

- The rumors were true US targets Hezbollah finances with new sanctions law
- **Moving parts** Mayor Jamal Itani discusses Beirut's future
- The power of tourism Lebanon's imported luxury brand agents discuss the impact of visitors on their business

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EDITORIAL

#216

Growing pains

As they campaign for re-election, our politicians are trying to capitalize on the economic mess we're in, which they created. We need growth, the leaders of various parties keep insisting. We need jobs. We need support for the youth. Seriously? Do they have a target based on a comprehensive economic policy? Have they devised key performance indicators to measure progress toward that target? Perhaps our politicians should learn about inflation and fiscal policy before making decisions and promising a better future.

The new taxes agreed in mid-July prove that policy is one item absent from the government's overcrowded agenda. The fact that there still isn't a detailed list of which new taxes are coming even after cabinet endorsed them, proves these new revenue streams will not flow into a long-term vision for true economic revival. They're opportunistic grabs at cash to appease voters before an election.

Political rhetoric aside, this country needs economic growth and a long-term economic vision — or it really does risk collapse.

Back in 1966, when Intra Bank crumbled, our banking sector didn't come down with it. In fact, by May 1975 non-resident private sector deposits in Lebanese commercial banks had not only recovered from a brief fall immediately after Intra collapsed, but had more than doubled to around \$554 million compared to the month before Intra fell in October 1966. If this memory is fueling hope among our politicians that we can weather any storm, they had better think again. Money meant to support militias during war will stay during a crisis. The non-resident deposits flooding banks' coffers since 1992, however, are hard-earned savings that will disappear as soon as real country risk begins to manifest.

So what is growth? It's the result of a properly functioning and sufficiently supported private sector. This month we highlight yet another opportunity for kick-starting growth in the local design sector. Our deepest pool of capital in the country is our talented men and women. Our designers need support. They need an ecosystem that can help them add value, scale, attract investment, and cement Lebanon as a regional design hub. We've missed so many opportunities, we can't let this one slip away too.

Companies around the world have used design to create global brands worth hundreds of billions of dollars. Meanwhile, in Lebanon, we cannot even dream of birthing such a success if we continue pushing our talent abroad. We need a realistic and achievable economic vision. And we need it fast.

Yasser Akkaoui Editor-in-chief

- Haur HKraam-

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LAST MONTH

ZOOM IN



US President Donald Trump holds a joint press conference with Lebanese PM Saad Hariri

Controversy as four Syrian refugees die in army custody

At the end of June, army raids on two refugee camps near the Lebanese border village of Arsal turned deadly when a young girl was killed, and seven Lebanese soldiers were wounded following a spate of suicide bombing attacks. In the aftermath of the attacks the Lebanese army detained 356 Syrian refugees, with four - Mustafa Abdul Kareem Absi, Khalid Hussein Moulays, Anas Hussein al-Hsaikeh and Othman Merhi Moulays - subsequently dying while in custody. The army released a statement on July 4 announcing these deaths and stating they were due to pre-existing health conditions. Human rights groups, however, alleged army mistreatment of the detainees and called for a full investigation. The army released the results of their investigation on July 24, confirming the initial assessment. Two days later, local media quoted Kenneth Roth, executive director of Human Rights Watch, as saying that head of the Lebanese army General Joseph Aoun had privately admitted that Syrian detainees, had been subjected to "some mistreatment" under military custody in Arsal.

Former OGERO head walks free

The case against Abdel-Moneim Youssef, former head of state-run telecommunications company OGERO, was closed on July 6, with local media reports citing a lack of evidence. Youssef had been accused of corruption in his dual roles as both director general of OGERO and director general of maintenance and operations at the Ministry of Telecommunications — a role meant to oversee his other employ. Allusions to corruption within the Lebanese telecommunications sphere gained traction in 2016, when the former Telecoms Minister Boutros Harb announced the discovery of unlicensed networks. Lebanon has notoriously slow internet, with many consumers using illegal ISP providers in lieu of the more expensive and officially sanctioned options.

Lebanon approves first large-scale wind farms

Permits for Lebanon's first large-scale wind farms were approved on July 12, moving a project forward to build three wind farms in the Akkar region. The wind farms will have a potential output of 200 megawatts, which together with plans to license up to 180 megawatts of solar generation, mark steps toward helping Lebanon reach its stated goal of having 12 percent of electricity generated by renewables by 2020.

Hezbollah battles on Arsal outskirts

On July 22, Hezbollah and the Syrian army launched a joint offensive to clear ISIS and Jab-

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LAST MONTH

QUOTE OF THE MONTH

"I'll be making my position very clear over the next 24 hours. We're going to see what is exactly taking place. I have meetings with some of my very expert military representatives and others, so I'll be making that decision very shortly. Okay? Thank you."

President Trump when asked about US sanctions on Hezbollah

hat Fatah al-Sham (formally known as Nusra Front) militants from the border area surrounding the Lebanese village of Arsal.

After almost a week of fighting, the death toll was approximately 24 Hezbollah fighters and more than 150 militants, with Hezbollah leader Hassan Nasrallah declaring the group were close to a "very big military victory," in a televised speech on July 26.

The following day a ceasefire agreement was announced, negotiated through Major General Abbas Ibrahim, head of Lebanon's general security. Hezbollah halted all fighting in the area, which is now largely under its control, while Nusra militants agreed to withdraw with their families to Idlib.

Attention has now turned to targeting remaining ISIS militants, with the Lebanese army reinforcing its position around Ras Baalbek and Al-Qaa, areas surrounded by ISIS, to prevent any militants fleeing into Lebanese territory.

Leases for Lebanese power-barges deemed invalid

The Lebanese Tenders Department announced the results of its report on financial offers to lease and run power-generating barges off Lebanon's coasts, which declared the process of allocating leases invalid.

According to local media, the legal issue raised in the report was the presence of just one bidder, Turkish company Karpowership, which invalidated the process as by law tenders require multiple bids to allow for competition.

The report has been referred to the Minister for Energy and Water Cesar Abi Khalil.

Lebanon still struggles to supply the required levels of electricity and new barges would supplement power gained from two barges currently in operation, as well as the power plants in Zouk Mikhael and Jiyyeh. The cabinet is set to discuss the issue in the coming week.

Hariri meets with Trump during five-day visit to the US

Lebanese Prime Minister Saad Hariri kicked off his US visit on July 25 with a White House meeting with US President Donald Trump. Speaking together at a news conference, the two leaders pledged solidarity against terrorism, with Trump praising the role of the Lebanese army in keeping the country safe. President Trump also made several notable comments about Hezbollah, which is an integral part of Hariri's government despite being labeled a terrorist organization by the US, leading several commentators to question the president's understanding of the power structures within the Lebanese government. Trump was also asked about renewed US sanctions on Hezbollah, with Congress this month revealing an update to their Hizballah International Financing Prevention Act (2015). Hariri spent the rest of his trip meeting with high-level US officials, including House Speaker Paul Ryan, to discuss limiting the repercussions of the sanctions on the Lebanese state as a whole, in particular the banking sector, which is a stalwart of the Lebanese economy.

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LEADERS

DESIGN

Refining the economy

Lebanese design deserves a national strategy

Apart from being ubiquitous, design is quite an ambiguous term when combined with a qualifier such as "good" or "bad." Blaming something on bad design is relatively simple. A washing machine that does not spin as it should, a supposedly clean diesel that spouts black soot, a nifty-looking chair that is impossible to relax or sit comfortably in, a slow and disorganized line at a service counter, a government application that unexpectedly requires more signatures from officials in another department — the immediate diagnosis suggests "bad design."

Even when not using it to criticize a clearly inadequate solution, it is easy to employ the term "bad design" to dismiss a garment that emphasizes unwelcome bodily features (like vertical stripes on the pants of fashion-conscious French cartoon hero Obélix), to talk down anything that runs against one's own sense of aesthetics, or to give an intuitive-sounding explanation for

the failure of an expensive restaurant on a Beirut promenade. Just blame it on bad design.

Qualifying a design as "great" or "good" is much trickier. Such a value judgement involves not only trust in the overall usefulness on the product and validity of the specific design solution, but also confidence in one's understanding of the relation between form and function, and one's ability to appreciate unfamiliar beauty in a product or even process.

Consequently, it is a gargantuan challenge to develop a value proposition for Lebanese design. The subjective aspects involved, and the everfluid definitions of design make it inherently difficult to quantify design values in any economically convincing way. The lack of definitions and standards in the the Middle East and North Africa's design sector does not help the task, and the quest for economic performance data in national and regional markets of MENA has hardly even commenced (see article page 16).

All these obstacles in the way of economic validation of local design notwithstanding, there is no way of denying that design adds value to the business equation. And only ignoramuses will overlook that creativity, or if you will, design thinking from Lebanese shores contributed importantly to human development, at least in the Western hemisphere, and at least for a few millennia.

If one looks at Lebanon with an eye in search of design under the universal definition that every process and every working solution is the fruit of design, millennia of winning designs beckon, starting with urban ramparts and an alphabet that influenced the designs of letters up to the digital age. Although there is no dedicated design museum in Lebanon, museums in this country carry whiffs of past design achievements — whether ancient Phoenician statuettes and jewelry design (most notably in the National Museum), currency design (at the BDL museum dedicated to money), or modern graphic design (the latter, for example, in the posters advertising the Salons d'Automne on the upper floor of Sursock Museum).

Not for nothing has this Eastern Mediterranean region — irrespective of willful foreign designs of nation states therein - long been alluded to as womb of civilizations. It even seems that voices of mythology captured this narrative of western civilization even better than writers of ancient history, as Europa is described in mythology as the beautiful sister of Kadmos, natives of Tyre.

On the demand side of the equation, there is also no question about the strong appetite of either Phoenician royalty of old or the contemporary Lebanese consumer for design or - as aesthetics is a matter of eternal debate — for luxury products, whether made here or imported. This appetite naturally wanes in difficult economic times, but never for long (see story on imported luxury page 60).

However, within this larger story of taste, design, and luxury, there can



The National Museum





LEADERS

be no doubt that successes of design industries and design markets can also generate negative results to parts of society. Any rise of economy from levels of forced equality in universally shared misery will accentuate inequality. On one hand, natural greed will entice some to increase their conspicuous consumption, or exploit opportunities for excessive gain. For example, by buying and developing real estate in a budding design district, such as Beirut's Mar Mikhael. Local designers bemoan that developers destroyed the economic balance that made the district viable as base for designers, before a design district could ever take deep roots there. On the other hand, economic diversification and the associated rising incomes of some will result in growing dissatisfaction of others, who are not benefiting from the economic gains that design brings to producers of "designer products."

As interest in design is spreading globally, cities and whole countries are increasingly seeking to harvest the economic value-added by a vibrant and well-defined design sector. Members of the country's design community say that Lebanon currently enjoys a growing design ecosystem, and EXECUTIVE is happy to confirm this view from its own observations in this 2017 special report on design and previous reporting (see our August 2015 issue). However, other countries in the wider MENA region, from the ever-busy Dubai, to Jordan, Morocco, and even Armenia, have important potential (or at least cash and ambitions) to develop design sectors and reputations, while Lebanon does not have design mapped out, economically measured, or strategized on either the national or the capital-city level.

To activate and optimize design as a facet of the Lebanese economy, and avert any potential and undesirable disturbance of social peace, EXECUTIVE calls for the government and private sectors of Lebanon to urgently develop a national design strategy in the wider context of a new social and economic contract. This strategy would examine the local design content and measure it in specific industries, from fashion and jewelry, to communication and services. It would define design industries and categories, and propose and support the development of design where increases of design content are deemed desirable.

National and urban communities and their elected officials — if they take the people's mandate seriously — could use a National Design Strategy to finally implement urban design that is programmed for something better than dysfunc-

tional cities. They could come through on old promises on parks, public spaces, and streets that meet the needs of

most inhabitants, including pedestrians (see interview page 50) or, if they truly aspire to reach stature worthy of being labeled a design capital, establish a museum dedicated to Lebanese design from antiquity to today.

A design-minded government could still do other interesting activities for design, like creating a design free-zone, where internationally oriented Lebanese design studios can be based and operated without cumbersome customs and informal barriers to participating in design fairs and exhibitions abroad. A designthinking government might further offer tax incentives for companies that employ Lebanese designers in their production and processes, or it could collaborate with the private sector to create a national certification and quality standard for "design ed in Lebanon." After all, branding of products and services cannot be achieved without good design, but good design made in Lebanon also needs to be branded if it is to realize its potential for adding value to the economy.

Arguments over the true nature of design will rage forever. In Lebanon, such debates might begin with academic debates, if the top contributions to the history of design from the area known as Lebanon were in development of trade, philosophy, art, systems of record keeping and the alphabet. But these are not germane debates from the perspective that is the primary concern for Ex-ECUTIVE: how to nurture the design sector in Lebanon today and take it forward to new horizons with measurable economic benefits to this country. Thus, we call for a National

■ There is no way of denying that design adds value to the business equation

Design Strategy at our government's earliest convenience.

Contemporary definitions tell us that design is more than the secret sauce that is added at the end to entice people to buy a product or service. Design is beneficial for any economic process, from its developmental beginnings, and is needed to flavor it throughout — like spices that are prepared and added at important stages of preparing the perfect Mezze. To say this differently, individuals and society are called to interact to mutual benefits. With private sector design orientation and public sector implementation of a national design strategy in Lebanon, mutual benefits of individual designers and the state could open new doors for sustainable national wealth - dreamlike as this sounds.

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Overview

Design

By Thomas Schellen



QUESTIONS OF DESIGN



Design is like Lebanese politics. These days, both are somehow involved in everything. And like good policy making, a dose of good design is needed in every nook and cranny of the Lebanese economy.

As opposed to most things political, however, stakeholders in design since 2010 have made valiant efforts to nurture an ecosystem of "design made in Lebanon." Dedicated tertiary education programs have been developed on both the undergraduate and graduate levels, with recent additions being a Masters in Global Design at Balamand University's Académie Libanaise Des Beaux-Arts (ALBA) and a Bachelors in Fashion Design at the Lebanese American University.

With the creation some six years ago of the non-profit duopoly of the MENA Design Research Center (MDRC) and the annual Beirut Design Week (BDW) — brainchildren of designer Doreen Toutikian and her collaborators — design found a non-profit institutional base. Also in the last few years, international support for creative industries in Lebanon has helped pour some European aid money into the design sector's growth, with the European Union, notably Italy, sponsoring programs, projects, and exhibitions such as design training for jewelers in Beirut and furniture makers in Tripoli, or the Medneta program with an overall \$200 million budget aimed at supporting creativity in the arts, crafts, and design in urban communities around the Mediterranean Basin. But how, and how much, does design contribute to the Lebanese economy in measurable form, i.e. in dollars and cents?

The appreciation of local design has improved by leaps and bounds, and today, is very different from 15 to 20 years ago, says BDW founder-director Toutikian. As evidence, she cites how sophisticated young people flock to local designs, as opposed to how in the 1990s, Lebanese fashion-conscious consumers did not want to wear local products, to the point that Hamra boutiques would pass domestically made ready-wear as Italian imports to be able to sell them. When it comes to economic quantification, however, the picture is neither clear nor compelling. Based on research that MDRC undertook in recent years, Toutikian says that the advertising and hospitality sectors — both with players that created winning stories on national and regional terms show the largest integration of design in their industries. Hard numbers that would measure the value of design content in these two sectors have not been compiled, she concedes. Moreover, she says that awareness of design in the industrial and business community is practically nonexistent, and that the overall contribution of design to GDP is in the low single digits. "When it comes to fashion design industry or furniture or product design industry, [the contribution to GDP] is minute."

Other sources are also not of much help. A "MENA Design Outlook" report published in 2015 by an international consultancy under apparent commission of the UAE-based state-affiliated company that hosts the Dubai Design District (d3) puts the total value of MENA design markets at about \$100 billion in 2014, with a projection that this will rise to just under \$148 billion by 2019. Lebanon's share of the \$100 billion 2014 market is given in the report as \$1.7 billion, which would indicate that im-

■ The overall contribution of design to GDP is in the low single digits

ported and domestic design together account for just under 4 percent of the Lebanese GDP.

However, the report characterizes

the majority of the design markets in MENA — in cases like fashion design in the Gulf up to 80 percent of market volume — as being fed by "imported design." Under the report's assumption that "locally produced design goods and services account for approximately 35 percent of the total market size" for design, "design made in Lebanon" would contribute about 1.4 percent to GDP.

DESIGN STANDARDS

While saying that the United Arab Emirates and Saudi Arabia account for around 50 percent of regional design market volume, the report actually covers only three countries — Qatar, Egypt, and Lebanon — besides the UAE and Saudi Arabia. The report, which is also limited by its focus on sectors that may not play equal roles across the entire MENA, appears indeed to be the first of its kind in the region, but it leaves readers not only with an impression of much guesswork on the economic numbers in the various national design markets, it also admits that its criteria for consideration of design sectors in the Middle East and North Africa cannot be seen as conclusive. "While there is a growing consensus globally on the need to define, and classify the design sector, so it can be standardized, there is

Overview

Design

minimal coordination on an international scale as to what segments are included in the sector and how to account for their economic value. At present, there is no common framework or classification for the design sector across the MENA region," it says.

NEW DEFINITIONS

As the economic numbers for design markets and industries in the Middle East remain foggy, local stakeholders widely agree that Lebanon and other Arab countries are still in early phases of economically measurable design appreciation - a sort of pre-economic stage. This notwithstanding, they are painting the future with general brightness, albeit in a palette of varying colors. Toutikian perceives great potential for the Lebanese economy from design, if it is considered in a more global and holistic sense of design in technology and service. "I think there is no such thing as an economy without design. Everything is based on design, whether a space, a product, a service of any kind, or a business model. Design is something that no one in economy can live without, even if it is invisible," she says.

"I don't think we have a design identity now. Without discussing for the moment if we need a design identity in Lebanon, we are in the [process of] making one. I don't know what the effect will be on the economy," says Yasmine Nachabe Taan, chair of the Department of Design at LAU's School of Architecture and Design.

Lee Frederix, an American designer who established himself in Lebanon several years ago and has recently been appointed as interim chair of the Department of Arts and Design (as Taan is slated for a sabbatical), sees Lebanon as a regional design hub — even if this is in the sense that a one-eyed person is king among the blind. In his opinion, Lebanon can be some sort of incubator for design thinking and education in the Middle East, but the path he describes does not necessarily sound quick or simple. Lebanon's historically fragmented culture is the substance of "what Lebanese design is, because that is what the whole country is," Frederix tells Execu-TIVE. In this context, he favors organic development in which a "Lebanese design" direction would be the outcome, if design departments, like the one in LAU, do their job to produce "educated, creative thinkers, who go into design fields." Noting that art from the region was rewarded with a ballooning of interest (and prices) in the past few years, Frederix regards a similar potential for Lebanese design because of "the trendiness of all things from this region in the West." While a fleeting phenomenon, he says that fashion writers in Paris and bloggers in New York "are obsessed with anything that is coming out of the Middle East."

Taan similarly sees many Lebanese designers' most promising path to success in proving themselves in international markets before tackling domestic performance. "The Lebanese designer has to go abroad, prove himself in New York and Paris, and come back for the local people to say 'we want their fashion.' We can export, and that is what we do. We export designers and creativity," she says when talking to Executive about the latest developments in regard to fashion design (see introduction page 22).

The widening of older definitions of design to a newer concept of social design is where Marc Baroud, director of the design department at ALBA, sees the real growth potential for design made in Lebanon. "If you take social design, we think that this is a field where Lebanon is very prone for play-

Lebanon and other
Arab countries are
still in early phases of
economically measurable
design appreciation

ing a greater role and contribute way more to than to product design," he says. Like others in the Lebanese design community, he points to the lack of a strong manufacturing industry, and the small size of the domestic market as

factors that put the country at a disadvantage when compared with industrial or product design cultures that other countries or design capitals from Denmark to Tokyo and Singapore have developed over the course of decades.

In the area of social design, however, he sees untapped global markets for design made in Lebanon. "I think that great things can come out [of this country] in terms of social design, and because the problem-solving experience of the Lebanese can be of [global] value. Today, everything is connected, whether it is service design or product design and social design, and we don't need to produce things locally. This is why we [at the ALBA design department] think that design from Lebanon — to avoid the term Lebanese design — has great opportunities," says Baroud who also has experience as a designer working in Lebanon.

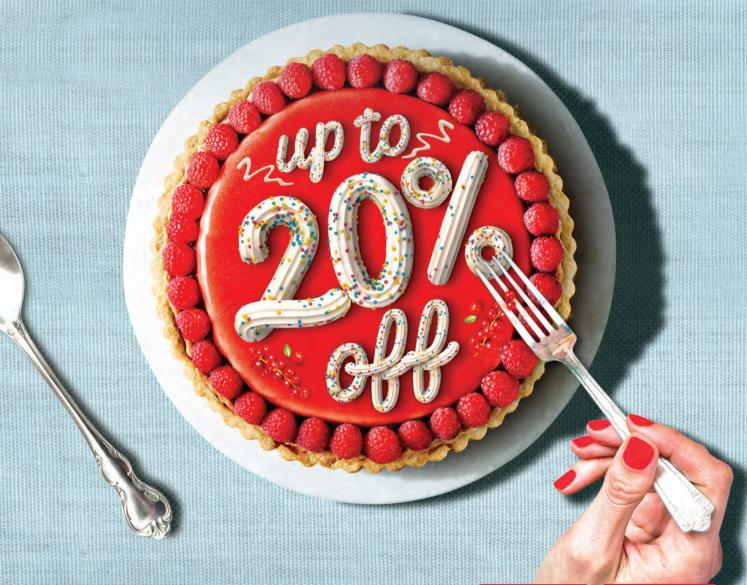
The latest horse in the stable of design-centered Lebanon is being saddled and prepared to debut next month [September 2017] through Beirut Design Fair (BDF), an exhibition that will present both

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Overview

Design



Beirut Design Week exhibits at the Sursock Museum

contemporary local, and vintage international items, and thus presumably contribute to the creation of a market for collectibles.

Guillaume Taslé d'Héliand, the fair's founder and director, explains that BDF will focus on exhibiting furniture and product design. Making regular visits to Beirut throughout recent years, he found that the local market did not provide the space that designers wished for. "Many designers told me that they were not satisfied with the commercial side of product design in Lebanon," he tells EXECUTIVE.

According to Taslé d'Héliand, BDF is a for-profit venture, but he does not expect to incur a positive bottom line for up to three years. He expects, however, that business in Lebanon will enter a phase of rapid growth "as soon as the Syrian question will cease to be a problem," as he puts it. In his expectation, this explosive growth will apply to the economy in general, and therefore be beneficial to the design market. As for his specific interest in developing this market, he refers to numerous factors that make the country a candidate for playing a greater role in design, such as its "culture and Lebanese creativity, critical sense, and available training and schooling in design," as well as well-developed craftsmanship, sense of hospitality, and other advantages.

Concepts that consideration of design in manufacturing or services can create better outcomes from the start of a manufacturing or services process have not yet been fully integrated in Lebanon, but it

would be beneficial to do so as countries with an integrated design dimension are dynamic economies, he argues. To help advance Lebanon, he and his local collaborators, therefore, think it will be prudent to "push design in this country more to the forefront," to which end they plan beyond the creation of BDF to make partnerships with local organizations — examples include the Business School ESA and the Association of Lebanese Industrialists — as well as linking Beirut to international networks of "design capitals" and regional design councils.

"I think it's legitimate to say for Beirut that we want this city to become the design capital of the entire region. That is our vision and what we want. You need money to move things, but the vision is not a business vision. The fair is one means among other means in reaching the vision [of having Lebanese design established as something that is recognized around the world]," he emphasizes. Beirut by his consideration is already today the de-facto only viable design capital of the Middle East and should be internationally recognized as such. "If you're a real designer, you can change the world," he adds.

The question over the value of design is not made any easier by the fact that definitions of design have been, are, and probably will remain, fluid. For Toutikian, "People tend to formulate design as just design which one sees in magazines, and thus, often perceive it as fashion, furniture, or product design. When we talk of design, we talk of the process of design that creates all of these things."

CREATIVE COUNTERWEIGHT

The descriptions that are offered as wholesale explanation for design today see designers as driven by a general state of presumed dismay at our world's imperfection. Positively phrased, contemporary design definitions gyrate around terms like "mindset," "problem-solving," "human-centric," and "making the world a better place."

As such, it appears that the current ideology of design thinking is positioning itself as the creative counterweight to the harshly analytical and profitdriven parts of social sciences that go under the label of economic science.

Structuring the creative process into a teachable discipline might well amount to the squaring of circles, but equally the exercise seems inevitable, given that human behavior, and the straightjacket of economic priorities, need to be reconciled through some process. Design appears to be the current thought on this process, mirrored in the shift that

over the past 30 or 40 years gradually moved design from an afterthought of the production process — make a product look good to make it easier to sell — to a concern at the beginning of the process. This concern presumably is focused on the compatibility of the things, services, and even social processes, with the human need and consumption that Adam Smith denoted as "the purpose of all production."

In the opinion of ALBA's Baroud, the design ecosystem in Lebanon is set to grow on the strength of the intangible, but real social heritage of problemsolving and conviviality that exists in this country, and also because there are increasing numbers of like-minded people in the design community that are pushing the ecosystem forward. In this regard, he also expects that the new BDF project will promulgate greater understanding and appreciation of design, and help in clearing up confusion over different subspecialties in designing, such as the relationship between producing gallery pieces that will be prototypes and collectibles, and creating designs for production on a larger scale "in the hope that they can one day be produced in meaningful numbers to have an impact or improve things in society."

Confessing to having initially been skeptical about the project of a fair, he accepted an invitation to be on the BDF's screening committee for entries, and says that the fair might deliver aspects of a design market that people might expect, but not find at the differently purposed Beirut Design Week, "I guess that collectible design has a real market, and that this market can grow."

Appealing to some ever-hungry members of the monied crowd who are looking for passion investment opportunities might help gradually build the design market in Lebanon, but even in the best case, will not instantaneously embed appreciation and viability of design in the local business sphere.

However, there are additional indications for what were called green shoots after the global financial crisis. One such green shoot in Lebanese entrepreneurship with tech and design connotations could emerge just now in form of MAD, a catchy (but historically over-occupied) abbreviation for Music.Arts.Design.

LOOKING FORWARD

MAD, as founder Rima Yacoub tells Executive, is a digital marketplace incorporated in Beirut and in Paris. More specifically, Yacoub describes it as "the marketplace to meet, discover, and launch artists in the music, arts, and design scene." The startup has recently completed its first round of funding, with \$360,000 that was provided by private investors and by the Seeders network of business angels in Lebanon, with matching funds added by IM Capital and Kaf-

alat's iSME program.

Yacoub, who is Lebanese with experience of working in Paris, says she and two partners — one French and one other Lebanese, her sister — created MAD in Lebanon because of their existing network that they had built by operating a marketing agency, and because the country is an "important location for artists and designers in the Middle East." In attempting to remove traditional walls that hinder collaboration of artists, musicians, designers, and also ease their communication with corporations seeking them for projects related to their products or brands, MAD aims to grow out of its Lebanese-French base into an international platform, with offices in several countries within a few years, and is already planning to conduct a next funding round 18 months from today. Besides such examples for synergies between the knowledge economy pushed by Lebanon's central bank and the country's creative industries, signs of promise for the growing viability of design made in Lebanon exist in local collaborations, such as new partnerships of the Association of Lebanese Industrialists with design stakeholders that have been struck on one level with BDF and on another level with ALBA (for internships).

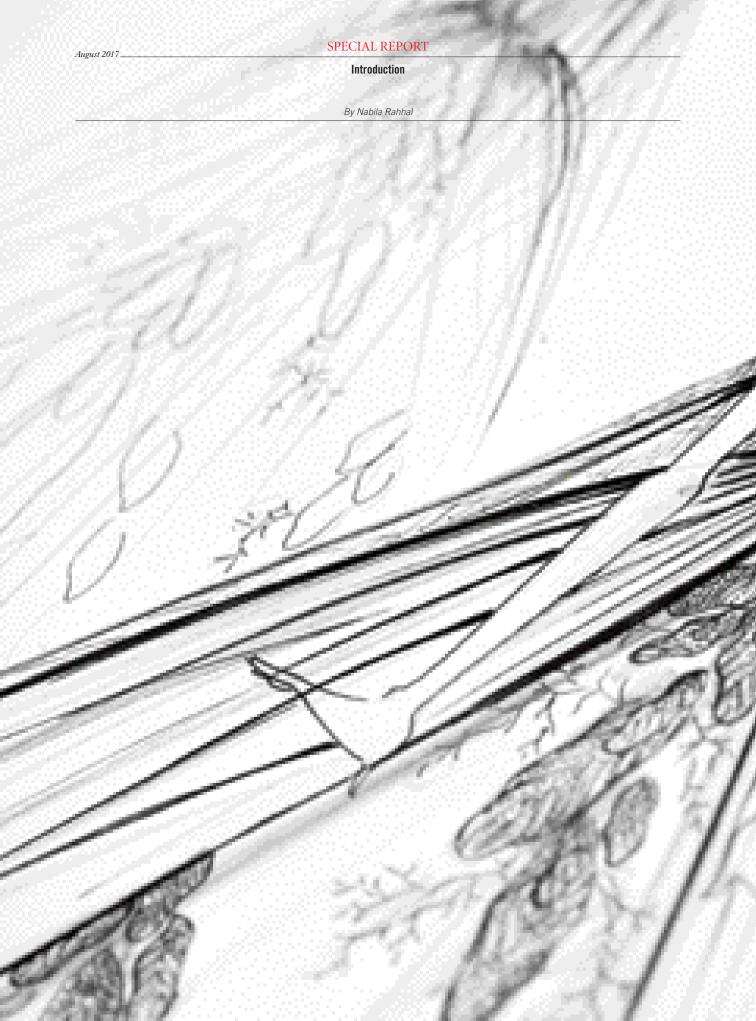
A third and final note of promise might be in taking Lebanese design to local markets. In recent years, design could be found in small workshops and boutiques either operated by the designers themselves or sponsored under EU or UNIDO programs like the Creative Lebanon sales rooms that were in Gemmayze a year ago. But now, design presence is growing also in posh places, such as the new urban shopping hub of ABC Mall Verdun.

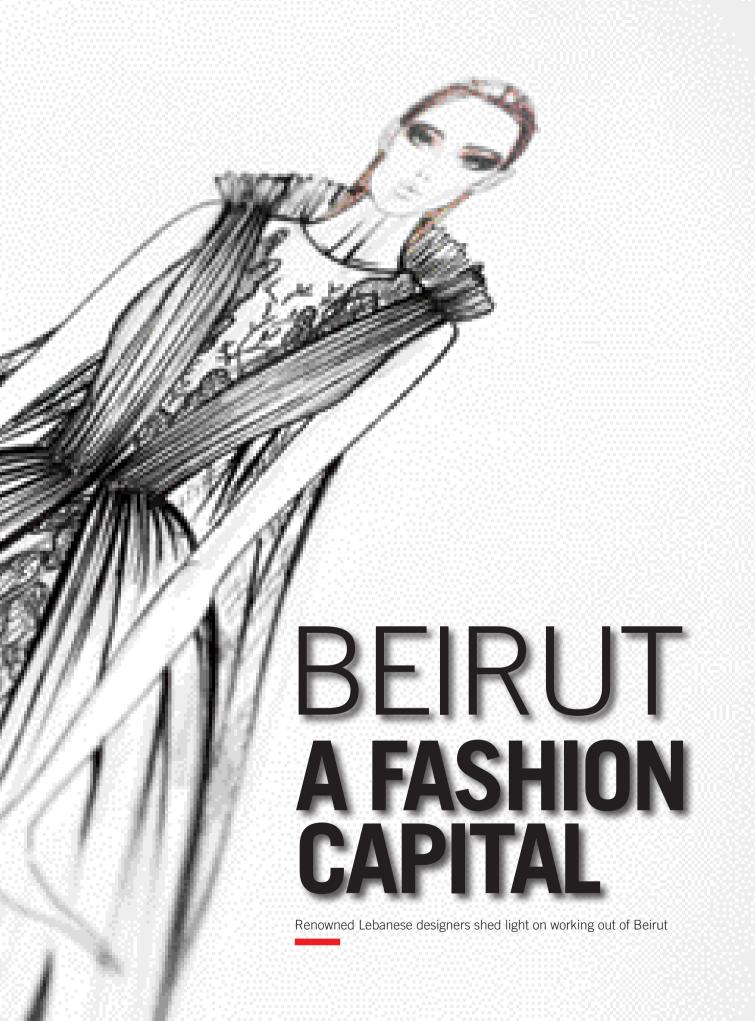
Frank Kuntermann, deputy CEO of ABC, tells ExECUTIVE on the sidelines of the mall's lavish opening party on July 27 that the new ABC department store will feature Lebanese designers including established names like Nada Debs and Sarah's Bag, but also newcomers in perfume design and rising stars in jewelry design. "With all these people, we have basically 20

There are increasing numbers of like-minded people in the design community that are pushing the ecosystem forward

percent of our offer in the department store as Lebanese design," he explains and continues, "This is not enough. I would like to have a big space dedicated to [Lebanese] fashion design, where we could welcome young design-

ers and present [their creations]. I would like [Lebanese design] to be [given] more [room] because there is talent in Lebanon, and ABC has to also be the face of Lebanese talent and design."





Introduction

Design

By Nabila Rahhal

"It's an exciting time to launch a fashion design program in Lebanon because of what is happening in design. Whether it's Mar Mikhael's little boutiques, or the designers who are just starting out with unpredictable, yet exciting futures ahead of them, or the young Lebanese designers whose names are shining abroad, there's an energy and talent that is motivated," enthuses Yasmine Taan, chair of the Department of Art & Design at the Lebanese American University (LAU).

Indeed, success stories of Lebanese designers have become more common over the past decade, and it seems the design industry is finally getting some of the recognition it deserves — although there is still a long way to go (see article page 16).

CARVING A PATH

When it comes to fashion design, names like Elie Saab, Zuhair Murad, and Georges Chakra are role models for a younger generation, who through their international fame, saw fashion design as a viable and prestigious career path.

As such, interest in fashion design education rose with more universities introducing degree programs. "I would say that the ready-to-wear community in Lebanon is definitely growing. There are more fashion design programs being built: LAU just graduated their first class, you have ESMOD, you have ALBA (Académie Libanaise des Beaux-arts) starting its program, you have us ... There is definitely a new generation of graduating fashion design students that are about to enter the design market in Lebanon, and its very interesting to see where it will go," muses Sarah Hermez, co-founder of Creative Space Beirut, a free fashion design school (see article page 38).

SIZE MATTERS

Starting out in the fashion design industry in a small country like Lebanon has an advantage in that one can quickly build a brand. "The positive thing about building a brand here is that if you have the right network, it's an easier start because when you are in a small community and everybody knows everybody, you can work together to build your brands. You can reach out quickly to the market because it's so small," says Hermez, explaining that this culture of collaboration is rapidly growing amongst Lebanese designers.

But the downside of such a market is that it is limiting, especially in a highly competitive industry, such as fashion design, where one needs to be present in the world's fashion capitals to succeed. "In the fashion world, a lot depends on who you know, and on being in the right boutiques, and reaching out to the right buyers; it requires a lot of international networking and PR. In order to do that, you have to be present there, which means you need to have a really big budget to travel; young designers mostly can't afford it unless they find an investor," explains Hermez.

Although Hermez feels there is an emerging interest among financial backers and investors to finance fashion designers, she says there is not enough yet to meet demand.

WHEN BUDGETS ARE TIGHT

In the fashion world

a lot depends on who

right buyers

The majority of Lebanese fashion designers say their largest market is the Gulf, which is not surprising given the traditional wealth of those coun-

> tries and their affinity for the Lebanese touch.

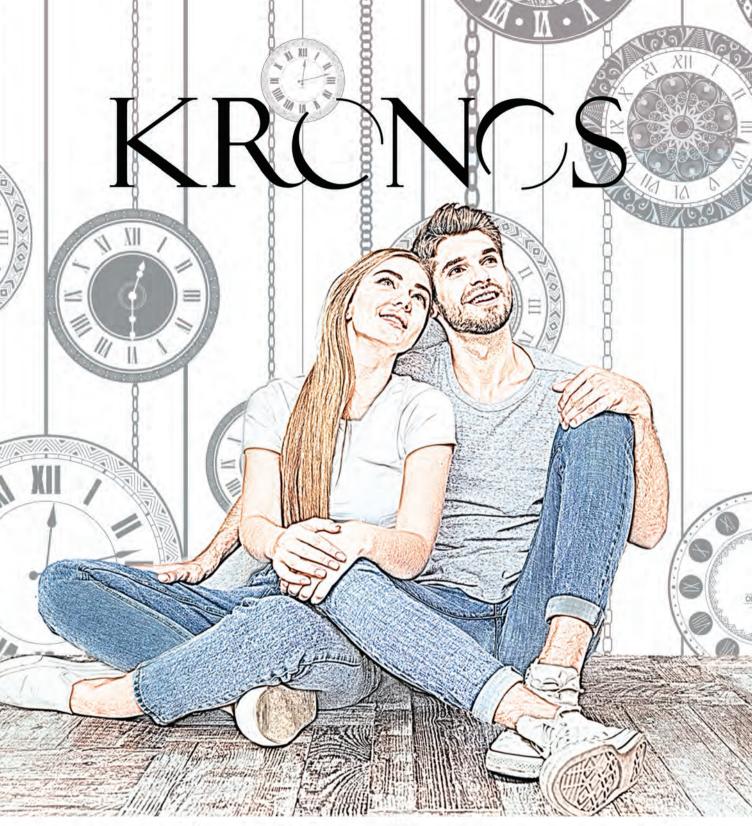
> However, with the decrease in oil prices and political turmoil the Gulf has been witnessing, this purchasing power has decreased significantly, and most fashion designers Ex-

you know and on being in the right boutiques and reaching out to the ECUTIVE spoke with have noticed. Only two of the

six designers interviewed continue to have a steady demand from the Gulf. The others say that instead of the usual 10 to 12 couture dresses per season, clients from the Gulf have downsized to just two or three.

Yet, with the current omnipresence of social media, names of Lebanese fashion designers continue to flourish, regionally and internationally.

EXECUTIVE spoke to six fashion designers (two via email) to learn about their unique successes and challenges. From those who overcame the obstacles of a war to become international success stories, to those who have recently entered the market but have already made a name for themselves; their stories show what it means to be a fashion designer out of Lebanon.



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Profile

Design

By Nabila Rahhal

A rise to the top





Georges Chakra initially began his studies in interior design during the Lebanese Civil War, but decided to switch to fashion design because, he says, he wanted to do something "out of the ordinary." Studying fashion design was uncommon at the time, and Chakra says even his parents were not very accepting of his choice. It was so uncommon that there were no fashion design programs in the country back then, and Chakra moved to Toronto to continue his education, returning to Lebanon in 1985 to begin working on his brand.

Chakra says that operating during that period stretched the limits of his creativity. "You had to make do with what was present in Lebanon in terms of material and equipment because the airport was closed. But this led to designers being more innovative in their work. They had to figure out how to use the found materials in a way to make it appealing enough to sell. But we succeeded," he recalls.

And succeed he did. In a time when social media did not exist, and traditional broadcast media (TV/radio) was unreliable due to power cuts, word of mouth was king. Chakra's creative designs swiftly made their mark, eliciting a positive reception. "Because I studied abroad, I acquired a European style of design that appealed to the Lebanese, who also have a bit of European taste," he says. "There was an almost instant appreciation for my work."

While at first most of his clients were Lebanese, Chakra says he also acquired many clients from the Gulf through word of mouth from Lebanese women who would be wearing his designs while traveling through the region.

Following the war, Chakra's business continued to grow, and he held multiple fashion shows in Lebanon. His international fame began when he participated in Paris Couture Week for the first time with his 2001-2002 collection after encouragement from his clients.

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You had to make do with what was present in Lebanon in terms of material and equipment, because the airport was closed





Chakra has been showcasing his collections at Paris Couture Week twice a year ever since, and made his first appearance at the Mercedes Benz Pret a Porter Week in New York in 2009 (continuing for five seasons until 2011). "Being present in such platforms benefits everything from sales to marketing because of the exposure we get from them. You're among colleagues. You can't be a competitor on the international scene if you're not in these shows," explains Chakra.

Chakra's main atelier is in Beirut, in addition to a showroom for appointments and fittings in Paris. While he worked in Toronto as a fashion designer for two and a half years, he prefers working out of Lebanon for several reasons.

"We have convenience of services here that we don't have abroad. It's the little things," he says, such as the building's concierge carrying bags up or postal services being accommodating of the unpredictable delivery hours his atelier keeps. Chakra also enjoys the stable and mild weather in Lebanon, as well as its proximity to Europe, which makes commuting between his two work spaces easier.

While Chakra experiences some difficulties working out of Lebanon, he says he has largely



learned to work around these issues. "I created my own world and [chose] the people I work with, so there aren't too many challenges. But, for example, customs at the airport is always a hassle. They stop the crates of material we want to bring into the country and take time to process their entry, which delays our work. It's chaotic and there are no set procedures to follow, which is a challenge as well," he laments.

Chakra has a team of a 100 employees, around 80 of whom are tailors, and many have been with him for 20 years, that includes skilled seamstresses and embroiderers, though Chakra is saddened by the fact that nothing is being done to preserve their skills. "We have employees who have been with us for 20 years and have a lot of experience. But the challenge we and many designers are facing is that those people — who largely gained their experience through training and have no formal education — haven't passed their skills onto their children or the younger generation," he says.

This is because being a seamstress is not viewed as a prestigious job in Lebanon, and those who do work in this domain today envision a better future for their children, and so do not pass their skills on to them, Chakra says.

This poses a real challenge for Lebanese designers who today are hiring foreign workers to keep their work running. Chakra believes more should be done to raise awareness among underprivileged youth about this career option. "This industry should be promoted by training unemployed workers to do these jobs and make a living. There should be more awareness raised on the different jobs in an atelier and more incentives for people to take them up, but I don't know if this should be the work of NGOs or the government," concludes Chakra.

Profile

Design

By Nabila Rahhal

The Lebanese way







In 1982, Abed Mahfouz starting working with his sister designing evening gowns and got his first taste of creating his own designs that way. In 1995, he decided to branch out with his own brand.

While Mahfouz initially showcased his collections locally through fashions shows at venues such as the Al Bustan Hotel in Broummana, or the Phoenicia Hotel Beirut, his first international appearance was in Milan in 2000.

Following the fashion show in Milan, Mahfouz approached the then president of AltaRoma, Fashion Week Rome, to display his collection with them. "I went alone with no appointment or support from anyone, but I convinced him with my passion and promise of commitment to AltaRoma," recalls Mahfouz, explaining that before him it was not very common for Lebanese fashion designers

to participate in AltaRoma, so the then president was reluctant at first.

However, Mahfouz quickly proved himself in Rome and developed a strong presence in the eternal city. "I chose Rome because I felt valued there, and I built a name for myself. I did the best fashion shows of my career there," he says.

After 15 years of shows in Rome, and two years in Paris afterwards, Mahfouz pulled out of AltaRoma and decided to concentrate his efforts on Lebanon and the region, returning to Beirut in 2015.

Even while showcasing his work in Rome, Mahfouz's atelier has always been in Lebanon, which he says is perceived as a prestigious location for fashion production by the Gulf, where the majority of his clients hail from. "Our clients brag among their friends when they have their dresses

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done in Lebanon. Lebanese designers are dressing celebrities and influencers, and this has a big effect on the way they are perceived regionally and internationally," Mahfouz says.

In trying to explain this allure of Lebanese designers, especially in the region, Mahfouz starts with what he calls their good taste and creativity. "In the region, and because of this boom in Lebanese fashion designers, they are now the trendsetters, and we can see their influence on the fashion industry in general. This is because of their good taste, but also because of the quality of their work and their creativity in developing modern designs, which the region appreciates," he says.

The region is indeed appreciative of Lebanese designers, while European designers have only recently woke up to the lucrative potential of clients from the Gulf and begun catering their designs to their tastes, according to Mahfouz. "Previously, Europeans were not very strong in embroidery and the style of design preferred by the Gulf. But if you look at the world today those that buy the most luxury products are from the Gulf, China, or Russia. So the European designers are now catering to the Gulf market; for example Dolce & Gabbana is making abayas and Valentino is designing higher necklines to serve this part of the world which has a high purchasing power. Meanwhile, the Lebanese designers already have a touch of that style in their designs," he elaborates.

Another aspect which differentiates Lebanese fashion designers from their European counterparts, according to Mahfouz, is the quality of service they provide to couture clients. "When you go to an atelier of a fashion designer in Lebanon, it's unlike the service you get anywhere else in the world. When a woman pays a large amount for a couture dress, she's also buying the service of dressmaking, and she wants to feel pampered and catered to as an individual," elaborates Mahfouz.

Despite the advantages Mahfouz cites for working in Lebanon, and the level of comfort and familiarity he enjoys in his home country, he believes the political instabilities of the past five years have negatively impacted his business.

Since his workshop is in Downtown Beirut, it was in close proximity to the 2013 Starco bombing, in addition to numerous demonstrations and sit-ins. This not only hindered Mahfouz's access to his work; his atelier also suffered from material damage when the 2013 assassination of ex-finance minister Mohamad Chatah occurred directly below it.

The decrease in touristic activity during the last six years also put a strain on Mahfouz's availability to his clients from the Gulf. "When the Arabs used to come here it was much easier and faster to design for them. Instead of the three days it

Lebanese fashion designers, they are now the trendsetters, and we can see their influence on the fashion industry in general

takes to finish a dress when they are here, it takes me three weeks when I go visit them as there is a lot of back and forth, not to mention additional expenses," says Mahfouz, explaining

that demand for couture dresses decreased by 80 percent because of this.

As a result, Mahfouz has downsized his team of 120 employees to 45 and says he is taking over a large number of tasks himself. He continues to focus on his couture and bridal lines, but says that his ready-to-wear line is more financially accessible and widespread (being available in points of sale in the United States and Europe), and therefore brings in more revenues and helps him stay afloat during this period.

Profile

Design

By Nabila Rahhal

Artistic creations



Sandra Mansour says she has always been drawn to art and creation. So after completing her BA in business, she decided to go for a master's degree in fashion design in Paris, and she has not looked back since.

After completing her master's degree, Mansour worked for Elie Saab before launching her own brand. She believes that both her education and her experience with Saab shaped the process of her becoming a designer. "It gave me the platform and ability to create pieces stemming from an artistic background — that brings together my love for drawing with my love for creating and designing," says Mansour, explaining that she now takes on summer interns, as she believes this hands-on experience gained at an atelier is essential for budding designers.

Mansour had her first international appearance

in 2010 at Paris Fashion Week. She explains that such a high visibility platform gave her brand more exposure and created brand awareness.

Mansour designs a ready-to-wear line of evening dresses and makes made-to-order wedding gowns. While she says the bridal gowns are more financially viable than ready-to-wear, she explains that having the ability to provide both services allows clients the flexibility to purchase dresses for any occasion, therefore developing a loyal clientele.

Today, Mansour works from an atelier in Lebanon with a team of 20, including 12 tailors whom she describes as "highly skilled."

Mansour sees the quality of craftsmanship in Lebanon as an advantage to working in the country. "Our atelier and workshop are located in Beirut with a Lebanese workforce of highly qualified craftsmen, which is a vital selling point

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■ Beirut is my hometown, and at this point I don't see any reason to relocate

for our international affiliates. Lebanese tailors are some of the best in the world, they have a skill passed down from generation to generation, and therefore they excel in the craft," she states.

While Mansour says that she might consider expanding her presence, depending on their growth and strategy, she would not relocate from Lebanon. "Beirut is my hometown, and at this point I don't see any reason to relocate," she says.

Mansour says her biggest markets are the US, Middle East, and GCC. "These markets respond very well toward our designs, and most of our recurrent clientele come from them," explains Mansour. She believes that designers like Elie Saab and others have paved the way for the industry in Lebanon, giving credibility to the potential and craftsmanship of Lebanese designers.

Profile

Design

By Nabila Rahhal

Is it in the genes?





Jean Louis's father, Jean Sabaji, was a fashion designer who was most known for being the personal designer of the Saudi royal family.

As such, Sabaji's earliest memories were of being in his father's atelier (which is his now that his father has passed) surrounded by fabrics and mannequins. "From when I was a child, it was as if I was on a mission to be a designer. This was my destiny, and I'm very happy I took this path because it's in my blood," recounts Sabaji.

After finishing his high school education, Sabaji enrolled at Lebanese American University to study graphic design, graduating in 2009. He then attended the Milan Domus Academy for his master's degree in fashion design. Recalling his experience in Milan, Sabaji says that his childhood background in fashion design gave him an advantage over his peers, since he was already familiar with many technical aspects and terms in fashion design.

However, Sabaji does not overlook the value of his education in shaping him as a designer. "I

could've learned here in my father's atelier [through training alone], but what a formal education adds to your experience is a way of thinking," he says.

Sabaji explains that his education also helped him develop his own style, which was purely Eastern before he went to Milan. "When I went there, they helped me refine that [Eastern] direction and add a European touch to it, so now my direction is more a fusion of both," says Sabaji, wondering if it is that mix of European and Eastern tastes that many Lebanese designers have, which makes them such successful designers internationally.

After completing his degree, Sabaji came back to Lebanon to start his own couture label. He set up camp in his father's atelier with his team of 40 employees, this was the main reason he chose to work out of Lebanon. "What's nice about couture is that it's based on the old school seamstresses that bead the dresses by hand. For me, that is the advantage of being in Lebanon because I already have this team/family which I inherited from my father and continued with," he says.

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Yet, Sabaji's skilled team is reaching retirement age and replacing them will be challenging. "During my father's generation, almost everybody was a seamstress, while today there are a lot fewer [of them]. If you look for them, you can find them, but it's like searching for precious stones," says Sabaji. To ensure the continuity of his business, he is having his current team train younger hires, who he says do not need to be skilled in atelier work, but must have the desire to learn.

Despite the advantage of having a good team, Sabaji says that there are challenges to operating in Lebanon, including having to import almost all of the raw material he needs.

The economic situation is also a challenge in that many Lebanese cannot afford Sabaji's designs. "The economic situation in Lebanon has affected the purchasing power of Lebanese women. I would love to have more Lebanese women as clients, but the majority of my couture clients are from the Gulf," he says.

Sabaji's first international fashion show was Fashion Forward Dubai four years ago, an experience he says opened up the Gulf market to him. "Before my participation in FFD, my market was basically in Saudi

Arabia because of my father, but afterwards I got many clients from Qatar, UAE, and Kuwait," says Sabaji.

Internationally, Sabaji also has clients from Russia and Greece, garnered following the social media recognition he received after dressing celebrities for the red carpet.

Thus far, Sabaji's focus has been on couture and bridal lines, but he says that he will be launching his ready-to-wear line in December and opening his own boutique. "I didn't start ready-to-wear earlier because we were taught that fashion is top bottom so you start with couture and build your name that way. So when you do the ready-to-wear line, you already have a name for yourself, and those that couldn't afford your couture line now find you accessible," explains Sabaji, adding that financially he finds ready-to-wear more viable than couture since he can sell more of the former due to its affordability.

Sabaji believes that internationally famous Lebanese designers have made it easier for young designers like himself to penetrate the international markets owing to the strong reputation they have built for themselves and the country.

Yet, Sabaji warns his fellow young designers against becoming "copy/paste" versions of those famous designers. "As young designers, and to keep the good name of the country which was built by the likes of Elie and Zuhair, we should revolutionize and modernize the fashion industry. We have to carve our own path," he says, explaining that in his own designs he is daring and unique, and has thereby established a niche market for himself — which will hopefully continue for years to come.

Profile

Design

By Nabila Rahhal

A perfect fusion





From as far back as he can remember, Rami Kadi has been passionate about the art of embroidery and other traditional craft skills. This passion ultimately led him to choose fashion design as a career path and so he enrolled at ESMOD Beirut, graduating in 2008.

Following his graduation, Kadi worked with Rabih Kayrouz and was soon after selected to showcase his first collection at Starch Foundation (see Bazaza profile page 40). He recalls the experience as being extremely successful, resulting in lots of appreciative clientele.

Speaking of the value of his education in ES-MOD versus his experience with Kayrouz and Starch, Kadi evokes the talent versus education debate and says: "It's obviously very important and crucial to have an education and learn all the ap-

propriate techniques when you're planning to practice any job. When it comes to fashion, learning all the techniques is even more important and amounts to 50 percent of your experience: How can you design, choose the fabrics, and oversee the sewing if you haven't learnt the basics? However, I also think that you're born with a passion for fashion, a natural skill that engulfs your whole creativity, mind, and life. It's called 'mawhabe' [talent] in Arabic," he says.

Kadi, who launched his own brand in 2011 at the age of 25, says he has chosen to focus only on his couture or made-to-wear line for now. As with the other designers EXECUTIVE interviewed, his main clients come from the Gulf. "Currently the Gulf is my biggest market, I guess it's the case for all couture designers generally speaking. Women of the Gulf are very much ahead in terms of fash-





ion; they know exactly what they want, they have a strong expertise in this field, and they love to dress up. Weddings in the Gulf are like red carpet events, you can see all the latest trends and couture dresses!" enthuses Kadi.

Since his focus is on couture alone, the only international platform available to him is Paris Couture Week. The young designer held his first fashion show there in 2014 and says the most important part of the experience was getting to meet the international fashion press and experts in the field. "It definitely gives more credibility to my brand," says Kadi.

Kadi today has an atelier of 40 tailors and ten other employees across three main departments, from operations to marketing to sales. According to him, Lebanon has highly skilled tailors and craftspeople. "We definitely have a high level of craftspeople, they're qualified and have a strong savoir-faire. I'm always impressed by what they can achieve in every collection, and the amount of hours they spend on each dress. Each dress takes about 1,200 hours of craftsmanship, and this really needs experts in the field," he explains.

Kadi says he does not feel he will relocate out of Lebanon, but would consider opening a showroom in Paris, as it would make him more accessible to the international influencers and the celebrities that he dresses. "The hardest part [about working out of Lebanon] is getting to reach the internationLebanon is my hometown, what is better than operating from your own country and speaking the same language of your co-workers?

al influencers and fitting them for special events," says Kadi, explaining that celebrity endorsements are a must for brand awareness and adds "glamour to their image."

The advantage of having an atelier in Lebanon, other than the talent, is having the freedom to experiment. "Lebanon is my hometown, what is better than operating from your own country and speaking the same language of your co-workers? Lebanon is also a *laboratoire* in fashion, you have so many different types of women; it's stimulating!" concludes Kadi.

Profile

Design

By Nabila Rahhal

The reluctant success





Hussein Bazaza did not grow up wanting to be a fashion designer, although he has loved sketching dresses since he was a child. "Everyone who knew me thought I would be a great fashion designer, but I never wanted to be one," he recalls, noting instead his interest in interior design or filmmaking.

After finishing high school, however, and with his mother's encouragement, he joined ESMOD Beirut. Although the first year was a struggle for Bazaza — he felt out of place because he was not as well versed in the fashion world as his peers — he ended up learning a lot and loving fashion design.

Upon graduating at the top of his class in 2011, he won internships with both Rabih Keyrouz in Paris, and Elie Saab in Beirut (both of whom are well-known Lebanese designers and creators of internationally acclaimed fashion houses). Three days into his internship with Elie Saab, he was offered a full time job at the company, which helped him learn the practical aspects of fashion design.

Eight months into that job, Bazaza left to join Starch, a non-profit organization that helps launch Lebanese emerging designers. According to its site, "Starch is an annual program and a rotation of debut collections where four to six young designers are selected each year." It was there that he started working on developing himself as a brand. "I had already planned on starting my own label when Starch was over and was saving the money I was making from selling my collection in Starch toward opening my own showroom and atelier," explains Bazaza.

At Starch, Bazaza learned a lot about how clients think and what they were looking for in their clothing, which helped him in his designs. Dur-

Lebanese don't have confidence in their own designers, which is ironic because they are highly valued internationally

ing his time at Starch, he and the other designers were invited to participate in Fashion Forward Dubai for the first time through a free fashion show with Rabih Keyrouz (co-founder of Starch).

"There was a lot of exposure in terms of press and buyers, and that helped us a lot especially in expanding our client base in the Gulf and making sales," says Bazaza.





After completing the fashion incubator's year-long program in 2014, Bazaza set out to achieve his goal of establishing his own space and atelier, having already launched his own label and garnered clients through Starch.

As a young designer just starting out, Bazaza says he ran into some challenges. To begin with, he did not have any experience running a business (while today fashion design schools do offer classes in business, ESMOD Beirut did not when he was a student there).

He also started out alone and was basically a one-man team, largely because of his limited budget. "I had no employees at the beginning, so I had to do everything by myself. Later on, I hired one employee, and the rest of the team developed six months later (today Bazaza has six employees). This was determined by the brand's growth, but also by how much I was able to afford to pay salaries," he explains.

This was overwhelming for Bazaza, especially since the brand's reputation, through unsolicited media coverage, was growing at a fast rate. "I had to be everything myself, and I felt pressured because people thought the brand was much bigger than it was. I had

more requests than I could cope with," he recounts.

Limited startup funds posed another challenge for Bazaza because, as a fashion designer, he had to produce a new collection for every season. "I didn't have any investors, and there are very few investors in fashion in Lebanon anyway, so I had to pay for everything related to a new collection from my profits," he says, explaining that his revenues had to be divided between salaries, rents, expenses, materials, and photoshoots for the collection.

Three years into his business, and as the Hussein Bazaza brand grows, Bazaza says things have become a lot easier. "With time, this got better because my number of clients increased. I also started doing bridal wear and this brings in significant revenue. Before, we also didn't have a lot of boutiques ordering [the ready to wear line], while today we have boutique orders from Kuwait, Saudi Arabia, and Qatar, which also helps in revenue increase," he explains.

Bazaza says that his focus is on developing his brand as a product and not his name as a designer. "I

want to be a brand found in major department stores more than I want to be a fashion designer who does couture for clients," he says, explaining that he does couture because it rakes in revenue, but he prefers working on his ready-to-wear line, which is available in his showroom in Lebanon and in boutiques in the Gulf.

Bazaza sees some advantages to being a designer working out of Lebanon, the most important being the positive image of Lebanese designers in the region and internationally. However, he has not forgotten the difficulties he faced at the beginning and believes more could be done at the governmental level to encourage and facilitate the work of fashion

design startups like his own. "One of the simple things the government can support this sector with is making the official procedures and bureaucratic paperwork related to establishing a company simpler or clearer for young designers like me," he says.

He also wishes that the Lebanese exhibited more pride in their country's local designers, recounting how many local boutiques refuse to carry clothes made by young Lebanese designers. "Lebanese don't have confidence in their own designers, which is ironic because they are highly valued internationally," he muses.

Fashion Design

Design

By Nabila Rahhal



WHEN TWO PASSIONS MERGE

Creative Space Beirut combines social justice with fashion design education

While it is often said that design talent in Lebanon is plentiful, a substantial percentage of this talent could be going to waste because of the lack of free design education in Lebanon. Enter Sarah Hermez, a Parsons School of Design graduate, and her former Parsons professor Caroline Simonelli, who together founded Creative Space Beirut (CSB). CSB describes itself on its website as "a free school in fashion design providing quality creative design education to talented individuals who lack the resources to pursue a degree at increasingly costly institutions of higher learning."

AN IDEA IS BORN

Hermez says that she has always been passionate about both creativity and social justice. This led her to move to New York (after growing up mainly in Kuwait) to pursue a double major in fashion design at Parsons and Arts in Context at Eugene Lang College. When she came to live in Lebanon, she hoped to find a way to combine the two passions into one career. "I decided to move to Lebanon because I'm Lebanese and had never lived here before. I wanted to understand what it was to be Lebanese, and also there's so much work to be done here in Lebanon," she explains.

Hermez finally found a way to merge her interests after a conversation she was having with Simonelli, who suggested that she start a free school for

fashion design, an idea which made perfect sense to Hermez. "What happens when you go to a tuition based school, like Parsons, is that the tuition is so expensive, it stops becoming about how talented you are and starts becoming about how much you can pay. Most of the talented people can't afford such universities, and the people that graduate don't necessarily have to be that talented," says Hermez.

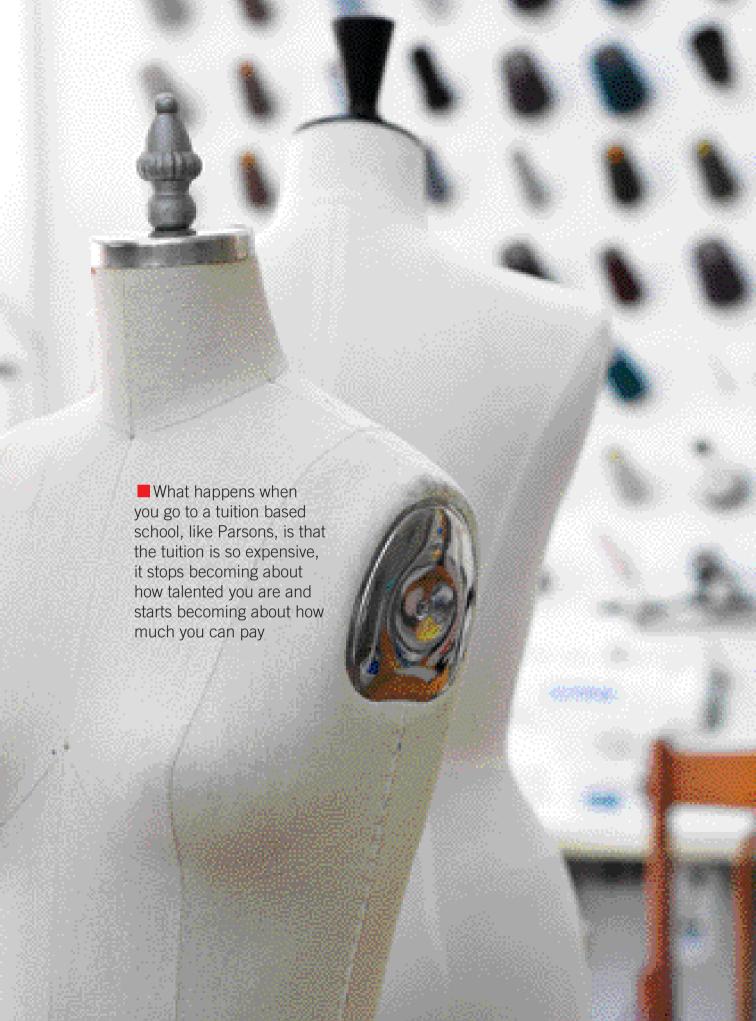
THE BEGINNINGS

In 2011 at the age of 24, Hermez set out to establish Creative Space Beirut. She visited refugee camps, community centers, and NGOs in order to convince people to join the free design school. "People were intrigued because I wasn't attached to an organization. I was just a girl with an idea, although I had Caroline to give me credibility," she recounts, adding that despite the interest, many parents didn't want their children to leave their area to come to Beirut, so it took her a while to find five people — which is the average number of students CSB takes per class in order to provide an intimate learning experience — who could commit to the school.

HOW IT WORKS

Although the program is fluid in that it is not tied down to a curriculum, it is still very rigorous, with students attending daily classes on weekdays

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Fashion Design

Design







We produce things, and then we sell them, and the money goes to the school so that we can sustain the program





for three years. "It's a very intense program, but it really gives them an idea of how the fashion industry works and shows them how difficult it is and how hardworking you have to be. It's a very realistic education in that they are working but also learning at the same time. When you're not limited to curriculums and bureaucracy, you have more leeway to experiment," she says.

To give first hand experience and to help sustain costs, the school started a brand called CSB Ready-to-Wear. "The idea with this brand is we produce things, and then we sell them, and the money goes to the school so that we can sustain the program," explains Hermez, adding that as the label grows they will be hiring more of their graduates to work for it.

Other means through which funds are raised for CSB, which is a non-profit, are donations, individual sponsors who give scholarships to students, fundraising parties, and exhibitions at the end of the year, in which students' designs are sold. "We're in survival mode all the time. Having a non-profit is the hardest thing you can do because you are constantly trying to raise funds," says Hermez.

AFTER GRADUATION

Six years since its creation, CSB has already graduated one class and will graduate another in November 2017.

Aside from an education, CSB also helps ensure their graduates have access to the network needed to develop a good career. "What we offer our students is not only education, we also provide them with the networks that we have to be able to get job interviews because these are students that otherwise wouldn't have the connections. Our job also is to provide them with the right network to enter the fashion industry, which is very exclusive," says Hermez, explaining that graduates can work for a CSB brand, start their own label, or work for a designer.

Looking ahead, and once the fashion design program is comfortably sustained, CSB hopes to be able to build other programs within the design industry, also for free. "This should be offered for free by the government, but we don't have a functional government," concludes Hermez.







Comment

By Sami Atallah and Nancy Ezzeddine

Missed opportunities in Lebanon's industrial sector

Economic complexity indicators show export potentials

Lebanon's productive sectors have been undermined since the end of the civil war in 1990. Like other marginalized sectors, the industrial sector has weakened, becoming a smaller proportion of the economy due in no small part to a history of missed development opportunities. To put this in perspective, the share of the industrial sector out of total GDP has decreased steadily from 24 percent in 1997 to 14 percent in 2016.

Not unrelated to this, Lebanon continues to register the worst trade deficit in the region, primarily due to its dependency on imports and weak export channels. The trade deficit, \$15.65 billion by December 2016, has recorded a 3.56 percent yearly increase (according to BLOMINVEST Bank figures). Exports have also fluctuated in recent years from \$4.49 billion in 2008, up to \$5.11 billion in 2012, and then down to \$2.44 billion in 2015. Development in the industrial sector has been restricted by limited development in industrial policy, limited electricity coverage, and the high cost of production, as well as the effects stemming from the conflict in Syria. The latter has had a clear effect, reducing investments in the country and making exports more expensive by curtailing Lebanon's sole land export route to the region.

POTENTIAL FOR SOPHISTICATION

Despite this seemingly pessimistic picture, looking at microdata through product space mapping suggests that the situation has not been so dismal. Between 2000 and 2008, the Lebanese industrial sector managed to recover, with exports increasing of industrial products from \$742 million in 2000 to \$2.58 billion in 2008. This steady increase has

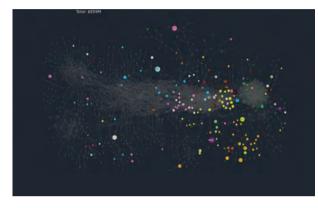


Figure 1 Lebanon's Product Space 2000

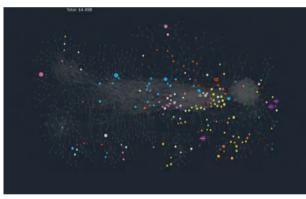


Figure 2 Lebanon's Product Space 2008

WHAT IS THE PRODUCT SPACE?

A product space is an industrial map that allows one to visually understand the relatedness between products traded in the global economy. This network mirrors the productive capacity and embedded knowledge of a country through highlighting products that the country currently exports. This allows one to better understand the existing capabilities and potential opportunities thereafter. Products that are directly connected share precondition production capacities, knowledge, and input. Products that lie at the periphery of the network are usually less sophisticated products, including for instance raw materials and fresh vegetables. The further toward the center of the map products are located, the more sophisticated they are.

been accompanied with an increased level of export sophistication, made clear by observing Lebanon's improved position on the product space. The total number of exported products increased from 898 in 2000 to 978 in 2008. Equally importantly, comparing the distribution of these products, the number of core products increased by 21 percent (from 307 in 2000 to 370 in 2008), while the

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Comment

number of periphery products increased by only 3 percent (from 591 products in 2000 to 608 in 2008), reflecting an increase in the sophistication of Lebanese exports.

Most stark, however, is that 40 out of the 52 newly produced products in 2008 were a result of "long jumps." Among these are ceramics, glass pigments, opacifiers, colors, and enamels (HS: 3207), shavers and hair clippers (HS: 8510), and base metal fittings for furniture, doors, and cars (HS: 8302). A long jump suggests that new items were produced despite the lack of prerequisite knowledge or capabilities, given data gathered from the existing export basket. Literature suggests that such phenomena are observed in countries that have undergone structural economic changes. In this respect, Lebanon presents an anomaly to the theory. Despite the absence of a government-led strategy to support industrial growth, the sector managed to improve its industrial standing by producing highly sophisticated products between 2000 and 2008.

LEBANON'S FAVORABLE DEMAND SHOCKS

To better understand export diversification in Lebanon, while taking into account highly sophisticated domains of production and an absence of a policydriven structural change, the literature has attributed changes in sophistication levels in different countries to two key causes: A productivity shock or a demand shock. As Lebanese firms continue to suffer burdensome costs of production and a lack of adequate skills, the increase in Lebanese export sophistication has been largely driven by demand shocks, i.e. the discovery of new markets. The fact that local market capacity is small and saturated impels producers who are aspiring to expand and diversify their production to be outward looking. Lebanese firms, therefore, benefit from their experience, entrepreneurial skills, and connections with foreign markets to overcome demand uncertainties. From 2000 to 2008, for example, several free

trade agreements were signed between Lebanon and foreign countries or trade associations such as GAFTA (Greater Arab Free Trade Area). This agreement has instigated a spike in the volume of exports, as exporters were responsive to increased demand opportunities in Arab States.

SUSTAINING A POSITIVE SOPHISTICATION SURGE?

Despite the optimistic period from 2000 to 2008 that signaled a positive wave of industrialization in Lebanon, the lack of government support and the absence of a productivity shock to supplement the demand shock made it difficult for industrialists to sustain a comparative advantage. Additionally, Lebanon's position on the product space worsened with a drop in total products exported from 978 in 2008 to 896 in 2015. From 2008 to 2015, Lebanon discontinued the production of 82 products previously conquered in 2008. These are interpreted as missed

opportunities that warrant special attention, as they might hint to the presence of market failures.

The surge in sophistication from 2000 to 2008 is comparable to

the status of the sector pre-war period. In the 1960s and 1970s, the industry faced a similar boom, but had also failed to further develop, namely due to a lack of adequate supportive policies. For example, in 1975, the Lebanese industrial sector had conquered five out of the ten densest products. Accordingly, the level of capabilities in the economy, measured by the Economic Complexity Index (ECI), was highest in 1968. Lebanon's rank peaked in 1975, when it was ranked 21st in the world. After that, the country's economic complexity followed an overall declining trend, where it reached a low level of 44th in the world in 1998. By 2008, the country's rank again improved to 31st worldwide.

SECTOR-SPECIFIC INDUSTRIAL STRATEGY

With a history of missed development opportunities, Lebanon needs a supportive industrial policy that is capable of optimizing on industrialization opportunities. This strategy is key to the development of the country in order to produce highly sophisticated jobs and avoid brain drain. Using the product space as a compass, policy makers should tailor specific initiatives that usher in the production of sophisticated products where Lebanon has a clear comparative advantage. One avenue to formulate and implement such policies is through a sustainable mechanism of public-private dialogue (PPD) that increases accountability and transparency of those efforts and processes aimed at enhancing Lebanese industry.

To this end, the Lebanese Center for Policy Studies (LCPS) is convening roundtables to facilitate public-private dialogue between the Ministry of Industry and the Association of Leba-

Export sophistication has been largely driven by demand shocks, i.e. the discovery of new markets

nese Industrialists (ALI). LCPS uses evidence-based research to encourage industrialists and policy makers to move beyond narrow transactional concerns to broader issues and opportunities for policy change, exportoriented growth, and institutional reform. This has and continues to allow dialogue participants to better understand which and what mix of specific legal frameworks, regulatory rules, labor training services, market access rules, and infrastructure can significantly promote economic diversification within highly sophistication domains of production.

Sami Atallah is the executive director of The Lebanese Center for Policy Studies. Nancy Ezzeddine is economic researcher at LCPS.



شركة التأمين العربية ش.م.ل. الميزانية العمومية الموحدة

شركة التأمين العربيــة ش.م.ل. تأسست عام ١٩٤٤ رأس المال المدفوع بالكامل ٢٠٠٠٠٠٠٠٠٠٠٠٠ ل.ل. المرسوم الجمهوري ١٣٧٧ تاريخ ١٩٨٧/١٧٣ - سجل محكمة التجارة ١٨٨٨ سجل هيئات الضائل ٢ - تاريخ ١٩٥٧/١٠٠ - ميئة خاضعة للمرسوم ١٩٨٣ تاريخ ١٩٨٧/٥ هاتف: ١٣٠١/١٢٠ الركة شارع فينيقيا - وس.ت ١٩٠٧/١١ بروت - لينان هاتف: ١٣٠١/١٢٠ (١١) ١٩٠٥/١٢٠ عنقاكس: ١٣١٥٦ عن ١٣١٢/١١ (١٠) E-mail: arabia@arabiainsurance.com Website: www.arabiainsurance.com

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الموجودات	7-17	7-10	المطلوبات والرساميل الخاصة	7-17	7-10
أصول غير مادية	1,174,471	۱۹۶،۰۰۸	الرساميل الخاصة	۱۳٥،۸٥۸،۸٠٦	176,970,777
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قروض على البوالص	115,711	17577	يروت و الإحتياطي القانوني	75,11.37	۸۲۲،۵۰۵،۲۸
قروض أخرى قروض أخرى	-	-	الاحتياطيات العامة	19,717,077	19,717,077
عروس عرى إستثمارات في الأدوات المالية ذات المردود الثابت	• AP,01V,VY	75,-59,710	نتائج سابقة مدورة	٥٨٥،٤٢٧،٨٣	79,707,179
إستثمارات في الأدوات المالية ذات المردود المتغير (أسهم ومشاركات)	07,717,570	V7./37./7V	نتيجة السنة الحالية	(1,40,77,9,1)	1,.50,777
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الحسابات المجمِدة والودائع لأجل (أكثر من ٣ أشهر)	301,711	1.747.64.	إحتياطي إعادة تخمين الأصول الثابتة	V.1VT.•TT	٧،١٧٣،٠٢٣
الودائع لأجل (أكثر من ٣ أشهر)	70,701,977	357,647.77	إحتياطيات أخري	۷،۸۳۳،٦٦٧	(3,64,843)
حسابات مجمدة لقاء كفالات لوزارة الإقتصاد والتجارة	۹،۸۰۲،۷۹۷	9,878,07	ديون غير ذات أولوية	0/1//1/	7.00977
حسابات مجمدة لصالح جهات أخرى	371,773,91	۷٥،۸۲٥،٠٣٣	ديون ثانوية	-	-
ايرادات مستحقة على التوظيفات	1,895,050	1,177,177	حسابات المساهمين	٥٨١،٧١٧	7.00.987
			الإحتياطي الفني لفرع الحياة	۳۷،۱۳۸،٤٠٧	45.1.3.17.
التوظيفات المرتبطة بعقود وحدات الإستثمار	٤٨٠٠١١،٤٨٨	79,0V7,977	الإحتياطي الحسابي	171,111.19	377,577,77
توظيفات عقارية	-	-	إحتياطي الأقساط غير المكتسبة	-	-
 إستثمارات في الأدوات المالية ذات المردود الثابت	٥،٠٠٤،٧٩٨	F00, 17P, 3	إحتياطي الحوادث تحت التسوية	٧،٩٣٠،٥١٠	۷۲۱،317،0
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مناديق إستثمار صناديق إستثمار	٤٣،٠٠٦،٦٩٠	75,775,777	إحتياطي مصاريف إدارة الحوادث	177,-77	17,779
نقد وتوظیفات مشابهة		-	إحتياطي أنصبة أرباح حاملي البوالص	-	-
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حصة معيدي الضمان من الإحتياطيات الفنية (حياة)	7,007,677	141224111	الإختياطي الفتي تعقوه القنهان المرتبطة بوخدات الإستنهار	Entr' HEAN	, (204)2111
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			الإحتياطي الفني لغير فرع الحياة	400,477,970	757777417
حصة معيدي الضمان من الإحتياطيات الفنية (غيرالحياة)	۸۸،٤۲۰،۰۳۸	777,077,07	إحتياطي الاقساط غير المكتسبة	97.177.799	94.511.450
حصة معيدي الضمان من إحتياطيات الأقساط	75,075,00	17,750,177	إحتياطي المطالبات تحت التسوية	171,071,75	171,717,971
حصة معيدي الضمان من إحتياطيات الحوادث	135,31,75	٦٣،٠١٥،١٥٠	إحتياطي المطالبات الواقعة وغير المصرح عنها -IBNR	۸۲۲،۹۰۲،۸۱	17,817,797
حصة معيدي الضمان من إحتياطي العجز في الأقساط	1.055	-	إحتياطي مِصاريفِ إدارة المطالبات	۲،۰۷۸،۳۲۰	177,377,1
			إحتياطي أنصبة أرباح حاملي البوالص	-	
ذمم مدينة عائدة لعمليات الضمان	VE.EA+.ETV	٧٠،٠٨٩،٩١٩	إحتياطي العجز في الأقساط	4.717.49	31,6001,475
أقساط مستحقة على العمليات المباشرة	۲۱،۲۰۲،۶۱۲	£17,399,13	إحتياطي المطالبات الواقعة والمصرح عنها لكن غير المرصودة بشكل كاف-IBNER	1.157.779	۱۸۲،۹۱۳،۱
ذمم مدينة على وسطاء الضمان	17.,877,77	Y1,.90,100	إحتياطيات فنية أخرى	-	-
حسابات شكات الضمان المدينة	-	-	مؤونات لمواجهة الأخطار والأعباء	۸،۸۸۰،۰۲٥	9,100,198
			إيداعات موقوفة تحت إتفاقيات إعادة التأمين	_	-
ذمم مدينة عائدة لعمليات إعادة الضمان	1 • . V T Y . • 9 £	٧،٧٥٠،٧٠٢	إيدات تولوك فعد إكسيات إلان الضهان أدمم دائنة عائدة لعمليات الضهان	75,791,770	Y0,V71,777
مبالغ برسم الإسترداد من معيدى الضمان	-	-	وهم دائنة عن العمليات الهباشرة ذمم دائنة عن العمليات الهباشرة	17,700,877	9,475,174
مباع برسم الإسارة من معيدي الضهان عمولات وبدلات من معيدي الضهان			وهم دائنة عن العمليات الغير مباشرة	17:170,971	10,117,117
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أراضي وعقارات غير معدة للإستثمار	10,977,170	17,771,777	عمولات إعادة التأمين غير المحققة	7,712,720	7,981,+V+
الأصول الثابتة التشغيلية	۳،۲0٠،0۸۹	۳،٥٣٢،٠٦٨	ديون	10.+11.117	173.00.171
أصول أخرى	1,746/11	311,973,7	أموال مستدانة		-
ذمم مدینة أخری	1,101,17	1,777,79.	ديون مصرفية	1011.01	177,009,11
ذمم المستخدمين	۸۵۶٬۳30	337,773	ديون أخرى		-
ضرائب ورسوم برسم الإسترداد	-	-	مطلوبات أخرى	11.547.045	17,807,709
الذمم المدينة من الأطراف المقربة	7.677	٨٤٠،٥٤٦	ذمم المستخدمين		-
حسابات مدينة أخرى	-	-	ضرائب ورسوم متوجبة	٦،٦٧٦،٣٣٤	7,777,777
حسابات المساهمين	-	-	الذمم الدائنة للأطراف مقربة	-	-
حسابات التسوية	40,747,474	77.772.797	ذمم دائنة أخرى	11,711,711	۷۶۶،۸۷۲،۶
". تكاليف نفقات البوالص مؤجلة	17,009,019	۰۲۲،۸۵۲،۱۱	حسابات التسوية	10,+3+,01	10,797,707
القساط مكتسبة قيد الإصدار	-	-	الإيرادات غير المكتسبة	-	-
	1,000.79	1,117,757	المصاريف المستحقة وغير المدفوعة	7,777,077	P07,·37,7
أعال مدفوعة مساقاً	/(11)				
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أعباء مدفوعة مسبقا حسابات التسوية المختلفة إجمالى الموجودات	۱۱،۷۲۲۷۱۱ ۲ ۶۳ ،۶۸۲،۲۸۵	7FV,VA+,000	حسابات التسوية الأخرى إجمالي المطلوبات والرساميل الخاصة	**************************************	777,701,01 77V,VA+,000

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العربية ش.م.ل. (شركة قابضة)	بيروت / لبنان
شركة العربية العالمية ش.م.ب. (مقفلة)	المنامة / مملكة البحرين
العربية لوساطة التأمين ش.م.م.	بيروت / لبنان
شركة المشرق للاستثمار المالي ش.م.ل.	بيروت / لبنان
شركة التأمين العربية التعاونية (شركة شقيقة)	الرياض / المملكة العربية السعودية - فروع: جدة (فرعين) / مكة / الطائف / خميس مشيط / الدمام / الهفوف
شركة التأمين العربية - سورية ش.م.م.	دمشق / سورية - فروع: دمشق / اللاذقية / حلب / حمص / طرطوس / حماة /سويداء
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7.17/1	مجلس الإدارة كما في ٢/٣١
رئيس	السيد وهبه عبدالله تماري
نائب رئیس	السيد هاني عطا الله فريج
عضو	البنك العربي ش.م.ع. (ممثلاً بالسيد رياض برهان كمال)
عضــو	السيد نديـم بـارودي
عضو	د. كرمة الفاهوم الحسن
عضو	السيد نديم غنطوس
عضو	السيد مارون كيرللس
	فـــروع الشـــركة
عين المريسة - الزلقا - طرابلس - صيدا - شتورة	البنان
دبي - الشارقة - أبو ظبي - العـين	دولة الامارات العربية المتحدة
مدينة الكويـت	الكويت
الدوحــة	قطـــر
المنامة	مملكة البحرين
مسقط - صلالة	سلطنة عمان

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دیلویت آند توش مدققو الحسابات

Sanctions

By Jeremy Arbid

The rumors were true



US targets Hezbollah finances with new sanctions law

In late July, the latest round of American legislation targeting Hezbollah arrived, despite Lebanese government and banking officials downplaying rumors of it just a few months ago, as Executive reported. The Hizballah International Financing Prevention Amendments Act would supplement a 2015 law curbing the group's access to banking systems, and is the latest legislative effort to freeze Hezbollah's finances.

The United States alleges that Hezbollah operates global terrorism networks and engages in criminal activities, including drug trafficking and money laundering. The Party of God, said President Donald Trump in remarks after a White House meeting with Lebanon's Prime Minister Saad Hariri on July 25, "is a menace to the Lebanese state, the Lebanese people, and the entire region.[...], threatens to start yet another conflict with Israel, ...[and] is also fueling the humanitarian catastrophe in Syria."

The Americans seem to be ratcheting up the pressure on Hezbollah through law enforcement actions and vis-á-vis Iran. But it is Lebanon's banking sector, and thus its economy, that has local government and banking officials concerned. The forced closure of the Lebanese Canadian Bank in 2011 is a not so distant memory and the question now is what will President Trump, whose behavior is viewed as erratic and impulsive, do with regard to this "menace"?

TIGHTENING LEGISLATION

The new legislation arrived on Capitol Hill as an amendment to 2015's Hizballah International Financing Prevention Act (HIFPA). HIFPA was aimed at curbing Hezbollah's ability to access the international financial system and disrupt foreign financing to Hezbollah, that the Americans believe flows through Lebanese banks.

The amending legislation would further restrict Hezbollah's ability to raise funds and recruit, increase pressure on banks to not do business with Hezbollah, and punish foreign states for supporting Hezbollah. The legislation was only introduced to House and Senate committees at the end of July, but in its current form it gives the president wide latitude to sanction any person or entity he deems supportive of Hezbollah, financially or otherwise, to deny individuals entry to the United States, revoke already-issued travel permits and visas, and to sanction key figures within Hezbollah, or anyone deemed affiliated to Hezbollah.

It is not clear when Congress will vote on this amendment and we do not yet know what sanctions might result. If the legislation is passed and signed into law by President Trump, his administration could issue sanctions against Lebanese financial institutions.

The notion stokes fear of past American actions, as one vice president of investment banking at a local bank, who spoke on condition of anonymity because he was not authorized to comment publicly, wrote to EXECUTIVE in an email. "Other than the effect of lower confidence in the banking system, which would probably be external rather than internal, will we have more cases like the Lebanese Canadian Bank which was closed following similar sanctions?" A senior official at Lebanon's central bank (Banque du Liban), who also insisted on anonymity, told Executive in June that he feared a unilateral severing of banking relations. "What really scares me is banks and central banks chickening out. When you're hit with sanction after sanction they begin to ask, 'Why should we do business with Lebanese banks?"

When it comes to Hezbollah's finances, the United States believes the group manipulates the international financial system to move money between Lebanon and other countries. Hezbollah uses that money, the US alleges, in part to finance its military excursions in Syria, its terrorism activities globally, and to fund its political agenda and social welfare programs at home.

In 2015, Hassan Nasrallah, Hezbollah's leader, vehemently denied American allegations that the organization was awash with drug money and dared the United States to "show me the evidence." In another speech in June 2016, Nasrallah said the organization was financed purely through the aid of its patron, Iran. "Hezbollah's budget, its income, its expenses, everything it eats and drinks, its weapons and rockets, come from the Islamic Republic of Iran," he said, according to remarks published by Al Arabiya English.

BUILDING PRESSURE

Despite Hezbollah's denials, American law enforcement have tied the group to illicit activities. In February 2016, the US Drug Enforcement Administration (DEA), alongside European counterparts, dismantled a global drug trafficking and money laundering network that it alleged was responsible for washing hundreds of millions of dollars in drug proceeds overseen by Hezbollah, as EXECUTIVE reported. And this past June, it was Hezbollah's External Security Organization (the Islamic Jihad Organization, a named entity in the proposed legislation) that the US Justice Department accused of backing two naturalized American citizens plotting terrorist attacks on US soil.

The US might also be attempting to pressure Iran and build international support for action against Hezbollah. On July 19, US Ambassador to the United Nations Nikki Haley accused Hezbollah of a weapons buildup on the border with Israel, according to an AFP story cited in Al-Monitor. The ambassador's remarks followed a resolution

by Congress in late June urging the European Union to designate Hezbollah, in its entirity, as a terrorist organization. In 2013 the EU designated Hezbollah's military wing a terrorist entity, but not the organization as a whole.

Also in June, the US House of Representatives introduced the Iran and Hizballah Western Hemisphere Prevention Act of 2017. The bill is a continuation of the policy set in 2015's HIFPA law, and builds on a 2012 law limiting Iran's ability to penetrate into the Western Hemisphere. In late July, congress voted for new sanctions that would rollback the financial relief Iran received as part of the nuclear deal

it agreed to during the Obama Administration. With billions of dollars from sanctions relief, a late-July statement from the House's Foreign Affairs Committee read, "Iran is strengthening the terrorist group Hezbollah."

These developments came as Hariri arrived in Washington for his meeting with Trump. Following their meeting, Hariri said Lebanon and its central bank had always cooperated with American sanctions imposed on the country's banks, and always would. The US president, for his part, said he would be deciding on his anti-Hezbollah strategy very soon. And so we wait for the law and for the President's answer.



By Matt Nash

Moving parts

Mayor Jamal Itani discusses Beirut's future

Beirut Mayor Jamal Itani offers two words when asked about his vision for city spending: "investment projects." During a brief interview in late July, Itani explained a variety of the city council's plans, from making Beirut more pedestrian-friendly to balancing private and public interests along the city's contentious coast.

What is the city's financial situation?

When we took over [on June 1, 2016], we got a statement from the central bank [Banque du Liban] saying that, in the account, there's in the range of \$495 million.

Most will be spent on...?

Investment projects, [for example the council recently decided to redevelop a plot of land in Medawr] plot 385 is a big plot owned by the municipality. Part of the land is occupied by the municipality, part leased to different entities, and the purpose is to redevelop this piece of property. It's approximately 80,000 square meters

of property that is [in a] very important location at the entrance to Beirut; we believe that this property needs to

be developed and can have a great return for the municipality. Financial return.

Will it be developed as a residential or mixed use project?

Mixed use.

What is the size of the city's land bank?

[Exhales and smiles] We have good land. Some of it is misused. Some of it is used by other entities.

We're trying to get it all back and use it and invest in it.

Speaking of land, the council decided to cancel the purchase of privately-owned plots along Ramlet al Baida, that the past council was rumored to be set to buy for \$130 million. Why?

We believed that the price that was agreed on was unfair to the municipality. This is why we cancelled it. It should be much lower. And before we move on, we have the coastal line of Ramlet al Baida [where we have] identified sites that we want to protect and prevent any construction on. So, we took two decisions; one decision is to put all those properties, all the area [from the Movenpick Hotel to the Summerland Hotel], under study. And this is a long process.

It will take two years, correct?

It takes a year just to put a lien on the property. That's why we took another decision that those properties will be publicly used, so the owners can't make

In the account, there's in the range of \$495 million

any application even for a construction, or put [up] any other structure.

E So, it will be strictly public use from

Well, they are publicly used now, and this will prevent the owners from starting any development during the course of the study. They won't even be able to apply for building permits.

What is the purpose of the study?



Two parts, the legal part and the engineering part. We want to make sure that the coastal line will continue to be for the people and no construction will happen there. That's the main purpose. In order to do that, we want to identify each property and see how much of the coastal line is part of this property, what can we do to make this coastal line free of any construction.

The coastal line is defined in the law as the furthest point onshore that the waves reach in winter. On the sea-facing side of the coastal line, no ownership of land or construction is permitted. Some of the privately-owned Ramlet al-Baida plots are completely within the coastal line, while others are large and the coastal line might cut through the plots, correct?

Yes.

Cutting the sand in two. What does this mean for the beach resort, once branded Eden Rock ,near the southern limits of the city?

This is a special case. The Presi-



dent of the Republic has requested an investigation into the project, it's in the hands of the Shura Council. We have to wait until their decision.

Why not include Dalieh? Your predecessor told Executive that he was in contact with the owners and would "soon" announce a development project in that area

We're not in talks with the owners. We're going to take a decision after we make sure we identify all of the properties ... The whole coastline of Beirut will be under study. That's the next step.

The city has been doing a lot of tendering in the past year since the new council took power (and now officially has a working website that contains information on council decisions and open tenders). Recently, the city approved tenders for reflectors in the streets, what's the plan there?

We want to identify all the pedestrian crossings in Beirut and install proper lighting, street marking, and signage, [including reflectors called cat eyes, which help drivers identify pedestrian crossings at night]. We also want to do signage for pedestrian crossings, and this is part of the tender already issued for street names and directional signs.

There are new green signs around the city reminding people to clean up after their dogs. Does the city have a large enough workforce to enforce things like responsible pet walking and the non-vehicular blockade of pedestrian crossings?

No.

E What's your enforcement strategy?

We currently have the municipal guards. We're involving them.

How many?

We have approximately 600 people. But we have also requested our own police department. The Minister of Interior is studying it to make sure that there's no conflict between us and the [national] police of Beirut. Once it's done, we'll have police patroling around the city and enforcing the laws of the municipality.

Will you be sticking to former council's plan for rehabilitating the city's parks?

Because of the specificity of the characteristics of each area, we're discussing with each community in each area, the possibilities we have. For some parks, we have the possibility to create parking underneath. Some people disagree with this idea.

I've covered this, and many residents were opposed to the idea. It sounded like lack of trust was the biggest problem; people I spoke to didn't trust the park would ever come back.

Exactly. Some of them. It's the same thing with the [waste-to-energy] plant, it's the same thing with a lot of things. We're working hard to gain the trust of the people.

E Speaking of waste, does the city still plan to do it's own waste collection and treatment?

We have some options, but I don't wish to declare them now. We're still studying them. We need to do a feasibility study and environmental impact assessments for the locations before we announce the locations.

But the city is decided on waste-toenergy?

Yes, yes, yes. We have nothing to hide.

Do you have a timeframe for when studies will be done?

Hopefully before the end of the year.

That will only be treatment. What's the plan for collection and street sweeping?

We requested from the Coun-

cil of Ministers that we manage the tender ourselves, [as opposed to letting the Council for Development and Reconstruction handle tenders, as they did for other former Sukleen service areas]. We had an issue with the tender [launched last June], we retendered, and the opening date will be August 14.

Can you update us on the status of Beit Beirut, the city's long-awaited museum in the Sodeco area?

It will open end of August, early September. We have events all year round.

E And you've found a curator?

We have several options we're working on. We'll assign someone soon.

- They'll be ready by end of August?
 Yes.
- And the artifacts and everything already in the museum?

There won't be a set collection.

E Finally, one campaign promise was to appoint an auditor to look at city's books going back to 2015. I noticed the council recently approved appointing an auditor, when will we see the results?

We took the decision, and everything takes a long time to get done. The process is: we make the decision, it goes to the Governor, the Governor checks it, makes sure the money is available, and then it goes to Ministry of Interior, which has to approve. After the ministry, we sign the contract, then the Court of Audit (Diwan Al Muhasabi) must approve. Once they approve, then we can start to work

So it will be a bit of time.

Yes, but we insisted we wanted an auditor to do a gap analysis, due diligence, and the closing of accounts.

You see a family recreating art.



At Fidus, we see a USD 57 million Van Gogh masterpiece.



Comment

By Mona Sukkarieh

The oil & gas waiting game



Can Lebanon or Israel replicate the success of Cyprus' third offshore licensing round?

On June 22, Israel's energy ministry announced that the deadline to place bids in the country's first offshore licensing round would be pushed back until November 2017. This is the second time the bid round, which opened in November 2016, saw its end date postponed.

With the second extension, it became harder to believe the Israeli energy ministry's repeated claims that the decision was motivated by an outpouring of interest from international companies and the need to provide them with more time to prepare their bids. A few companies appear to be interested, notably Italy's Edison and Greece's Energean, in addition, it seems, to Indian companies, as reported by the Israeli media after a meeting between Yuval Steinitz, Israel's energy minister and India's Minister of State for Petroleum and Natural Gas Dharmendra Pradhan, on the

sidelines of the 22nd World Petroleum Congress in Istanbul on July 12.

This is in stark contrast with Cyprus' most recent licensing round, which closed in July 2016 and attracted interest from some of the largest international oil and gas companies, including bids from Italy's Eni, France's Total, Norway's Statoil, and America's ExxonMobil with partner Qatar Petroleum. This interest is no doubt owed to the "Zohr effect."

The 2015 discovery in Egyptian waters of the largest gas field yet found in the Eastern Mediterranean, dubbed "Zohr" by Eni, has revived interest for exploration in the region. A combination of factors, including location, stability, and regulatory certainty, put Cyprus at the forefront of East Med countries that could benefit from this renewed interest

CHOPPY WATERS

Israeli authorities were hoping that the discovery of Zohr, in addition to the resolution of local antitrust issues that had hobbled the sector for more than a year, would encourage companies to take part in the first offshore licensing round. But it looks like companies' interest in the tender was below expectations, prompting a second extension of the deadline to place bids. They hope that this latest four-month extension will change that. We will know more in November, provided the tender is not postponed again.

Lebanon is also currently holding its first offshore licensing round. Over 50 companies qualified for the tender, which will close on September 15. Authorities here are also banking on the "Zohr effect" but might end up attracting an interest that is, in this case as well, below their declared expectations.

That is because companies have not entirely recovered their appetite for offshore exploration yet. Although some of the factors that have contributed to temper international companies' interest in Israel's bid round are country specific (regulatory hurdles, a certain apprehension to invest in a country that could impact their activities elsewhere in the region, etc.), others are common to both Israel and Lebanon (global market conditions and difficulties monetizing discoveries).

In a previous article, published in February 2017 after Lebanon an-

nounced a new roadmap for the first licensing round, EXECUTIVE signaled that future interest will depend on two things: global market conditions, and what we offer investors. There isn't much we can do to affect the first, but there are some things we can do to attract investors — finalize our legal and regulatory framework, offer a competitive fiscal regime, and actively and aggressively promote our energy potential where it matters.

We have yet to finalize our legal framework and adopt the petroleum tax law. And, although the Parliament might adopt it before the bids are due, we are already several months late. It is true we can proceed with the tender through the legislation already in place, but authorities have insisted for years that a new tax law applicable to petroleum activities is

in the works; failing to follow through sends the wrong signal. Besides the inadequacy of launching a tender under one set of legislation and completing it with another set, it confirms high-level de-

cision making vis-a-vis Lebanon's oil and gas sector moves at a slow and erratic pace. This is a risk companies are aware of, but which authorities have yet to fully consider and attempt to mitigate.

HOPEFUL HORIZONS

On the marketing front, the strategy to promote the tender appears to be more confident than aggressive, relying on the availability of an extensive set of seismic data, which is hoped to de-risk investments. The focus on seismic data, while reasonable, ignores that there are a multitude of other types of risks that may discourage foreign companies.

Furthermore, we took a risk by

modifying the blocks on offer, which might affect some companies' interest in the bid round. Lebanon launched the tender back in 2013 with blocks 1, 4, 5, 6, and 9 open for bid, yet will be completing the round (hopefully on time) with another set of blocks (1, 4, 8, 9, and 10) on offer, mirroring the uncertainties we have seen with the legal framework governing the tender. Not only did this change confuse companies in their preparations (some allegedly gave up after the alteration), but, in a surprising move, four out of the five blocks picked for the auction include areas, of various sizes, that are disputed by neighboring countries (one in the north and three in the south).

Still, authorities appear to be confident that at least two or three operators, out of the 13 operators

Future interest will depend on two things: global market conditions, and what we offer investors

that pre-qualified for the tender, will be placing bids, including, it seems, India's ONGC, according to a tweet posted by Minister Pradhan, on July 10, following his meeting with Energy and Water Minister Cesar Abou Khalil at the same conference in Istanbul. If their hunch is confirmed, the tender will indeed be a success, especially as this is Lebanon's first licensing round, and even more so if we take into consideration the unpredictability, repeated delays, and political deadlock the entire process has experienced. If interest is below expectations, Lebanese authorities and decision-makers must more seriously devise and implement a strategy for the second licensing round.



CAPITAL LBP 689,113,198,400 FULLY PAID, TOTAL EQUITY LBP 3,084,444,000,000

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CONSOLIDATED FINANCIAL STATEMENTS AS AT 30 JUNE 2017

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

3,365,280 174,397	3,084,620 167,558
161,403	44,452 162,722
,	,
	308,153
563,953	310,601
25,164,168	25,628,287
885,885	913,621
156,446	179,274
3,004,618	2,774,764
96,443	106,680
351,842	401,809
30-Jun-17	31-Dec-16
Unaudited	Audited
	351,842 96,443 3,004,618 156,446 885,885 25,164,168 563,953 563,537 44,476 161,403 3,365,280

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Unaudited 30-Jun-17	Unaudited 30-Jun-16
99,908	109,879
8,274	(18,946)
8,274	(18,946)
768	(3,094)
(106)	464
662	(2,630)
8,936	(21,576)
108,844	88,303
105,941	86,301
2,903	2,002
108,844	88,303
	30-Jun-17 99,908 8,274 8,274 768 (106) 662 8,936 108,844 105,941 2,903

CONSOLIDATED INCOME STATEMENT

Interest and similar income	Period ended 30 June 2017 (LBP millions)	Unaudited 30-Jun-17	Unaudited 30-Jun-16
Fees and Commissions income 68,451 66,684 Fees and Commissions expense (6,079) (6,215) NET FEES AND COMMISSIONS INCOME 62,372 60,469 Net gain from financial instruments at fair value through profit or loss of which: interest revenues/charges 29,981 53,177 of which: interest revenues/charges 20,812 23,435 Net gain or loss on financial assets at amortized cost Revenue from financial assets at fair value through other comprehensive income 4,406 3,865 Other operating income 14,089 11,306 TOTAL OPERATING INCOME 308,838 346,554 Credit loss expense (6,888) (18,222) NET OPERATING INCOME 301,950 328,332 Personnel expenses (102,875) (102,964) Depreciation and amortization (10,050) (10,350) Amortisation of intangibles assets (56) (56) Other operating expenses (62,841) (70,617) Provision for risks and charges (5,224) (11,171)			**
Fees and Commissions expense (6,079) (6,215) NET FEES AND COMMISSIONS INCOME 62,372 60,469 Net gain from financial instruments at fair value through profit or loss of which: interest revenues/charges 29,981 53,177 of which: interest revenues/charges 20,812 23,435 Net gain or loss on financial assets at amortized cost Revenue from financial assets at fair value through other comprehensive income 4,406 3,865 Other operating income 14,089 11,306 TOTAL OPERATING INCOME 308,838 346,554 Credit loss expense (6,888) (18,222) NET OPERATING INCOME 301,950 328,332 Personnel expenses (102,875) (102,964) Depreciation and amortization (10,050) (10,350) Amortisation of intangibles assets (56) (56) Other operating expenses (62,841) (70,617) Provision for risks and charges (5,224) (11,171)	NET INTEREST INCOME	195,459	184,602
Fees and Commissions expense (6,079) (6,215) NET FEES AND COMMISSIONS INCOME 62,372 60,469 Net gain from financial instruments at fair value through profit or loss of which: interest revenues/charges 29,981 53,177 of which: interest revenues/charges 20,812 23,435 Net gain or loss on financial assets at amortized cost Revenue from financial assets at fair value through other comprehensive income 4,406 3,865 Other operating income 14,089 11,306 TOTAL OPERATING INCOME 308,838 346,554 Credit loss expense (6,888) (18,222) NET OPERATING INCOME 301,950 328,332 Personnel expenses (102,875) (102,964) Depreciation and amortization (10,050) (10,350) Amortisation of intangibles assets (56) (56) Other operating expenses (62,841) (70,617) Provision for risks and charges (5,224) (11,171)	Fees and Commissions income	68 451	66 684
INCOME 62,372 60,469 Net gain from financial instruments at fair value through profit or loss of which: interest revenues/charges 29,981 53,177 of which: interest revenues/charges 20,812 23,435 Net gain or loss on financial assets at amortized cost Revenue from financial assets at fair value through other comprehensive income 4,406 3,865 Other operating income 14,089 11,306 TOTAL OPERATING INCOME 308,838 346,554 Credit loss expense (6,888) (18,222) NET OPERATING INCOME 301,950 328,332 Personnel expenses (102,875) (102,964) Depreciation and amortization (10,050) (10,350) Amortisation of intangibles assets (56) (56) Other operating expenses (62,841) (70,617) Provision for risks and charges (5,224) (11,171)			
Net gain from financial instruments at fair value through profit or loss of which: interest revenues/charges 29,981	NET FEES AND COMMISSIONS		
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Other operating income 14,089 11,306 TOTAL OPERATING INCOME 308,838 346,554 Credit loss expense (6,888) (18,222) NET OPERATING INCOME 301,950 328,332 Personnel expenses (102,875) (102,964) Depreciation and amortization (10,050) (10,350) Amortisation of intangibles assets (56) (56) Other operating expenses (62,841) (70,617) Provision for risks and charges (5,224) (11,171)		1.106	2.065
TOTAL OPERATING INCOME 308,838 346,554 Credit loss expense (6,888) (18,222) NET OPERATING INCOME 301,950 328,332 Personnel expenses (102,875) (102,964) Depreciation and amortization (10,050) (10,350) Amortisation of intangibles assets (56) (56) Other operating expenses (62,841) (70,617) Provision for risks and charges (5,224) (11,171)		.,.	
Credit loss expense (6,888) (18,222) NET OPERATING INCOME 301,950 328,332 Personnel expenses (102,875) (102,964) Depreciation and amortization (10,050) (10,350) Amortisation of intangibles assets (56) (56) Other operating expenses (62,841) (70,617) Provision for risks and charges (5,224) (11,171)	Other operating income	14,069	11,506
NET OPERATING INCOME 301,950 328,332 Personnel expenses (102,875) (102,964) Depreciation and amortization (10,050) (10,350) Amortisation of intangibles assets (56) (56) Other operating expenses (62,841) (70,617) Provision for risks and charges (5,224) (11,171)	TOTAL OPERATING INCOME	308,838	346,554
Personnel expenses (102,875) (102,964) Depreciation and amortization (10,050) (10,350) Amortisation of intangibles assets (56) (56) Other operating expenses (62,841) (70,617) Provision for risks and charges (5,224) (11,171)	Credit loss expense	(6,888)	(18,222)
Depreciation and amortization (10,050) (10,350) Amortisation of intangibles assets (56) (56) Other operating expenses (62,841) (70,617) Provision for risks and charges (5,224) (11,171)	NET OPERATING INCOME	301,950	328,332
Depreciation and amortization (10,050) (10,350) Amortisation of intangibles assets (56) (56) Other operating expenses (62,841) (70,617) Provision for risks and charges (5,224) (11,171)			
Amortisation of intangibles assets (56) (56) Other operating expenses (62,841) (70,617) Provision for risks and charges (5,224) (11,171)	-		
Other operating expenses (62,841) (70,617) Provision for risks and charges (5,224) (11,171)	*		
Provision for risks and charges (5,224) (11,171)	Ü		
TOTAL OPERATING EXPENSES (181,046) (195,158)	Provision for risks and charges	(5,224)	(11,171)
	TOTAL OPERATING EXPENSES	(181,046)	(195,158)
PROFIT BEFORE TAX 120,904 133,174	PROFIT BEFORE TAX	120,904	133,174
Income tax expense (20,996) (23,295)	Income tax expense	(20,996)	(23,295)
PROFIT FOR THE PERIOD 99,908 109,879	PROFIT FOR THE PERIOD	99,908	109,879
Attributable to:	Attributable to:		
Equity holders of the parent 96,857 100,984		96,857	100,984
Minority interests 3,051 8,895		3,051	8,895
99,908 109,879		99,908	109,879
Earnings per share			
Equity holders of the parent for the period:			
Basic earnings per share 128.89 136.33	O .		
Diluted earnings per share 126.45 132.48	Diluted earnings per share	126.45	132.48

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Foreign currency translation reserve

NON-CONTROLLING INTEREST

TOTAL LIABILITIES AND EQUITY

TOTAL EQUITY

ASSETS		
As at 30 June 2017 (LBP millions)	Unaudited	Audite
	30-Jun-17	31-Dec-1
Cash and balances with central banks	10,691,260	8,783,09
Due from banks and financial institutions	3,468,723	2,657,42
oans to banks and financial institutions and reverse repurchase agreements	417,966	964,06
inancial assets given as collateral	224,001	224,04
Perivative financial instruments	4,033	4,42
hares and participations held at fair value through profit or loss	29,556	40,00
Debt intruments and other financial assets held at fair value through profit or loss	368,544	749,1
Jet loans and advances to customers at amortized cost*	7,943,144	7,787,2
Vet loans and advances to related parties at amortized cost	21,834 316,464	20,7 223,8
Debtors by acceptances	103,299	101,30
Shares and participations held at fair value through other comprehensive income Debt instruments held at amortized cost	8,845,822	9,416,9
Property and equipment	259,195	247,09
ntangible assets	324	38
Assets taken in settlement of debt	43,930	43,29
Other assets	112,654	110,43
FOTAL ASSETS*	32,850,749	31,373,59
*) After Deducting:	(2.250	52.0
Reserved Interest on sub-standard, doubtful, and bad loans Specific Provisions for doubtful and bad loans	63,350 160,383	53,90 158,27
Provisions Based on Collective Assessment	85,535	78,64
Toylstolls Dased on Confective Assessment	0,,555	70,0-
LIABILITIES AND EQUITY As at 30 June 2017 (LBP millions)	Unaudited	Audite
LIABILITIES	30-Jun-17	31-Dec-1
Due to central banks	363,630	332,97
Due to banks and financial institutions	1,108,443	774,09
Derivative financial instruments	3,709	2,10
Customers' deposits at amortized cost	26,493,025	25,415,63
Deposits from related parties at amortized cost	397,177	366,02
Engagements by acceptances Debt issued and other borrowed funds	316,464	223,88
Debt issued and other borrowed runds Other liabilities	453,585 319,544	444,07 374,91
Provisions for risks and charges	310,730	300,29
Subordinated notes	421,484	420,16
TOTAL LIABILITIES	30,187,791	28,654,15
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		
As at 30 June 2017 (LBP millions)	Unaudited	۸ 1: ۵
As at 50 June 2017 (LBP millions)	Unaudited	Audite
	30-Jun-17	31-Dec-
Chare capital – Common shares	684,273	684,2
Share capital – Preferred shares	4,840	4,84
ssue premium – Common shares	229,014	229,0
ssue premium – Preferred shares	591,083	591,0
Reserves not available for distribution (legal and statutory)	924,627	843,3
eserves available for distribution	110,616 (5,692)	103,2 (5,16
reasury shares		
Letained earnings Levaluation reserve of real estate	50,302 5,689	67,5 5,6
Revaluation reserve of real estate Reserve on revaluation of financial assets at fair value through OCI	(8,418)	(9,08
Net results of the financial year - profit	96,857	232,67
Foreign currency translation reserve	(56,919)	(65.34)

(56,919)

2,626,272

2,662,958

32,850,749

(65,340)

37,363

2,682,070

2,719,433

31,373,590

By Matt Nash

Outside of the Silicon Valley bubble

Endeavor CEO sees global potential

In the sweltering July heat, entrepreneurs from around the world were in Beirut pitching to join the Endeavor network. Founded in 1997 as a non-profit support network for entrepreneurs (focused on Argentina and Chile), Endeavor is now assisting founders of young companies in 27 countries around the world (including Lebanon since 2011). In 2012, the non-profit adjusted its model by raising investment funds to co-invest in its entrepreneurs alongside lead investors. Executive sat down with Endeavor CEO and Co-founder Linda Rottenberg to discuss the state of global entrepreneurship.

Earlier this year, Amazon bought the Saudi-based e-commerce platform Souq. com. Souq had previously raised a finance round, pushing its valuation past the \$1 billion mark, and earning it the moniker "unicorn." The woman who first used this term found 39 unicorns born between 2003 and 2013. In the four years since, there are more than 200, depending on which lists you look at. Are you worried there's a bubble inflating here?

The problems in Silicon Valley are different than what we see around

the world. In Silicon Valley, the valuations got too high. You have [venture capitalists] getting lazy and all fighting for the same deals, and you have people trying to build unicorn companies. And if you're

trying to build a unicorn company, you're not building a unicorn company. What I see outside the US is amazing talent; still actually low valuations. If anything the entrepreneurs need more equity. We see the capi-

talization tables are a real problem, where investors are taking way too much equity. The more competition from funds the better, because it will be more entrepreneur-friendly. [Also, outside the US], we're now seeing serial entrepreneurs who've had experience, we're seeing this c-suite level talent that we didn't have, and we're seeing access to markets where you can actually create a multi-country company that is global in nature from the get-go. I believe that going forward, that's going to become a huge advantage. So I'm really bullish on entrepreneurship outside of the US. So they're the ones at risk of a bubble [in Silicon Valley], whereas I don't think we've even been able to scratch the surface of the talent-to-capital efficiency here.

In the markets you're involved in around the world, to what extent do you see people simply trying to adapt a successful model to a local/regional market?

First, I do think that these adaptations, the tropicalization of US models, make sense to some extent. Where you don't have the capital market efficiencies, one potential exit

If you're trying to build a unicorn company, you're not building a unicorn company

down the road is to have these US companies [buy their local versions].

True, but that isn't a very sustainable model.

Exactly, you have to start some-



Endeavor co-founder Linda Rottennburg and Tarek Sadi, managing director of Endeavor Lebanon

where, but we're seeing two other things. The second thing we're seeing is some local innovation starting outside the US. I think this is going to happen more and more. I have long had a theory, outside the US, mobile technology is used for everything. Inside the US, it's still a nice add-on, but people don't use it for everything. So I actually believe mobile applications are going to be first-generation innovations outside the US and carry over. We'll see.

Third, what we're seeing [outside the US], is the opposite of 'I want to build a unicorn.' I see, 'I'm solving a pain point, and I'm using technology to do something that used to be more traditional or family-based, and actually create something that's more innovative and more scalable.' So we're seeing a lot of tech-enabled, rather than tech-centric, businesses in [agricultural technology] in health-tech, [education technology], food-tech. So taking what used to be more traditional industries, and modernizing, creating a layer of innovation. But it's not just an app, it creates better lives

for people at the base of the pyramid or the middle of the pyramid, because they're closing gaps.

You talk about impact a lot on Endeavor's website. What do you mean by that?

We're not impact investors, but we're about high-impact, which for us is also about this growth and the ecosystem multiplier effect [where entrepreneurs give back to the ecosystem by supporting, mentoring, or even investing in younger ecosystem companies]. What I've seen around the world is sometimes what people call "impact" investing; they mean there's trade-offs between growth and the social impact. We at Endeavor don't believe that. We believe that if you want to achieve high-quality jobs and improve things, you have to scale. What we're looking at is the entrepreneurs who - rather than seeing everything as a trade-off between investing in the business and achieving the social mission - have to achieve the growth first if they want to improve things. [One of the companies in our network]

is training more engineers than any university in Latin America. So even the companies you wouldn't define as "impact" understand that you can't build world-class companies in failed societies, and they have a responsibility in their communities to create the best employment.

Do you have a set criteria to define what impact companies in your network must demonstrate?

[We don't have rigid criteria], but what we say to high-growth entrepreneurs and high-impact entrepreneurs

is that you can't check your values at the door. It's not good enough to create a profitable business that's good for your investors. If you're not creating a culture that's good for employees, if you're not caring about your customers, if you're not caring about the people in your communities, eventually it is going to come home to roost, so it all starts with the DNA and the values you instill in your company.

Do you see sexism, sexual harassment, and sexual assault as a problem in the global entrepreneurship scene?

We're seeing marked improvement. About 20 percent [of companies in the Endeavor network are] run or co-run by women, compared to the US, where only around 8 percent of venture-backed companies are run by women. The women in our network are running companies that are incredibly high-impact. We need to tell stories of women that are not microcredit, but are these high-impact,

We believe that if you want to achieve highquality jobs and improve things, you have to scale

high-growth companies to inspire others. You need the role-model effect, which is what Endeavor is after.

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Your daily update on all corporate news and announcements from all the region's countries and sectors

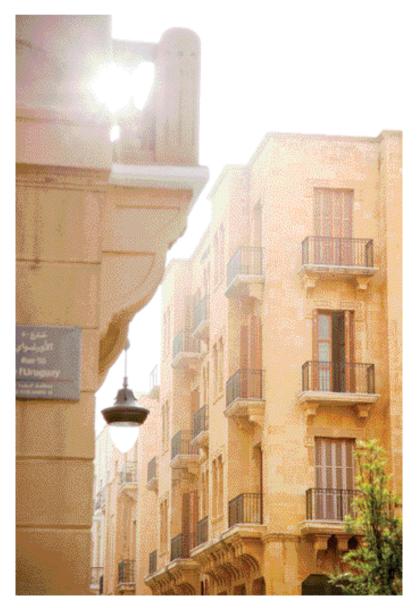


> Luxury

THE POWER OF TOURISM

LEBANON'S IMPORTED LUXURY BRAND AGENTS DISCUSS THE IMPACT OF VISITORS ON THEIR BUSINESS

Words by Nabila Rahhal



rior to 2012,

rior to 2012, it was a common sight to see wealthy tourists — mainly from the Gulf — and even some Lebanese shopping in Beirut's luxury brand stores that dot the expansive streets of Downtown Beirut and the high-end sections of Lebanon's malls.

During the past five years however footfall in many of these international luxury brand stores has been languishing due to the political instability and regional insecurity that have affected Lebanon. The decrease in tourists from the Gulf, as well as the dwindling purchasing power among local Lebanese, has had a large negative impact on these agents.

With Lebanon enjoying more stability now — following the election of President Aoun in late 2016 — it is hoped that the luxury retail market will also pick up. Executive Life spoke to importers of luxury brands to get their perspective on the market in summer 2017 and their expectations for the upcoming few years.

TOURING LUXURY

Although no exact figures were provided, the importers of luxury brands that Executive Life spoke to say that tourism has always been a key driver for luxury retail in Lebanon. This is especially true during the summer or winter holidays seasons, according to Ziad Annan, owner of A&S Chronora, the exclusive retailer of Rolex and Tudor watches in Lebanon.

Khalil Noujaim, the chairman of Level 5 Holding, which is the exclusive agent of French luxury brand Eden Park in Lebanon, also believes tourism impacts retail. "There has always been a positive correlation between tourism and businesses in general, and this year is no different. However, the size of the impact differs from one industry to another. For instance, normally tourism affects the hospitality sector most, with retail coming in second place," he explains.

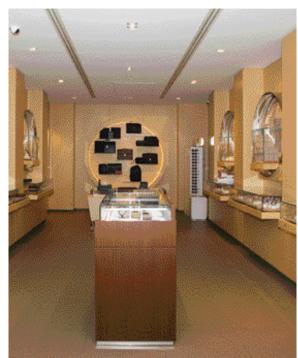
Simone Tamer, chief commercial officer of Tamer Freres sal, believes that tourists favor shopping in the luxury brand stores owned by the group because of the customer service provided. "Tourists compare our first class service with all the flagship stores they visit around the world. We follow the guidelines and offer a modern Eastern touch to our selling approach, as our culture is known for high standards of service and hospitality," she explains, but adds that a missed opportunity associated with Beirut as a luxury shopping destination is that Chinese and other Asian tourists are still not interested in visiting Lebanon.

BRIGHTER HORIZONS?

With tourism having such a strong impact on the luxury market, it was no wonder the luxury retail industry in Lebanon generally suffered over the past six years when the number of visitors to the country was low.

Today, tourism is on the rise again in Lebanon, with Beirut's five star hotels reporting up to 80 percent occupancy, the best it has been in the past six years, although not up to the level of 2010. However, it seems that this has not yet translated into more tourists from the Gulf coming to shop in Lebanon as they used to in the past.

The luxury brands Executive Life spoke to say Lebanese, whether expats or residing in Lebanon, continue to be their main clientele. "Our performance is mainly driven by local Lebanese residents who highly appreciate our designs and their French quality, especially since the brand has been in the market for almost 16 years now. Lebanese expats and Arab tourists started appreciating our brand more a few years back following the international expansion of Eden Park, mainly across the GCC markets," explains Noujaim.









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Annan also says the majority of their clients are Lebanese. "The majority of Rolex enthusiasts in Lebanon are Lebanese living inside and outside the country. Complementing our local faithful clientele, the brand in Lebanon attracts an interest from many enthusiasts living in the region." he says.

Tamer says expats make it a point to shop in the luxury brands store in Lebanon when available, as opposed to the same brand internationally, as they believe they are helping the economy that way. "Expat visits are increasing, thanks to the airline packages and services provided to them. Our loyal expat clients refuse to buy from abroad, mentioning to us that they want to purchase from the Beirut stores as they believe that they are helping the economy of their country," she says.

Meanwhile Maher Atamian, managing director at Est. Hagop Atamian (a distributor of luxury and medium-end watches in Lebanon) says their imported luxury watch brands continue to rely on local Lebanese and expats, and have not yet felt an impact from the increase in Gulf tourists to Lebanon. "We are still relying on the Lebanese expats who visit Lebanon during the summer and holiday periods," he says.

DOWNTOWN LUXURY

Downtown Beirut has all the makings of a luxury retail area and indeed it was almost overflowing with visitors prior to 2012. "Downtown Beirut is the destination in Lebanon that offers the biggest choice of monobrand luxury boutiques, a wide array of high-end restaurants, and a marina to complete the shopping experience. The presence of five star hotels also helps in the positioning of the city as the luxury retail destination in Lebanon and creates organic traffic to luxury shops based in Downtown," explains Annan.

In agreement, Tamer says, "Tourists are interested in visiting this area as a luxury shopping destination in Lebanon. All services are easily provided to them, and the access to the city is convenient, valet parking service is available at every corner, streets are equipped with parkmeters for those who rent cars, cab services are all over the city, and most of the shops provide them with tax free

refund slips upon purchase or free delivery to hotels for heavy or expensive items. Other areas, such as Dbayeh with ABC and Le Mall, also experience tourist footfall, but the only issue is that big brand names are not available in these destinations for high-end luxury clients, so as a brand mix today, Downtown remains the only destination in Lebanon providing the best service for high-end luxury brands."

But most say the activity in the Downtown area has decreased with the drop in number of tourists, and this has affected the luxury retail sector in the area. "Downtown is the only true luxury destination in Beirut. All major cities have their luxury in their 'downtown' areas, and Lebanon is no exception. It's very important to have it, since tourists target the center of the city when they visit. However, again, Downtown today is suffering because of lack of tourists," explains Atamian.

Noujaim also speaks of the decreased activity in Downtown Beirut, saying that this is because the area attracts mainly tourists when it comes to shopping, while the Lebanese seek out luxury brands in malls. "Today tourist numbers are not enough alone to sustain a business in Downtown Beirut. This area should be revived to attract more locals and become the main destination for shopping in Lebanon," says Noujaim.

TAKING ACTION

2017 is not over yet. Summer is still on full blast mode, and the potential profits from the end of year holiday period are still unknown, so a lot might change for luxury retail in Lebanon before the year ends.

In the meantime, luxury brand importers, such as Atamian are asking for continued political stability so things can get back on track and luxury brands can enjoy growth in Lebanon.

Noujaim asks for a reconsideration of rental fees, which would help retailers overcome this tough period. "The main support should be in adjusting the rents in line with the overall economic situation the country and the region is going through. This will benefit both the real estate sector, as well as the retail industry, and will provide a boost until the situation normalizes," says Noujaim.

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POPPING BOTTLES

INSIDE THE FEFERVESCENT WORLD OF CHAMPAGNE

Words by Olga Habre

hampagne, or sparkling wine, was initially an accident — a nuisance even. In post-Medieval France, bubbles in wine were the unwanted byproduct of alcoholic fermentation under certain conditions, and they were dangerous. Some called it "devil's wine" because its pressure often caused bottles to explode, sometimes starting chain reactions that destroyed much of the cellar's stock. Though he's falsely credited for "inventing" champagne, Benedictine monk Dom Perignon helped develop the region's wine industry, initially researching wine bubbles in an effort to get rid of them. Evidently, over time people began to intentionally produce sparkling wine, with the Champagne region's widely considered the most prestigious. The oldest still active champagne house, founded in 1729, is Ruinart.

Today, champagne is almost always associated with good times — it's a staple on New Year's Eve, boosts the mood at brunch, and you probably had it at a wedding this summer. It's the stuff of rap lyrics, Great Gatsby parties, and infamous Ibiza beach clubs. But champagne can't be reduced to a pricey sparkling wine from a specific region in France or a status symbol — it's an art, as well as an industry, and a luxury on many levels.

HOW IT'S MADE

In order to claim the title "champagne" there are production rules and legal requirements. The most obvious is geographic — the product must be made

in France's northern Champagne district. A designated trade group fiercely protects the name against imposters, even brands who try using the word for unrelated products. In 1987, Perrier was stopped from marketing its water as the "champagne of mineral waters." Yves Saint Laurent lost a high-profile lawsuit when trying to name a scent after the drink in 1993, and, more recently, Apple was reportedly warned against naming their 2007 iPhone color "champagne" (they went with "gold"). But it's not just the name — Champagne's cool climate and unique soil give its wine characteristic flavors.

The grape varieties used are primarily combinations of the white grape *chardonnay* and the black grapes *pinot noir* and *pinot meunier*. Some fruit is grown by the house, while other times it's sourced from local growers.

Champagne producers use the *Méthode Champenoise*, where champagne goes through two distillations, the first usually yielding a rather flavorless, acidic, low-alcohol liquid called *vin tranquille*. This can be blended with older wines kept in reserves, and is always combined with yeast and sugar. Champagne in the 19th century was significantly sweeter than that of today because more sugar was added, but the current trend is tart. Bottles marked as *brut nature*, *brut zero*, *brut sauvage*, and extra *brut* contain almost no sugar.

This blend is almost always bottled but not sealed completely — using glass that is thicker and







heavier than that of wine to withstand internal pressure — into the same container in which it will later be sold. Champagne must spend at least 15 months in this phase before release, but many houses let it undergo a second fermentation process for longer. Throughout this time special machines move bottles to ensure yeast interacts with all the liquid. This long-term second fermentation sets champagne apart from other sparkling wines as it happens in each bottle individually, giving wine depth and complexity, unlike Italy's increasingly popular prosecco, which is usually fermented in stainless steel tanks for as little as a few days or weeks.





In the end, bottles are disgorged, sometimes topped-up with additional champagne because fermentation can cause evaporation, and permanently corked. Non-vintage champagne can keep for up to two or three years, but more prestigious bottles, much longer.

A lot of work goes into making champagne and most of that work is in the cellar, says Wadih Riachy, manager of Vintage Wine Cellar in Saifi Village, explaining, "the process is very delicate and time consuming. It's the art of fermentation, years of knowledge, and a balancing act of methodologies — this is what makes champagne the ultimate luxury beverage."

DIFFERENTIATING AMONG CHAMPAGNES

Not all champagnes are created equal. The most common type is non-vintage (or multi-vintage) which is produced by blending several years of wines together to create the same taste each year in the brand's signature. There are rarer releases such as vintages from one specific year that the cellar master thought deserved to be bottled on its own and that are aged for at least 36 months.

The most exclusive (read: expensive) champagnes are prestige cuvée, produced from only the

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highest quality base wines from top vineyards and aged for even longer. The Lanson brand created Lanson Extra Age Brut NV to mark its 250th anniversary, purposely staying true to its style while blending three reserve vintages. Famous brands that produce only prestige cuvée include Moët & Chandon's Dom Perignon, Laurent-Perrier's Grand Siècle, Krug, Louis Roederer's Cristal, and Cattier's Armand de Brignac Gold Brut or "Ace of Spades" as it's nicknamed because of its packaging.

Rosé champagne is the only wine that's legally allowed to blend white and black grapes in France, though sometimes this style is made the same way as rosé wines, by pressing only black grapes and quickly removing skins. Most houses use more white than black, but one interesting exception is Laurent-Perrier's rosé, which is made with 90 percent black grapes. Blanc de Blancs is made solely from chardonnay, while Blanc de Noirs is made from only black grapes pinot noir or pinot meunier, or a blend of both.

Size matters too. Magnum bottles, larger versions of standard-size bottles, aren't just flashy, they are actually aged longer, which gives them an enhanced flavor.

DRINKING IT RIGHT

Riachi suggests drinking champagne in flutes or white-wine glasses, but not in 1920s-style coupes

supposedly modeled after Marie Antoinette's bosom. Champagne should be served chilled, but not ice-cold. He says if you're going to put ice in your champagne, you'll likely ruin the taste, so better switch to a simpler sparkling wine. "Winemakers put all this effort into creating the best blend and you put an ice cube in it? In a champagne that's already dry, ice doesn't taste good because you're enforcing acidity," he says.

However after seeing this trend popularized, Moët created a fun concept champagne, Moët Ice, just for that, and other brands have followed suit. The champagne is actually a demi-sec, which means it's sweeter than standard champagne, and tastes great on ice. By the same principle, it's advisable to add flavors, fruits and syrups and turn a basic, acidic sparkling wine into a cocktail, but it's a shame to mask a beautifully crafted champagne with sugar.

A note of warning, however, on average a cork escapes from a champagne bottle at a speed of close to 60 km/h, so however you like to drink yours, be careful with your aim.













INNOVATION

Champagne today is more accessible than it was in the past, but because of that it no longer quite fits the "rare" criteria we so often expect of a luxury product, and houses are continuously striving to offer something different to clients. Saturated markets with the increased competition from prosecco and a growing worldwide sparkling wine industry has forced champagne houses to go with new marketing strategies, like Lanson becoming the official champagne of Wimbledon, and Moët using celebrity endorsement and devising an international "Moët Day" with worldwide events. Brand representatives say it's a way to show the Moët "savoir fete," a play on words that means they know how to party, not just make great champagne. The aim is to go around the clock and show people all the ways you can enjoy Moët on different occasions, again trying to dispel the idea that champagne is just for celebrations.

In a notoriously strict industry where innovation is rare and difficult, breaking rules is tough, but might be vital. Ever the pioneers, Moët & Chandon crafted the MCIII expression, an unconventional concept that blends three ways of producing champagne (in stainless steel tanks, oak casks, and bottles) using the best vintages from years spanning 1993-2003 and aged for 10 years: 20 years in one bottle.

Innovation by individual brands is good for business, but it also helps keep the whole category relevant, say

Moët & Chandon brand ambassador Amine Ghanem and Moët-Hennessy Market Manager for North Africa and the Near East Briac Dessertenne, who visited Lebanon for a series of events in July. They explain that it's their responsibility to anticipate the future needs of clients and currently those needs are personalization and experiences.

CHAMPAGNE IN LEBANON

Speaking of experiences, Ghanem was in Lebanon to lead a Moët masterclass on the MCIII. During a visit to Beirut at the beginning of the year, Lanson Champagne's export manager, Emmanuel Gantet, held a masterclass at Ashrafieh's The Malt Gallery on his brand's range, giving not only a history lesson on champagne in general, and on Lanson specifically, but also introducing several special bottles. Vintage Wine Cellar hosts champagne tastings a couple of times a year. Beirut's five star Phoenicia Hotel has also held champagne pairing dinners, introducing people to various brands and expressions, while encouraging the pairing of champagne with fine cuisine.

In Lebanon, champagne is largely still viewed as something you drink on a special occasion, says Riachi. Perhaps because of its luxury status, it can be intimidating. While the Lebanese love luxury in general, Riachi says they will often have a flute before dinner, but later pair a bottle of wine with food, even though the price of champagne can be the same as a good bottle of wine. Meanwhile in Europe, it's more common to order champagne with a meal, or drink it casually, he says.

It might take a while for the Lebanese to start drinking champagne casually but maybe it's just not in Lebanese blood to be casual. If champagne is seen as the drink of special occasions, then perhaps we just need to find more excuses to celebrate.

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SOME JEWELERS OFFER MORE THAN GOLD AND DIAMONDS

Words by Olga Habre



nyone can wear diamonds, but people today are increasingly looking for something even more precious. For many, the idea that luxury is about having "nice things" has become too simple, and as we have more access to the finer things, the face of luxury is changing.

Historically the term has been defined as enjoying the best in life — beauty, opulence, authenticity, and rarity, but also thought, skill, and innovation. Today's luxury is evolving into a concept much more rooted in design. Fine jewelry is no doubt luxurious, but in a modern-day context, more jewelers are shifting their focus from stone-heavy classics to well-thought-out creations.

Lebanon has always been on the forefront of jewelry-making, and is traditionally known as the region's goldsmith. The current landscape is dominated by popular brands that have strong marketing and offer affordable, relatively simple pieces, as well as those that make tried and true traditional solitaires and fancy sets of earrings and necklaces — jewelry that doesn't necessarily have much personality but certainly looks impressive. Yet in the space beyond traditional design, a niche breed of jewelers is emerging in Lebanon and the rest of the world. These jewelers — creatives with vision, character, and individuality — are catering to the new needs of the luxury market.

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- Cynthia Raffoul
 André Marsha
 Selim Mouzannar
 Mukhy Sisters
 Randa Tabbah





SELIM MOUZANNAR

The value and the corresponding markup on this type of jewelry is in the design, and more and more clients now appreciate this as a luxury worth paying for. "I think there is a niche clientele who believe more and more that a piece of jewelry is not only the price of its materials," observes Lebanese jeweler Selim Mouzannar. "Before, [clients] didn't believe in something untouchable like creativity and considered the prices of [such] jewelry expensive. But now they believe it deserves the price — they believe in our creativity," he says.

Coming from a long line of successful jewelers and founder of one of Lebanon's most prominent brands with international success, Mouzannar says one of the things that marks his brand is that he always stays true to his own taste and designs only things he likes. Trends come and go but he doesn't jump on every bandwagon, designing what he believes in. Innovation is also an important factor, though he admits there is only so much innovation you can have, and it's difficult to reinvent the wheel in jewelry. "We are seven billion people on earth and all alike. We don't create, we modify things we see," he says.

He has won awards for his pieces, his work has shown up on the red carpet starlets, and he sells at boutiques in Europe, the US and the Middle East. One of his latest collections features an enamel technique that he was first introduced to as a child in boy scouts. He recently sent craftsmen for training and installed a special atelier for this, launching a line that combines the lacquered-looking technique with diamonds and precious stones for a unique look that is both beautiful, regionally significant, and uncommon, all the while staying true to a very distinct character that is visible across all his collections.

MUKHI SISTERS

The success of the Mukhi Sisters is a testament to the fact that some clients are more interested in a specific aesthetic than a lot of stones. Maya, Meena, and Zeenat were born into a family of jewelers from Lebanon and India and essentially grew up in trade shows observing their family's jewelry and the ideas of other creators. Launching their own brand in 2009 with Maya at the helm, the siblings' line initially began as a reaction against the industry's standard designs with big stones, always advertised against a black background.





Mukhi Sisters "Reverie on the vine" collection (top) and ring (bottom)

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At the time they saw a need for small, fun, and affordable fine-jewelry and began to create colorful, whimsical, neo-bohemian pieces. But to them, business is about offering a combination of beautiful objects and feelings — the Mukhi experience, as they call it. The Mukhi brand taps into how they make their clients feel, which is also a mark of luxury. "We're an industry of happiness," Maya says of the jewelry business, explaining that a lot of their target audience are women who want to indulge in little luxuries.

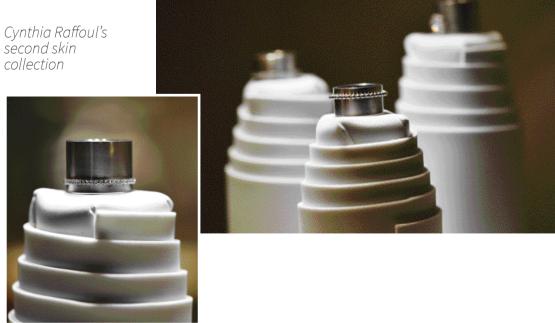
The sisters have cultivated relationships with clients — via Whatsapp updates on flash sales and casual chats about personal requests, as well as a lively Instagram page with charming and mostly unstaged photography — and say without social media they wouldn't be where they are today. They're also on the verge of launching an online store.

Having a physical space is important too. Their current concept store on the back side of the Beirut municipality building in Downtown was conceived as a tribute to their grandfather's old jewelry shop in Hamra and features additional space for items by other designers. Before opening in early 2017, their previous store was at Beirut Souks, where the concept was more like the cave of Ali Baba, where clients could sort through lots of little jewels piled into one display — an unconventional but fun way to shop for jewelry that's true to the brand's identity.

CYNTHIA RAFFOUL

Though she has a completely different look and philosophy, Cynthia Raffoul is also targeting women and their evolving lifestyles with her practical and wearable pieces. "Jewelry is [worn] on the body, and the body lives and moves. Today women have busy lives and [need jewelry] that can adapt to their life styles," she says.

Her jewelry's clean lines and discrete but fearless designs include the newest "Second Skin" collection, which was inspired by her own desire to have an unconventional wedding ring, and evolved into a series of bands set on sheets of gold. Other collections feature her signature spiral ring design, which allows for rings to be adjustable. The pieces are easy to wear from day to night, and have a graceful, contemporary simplicity about them. Her cozy boutique at the crossroads of the trendy Gemmayze and Mar Mikhael districts is designed almost like a cake shop, with large, suspended glass lids covering individual pieces.



To Raffoul, jewelry is very sentimental and should be passed down through generations. Reflecting that a specific piece of jewelry could be a gift from someone that loves you, or a gift you gave yourself at a special time, she brings up stories from her own Lebanese history and a world practice where families often fled during war with only jewelry, photographs and documents -- leaving everything else behind but keeping these valuable heirlooms for generations. In a world where brands want people to buy more things more often, she says, "I want to make things that will last, timeless pieces."

ANDRÉ MARCHA

The long-running brand Andre Marcha, named after its founder, is now in its second generation, with daughter Stephanie and sons Bruno and Jeff working with their father on jewelry that epitomizes luxury without sacrificing design. Stephanie, who manages their store in the Phoenicia Hotel, which opened with the hotel in 2000, proudly shows off her father's work - more works-of-art than pieces of jewelry. There is a large scorpion pin that must be worn on the shoulder (of a likely very confident woman), encrusted with over 7,000 diamonds; a smaller brooch of a beautiful female form where a giant uneven pearl forms the derriere; a gem-encrusted frog ring; another one in the shape of an octopus; striking asymmetrical earrings made of two unique rough opal stones; an orange coral made into a carrot brooch; a necklace of colorful candies; and a thousand other treasures.

Most of the pieces are one-of-a-kind, and if another client likes something, they can make a similar variation of the same thing. A maternal nephew of the Boghossian jewelers, André Marcha himself is still the main designer, but everyone contributes ideas. Stephanie scouts for stones around the world, and often the stones themselves inspire the design. "My father respects mother nature, and works around it. He has a beautiful imagination," she says. Other pieces feature rare wood, decades-old mosaics, and carved antique ivory from Europe.

Some of the newer items are more accessible — like the wonderland collection of smaller, more affordable pieces — to make sure caters to a wider variety of clients.







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RANDA TABBAH

A relative of another family dynasty of jewelers, Randa Tabbah launched her line in 1993 as a hybrid between fine jewelry — like her family's House of Tabbah — and the fashion jewelry she saw so much of in Paris during her studies and early work. "I wasn't interested in the classical way of making jewelry. I wanted to make jewelry that is special," she says of her limited edition and one-off pieces. Similarly to Marcha, Tabbah uses unusual stones, interesting pieces of wood, exquisite pearls and other materials, often letting the stone inspire the design. She also employs distinctive jewelry making techniques that she learned abroad, which is what she says sets her apart from other designers.

Tabbah works on the jewelry herself in her atelier in Ashrafieh (unlike many jewelers who know and follow the process but don't actually use their hands), only outsourcing certain steps to other Lebanese craftsmen. Her mostly repeat customers come to her boutique in Saifi Village when they are looking for something unique, she explains. In addition to fine jewelry in gold, she has a line of silver jewelry for those with a smaller budget.

Recently Tabbah collaborated with her daughter, who is an architect and now works with her, on a fascinating collection of map-based designs, where clients can choose a specific area of Beirut and customize gold or silver bracelets, rings, pendants, earrings or cufflinks, with diamonds marking the spot where special memories were made.

CREATIVE HURDLES

Like any industry with a lot of creativity, intellectual property is an issue for Lebanese jewelry designers. Marcha sites the famous saying that imitation is the highest form of flattery, but emotions run a little higher with the Mukhis. Maya remarks, "You realize [people copying you] are not very educated or ethical and don't see things the same way we do," explaining that Lebanon lacks education when it comes to respecting other people's work. On the other hand Mouzannar shruges that it's actually sad for the copycats: "Why would you copy? Make something you believe in."

But overall he is hopeful about the future of jewelry in Lebanon, listing several up-and-coming designers (many of whose work is available at his Macle store in Ashrafieh) who are building strong brands. The growing number of jewelers, many of whom copy or don't put a lot of thought into their designs, means competition is tough.



Randa Tabbah's distinctive designs

With designers that stand out, their strength is also their weakness. The masses tend to look around and buy similar things and while anecdotal evidence suggests the Lebanese are a nation of trendsetters, some designers disagree, citing the tendency to buy brand names and get identical plastic surgery. Raffoul's experience is that people might come to the shop and express interest but ultimately buy what their friends are buying, not venture to try her relatively new brand. "A trendsetter is someone who dares to be different. They do what they really like and they are who they really are. A lot of people in Lebanon are not living how they would like to," she explains.

This notwithstanding, these designers and others are taking creative risks with their work, each in their own way, striving toward what they believe in and hoping more Lebanese will indeed become real trendsetters. If clients start to look outside the designer brand box at the real luxury of these offerings, they might discover a new aesthetic, and with it the kind of happiness that only being true to yourself can bring — a real luxury indeed.



FLOWATCHES: "HOUSTON, WE HAVE A PROBLEM"

HOW THE OMEGA SPEEDMASTER CHRONOGRAPH SAVED LIVES

Words by Walid Younes

wo days, seven hours and 55 minutes into Apollo XIII's flight to the Fra Mauro crater on the lunar surface, the shuttle's second oxygen tank exploded. This caused the gradual failure of tank one, which supplied electricity, light and water to the shuttle. In an effort to put the shuttle back on the right path at the correct angle, Mission Control determined a plan that would require 14 seconds of fuel burning for course correction, followed by a free fall return to earth. Since the Alignment Optical Telescope (AOT) was out, Commander James Lovell had to use Earth's horizon and the Sun as an alignment star to guide the craft back on course. Meanwhile, Lunar Module Pilot Fred Haise's task was to ensure the Lunar Module would not drift sideways, and since the clock on board was not working, John Swigert, the Command Module Pilot, timed the burn of the rockets using his Omega Speedmaster Chronograph.

Three hundred and twenty thousand kilometers away from earth, the three astronauts executed this life-saving, precise course correction manually. Although the maneuver was successful, the mission was classified as a "successful failure." Six days into its flight, on April 17 1970, the world watched as the Apollo XIII crew landed safely in the Pacific Ocean.

As a result, in October 1970 NASA presented Omega with the Silver Snoopy Award, a special honor bestowed upon employees and contractors for outstanding achievements related to mission safety and success. In March 2015, paying homage to the 45th anniversary of this historic event, Omega released the "Speedmaster Apollo 13 Silver Snoopy Award" watch in a limited edition of 1,970 pieces.

This timepiece tells just one of the stories of Omega's dedication to precision and excellence, as well as the brands' role in space exploration. With a pricetag of around \$7,000 this watch never even made it to the shelves of Omega boutiques; the highly sought after timepiece was pre-ordered by watch collectors and enthusiasts worldwide before it could be displayed. Let's take a closer look at the special features of this exceptional wristwatch.



1. Limited production of 1,970 watches.

- 2. Dark blue enamel applied to the caseback and protected with scratch-resistant sapphire crystal.
 - 3. Silver powder is hand-sprinkled on the enamel of each individual case.
- 4. A silver hand-engraved image of Snoopy is mounted on the enamel, giving the impression he is floating in space.
 - 5. The caseback is engraved with "Snoopy Award," "Eyes on the Stars," "45th Anniversary," and "Apollo XIII," as well as the watch's number of the 1,970 pieces, for example 0001/1970.
 - 6. The earmarked squares of the first 14 seconds on the dial read: "What could you do in 14 seconds?"
- 7. At nine oʻclock is an image of Snoopy thinking; "Failure is not an option" words spoken by actor Ed Harris in the movie Apollo 13.
 - 8. The tachymeter scale, hour markers, the hands, and the thinking Snoopy all light up with impressive Super-LumiNova. 📳



SHEDDING LIGHT ON BEIRUT SECRETS

NUSSAMA BAAI BAKI ART EXHIBITION AT AGIAI

Words by Olga Habre



eirut is more beautiful at night. It can be painful to look at in the brutally honest light of day — knots of unsightly electrical wires creeping along like vines, decaying sidewalks giving way to grotesque concrete structures, haunting bullet holes, and rare patches of green accidentally left unpaved. But darkness masks the flaws, and when the occasionally working street lights or setting sun meet air pollution, an almost beautiful halo surrounds the city.

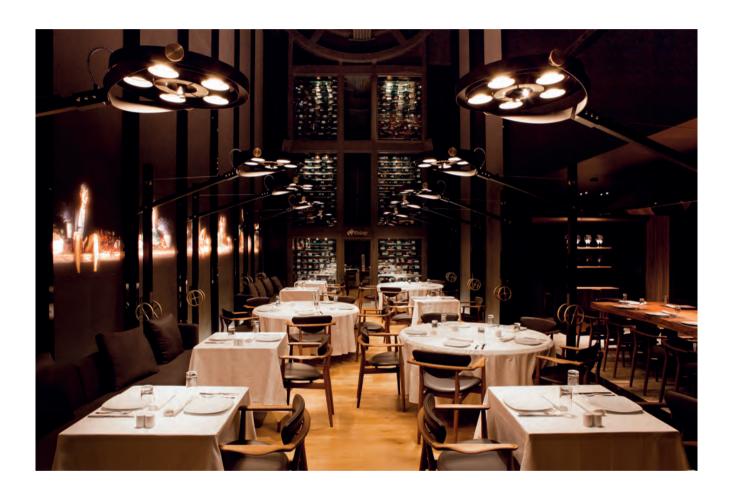
"Darkness hides the city's secrets," says Lebanese visual artist Oussama Baalbaki. His eighth solo exhibition, called Pleadings of the Light and held at the Agial Art Gallery in Hamra from July 4 - August 5, is a series of serenely dystopic Lebanese landscapes.

With a special focus on light, both natural and man-made, the pieces are beautiful and evocative — snapshots of Beirut streets and scenes from nature with almost no humans, but lots of eyesores like bill-

boards, cranes, antennas, scarecrows, quarries, and clashing architecture, set against a romantic sky filled with impressionistic clouds in shades of cool blue and lustrous gold. What's especially impressive about his work is his flawless technique in painting light, a notoriously difficult thing to depict. Baalbaki says he loves the leftover light of day and its contrast with darkness.

The artist does not own a car, and spends a lot of time walking the streets of his hometown. With his eyes in constant search of fleeting moments, he captures photos on a cellphone the way many of us do, but takes them to his studio and lets his imagination continue the thought on canvas. His paintings often recall photos. There is one particularly large painting of a dark street flanked by silhouettes of a billboard, and a streetlight contrasted against the kind of vivid sunset for which you'd pull your car over and take Instagram photos. This painting garnered a lot of

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what is true to them. Baalbaki is adamantly against this, proclaiming, "Art is not something you do if you're good at it. It's thoughts, philosophy, culture, and it's honest. Art is not made to be liked by others, but maybe others will relate and like it."

His paintings are definitely honest. The exhibition is both a tribute to his city and a wake-up call, and to him, art can be a healing tool for individuals and societies. Artists in the past have painted Lebanese land-scapes — the sun, trees, a very scenic, beautiful, and touristy Lebanon — but he portrays a more realistic, darker, and messier nation, but still with light and hope.

His paintings are a metaphor for what Baalbaki sees as a crisis in Lebanese society. He says we are living with desperation, violence, and anger every day, and while he is able to escape into his imagination and his art, others haven't learned to do the same. Expressing his frustration at the local art scene, he says he sees the same small niche of art lovers at art events, and there is little collaboration between artists and galleries, a sentiment echoed by others in the industry.

He laments that the country needs more art museums, art education, and emphasis on culture for all ages and layers of society. "Arguileh is more important than art. Lebanese want more malls, not more museums," he says, categorizing the majority of Lebanese at two extremes: too money-hungry, or too busy thinking about how to survive to care about culture. Though Baalbaki isn't against money, malls, and arguileh, he says there should be a balance, and art should have a more prominent role in our society.

well-deserved attention at the Beirut Art Fair 2016 and inspired Baalbaki to create the current series. Another painting is a classic countryside landscape, except for the artist's shadow in the forefront — a typical flaw in modern-day photography. "I'm merging two worlds: classical painting and the world we live in," he says. Other scenes include the view from his rooftop at night, and a popular Hamra Street building with graffiti of the Lebanese musical sensation Sabah by Yazan Halwani.

His approach to his art is highly philosophical, so it's no surprise he's an avid reader of poets and philosophers, and likes to paint them. One painting in this exhibition is completely unrelated to the theme — a portrait of Soviet poet Vladimir Mayakovsky, post-suicide, with a digital cursor icon drawing attention to his wound — another example of Baalbaki integrating technology into his art.

He admits the Lebanese are starting to see art as a real business, and this is both positive and negative. On one hand, they are taking art more seriously as a vocation and increasingly investing in it, which is good for artists financially. But this is a double edged sword because some buyers purchase art only as investment, and not because a particular piece speaks to them, and this sometimes leads artists to produce what they think will satisfy the market rather than



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- Hermès presents an exhibition entitled "Hermès à tire-d'aile Les mondes de Leïla Menchari" at the Grand Palais in Paris from November 8 to December 3, 2017.
- With over 85 years of experience in the fields of transport, travel, tourism, events, and airfreight, **Saad Holding** celebrated the inauguration of its new sophisticated offices located in Trillium Beirut.
- Hightower Castle, the luxurious events venue in Baissour, announced the debut of its exquisite Sunday brunch experience.
- With functions previously linked to the car, **BMW Connected** now uses several touch points as a platform to group day-to-day mobility functions. **BMW Connected** is therefore the first step along the road to a fully interlinked world in which cars become smart devices.
- LG Electronics announced that the LG Q6, part of its new Q series, will be the first smartphone to offer the FullVision display following the LG G6.
- More than a hundred new vacancies will be announced on **Bayt. com** from **Harvey Nichols Doha**within the next few months. **Harvey Nichols** is gearing up to open their department store in Qatar in September 2017 and will be looking for many talented employees from Lebanon to help them kick off.
- ELS Educational Services is pleased to announce that sixty students have been selected as winners of the 2017 Many Languages, One World® international essay contest.

- Huawei Consumer Business Group revealed its newest smartphone, the Huawei Y7 Prime, during the screening of "Transformers: The Last Knight" at ABC Achrafieh in IMAX 3D experience.
- Hamra Shopping & Trading Co. first introduced Geox, the leading Italian footwear and apparel brand, to Lebanon in 2005. For the past twelve years the brand has been expanding and has now opened its sixth outlet in Hamra.
- Under the auspices of the Minister of Energy and Water, Cesar Abi Khalil and the Minister of Industry, Hussein Al Hajj Hassan, and in the presence of the Assistant Resident Representative of the UNDP, Edgard Chehab, the President and Chairman of the Association of Lebanese Industrialists, Fadi Gemayel, represented by Georges Nasrawi, and the Chairman and President of Liban Cables, Bassem el-Hibri, the opening event of a large solar power plant serving Liban Cables in Nahr Ibrahim took place.
- In a first of its kind initiative to support local and regional dance talents and with the support of the **Lebanese DanceSport Federation**, a national dance competition called "For the Love of Danceware" was launched on social media targeting all dance enthusiasts.
- Cedrus Invest Bank S.A.L. has received the "Best Bank Governance Lebanon 2017" award following a study of the Lebanese banking sector by cfi.co, the leading print journal and online resource specializing in the finance and banking sectors.

- LGB Bank has sponsored the first Lebanese SME Forum organized by the Ministry of Economy and Trade at BIEL under the slogan "Your Needs, Our Challenges."
- On July 19, **Bella Mare** celebrated its grand opening under the auspices of the Minister of the Displaced Emir Talal Arslan, where media representatives, influencers, bloggers, public and political figures mingled and enjoyed an unforgettable evening hosted by Carla Haddad.
- Byblos Bank issued, in cooperation with the Olayan School of Business at the AUB, the results of the Byblos Bank/AUB Consumer Confidence Index for the second quarter of 2017. The results show that the Index regressed by 8.5 percent in April from the preceding month, while it increased by 9.5 percent in May and surged by 44.3 percent in June 2017.
- touch, managed by Zain Group, announced its hosting of Riyada's inaugural Youth Innovation Summer Program at touch Lab in downtown Beirut between July 17 and July 28.
- For its second year, the Alwan Beirut: Beirut Cultural Festivals & the Municipality of Beirut took place from June 28 July 5 in one of Beirut's most renowned historical sites, the Beirut Hippodrome.
- The all-new Mazda CX-5 was introduced to the Lebanese automotive scene when A.N. Boukather, the exclusive distributor of Mazda cars in Lebanon, unveiled the new Mazda during a press launch at their showroom in Nahr El Mot, on July 17.

- The latest job seeker tally from **Bayt.com** revealed that 43 percent of the online labor force in the Middle East have an account on **Bayt.com**.
- Ets. F.A. Kettaneh, the exclusive distributor of Audi cars in Lebanon, organized an adventure for 10 of their loyal customers. These fortunate guests had the chance to take part in an unforgettable and exciting journey behind the wheel of the Audi R8 Spyder.
- Visa and MEDCO are bringing back their successful "Fill it & win it!" campaign to support the move toward cashless spending in Lebanon.
- M1 Financial Technologies
 (Holding), a company of M1 Group,
 announced that it had acquired
 all the shares of areeba, owned by
 Bank Audi sal, during a press conference held at the new headquarters of the company at M1 building,
 Omar Al Daouq Street Beirut.
- **GROHE** developers have successfully reduced the size of the flush plates to 130mm by 172mm without compromising cistern access or complicating maintenance. This combination of stylish design and excellent functionality is a compelling proposition for interior designers, residents, and installers alike.
- T. Gargour & Fils, the exclusive distributor of Mercedes-Benz in Lebanon, celebrated the 50th anniversary of AMG by running the first Mercedes-AMG Performance Tour in Lebanon.
- **Piaget** is reiterating its support for the Only Watch initiative by offering a specially created timepiece that will be featured in a charity auction on November 11 in Geneva.

- Rotana, one of the leading hotel management companies in the region with hotels across the Middle East, Africa, and Turkey, marked a historic milestone as it completed 25 years of supporting tourism and hospitality growth in the region.
- Emirates and flydubai unveiled an extensive partnership which will see the two Dubai-based airlines join forces to offer customers unmatched travel options.
- The **Petite Promesse** knows how to unite fashion and respect for nature. Its latest revolution is Banka leather, made from trout skin in vibrant, elegant colors.
- **Credit Libanais** offers the education plan, SAFESTEPS, which combines savings and protection to cater to the needs of parents who are looking to secure their children's university education.
- The new **Panerai Submersible** watches draw inspiration from the history of a brand which has its roots in the world of the sea but which is also always looking forward to the future, presenting excellent technical solutions and surprising innovations.
- The Fondazione Merz and Liban Art presented Sacred Catastrophe: Healing Lebanon, an art platform for peace and reconciliation by Zena el Khalil.
- touch has announced its support of Michael Haddad, a professional athlete, inspirational speaker, adventurer, and social entrepreneur, on his next expedition, which he has entitled "The North Pole Expedition, A Journey for Humanity." Haddad, whose body is 75 percent paralyzed, will journey 100km in the North Pole, beginning April 2018.

- In the middle of another period of dominance, **adidas Football** has released the new away kit for Italian giants, Juventus Football Club inspired by one of the club's golden eras.
- **OLX**, the leading classifieds platform in Lebanon, has released a first-of-its-kind report that analyzes users' behavioral patterns on its platforms throughout the holy month of Ramadan.
- LG Electronics announced a lineup of smart appliances that are fully compatible with the Google Assistant on Google Home.
- Renault Lebanon is launching the new TWIZY, a simple, eco-friendly urban mobility vehicle. One hundred percent electric, Renault TWIZY is a playful vehicle particularly suited to the new optimized urban mobility, with an easy handling and minimal dimensions.
- Hosted by the Lebanese Society of Cardiology in collaboration with global pharmaceutical company, Novartis, the "Closing the Gaps in Heart Failure across MENA: Special focus on Lebanon" regional event enabled the group to identify priority areas for heart failure management in Lebanon.
- Cigna Corporation, a global health services company, announced its launch in Lebanon, as the premier provider of both health and wellness services to individuals, groups, and government entities in the country.
- At the Global Citizen Festival Hamburg, **Mastercard** and the **World Food Programme** announced a new commitment in their continued vision to reverse the cycle of hunger and poverty.

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- A press conference was held at ESA Business School to announce the first edition of the Beirut Design Fair in the presence of Guillaume Taslé d'Héliand, founder and director of the Beirut Design Fair, Hala Moubarak, co-founder and head of exhibitor relations, Dany Abboud, member of the Association of Lebanese Industrialists, Yasser Akkaoui, editor-in-chief of Executive Magazine, Edoardo Crisafulli, director of the Institut Culturel Italien and Eric Lebas, attaché culturel at the Institut français du Liban.
- Under the patronage of the President of the Council of Ministers H.E. Mr. Saad Hariri, Beirut is getting ready to welcome **BEASTS festival #WeDreamLebanon** with an outstanding launch event on Thursday, August 24, at Beirut Waterfront.
- Starbucks has opened the first store with Reserve Coffee in Zalka, north Lebanon, served on the unique CloverTM Brewing System.
- The **CMA CGM Corporate Foundation** announced the winning associations from its 2017 call for proposals "improving the quality of life for ill children and children victims of trauma."
- As part of its ongoing cooperation with **Diakonia**, which aims at easing the burden of chronic illnesses on patients, their families, and involved staff, the **Bellevue Medical Center** launched the "Chemo Care Kit" initiative, the first of its kind in Lebanon.
- Dubai-based **flydubai** is excited to announce the roll out of a new uniform as it enters its ninth year of operation. The new design will

be worn by more than 2,500 uniformed staff across the **flydubai** network.

- Spinneys hosted a unique two-day pet festival at its Hazmieh branch, for the nation's beloved animals and animal enthusiasts.
- The grand opening of **The Spot Choueifat** was held on July 7, a magical night that swiftly transformed into the talk of the town.
- Lebanese President, Michel Aoun, hosted a high-level delegation from **Barclays Bank** led by Makram Azar, chairman of banking for **EMEA** and chairman of **Barclays PLC MENA**, along with the MENA Country Head of Markets Walid Mezher.
- LGB BANK has sponsored a full day of sports activities organized by Al Hoch Social Association in the stadiums and playgrounds of Al Hoch town and neighboring areas in the Rachaya Al Wadi district.
- Boecker®, the leading public health service provider in the Middle East, stood with the biggest players in the pest management field in the world at the International Conference on Urban Pests, which was held from July 9 12.
- The St. Regis Maldives Vommuli Resort won three top categories at the World Travel Awards 2017.
- growing on-demand video streaming service in the MENA region, announced that the service has raised a total of \$125 million since inception, including new 2017 commitments from leading

global industry investors Starz, a Lionsgate company, State Street Global Advisors, in its capacity as an advisor and manager of private equity, and media and technology investment firms SEQ Capital Partners and Delta Partners.

- Fratelli Rossetti has chosen to enrich its campaign with some digital content, offering a 360-degree overview that takes a plunge right into the core of the Rossetti world.
- A recent study titled "The Middle East Skills Report," conducted by **Bayt.com** and **YouGov** a research and consulting agency hasfound that 63 percent of respondents in Lebanon believe that there is a skills gap in the market.
- Julie Rammal, the renowned Arab celebrity fitness trainer, introduced the region's first holistic care practice to achieve personal fitness goals while balancing the mind, body, and soul through an innovative intelligent and therapeutic fitness practice.
- Prince Ernst August of Hanover and the London-based, Russian-born fashion designer Ekaterina Malysheva, were married at the Marktkirche Hanover on Saturday July 8. For the wonderful occasion, Lebanese designer and Ekaterina's long-time friend **Sandra Mansour** crafted three custom-made gowns for the new princess, exclusively designed and finely handmade for her in the designer's ateliers in Beirut.
- Both geometry and flowers have been constant sources of inspiration for **Tony Ward**, so it only seemed a natural evolution for him to explore an interest-





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ing mixture of the two concepts, and create a collection based on the unique and complex patterns of flowers

- After a challenging day of mixology showmanship on July 5, 2017 the Diageo World Class competition jury named Mike Kassabian from SAPA Best Bartender in Lebanon to represent his country in the global finale taking place in Mexico in August.
- Under the patronage and presence of the Lebanese Minister of Tourism Avedis Guidanian, **Aigle Azur** announced the debut of its services in Beirut.
- Huawei Consumer Business
 Group held an opening ceremony for its first customer service center in Beirut which is located in Sin El Fil.
- British Airways announced its plans to give customers a great night's sleep in the sky through a partnership with the luxury lifestyle brand, The White Company.
- Maserati owners and friends gathered for an exciting drive organized by the Maserati Club of Lebanon with the support of G.A. Bazerji & Sons the exclusive importer and distributor of Maserati cars in Lebanon to appreciate wonderful mountain sceneries while enjoying a day with fellow Maserati owners.
- City Centre Beirut, member of Majid Al Futtaim, hosted Gerard Pique, Sergio Busquets, and Jordi Alba, the three renowned players from Barcelona's Football Club who have a huge fan base in Lebanon.
- **Byblos Bank** achieved adequate financial results in the first half of

- 2017, with Customer Deposits and Customer Loans growing by 4.3 percent and 2 percent respectively, to reach \$17.8 billion and \$5.3 billion.
- In line with its strategy to help society and encourage new generations, **BSL BANK** has recently launched a yearly partnership with **Donner Sang Compter**, an NGO that raises awareness about voluntary blood donation in Lebanon.
- Boehringer Ingelheim, one of the world's leading pharmaceutical companies, held an event to launch their latest innovative type 2 diabetes treatment in Lebanon.
- In 1972 the first generation of the **BMW 5 Series** arrived in Lebanon, making it the first country in the Middle East to receive the model. Since then, the premium business model has enjoyed eleven years of success with **Bassoul Heneine Sal, BMW Group's** oldest importer in the world, with over 60 years of cooperation.
- Byblos Bank and the European Investment Bank have signed their fourth Global Loan agreement, under which 100 million euros will be onlend to SMEs, as well as to mid-cap companies in Lebanon, in what represents some 40 percent of the total amount of credit granted recently by EIB to Lebanese banks.
- G. Vincenti & Sons, the leading distributor of food and spirits brands in Lebanon, organized on Thursday, June 15, an exclusive evening in collaboration with Shogun to launch the renowned Japanese single malt whisky "The Hakushu" at The Cask & Barrel liquor boutique.

- Jaguar introduces its new compact performance SUV, the Jaguar E-PACE. Joining Jaguar's PACE family of performance SUVs, the E-PACE follows on from the successful F-PACE.
- Speed@BDD held its fourth
 Demo Day, on Thursday, July 6, at
 the Four Seasons Hotel in Beirut.
- The **Renault-Nissan Alliance** reported a 16 percent increase in synergies for 2016 compared to 2015.
- The past year has been exceptionally rewarding for **Rasamny-Younis Motor Company**, the exclusive dealer of **Nissan Motors**, **Infiniti**, **GMC**, and other top car brands, at all levels. Both the sales and after sales teams achieved the highest ranks in various competitions, awards, and classifications, bringing home 15 international awards.
- Byblos Bank, pursuing its Financial Literacy Program for the third year in a row, supported the implementation of three MONEYSMART Boot Camps, designed by **Eventa**, in Beirut, Saida, and Zahle.
- Endeavorize Lebanon, a global entrepreneurship event, was held in Beirut on July 24, under the patronage of H.E. Prime Minister Saad Hariri, and in the presence of hundreds of local, regional, and international guests.
- Ipsos, the number one research company in Middle East and North Africa, appointed Joseph El Habre as the new CEO of Ipsos Interactive Services & Operations in MENA.













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LAST WORD

By Josiane Fahed-Sreih, PhD

Keeping it in the family

The role of family businesses and their innovative capacities in the hoped-for upswing of the Lebanese economy

The Lebanese economy reached its peak during the first half of the 1970s, after which it was devastated by the Lebanese Civil War. At the end of the war in 1990, hopes and efforts for the reincarnation of the economy increased. These efforts have failed repeatedly, with the failure mainly caused by the corruption that dominated the systems of the governance in the post-war era. In more recent years, political instability and the war in Syria has also had a negative impact on efforts to improve the Lebanese economy. According to Transparency International, the perceived corruption index in Lebanon reached a peak in 2016. Lebanon ranked 136 out of 176 countries, with a corruption index score of 28/100 on a scale from zero (highly corrupt) to 100 (very clean). The new presidential era of President Michel Aoun was based on common agreements among most Lebanese political parties. It has been characterized by promises for reform and anti-corruption initiatives, so hopes are increasing for an upswing in the Lebanese economy.

Family businesses are a building block of the Lebanese economy, as they are the backbone of the industrial sector as well as the service and commerce sectors. In Lebanon, 46 percent of family-owned firms have experienced steady growth over the past 10 years, and 21 percent of them achieved a rise between 6 and 20 percent in annual revenues. These firms account for 14,000 jobs annually, making up 12 percent of the entire work force in the industrial sector. The success of family businesses lies in the fact that own-

ers tend to be more conservative and will take meticulous care of their own personal investments. They are 6 percent more profitable on average than non-family businesses, and the market value for these businesses is 10 percent higher on average. Due to the impact of family businesses, Lebanon has one of the highest Gross Domestic Products (GDPs) per capita among non-oil based Arab economies. Family businesses worldwide account for a combined \$6.8 trillion in annual sales, and employ 24.8 million people. In Lebanon they employ most of the workforce, more than six times what the public sector employs.

HIDDEN CHAMPIONS

The innovative capabilities of family businesses proved to be an essential building block in their success and hence the rise of the economy. Lebanon relies heavily on the private sector, which constitutes 85 percent of its economy, and 95 percent of private sector firms are family businesses. As a result, we can say that family businesses are the backbone of the private sector in Lebanon. In spite of the family businesses' main concerns, which is the preservation of wealth from one generation to the next and wealth for future generations, recent studies have shown that family firms are more innovative than commonly thought. These firms have been called "hidden champions" because they focus on their main business and relentlessly innovate to keep their leading position in their industries. Families in businesses that have been leaders in their industries have maintained

this leadership position due to their innovative capabilities and relentless development of their products and services. In a study conducted at the Institute of Family and Entrepreneurial Business at Lebanese American University (LAU), innovation has shown to have a direct correlation with the performance of the business. Innovation is a crucial point in understanding the capabilities of family firms, their procedural capacities and their potential in terms of competing in the global economy. The study showed that 75 percent of the Lebanese family businesses were found to be innovative. This could go some way toward easing the concerns of the Lebanese, as through the rise in family businesses and their innovative capacities the Lebanese economy may see improvement.

In conclusion, family businesses can play a crucial role in the growth of the Lebanese economy. It is important to conduct more research on how to help family businesses improve their innovative capabilities by allowing them to incorporate innovation processes within their businesses, or by supporting them in creating the adequate infrastructure to allow them to enhance their competitive advantages in light of the fierce competition in this globalized world. Eventually, this improvement will have a retroactive effect on the well-being of the overall economic situation.

DR. JOSIANE FAHED-SREIH is an Associate Professor of Management in the School of Business at the Lebanese American University. She is the founder and currently the Director of the Institute of Family and Entrepreneurial Business at LAU

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