café, the lobby lounge and the banquet hall's F&B needs, will also be on that level.

#### **OF CONFERENCES AND WEDDINGS**

The additions to the basement, namely the conference facilities and the ballroom, will allow Le Gray to become a competitive player in the MICE and wedding segments, which Ojeil says have become major forces

in the local market. "The conference and events market flourishes in Beirut regardless of the situation. This will support the hotel during tough times when Beirut is not a destina-

■ We took the right decision to invest in tough times back in October 2015. We will be inaugurating the project with perfect timing

tion for international travelers. Now, we will have an addition that allows us to penetrate a new market, which we did not have access to before," explains Ojeil.

Le Gray will certainly be facing tough competition in a market where Beirut's five-star hotels and banquet halls are competing for the same clientele. However, Ojeil feels his hotel has some competitive advantages.

To begin with, Ojeil sees Le Gray's strategic location in the heart of Beirut's downtown, with easy access to the country's business areas, as an advantage, while acknowledging its drawbacks when the security situation is inflamed.

Ojeil says that they will be bringing the personalized and "boutique-like" approach to service currently enjoyed by their guests to the banquets and conference segment.

Another strength of Le Gray, according to Ojeil, is the quality of their F&B offerings, which will be extended to banqueting. The hotel has already hired a new chef and promises to deliver carefully planned and innovative menus and presentation.

Whether the gamble Le Gray took in expanding into the conferences and banquets will pay off or not will soon become clear, but one thing is for certain: a worthy contender has entered the MICE and wedding arena. ■



# Knowledge Production in the Arab World

Sari Hanafi and Rigas Arvanitis on regional research playing catch-up

***Knowledge Production in the Arab World* assesses regional research, posing questions crucial to understand the relevance of this research and its beneficiaries.** The book studies the Arab drive to join the increasingly globalized world of research, and in doing so promote “knowledge” economies. Yet – as the provocative subtitle *The Impossible Promise* suggests – authors Sari Hanafi and Rigas Arvanitis find that this ambition has not, or not yet, been realized. Hanafi and Arvanitis (respectively based at the American University of Beirut and at the French Institut de Recherche pour le Développement) argue that research from Arab countries is still struggling to reach its potential.

Using case studies from the region, the book depicts Arab research as involving two potentially opposing strands: local relevance and internationalization. Underlying this dichotomy is one of the more obvious problems in regional research dynamics – underfunding; the financial investment in scientific research in the Arab world being scant compared to other regions. In fact there seems to be little connection between the financial resources of a given Arab country and the amount it invests in knowledge production. Given such underfunding, many researchers turn instead to foreign financing, but this can often be problematic, leading to output potentially unrelated to local issues that has minimal societal impact. A major dilemma in the Arabic academic community then becomes choosing between local and international relevancy.

The book notes that, in general, the

number of scientific publications in the Arab world is low, though some recent growth was observed. Furthermore, Arab researchers are underrepresented in terms of citations. Alongside underfunding, the authors give several other reasons for the relatively low production of knowledge and research in the Arab world. One problem is that most universities prioritize teaching and show little interest in research.

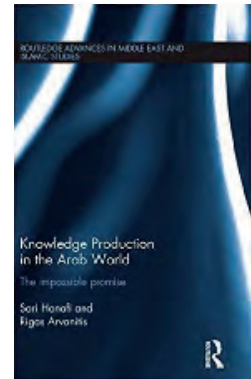
Another issue is language and the push by universities and institutions to publish in English in international journals, as opposed to in Arabic for local outlets. This general drive to publish in English in internationally recognized journals means that the wide range of knowledge that is produced in the Arab world, and especially in Arabic, is doomed to become “invisible” – difficult to find, and thus, rarely referenced or used by other researchers. This is partly because international databases and ranking systems are biased toward publications produced in English, but is also due to the Arab region itself lacking a good functioning scientific database that can connect different areas of knowledge production. For these reasons and others, the number of local Arab scientific journals in international databases is low.

Related to the language issue is the dominance of scholars from the west who are working on Arab topics, such as the uprisings that have taken place since late 2010. Some well-known American authors are referred to as “first-level knowledge producers” who, though often lacking local understanding and experience, are considered the main experts on political issues in the

Arab world. On the other hand, local scholars, who do have this knowledge, are often merely used as “informants” for the “first-level experts.” This process is worsened by Arab research usually referencing “first-level” US researchers, while ignoring local ones, thus creating a one-way hierarchical structure whereby foreign sources are legitimized and local ones are not.

In the Arab world, there are also disconnects between research and society. This can be seen in the lack of research in the social sciences, and more generally, in weak connections between academic and public debates. For various reasons, there is reluctance by academics to write for local newspapers, thereby missing a chance to engage with the Arab public. The authors of the book urge broadening the audience for scientific research and connecting it to economic and societal issues.

The upshot of the problems detailed above, and many other issues, is to restrict opportunities for Arab players to emerge onto the global stage from a local base. Although published over a year ago, *Knowledge Production in the Arab World* still has the freshness of a timely work. As a successful example of Arab research, it will be of interest to students, scholars, and policymakers working on the status of science in contemporary developing countries, in our region and otherwise. 



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# Is Design a Need? May 19-26 2017

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# THE CARS OF THE FUTURE ARE HERE

## NEW MODELS IN LEBANON'S LUXURY AUTO MARKET

Words by **Olga Habre**

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lying cars are officially here. April saw a sudden surge in news about Vertical Take-Off and Landing (VTOL) vehicles – otherwise known as flying cars. Kitty Hawk, a company backed by Google founder Larry Page, announced a prototype aircraft, and another vehicle was revealed by Slovakia's AeroMobile. This was followed by an entire conference on aerial vehicles, organized by Uber in Dallas, Texas in late April, and German company Lilium's successful test of its all-electric model. This has been a month of news straight out of *The Jetsons*. It may be years before the luxury of a flying car becomes available to the masses, but the good news is that there are plenty of great non-flying options already on the market, with even more innovations coming to Lebanon throughout the year.

Everyone seems to be hot for crossovers, with several luxury car-makers upgrading their existing models and launching entirely new ones this year. BMW's new lineup includes an improved X3 that's set to make its debut at the end of the year, though few details about the upgrade are currently available.

Cadillac is moving forward with its expansion by introducing a series of new vehicles over the next few years, starting with a crossover. The first edition of the sophisticated XT5 will replace the brand's SRX. The XT5 is 126 kilograms lighter than its predecessor, making it more efficient and agile. The luxurious vehicle

has a spacious interior, heavy on craftsmanship, and is packed with new integrated technology to make it an entertaining and comfortable ride.

To celebrate its 90th birthday, Volvo is launching a new generation of the XC60. After the immense success of the original, said to be one of the safest cars ever made, and which sold close to 1 million units over nine years, the new and improved model promises greater levels of comfort and safety, as well as better performance and a sleeker look.

Alfa Romeo is getting in on the action too, introducing its first ever SUV after over a century in the auto business. The compact and sporty Stelvio is a curvy crossover that's already received great reviews. Named after the highest mountain in Italy, the Stelvio is a thrilling ride with excellent handling, and equipped with key safety features. Every bit the Alfa Romeo, it's stylish inside and out, and tailor-made for the driver and passenger comfort, making it the perfect travel companion.

Not quite a crossover, the Land Rover Discovery is in its third generation this year and available in Lebanon. The all-new premium midsize SUV redefines the segment with its dynamic design, superb comfort, and attention to detail. The interior features a state-of-the-art infotainment system and is ready to meet family-sized demands with USB sockets to power eve-





Chevrolet Camaro ZL1



Audi A5



Land Rover Discovery



Ferrari 812 Superfast



Alfa Romeo Giulia



Porsche 911 GT3



Mercedes E-class Coupe



Lamborghini Huracán Performante



Audi S5 Coupe



Infiniti Q60



*“The best things in life are free. The second best things are very, very expensive.” - Coco Chanel*



Cadillac XT5



Cadillac CT6



Aston Martin DB11

ryone's mobiles and tablets. Meanwhile, the outside is sturdy and set for adventure; going off-road has never been easier, with all-terrain technology that's simple to use for all types of drivers.

For car buyers looking for a thrill ride, the year will witness the launch of exciting new sports cars. It's an especially auspicious year for Ferrari; the prancing horse story began exactly 70 years ago. Paying tribute to its legacy as the only manufacturer to continuously produce a 12-cylinder sports car throughout its existence, Ferrari is commemorating the milestone with a limited edition 812 Superfast – the brand's fastest car yet, which, coming from Ferrari, is saying a lot. With an innovative design that comes in two colors, Rosso 70 Anni and Grigio Caldo Opaco, it's so exclusive, it's only for sale to pre-selected buyers. If you want to catch a glimpse of one out of only 500 produced, the car is touring the world and expected in Lebanon this summer for the much-anticipated anniversary celebrations.

Not to be outdone by their fellow Italians, Lamborghini launched the new Huracán Performante this year, and it's set to arrive in Lebanon just in time for summer. It's lost 40 kg since the last edition, and though it doesn't quite take flight like the cars of the future, it boasts ALA, meaning “wings” in Italian and an acronym for Aerodinamica Lamborghini Attiva, a patented system ensuring the best aerodynamic set-up for every driving condition. The tiny but mighty sports car is engaging and dynamic, with – as per its name – unparalleled performance. With its V10 engine, the little green beast is so extreme, it's being dubbed a “street fighter.”

Speaking of powerful engines, earlier this year in Lebanon, Aston Martin debuted the DB11, which has been hailed as their most significant car since 2003. Launched under the company's new second century plan, the bold supercar has an impressive 5.2-liter twin-turbocharged V12 engine, pioneering aerodynamics, and a new bonded aluminum structure. The head-turner stays true to the brand's mission to produce the most beautiful cars in the world with its fresh design that accentuates the iconic grille and clamshell bonnet, in addition to a stunning handcrafted interior.

Never one to take a backseat, Porsche is giving the iconic 911 GT3 a facelift this year. A road-approved race car, it's low, light and fast, soaring from 0 to 100 km/h in 3.4 seconds. Though it's hard to perfect a masterpiece, this edition is even more intense than its predecessor – featuring a redesigned chassis with rear-axle steering and an expanded four-liter flat, six-cylinder engine that is virtually unchanged from its race car counterpart. The GT3 serves as a casual reminder that although Porsche makes luxury vehicles, racing is in its DNA, and it basically owns the road.

From across the Atlantic, the ultimate all-American muscle car is challenging the European sports car squad. Coming to Lebanon soon, the Chevrolet Camaro ZL1 is designed to excel at everything from design to performance, and is built for the street as well as the track. Refined as ever, it features a supercharged LT4 6.2L V8 small block engine and unprecedented levels of technology that result in a one-of-a-kind driving experience.

Between all these trendy crossovers and sexy supercars getting so much buzz, other vehicles aren't

going to be left in the dust. After a few decades of the car's absence from the market, Alfa Romeo has relaunched the beautiful Giulia, previously manufactured in the 1960s and 70s. With its luscious curves and alluring details, the new four-door sedan is causing quite the stir, winning countless awards, such as Top Gear's Car of the Year in 2016, and several others for its aesthetics – no surprise, as this family of Italian cars is renowned for its good looks. The Giulia has remarkable aerodynamics, features breakthrough innovations, and is equally impressive under the hood – packing a powerful engine that ranks best in class in terms of emission levels.

In addition to its new crossover, Cadillac has unveiled the first ever CT6, a luxurious prestige sedan that's bound to make a big impression. Featuring a completely new twin turbo V6 engine and its forefront V6 powertrains yet, the car has one of the industry's most advanced automotive body structures. Cadillac's new formula for the luxury sedan integrates a series of technologies that ensures the drive has comfort, indulgence, and connectivity.

Volvo's newly-launched S90 premium sedan is a giant step forward for the brand. It not only looks great with its improved signature LED headlights and new grille, but, is also filled with a range of new technology like cloud-based apps and services. As part of the brand's vision that no one should be killed or seriously injured in a new Volvo by 2020, the S90 offers cutting-edge safety features, like its IntelliSafe system, Run Off Road Mitigation, and the advanced semi-autonomous Pilot Assist.

The all-new Infiniti Q60 is an impressive-looking and truly Japanese coupe with a muscular body and an alluring "face." Lower and wider than the previous model, the car's LED headlights emulate the human eye, and the dynamic double-arch grille ensures it's instantly recognizable as an Infiniti. The premium sports coupe looks as good as it drives, offering exhilarating performance thanks to its three liter V6 twin-turbo engine and exclusive VR powertrain.

Maserati unveiled a revamped Quattroporte late last year, the first facelift in over three years for their flagship sedan. The current sixth generation model offers more on-board comfort and infotainment than




*Quattroporte*

ever before, as well as additional safety features, and a restyled exterior with sophisticated details in the new bumper design, front shark-nose grille, side skirts, and mirrors. With several trims to choose from, the Quattroporte reinterprets the luxury sedan the Italian way, making the car, which has been around since the 1960s, even more of an icon.

A new generation of Audi's popular A5 Coupe and Sportback, and the sportier S5 Coupe have recently arrived in Lebanon. Athletic and elegant, the second generation siblings boast new looks with sophisticated aerodynamics and high tech offerings, such as innovative infotainment and driver assistance systems. Compared with the previous model, the A5 offers up to 17 percent more performance, while consuming as much as 22 percent less fuel. The S5 – with a turbo V6 engine – has all the performance of a sports car packaged in a dramatically elegant coupe.

Among its new offerings in Lebanon, Mercedes-Benz recently revealed an all-new E-Class Coupe. A new step in the evolution of the car, it's stylish, sporty and intelligent. With a luxurious, modern exterior, and a next-level interior with technology that gives drivers control without having to lift their hands from the steering wheel, this fifth generation coupe offers the perfect combination of features for a whole new driving experience.

This year, BMW is also launching the seventh generation of a Lebanese favorite – the 5 series. The executive car has an improved design inside and out, as well as semi-autonomous features and an adaptive drive system that makes driving an easier and more fun experience.

Whether you're into the crossover craze, love the excitement of a super car, or opt to play it safe in an updated icon, it's likely that cars are staying on the ground for a while – and with the way the Lebanese drive, we certainly hope they do. There are tons of challenges to overcome before the flying cars we've seen in cartoons become safe for mainstream use, so it's probably worth investing in at least one more road-bound car before your future airborne purchase. 



*Volvo XC60*

*"The best things in life are free. The second best things are very, very expensive." - Coco Chanel*

# FOR THE LOVE OF ART

## THREE LEBANESE ARTISTS EXHIBIT AT PRESTIGIOUS VENICE BIENNALE

Words by **Olga Habre**

It's amazing that a tiny strip of land can produce so many influential people. Lebanese genes have famously made it to top management in global powerhouses and become household names in fashion, but the global art scene is now seeing more of Lebanon too.

The International Contemporary Art Exhibition of the Venice Biennale, one of the world's most prestigious art events, features three Lebanese artists this year. This is only the third time that Lebanon has even had a national pavilion in the biannual exhibition, and Paris-based Lebanese multidisciplinary artist Zad Moultaka is representing his homeland by creating a powerful installation in the space. Brussels-based Lebanese artist of Armenian descent Jean Boghossian, famous for his burning art techniques, was chosen to represent Armenia. And, exhibiting in the Biennale's main exhibition is Lebanon's Huguette Caland, one of the most significant female artists of the Arab World in the 20th century.

The 57th edition of the Venice Biennale, which is open to the public from May 13 to November 26, is divided into different exhibitions held across many venues in the city, including the main international exhibition "Viva Arte Viva," and 87 national pavilions. Executive Life takes a closer look at the three Lebanese artists who will be exhibiting at the event.



### ZAD MOULTAKA – ŠAMAŠ

Moultaka first gained recognition as a composer and musician, performing at renowned festivals around the world, and at the Baalbeck International Festival. He had always been a visual artist as well, but only focused on that discipline after 2010. He is represented by Galerie Janine Rubeiz in Beirut.

His monumental and moving installation at the Biennale's Lebanese pavilion is titled Šamaš [pronounced: shamash], after the sun deity of Mesopotamia (largely comprised of modern day Iraq), who was also the god of justice. Inside the 650 square meter space, Moultaka uses sound, light, sculptures, and

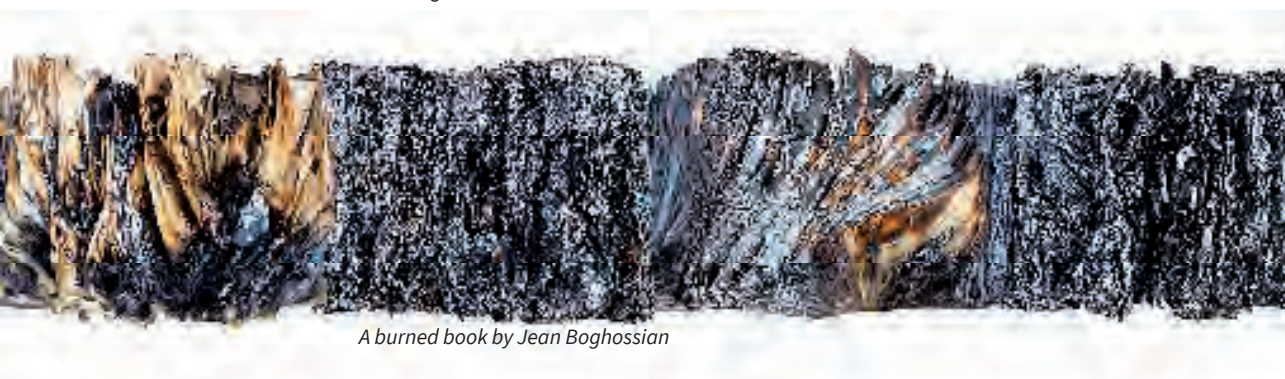




*Curator Emmanuel Daydé and Zad Moulataka presenting the SamaS model*



*Jean Boghossian at work*

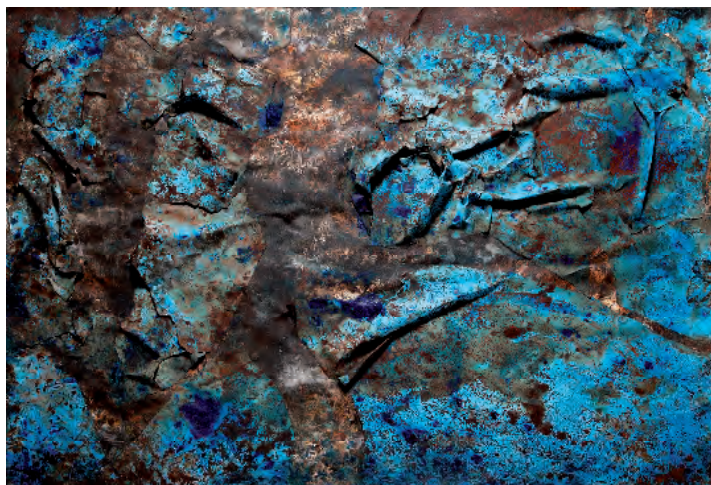


*A burned book by Jean Boghossian*

*"The best things in life are free. The second best things are very, very expensive." - Coco Chanel*



Part of SamaS



Part of SamaS

other visuals to recreate an ancient temple.

The project is rooted in the Code of Hammurabi, considered the first ever code of law, engraved 4,000 years ago on a majestic stone stele. At the top, ŠamaŠ is depicted exposing evil into full light and putting an end to injustice, just as the sun disperses the darkness.

In his research, Moultaqa found astonishing links between current and archaic objects and events. The exhibition underscores that violence has been plaguing the region for millennia and that history really does repeat itself. "There are a lot of very strange, troubling similarities," Moultaqa observes. Such parallels include the resemblance between the Hammurabi stele and a jet engine, as well as that of the round symbol of ŠamaŠ and the top view of a propeller – its blades are like the sun's rays.

At the Biennale's opening a chorus sings an eerie hum, and is replaced afterwards by 32 speakers. An additional 32 speakers hang from the ceiling. Meanwhile, a child recites the ancient Lamentation of the destruction of the city of Ur. Written in 2000 BC, it's still relevant, ending with a proclamation that vio-

lence must stop. "The city of Ur was destroyed [thousands of years ago], and the lamentation sounds like it was written today. It's incredible, the same thing has been happening for 4,000 years," he says. The haunting hum takes on further meaning when the listener learns that it's actually an extremely slowed-down sound clip of a flying fighter jet.

## JEAN BOGHOSSIAN – FIAMMA INESTINGUIBILE

Boghossian is famous for using heat, smoke, and fire in his art. Sometimes, he burns through materials completely, inadvertently creating a violent effect, while other times he forges poetic, cloud-like patterns. He began painting 30 years ago, but only found his niche 15 years back while experimenting with different forms of contemporary art. He didn't think he would practice burning for long, but ultimately states that it was fire that chose him. "Other art forms have constraints and some kind of objective, but with abstract art [specifically fire], I discovered freedom," he recalls, adding, "It never goes exactly the way I want, but this is the beauty of fire."

The artist burns different materials, including books, explaining that he often buys them at flea markets. “I don’t consider that I’m destroying them – even though I am, really – but I’m making something that has a message behind it. I love books so much that I try to preserve them and the knowledge inside,” he explains. Fascinated by how books have suffered, whether through wars or natural destruction, he aims to help books further bear the test of time.

In his Biennale exhibition, Boghossian tells a story about the historical journey of books. His pieces focus on spirituality and elevated thinking, and look at the transmission and transcendence of knowledge, language and culture. These themes are especially relevant to the Armenian people, who have held onto their identity, culture and language despite centuries of invasions, wars.

The title of the exhibit, translating to “unextinguishable flame,” takes on multiple layers of meaning, from an obvious reference to his artistic method to his unextinguishable passion for art. This flame also represents the Armenian people, who he describes as “a little bit like fire” in terms of temperament. He says, “Armenians are strong, and have had to fight to preserve their culture and language. It’s a great achievement for such a small nation to be what it is today.”

The principle exhibitor in the Armenian pavilion, taking up 14 themed rooms, Boghossian also shares the pavilion with another artist.

## HUGUETTE CALAND

Caland, now 86, is no longer painting, but her artwork is featured as part of the Biennale’s main exhibition, Viva Arte Viva, which includes 120 artists from around the world. Part of the exhibition focuses on rediscovering artists who are still largely unknown despite the importance of their work. Designed as an experience through nine trans-pavilions, Viva Arte Viva serves as an exclamation, a passionate outcry for art, celebrating and emphasizing the important role artists play, which in this age of anxiety is the essence of what makes us human.

It’s fitting that Caland be featured in such an exhibition as she is part of a generation of artists that has shaped artistic identity in her native Lebanon. Caland is the daughter of Lebanon’s first president, Bechara

El Khoury. When she decided to pursue painting at the age of 16, it was frowned upon, as young ladies of her status weren’t meant to get their hands dirty with paint. Not only did she paint, she became one of the region’s most prominent female artists of her generation, creating bold, abstract works that often contained sexual imagery, subtle and otherwise. Her art has been featured in international museums and galleries, and at a recent charity auction in Beirut, one of her pieces sold for over \$300,000.

## REPRESENTING THE NATION

To exhibit at the Venice Biennale is a top honor – but artists also see it as a huge responsibility to be the face of creative expression for their respective countries. It’s as important for the individual as it is for the nations they represent.

Participating also comes with a set of challenges, requiring months of work, not just from artists, but also, teams of curators, gallerists, designers, and logistics personnel, who work under strict guidelines at home and on the ground in Venice.

The Biennale requires that national participants apply through their respective governments, which is especially difficult in Lebanon, since there is no organizational body for this purpose – perhaps one reason why this is only the third time we are taking part in the event. Lebanon’s first national pavilion was in 2007 with a group exhibition featuring Fouad Elkoury, Lamia Joreige, Walid Sadek, Mounira Al Solh and Akram Zaatari, curated by Saleh Barakat and Sandra Dagher. And the second in 2013 when Akram Zaatari presented his film “Letter to a Refusing Pilot.” While most governments give their representatives logistical support and funding, Lebanon’s Ministry of Culture only offered Moulata moral support and stationery with the ministry’s logo to aid his participation.

Moulata said that the event cost around 820,000 dollars, between renting the pavilion, shipment, insurance and other expenses, although some staff worked for free. “I began with zero, nothing. It was very difficult, and I am lucky to have the people in my gallery who all believe in this project. Everybody worked really hard, not for me, but for the project, for our country,” he says.

To finance his participation Moulata received various private donations. He calls Lebanon’s private



*"The best things in life are free. The second best things are very, very expensive." - Coco Chanel*

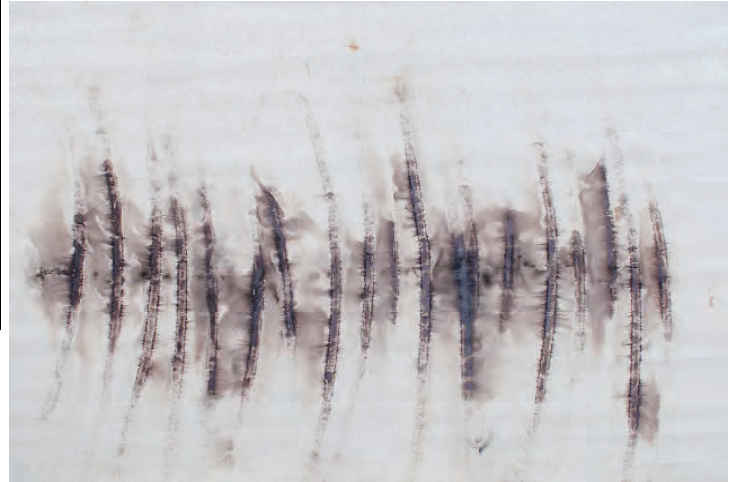


*Jean-Baptiste Millot*

sector a miracle because of how much it aids various initiatives. It also happens that Moulataka and Boghossian are not only friends, but the latter's Boghossian Foundation was one of Moulataka's financial donors.

But, unlike their positive relationship, Moulataka observes many local artists are individualistic and don't work together for the common good. "People are so talented, but they don't think collectively. We should all be in this together. This is my project, but it's not only about me," he says. In the face of such neglect from the government, it's especially important for artists to stick together. If Lebanon becomes renowned for a few artists, the whole industry benefits.

Private initiatives are plenty, talent abounds, but there is no central body to aid the structured development of the local art scene, or support artists who partake in significant events like the



*Jean Boghossian's fire artwork*

Venice Biennale. "What we need is more support from politicians," Moulataka says, "Today we have so much potential. We should receive financial and other kinds of help. It's not normal that they don't support us." Ultimately he concludes, "Culture is not important to our politicians, but it should be a priority because culture is what can save us as human beings."

The three artists are privileged in their own ways, but also have extraordinary talent and vision. Like many Lebanese they've also had to work harder than their counterparts from countries that support national talent – in Lebanon hard work is multiplied by the number of obstacles in the way.

That three talents from Lebanon managed to make their way to such a prestigious event is an impressive feat. Imagine how many more success stories we could have if only we weren't left to fend for ourselves.



# Designer's Week

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*"The best things in life are free. The second best things are very, very expensive." - Coco Chanel*

# BENDING BODIES AND BOUNDARIES

## 13<sup>TH</sup> BIPOD CELEBRATES DIVERSITY AND CONTEMPORARY DANCE IN LEBANON

Words by **Olga Habre**



Contemporary dance can be difficult to understand, or even define, because it's rooted in experimentation. It's versatile, conceptual, and often unpredictable, but what's certain is it requires incredible dancing skill. Whether you're mesmerized by these performances or feel something between uninspired and confused, the value of contemporary dance lies in its creative freedom; boundaries are pushed and blurred to create live works of art on stage.

"Contemporary dance is a different approach to performance, to ourselves, and to the logic of how we look at things. It breaks the hierarchy of traditional art," explains Omar Rajeh, who in 2002 founded Maqamat Dance Theatre with the aim of developing the contemporary dance scene in Lebanon. Maqamat's flagship event is the annual Beirut International Plat-

form of Dance (BIPOD), which for 13 years has been attracting top international talent in contemporary dance to the country.

This year's edition of BIPOD was held from April 13 to 29, mostly at Citerne Beirut, a custom-built temporary performance space at the end of Mar Mikhael. Creative Co-director of BIPOD Mia Habis explains that the space is "not a theater where people just see a performance and leave. It's a vision of what performing arts can be, with specific values like diversity and openness. It's a space that's alive, where people meet, debate, think, and see new things."

There were, indeed, lots of new things to see this year. The rich program included not only performances, but also, presentations, workshops and exhibitions. Dance troupes from Germany, Switzer-





*"The best things in life are free. The second best things are very, very expensive." - Coco Chanel*



land, Spain, Sweden, the Netherlands and the UK performed, and there was a special German focus with companies and choreographers that had been influenced by and developed through the German scene, including Helena Waldmann, Lutz Forster, Dance On Ensemble and Franko Schmidt.

BIPOD is also a platform for local and regional talent to choreograph and dance on the same stage as internationally renowned groups. A highlight this year included celebrated Lebanese visual artist Rabih Mroue's "Water Between Three Hands" – his first directorial work with dancers. The festival also included the sixth edition of Moultaqa Leymoun, a dance platform within BIPOD that aims to showcase and promote the work of Arab and Iranian talent, and understand dance within the regional cultural and social


environment. It included full length works, as well as presentations by choreographers and dancers from Lebanon, Tunisia, Egypt, Jordan, Palestine, Syria, and Iran.

The organizers admit audience members may not have liked every performance, but the artistic program was diversified with various permutations of contemporary dance for all kinds of audiences to enjoy, and filled with works that were relevant and high-quality. A large number of the performances were new, with some choreographers, like Jan Martens, even choosing BIPOD to debut their works for the first time outside their home countries. "We can't separate ourselves from the world. This is extremely important. We want to be part of the progress that's happening globally, and to see and interact with new thoughts," says Rajeh.

Some of the performances were highly interactive, such as Helena Waldmann's "Good Passports Bad Passports," which required 22 volunteers to form a human wall onstage, and Sina Saberi's "Damnoosh," which featured a tea ritual for the whole audience.

The closing of the festival on April 29 was marked with the reveal of a mesmerizing photo-series by renowned Lebanese photographer Gilbert Hage, who had been photographing all the dancers against a black backdrop throughout the festival. The beautiful project will be published as a book. This year, BIPOD also honored Abdel-Halim Caracalla, founder of Caracalla Dance Company, with a life-time achievement award for his key contributions to Lebanon's dance scene.

Ultimately, BIPOD is not just about dance. "BIPOD is a human experience. It's not shows," says Rajeh. Habis adds that, "Of course it's an artistic form, like music or painting, and it's important in itself, but even more importantly, contemporary dance, specifically, is related to our relationship to the body and our concerns today."

With the turnout increasing every year, it's clear the Lebanese are interested in seeing something different in their home city. Rajeh says the visiting artists also express how impressed they are with turnouts and are amazed by audiences' focus, adding, "I think Lebanese audiences like [contemporary dance] and want to be part of it. It was nearly a full house every day. People want to be part of this new thinking." 

# Walk

Animated by Tony Baroud

with al Younbouh

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# BUSINESS ESSENTIALS

## Company Bulletin

■ **PLG – Power League Gaming**, in association with **Majid Al Futtaim Cinemas** and **PlayStation**, introduced the **PLG Nationals**, an all-new set of competitive gaming and eSports leagues for PS4 fans across **VOX Cinemas** screens in the Middle East and North Africa.

■ **Kanye West** and **adidas** announced the launch of the **YEEZY BOOST 350 Cream White** trainers, released globally on April 29. The **YEEZY BOOST 350 V2** feature a cream-white primeknit upper, distinct center stitching, and heel tab.

■ During the **Abraham Foundation** visit to Lebanon, with Thomas Abraham hosting the world famous artist Romero Britto, **Teach a Child** organized an art day at a public school in Geitawi with the presence of a **Ministry of Education** representative.

■ **Hublot** and its partners in Lebanon, **Tamer Frères**, welcomed officials, friends and members of the press at a cocktail party celebrating “**The Art of Fusion.**”

■ **El Denye Hek** restaurant in Mar Mikhael invited a number of media personalities and bloggers to celebrate the magical summer nights and the opening of the outdoor terrace on April 24.

■ During a press conference held at **Royal Hotel & Resorts Dbayeh**, both the **Minister of Tourism**, Avedis Guidanian, and the founder of Globe Network, Nadim-Georges Freiha, announced the launch of **Visit Lebanon 2017**, an international forum dedicated to promote the Lebanese touristic offerings related to leisure or to the MICE industry.

■ Under the patronage and in the presence of the **Minister of Telecommunications** Jamal Jarrah, **Alfa** launched its new **Alfa Flagship Store** at its headquarters at Parallel Towers, Dekwaneh.

■ **touch** announced that **Zain Group** Vice-Chairman and CEO, Bad-er Al-Kharafi was presented with an Appreciation Award for his achievements as a progressive ICT leader and as a fervent supporter of numerous youth empowerment programs in the regional digital arena during the **8th Telecom Review Summit** held in Beirut on April 20.

■ Whisky collectors outdid themselves on April 2 at **Sotheby's** “Finest & Rarest Wines and The **Macallan**” auction in Hong Kong, as a rare complete set of **The Macallan's Six Pillars** series was sold for a record-breaking \$993,242, with all net proceeds to be donated to Hong Kong-based and other Asian charities.

■ The third edition of the “**Lebanon International Oil and Gas Summit**” will take place on May 9 and 10 at the **Hilton Beirut Habtoor Grand** under the patronage of Cesar Abi Khalil, Lebanon's minister of energy and water, and in collaboration with the **Lebanese Petroleum Administration**.

■ The **Ministry of Tourism of Egypt** and the **Egyptian Tourism Authority** participated in the **Arabian Travel Market**, which took place in Dubai from April 24-27. The participation is in line with both of their efforts to highlight Egypt's enormous tourism potential and focuses on the various destinations that attract tourists from all over the world, especially from other Arab countries.

■ **Maqamat Dance Theater**, in the framework of the 13th edition of **Beirut International Platform of Dance**, honored Abdel Halim Caracalla and presented him with the 2017 Award for Life Achievement during a ceremony held at **Sursock Museum**, under the patronage and in the presence of the President of the Council of Ministers H.E. **Saad Hariri**.

■ The first day of the **Qatar International Motor Show** saw the official **BMW Group** importer in Qatar, **Alfardan Automobiles**, reveal the latest **BMW M3** for the first time in the Middle East.

■ **Harvard** Professor Wasmaa Chorbachi was honored and hosted by **Ahliyah School** as one of its 1961 graduates for a presentation entitled “They wrote on clay: Beauty in shards.”

■ The **BMW M4** states its case as a compact high-performance coupé, the optional Competition Package gives it an extra edge, and the **M4 GTS** is an uncompromising sports car also designed for use on the track.

■ **Yvan Tufenkjian Fine Jewellery** launched an outstanding initiative to support women's empowerment in Lebanon and throughout the Arab world. This initiative falls in line with the company's latest communication objective of **empowering and inspiring** women and is expected to last around six months.

■ **T. Gargour & Fils** recently unveiled the all-new **E-Class Coupé** in Lebanon. With its expressive coupé proportions, clear and sensual design and long-distance comfort for four people, the new **Mercedes-Benz E-Class Coupé** combines the beauty and classic virtues of a grand tourer with state-of-the-art technology.

■ Following the 2017 **Mobile World Congress**, **Huawei Consumer Business Group** received to-date 42 awards from global technology media titles, among which 23 went to **HUAWEI P10** and **HUAWEI P10 Plus**.

■ **Byblos Bank**, in cooperation with the **Olayan School of Business** at the **American University of Beirut**, issued the results of the Byblos Bank/AUB **Consumer Confidence Index** for the first quarter of 2017.

The results show that the Index regressed by 2.5 percent in January from the preceding month, by 19 percent in February and by 13.7 percent in March 2017.

The eighth edition of **BEIRUT ART FAIR** will take place from September 21 to 24. In 2017, the focus will be threefold: to foster a spirit of expansion and renewal, to promote the discovery of young talents, and to unfold a new perspective on the recent history of creation and collecting in Lebanon.

The **MIT Enterprise Forum** for the Pan Arab Region announced the lucky winners of the tenth MIT Enterprise Forum **Arab Startup Competition** in a final award ceremony held at the **Kingdom of Bahrain's International Circuit** on April 27.

Attractive places to live are in increasingly short supply in today's cities. And when it comes to those living spaces, the responsible use of resources is an issue of gathering urgency. **MINI** has teamed up with New York architects **SO – IL** to present a visionary solution to this two-pronged challenge.

The most recent "Top Industries in the Middle East and North Africa" survey, compiled by **Bayt.com** and **YouGov**, revealed that banking and finance was the most attractive industry in Lebanon in 2017.

**Kempinski Summerland and Valrhona** celebrated Easter at the Kempinski Hotel lobby lounge Le Salon in the presence of Valrhona's French chef chocolatier Guillaume Roesz as well as media guests, foodies and business partners.

Under the patronage of the **Minister of Agriculture**, Ghazi Zeaiter, **Mada Association** held the closing ceremony of the **European Union**-funded project "Improved livelihoods for small-scale farmers in Akkar" in Hrar.

**Bassoul Heneiné**, importer of **Renault** to Lebanon, launched the trendy new **Clio**, the brand's iconic vehicle now known for its signature Pure Vision full LED lights and C-shaped daylight.

**Rotana Hotels Lebanon** stood out once again at the **Horeca Exhibition 2017**, the annual regional meeting point for professionals in the hospitality and food services industries in its 24th edition, held recently at Biel Beirut.

**Samsung Electronics Co., Ltd.** announced **Samsung DeX**, designed to improve productivity for mobile professionals while reducing the need to carry multiple computing devices.

Following their continuous support for **The Lebanese Association of SOS Children's Villages** since 2012, and on the occasion of Mother's Day, **Spinneys**, the leading retailer in the region, launched a twelve day donation campaign at all its branches in Lebanon to support SOS mothers.

In line with the major success that **The Spot** has achieved in its current operating branches, the landmark of malls will be adding a new success to its track record by launching a new mega mall in Choueifat on May 18.

In the presence of the 2017 Dakar champion, Sam Sunderland, **ANB Motorcycles** club marked its fifth anniversary by announcing a new road team career plan and awarding all contributors for the growth and success of the club to date.

**Bayt.com**, the Middle East's number one job site, wrapped up the first quarter of 2017 with a larger and a wider reaching portfolio of employers, who are announcing thousands of jobs across the Middle East through their platform.

**The United Nations Environment Programme** and its main partner from the private sector, Kuwait's **Al-Sayer Holding**, implemented a first-of-its-kind initiative in one of the largest Syrian refugee camps in the northern town of Bebnine, Akkar – known as Al-Rihaniyeh camp. The initiative entailed equipping the camp with solar energy that provides lighting for the tents and external walkways, and provides access to hot water inside the camp.

In a move aimed at further strengthening its commitment to

user experience and convenience, **Careem**, the region's leading ride-hailing service, announced that it was now integrated into **Google Maps**.

**flydubai's** cargo division has completed five years of operations and continues to build on the growth, expansion and success of the Dubai-based airline.

**Axalta Coating Systems**, a leading global supplier of liquid and powder coatings, has launched the first of a kind Automotive Refinish Training Centre in Dubai, United Arab Emirates.

A jury of nearly 40 independent designers, professors and journalists have awarded five **Ericsson** products with the distinguished **Red Dot Award**. The winning products were: HDS 8000, Enclosure 6130, MINI-LINK 6363, RD 4442 and Baseband T605.

**touch**, managed by **Zain Group**, hosted a special event in recognition of the **Achrafieh Youth Club** for championing the **Futsal Cup 2017** in Lebanon.

**BMW i** debuted as the exclusive transportation partner at the **Coachella Valley Music & Art Festival** in 2017, providing VIP shuttle service and hospitality during the weekends of April 14-16 and 21-23.

The **UN Environment Programme**, represented by its Regional Director Iyad Abumoghli, and Kuwaiti **Al-Sayer Group**, represented by CEO Hamed Al-Sayer, carried out a field visit to Al-Rihaniyeh Syrian refugee camp in Akkar on Thursday April 13 in cooperation with the **UN Information Centre in Beirut**.

The **Federation of Iqlim Al-Kharroub Municipalities** honored **BML's** Executive General Manager Fadi Al-Daouk in recognition of the bank's efforts in supporting the launch of the development fund for Iqlim al-Kharroub as well as its diverse activities in the region.

During a glamorous event held at **Maison Ladurée**, **Huawei Consumer Business Group** announced the

# BUSINESS ESSENTIALS

## Company Bulletin

launch of its newest models in the Huawei P series, the P10 and P10 Plus smartphones.

■ On the occasion of colorectal cancer awareness month, in cooperation with **SAID NGO** that promotes early screening for colon cancer, **Bellevue Medical Center** conducted an awareness campaign about this type of cancer.

■ Author **Elsa Lebbos** signed her new book called "Un Homme Pas Comme Les Autres" on April 6, at **Librairie Antoine, Beirut Souks**, in the presence of romantic novel aficionados and friends.

■ **Piaget** unveiled a new **Piaget Possession** collection rich in colors. For the first time, the jewelry collection welcomed ornamental stones.

■ As official timekeeper of all events organized by the **Meydan Group, Longines** is proud to have timed nine races of the **Dubai World Cup**, held on March 25, at the impressive facilities of the **Meydan Racecourse**.

■ **Volvo Cars** has announced that its luxury Sedan **Volvo S90** was named Best Midsize Premium Sedan at the **Middle East Car of the Year Awards**, held alongside the second **International Motor Show**, Abu Dhabi.

■ Excluding financial indicators, **Zain** was ranked the second most powerful home-grown brand in the region behind **Emirates**, the UAE based airliner by **Brand Finance Middle East 50 ranking**. The valuation of Zain's brand for 2017 was calculated at \$2.34 billion.

■ In a trendsetting initiative, **adidas**, one of the global leaders in the sporting goods industry, opened a new retail concept in Tripoli, Lebanon.

■ **Etablissements Antoine Massoud** held a series of events for **Campari**

in the presence of Brand Ambassador Davide Fornasiero. Clients, members of the press, bloggers and bartenders became better acquainted with the Italian aperitif.

■ **Teach a Child's** annual fundraising dinner at **D BEIRUT** gathered more than five hundred guests including ambassadors, government officials, supporters and friends, and engaged members of society.

■ **Samsung Electronics Co. Ltd.** announced that it won 49 iF Design Awards, including one Gold award, at the world-renowned **International Forum Design Awards 2017**.

■ The 2017 **Ferrari Challenge Asia-Pacific** race series commenced once again, this time kicking off from the iconic **Yas Marina Circuit**, United Arab Emirates, from April 6-8.

■ After her success in reaching the top of Cerro Aconcagua, considered the highest summit in South Africa, **Joyce Azzam**, the famous female Lebanese mountaineer is gearing up to mark yet another achievement in her career.

■ **GS** announced the addition of Cole Haan, another leading international brand, to its footwear portfolio. You can buy the collection starting in May.

■ **Zain Group**, a leading mobile telecom innovator in eight markets across the Middle East and Africa, announces the appointment of Emre Gurkan as CEO of **touch** in Lebanon.

■ Founder and CEO of the **Lebanese Center for Special Education** – CLES, Chahine Debbane was honored in March 2017 at the **ATFL's 19th Gala Awards Night** in Washington DC.

■ **British Airways** launched its investment plans for customers, focusing on excellence in the premium

cabins and more choice and quality for all.

■ The **National Extra Virgin Olive Oil Contest** crowned its 2017 winners on April 5, announced by **Minister of Agriculture** Ghazi Zeaiter, alongside the presence of Louis Lahoud Lebanon's Director-General of Agriculture.

■ This year, **Starbucks** takes Opportunity Café a step further by organizing a coalition of experts with **Bayt, EFE, Silatech** and **AMIDEAST** to provide a wide range of professional advice for youth on the subjects of entrepreneurship and employment.

■ The second leg of the **Maserati 2017 global Polo Tour**, held at the Desert Palm Polo Club from March 11-13, concluded with Team Abu Dhabi winning the **Maserati Dubai Polo Trophy** by an outstanding score of 7 to 4 over Team **AES International**.

■ **Home of H**, the leading lifestyle brand in luxurious decoration, introduced its deluxe exclusive collection of furniture and home decoration in its Sin El Fil showroom.

■ The Middle East construction industry records another historic first as Khaled Awad, chairman and founder for the Lebanon-based **Advanced Construction Technology Services** was elected President of the **American Concrete Institute**.

■ **GlobeMed Lebanon** has been granted a contract with **Electricité du Liban**, entrusting the company with managing the health benefits of EDL's 9,000 employees and their families.

■ The annual meeting place for the hospitality and foodservice industries, **HORECA**, took place on April 4, 2017 under the patronage of the **Minister of Tourism**, Avedis Guidanian, at **BIEL**.



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■ As the **OMEGA Speedmaster** turns 60 this year, the brand is proudly celebrating not just the watch, but also the people who wear it.

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■ Premium coffee company, **Barista Espresso**, has won the Best Hot Beverage trophy for its new “Chocolate Shot” at the **Gulfood Innovation Awards 2017**.

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■ In collaboration with **AUB** and its Strategic Partnerships Initiative, **LibanPost** organized the “Women in Power” event to honor six pioneering Lebanese women in their respective fields.

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■ Following a year of hitting significant milestones, **Scuderia Lebanon** won the Top Marketing Performer Award at the yearly **Ferrari MEI** importers meeting that took place in Dubai.

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■ **LGB Bank** sponsored the annual Muslim Women’s Association’s “Mother and Child” ceremony, which was held at the Cultural Association Theatre in Tripoli.

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■ **IWC Schaffhausen** unveiled a completely overhauled line of Ingenieur watches at the 75th Goodwood Members’ Meeting.

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■ **SAKR Real Estate** announced its latest campaign aiming to boost the real estate sector and encourage the Lebanese to invest in one of their projects.

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■ In the framework of the **European Union**-funded project “Promotion of Social Dialogue in Lebanon,” the **Ministry of Labor** in cooperation with the **Economic and Social Council of Lebanon** is conducting a series of training workshops for Tripartite Social Partners from the public and private sector.

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■ **VICE** Founder and CEO Shane Smith outlined his plans to expand VICE across the region and reimagine MENA’s media landscape with localized digital and mobile content aimed at the region’s largest demographic – its youth.

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■ One of the leading cricketers in the world, AB de Villiers, has been announced as **Montblanc’s** new brand ambassador, representing the luxury maison in South Africa and India.

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■ **T. Gargour & Fils**, the exclusive agent for **Mercedes-Benz** in Lebanon, and **Middle East Airlines** recently signed an agreement to add new Mercedes Benz Citan vans to their vehicle fleet.

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■ **Bassoul Heneine sal**, the official **MINI** importer in Lebanon welcomed the all-new MINI Countryman to its showroom in March.

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■ **Café Najjar** introduced Najjar Raqwa during the **HORECA** exhibition held at Biel from April 4-7, where visitors had the privilege to discover this latest creation and experience a journey into the universe of coffee, through a perfect Lebanese cup prepared in less than a minute.

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■ The research-driven pharmaceutical company **Boehringer Ingelheim** can look back on a successful financial year. Net sales increased in all businesses.

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■ Following the selection of Norwegian-American renowned **Snøhetta** as the winner of the architecture competition for the construction of **Banque Libano-Française’s** new headquarters in 2016, the Bank is pleased to announce that the project team is now complete.

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■ **G. Vincenti & Sons**, the leading distributor of food and spirit brands in Lebanon, organized exclusive Master Class sessions guided by the brand’s international representative, Scott Dickson, to launch **Glen Scotia Single Malt Whisky** for the first time in Lebanon.

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■ During the 19th edition of the **L’Oréal-UNESCO** “For Women in Science” Awards Ceremony, five exceptional women scientists, one per continent, were honored by the international scientific community for their world-changing discoveries.

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■ **Byblos Bank** announced the launch of its **MasterCard World**

Business Credit Card, becoming the first Lebanese bank to launch this new product intended exclusively for corporate clients.

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■ **Rasamny-Younis Motor Company**, the authorized dealer of **Nissan** in Lebanon, launched the all-new Nissan Kicks 2017.

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■ **Rasamny-Younis Motor Company**, the authorized dealer of **INFINITI** in Lebanon, brought in the All-New INFINITI Q60 to the Lebanese market.

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■ In the framework of the **European Union** funded project “Young People and Drugs: A New Participatory Approach for Lebanon”, Skou in partnership with **Soins Infirmiers et Développement Communautaire** organized the first Advisory Committee meeting on mapping of drug related services in five key regions in Lebanon.

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■ François Bassil, Chairman of **Byblos Bank Group**, hosted a dinner in honor of the president of the **Lebanese American University** and members of its board of trustees at Eau De Vie restaurant in Phoenicia Hotel Beirut.


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■ **Rasamny-Younis Motor Company** the authorized dealer of **INFINITI** in Lebanon, took over INFINITI’s Awards Night for fiscal year 2016.

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■ **Byblos Bank** posted adequate results with a slight drop in net profit due to recently taken conservative measures. The drop in net profit, which amounted 14.9 percent in first quarter of 2017, resulted mainly from the deconsolidation of investments.

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■ **Bank Audi** achieved \$110 million of consolidated net profits in the first quarter of 2017, a similar level than that realized in the corresponding period of 2016. Notwithstanding, the breakdown of those profits over the various entities of the Group shows a 45 percent contribution from entities outside Lebanon, of which 23 percent from **Odea Bank**. 

# BUSINESS ESSENTIALS

## Events

### CONFERENCES

	ORGANIZERS	CONTACT	WEBSITE
<b>LEBANON</b>			
3-4 May	<b>DIGITALISATION CONFERENCE</b> ACAL	+961 5 956957; acal@acal.org.lb	www.acal.org.lb
4-6 May	<b>LEBANESE DIASPORA ENERGY</b> Ministry of Foreign Affairs	+961 1 333100; info@foreign.gov.lb	www.lde-leb.com/LDE2017
9-10 May	<b>OIL &amp; GAS SUMMIT</b> Global Event Partners	+44 1737 784956; enquiries@gep-events.com	athompsett@gep-events.com
12-14 May	<b>BEIRUT INTERNATIONAL PROPERTY FAIR</b> Promoteam	+961 1 339 050; promoteam-ltd.com	www.promoteam-ltd.com
16-19 May	<b>ECORIENT</b> IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
23-24 May	<b>FINANCING AND DEVELOPMENT OF REAL ESTATE IN THE ARAB COUNTRIES</b> Union of Arab Banks	+961 1 377 800; a.majed@uabonline.net	www.uabonline.org
<b>DUBAI</b>			
7-11 May	<b>STRATEGY EXECUTION AND PERFORMANCE FORUM</b> Informa Middle East	+971 4 336 5161; info-mea@informa.com	www.informa-mea.com
15-16 May	<b>DIGITAL TRANSFORMATION TELECOMS SUMMIT</b> Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
19-21 May	<b>WORLD ECONOMIC FORUM ON THE MIDDLE EAST AND NORTH AFRICA</b> World Economic Forum	+41 22 869 1212; contact@weforum.org	www.weforum.org
22-23 May	<b>MIDDLE EAST INVESTMENT SUMMIT</b> Terrapinn Middle East	+971 0 444 2500; enquiry.me@terrapinn.com	www.terrapinn.com
18-19 Sep	<b>TELECOMS WORLD MIDDLE EAST</b> Terrapinn Middle East	+971 14440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
3-4 Oct	<b>WORK 2.0 MIDDLE EAST 2017</b> Terrapinn Middle East	+971 14440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
<b>ABU DHABI</b>			
1-2 May	<b>FUTURE DRAINAGE AND STORMWATER NETWORKS</b> Advanced Conferences and Meetings	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
3-5 May	<b>FIELD SERVICE MANAGEMENT &amp; WORKFORCE MOBILITY</b> Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
<b>QATAR</b>			
8-9 May	<b>FOURTH ANNUAL LIGHTING TECH QATAR</b> Advanced Conferences and Meetings	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
15-16 May	<b>INDUSTRIAL CONTROL SYSTEMS</b> Advanced Conferences and Meetings	+971 4 361 4001; opportunities@acm-events.com	www.acm-events.com
<b>SAUDI ARABIA</b>			
8-9 May	<b>EIGHTH KINGDOM SMART MEETING</b> Naseba	+971 4 367 1376; prachid@naseba.com	www.naseba.com
8-11 May	<b>THE KINGDOM CUSTOMER EXPERIENCE</b> Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
15-17 May	<b>PLANT SHUTDOWN AND TURNAROUND 2017</b> Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events
<b>JORDAN</b>			
15-18 May	<b>THE FOURTEENTH INTERNATIONAL MACHINES AND ELECTRO-MECHANICAL EXHIBITION</b> Golden Gate	+962 565 8501; goldgate@go.com.jo	www.jordan-fairs.com
19-21 May	<b>WORLD ECONOMIC FORUM ON THE MIDDLE EAST AND NORTH AFRICA 2017</b> World Economic Forum	+41 22 869 1449; contact@weforum.org	www.weforum.org
<b>OMAN</b>			
15-17 May	<b>BUSINESS CONTINUITY &amp; EMERGENCY RESPONSE</b> Fleming Gulf	+971 4 609 1555; info@fleminggulf.com	www.fleming.events

## EXHIBITIONS

	ORGANIZERS	CONTACT	WEBSITE
<b>LEBANON</b>			
11-14 May	<b>SMARTEX INFORMATION TECHNOLOGY AND TELECOM EXHIBITION</b> MICE	+961 1 384 791; lara@micelbanon.com	www.smartexlebanon.com
12-14 May	<b>BEIRUT INTERNATIONAL PROPERTY FAIR</b> Promoteam	+961 1 339 050; sm@promoteam-ltd.com	www.promoteam-ltd.com
16-19 May	<b>PROJECT LEBANON</b> IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
20-24 May	<b>BEIRUT BOAT</b> IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com
23-27 May	<b>GARDEN SHOW AND SPRING FESTIVAL</b> Hospitality Services	+961 1 480 081; info@hospitalityservices.com.lb	www.hospitalityservices.com.lb
<b>DUBAI</b>			
1-2 May	<b>SEAMLESS MIDDLE EAST 2017</b> Terrapinn Middle East	+971 1 4440 2500; enquiry.me@terrapinn.com	www.terrapinn.com
22-25 May	<b>INDEX DESIGN SERIES</b> dmg World Media Dubai	+971 4 331 9688; dmg@emirates.net.ae	www.dmgeventsme.com
<b>BAHRAIN</b>			
16-18 May	<b>BAHRAINI-EGYPTIAN</b> Bahrain Chamber of Commerce and Industry	+973 1 738 0096; fadhel@bccci.bh	www.bccci.bh
18-20 May	<b>PROPERTY SHOW</b> Bahrain International Exhibition and Convention Center	+973 1 755 8800; info@btea.bh	www.bahrainexhibitions.com
<b>EGYPT</b>			
11-14 May	<b>USED MACHINERY EXPO</b> USED	+202 2 524 7996; usedexpo-eg.com	www.ifg-eg.com
<b>QATAR</b>			
8-11 May	<b>PROJECT QATAR</b> IFP	+961 5 959 111; info@ifpexpo.com	www.ifpexpo.com

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# LAST WORD

By Thomas Schellen

## Rethinking the world by starting small

Lebanon redefined

**In this age, you have innumerable benefits, thanks to the vertical trajectory of technological progress in the past 100 years.** For example, electricity. We rightly take it for granted in any civilized city and feel justified screaming in outrage for 10 minutes every time the power cuts in our urban home. Of course, one does not scream like that when the power cuts in Beirut because that would lead to being hoarse on a daily basis. But, come to think of it and taking a really long view, a centuries-long view, the electrification of cities like London and Paris had not even begun 150 years ago.

Equally, if you wanted to make a phone call on, let's say, posh Michigan Ave in 1980s Chicago, you could not whip out your mobile. You had to walk one or two blocks, dig up some quarters from your pocket, and pray that the handset on the payphone was clean and functioning. Even if you could time-travel and bring your mobile back in time 30 years, it would be useless for lack of a wireless network.

One could go on. There are no excuses for the Lebanese state when it does not deliver what it should deliver to every citizen, to the righteous indignation of people everywhere in Lebanon. This notwithstanding, recollections of the past can put things in context: implementation of technology today is a surmountable challenge.

The year 2017, like every year, provides a different picture when it comes to global provision of other public goods. Whether it is economic equality, universal human dignity, or the pair of real political freedom and civic responsibility – these goods are undersupplied even in the most competitive countries. Moreover, to expect their reliable supply in any society would be as vain a

hope as looking for a perfectly unlit street in Beirut, or expecting a smoke-free environment in an outdoor nargileh café.

In this macro-civilizational regard, 2017 so far looks no better or worse than most other years. Globally, it was perhaps less exposed to traumatic political and economic events than had been feared at the start of the year. To cite some examples for this, the first round of the French election has been implemented without Frexit-fiend Marine Le Pen coming out in the lead, as was speculated in a bout of pre-election panic. The Turkish referendum for a presidential democracy saw the country go down this road – but let's not forget that this road is still a democratic one, European fears of mustachioed leaders notwithstanding. And although geopolitical disaster can still strike at any time, even the first 100 days of President Trump have passed without an apocalypse.


Regarding the global economy, there is new optimism in very high places. With opening and closing communiques speaking of “stronger economic prospects” and regained momentum, the spring meeting of the International Monetary Fund this April was decidedly un-doomsdayish by the standards of the last 10 years.

From the vantage point of Beirut, one perspective on the state of the world, and this country in it, is that it does not help to project all hope outside and all frustration inside. Yes, the grass in this country tends to the color grey, but that does not mean that the other side of the fence offers superior grazing. 2017 is perfect for showing that any thought of a promised land outside is a delusion, given the state of the world's societies, politic, and uni-

versal challenges in the global economy.

Another conclusion might be that the world needs a rethink just as badly as it did 10 years ago. To try and rethink the world with a grand solution in mind, however, sounds like a mad movie plot à la Kubrick's Dr. Strangelove. It is better to see things in context of what human and social capital we have, than to talk incessantly about the problems that did not get solved in the past four months. To get hung up on old complaints can be as unproductive as being paralyzed by fears.

It is true that the abysmal delay in the electoral law, the budget law, and in implementing structural reforms is holding us back. EXECUTIVE proposed 10 ways to save Lebanon back in 2014, and one has to concur with the World Bank's latest Lebanon Economic Monitor that many of those of urgent reforms today are urgent still.

Juxtaposed with the state's imperceptible progress in recent years is the impressive growth of individual capacities and civil society organizations for forward thinking. One can say with a high degree of confidence that Lebanon today stands out not only in the region, but in the entire world in terms of per-capita supply potential for this verily sustainable energy. Better to count our blessings, endure and progress further in developing our civil society, intellectual discourse, and political grass roots. Better to rethink a small part of the world and see if it works out. As one conference suggested last month, let's try and rethink Lebanon. 

THOMAS SCHELLEN is Executive's editor-at-large and president of NGO Universal Peace Federation Lebanon.

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