FOOLS’ GOLD?
The growing lure of crypto
BRITE DATA
ACCESSIBLE AT ANY TIME

BRITE: BLOM Research Indicators and Trends in the Economy, is an initiative generated by BLOMINVEST bank and executed in collaboration with Economena and Moody’s Analytics.

Access the portal and benefit from transparent, trustworthy and versatile data on the Lebanese economy with dynamic charting for academic, research or professional needs.

Visit brite.blominvestbank.com to find out more.
A tale of two worlds

Lebanon’s election season has begun. With it comes hatred, spite, segregation, animosity, and the most vicious deception imaginable. Desperate to sway votes in their favor, our narrow-minded politicians have one strategy in their playbook: isolate and manipulate. Playing on ignorance and fear, they further divide our already fraught communities. Last month we witnessed just how low these politicians are willing to go.

Blind clientelism rules each political reshuffle in this country, while ordinary Lebanese are trapped in constant fear over their security and livelihood. Their concerns are left unheard, and if heard, ignored. The only concern of our politicians is power and maintaining it at any cost.

Meanwhile, Lebanese citizens are increasingly removed from the reality of the street, living instead in a virtual world behind their tablets and smartphones. On the one hand, these serve as gateways to new ways of thinking and new technologies that are now embedded in how we are governed, live, and interact. On the other hand, we must be careful not to lose ourselves in a digital world while our self-serving politicians govern the real one.

This digital realm is packed with new technologies and we’ve taken the opportunity to investigate one: cryptocurrencies. We’re uncertain which cryptocurrency will prevail, and we have not fathomed the limitless boundaries of their utility nor how they will affect the way we trade. We don’t know how to regulate them, and we should. All we know is we need to embrace them, understand them, and learn how to integrate them in our ever-changing digital realm.

But we cannot let this new order of things distract us from the reality on the ground. Lebanon is on the brink of two future-shifting events: elections and the possibility of becoming an oil and gas producing nation. We need to be careful. We need decent, talented Lebanese on the boards and management of our state-owned enterprises that can preserve and grow our wealth. We deserve a well-governed sovereign wealth fund to protect, reinvest, and grow our potential wealth, to create a safety-net for future generations. We need it for a rainy day. God knows how many we’ve had. If our political class was able to squander $80 billion, how can we trust them with this?

These coming elections promise to be different. An increasing number of reformists are finally sticking their necks out for all of us. Let us reconnect to reality, vote differently, and do our utmost so that the 2018 elections do not turn into fool’s gold.

Let us save our country while we still have the opportunity to be a part of both worlds.

Yasser Akkaoui
Editor-in-chief
CONTENTS

LAST MONTH
8 January’s essential headlines

LEADERS
10 Keeping it clean
   Resource revenues must come with accountability and transparency
10 A golden opportunity
   Let’s take the lead in digital currencies

SPECIAL REPORT
OIL & GAS
50 A roadmap for 2018
   Drilling will not begin until 2019, but this year is brimming with preparation
54 Saving us from ourselves
   Planning begins for a sovereign wealth fund
58 Lebanon’s O&G wealth
   How a sovereign wealth fund can keep the government honest
60 Environmental impact
   An update to oil & gas environmental policy
62 One eye open
   Keep oil & gas production transparent
64 Q&A with LPA
   Discerning the next steps of oil & gas

ECONOMICS & POLICY
68 Where is the money going?
   A look at the allocations of the 2017 budget

BANKING & FINANCE
70 Crédit Agricole
   CA goes digital but stays personal

CRYPTOCURRENCY
14 The crypto challenge
24 Disruptive technology
28 The Bitcoin revolution
34 Lebanese entrepreneurs hop on the crypto train
38 Legal aspects of digital currencies
44 Seeking crypto transparency

76 Is Lebanon technologically ready to tackle growth?
   With better education and governance

REAL ESTATE
80 A lifeline for heritage out of thin air?
   A draft law that would help with preservation heritage of Beirut buildings
84 Bringing order to the Order
   A new president of the OEA of Beirut is shaking things up

HOSPITALITY & TOURISM
88 In high spirits
   Lebanon’s alcohol distributors talk growth and trends
92 Cheers for the beers
   Craft beer: a maturing market in Lebanon

EXECUTIVE LIFE
98 Same streets, different view
   New walking tour re-examines Beirut’s urban landscape
100 Dar El-Nimer
   A culture of inclusion

BUSINESS ESSENTIALS
104 Company bulletin
108 Conferences & exhibitions

LAST WORD
112 Lebanon, let’s talk
   Tackling sexual violence requires a shift in mentality
Your Ticket to the 2018 FIFA World Cup Russia™

Keep using your Bank of Beirut Visa cards and double your chances to attend the 2018 FIFA World Cup Russia™, courtesy of Visa.

* Offer valid till March 31st, 2018
T&C apply
SUV SOPHISTICATION

CADILLAC XT5

4 YEARS FREE SERVICE
7 YEARS WARRANTY

STARTING FROM:
$55,900 (Excl VAT)

V6 Engine 310hp with Auto Stop/Start, Bose® Sound System & Touchscreen, 8-Speed Transmission and All-Wheel Drive.
Lebanon’s EDL workers protest short-term contracts and late salaries

Employers of Lebanon’s state-run Electricité du Liban (EDL) staged their second protest in 10 days on January 4 on Beirut’s Corniche al-Nahr, calling for long-term contracts and complaining about late salaries. Some workers claimed they had not been paid in 10 months, and many said they could not afford basic necessities such as household items and school tuition for their children. The protest came on the heels of a number of sit-ins and strikes, most of which have been ignored by authorities despite causing delays in power generation in some areas of the country.

UNICEF releases report on impact of Yemen war on children

UNICEF released a report on January 16 stating that the war in Yemen has killed or injured more than 5,000 children, meaning an average of five children every day since March 2015. Another 400,000 children are severely malnourished, and nearly two million Yemeni children are not attending school. The UN agency announced that more than 11 million children—nearly every child in Yemen—were in need of humanitarian assistance. According to the World Health Organization, the war has killed 9,245 people since the Saudi-led coalition joined the Yemeni government’s fight against the Houthis, triggering what the UN has called the world’s worst humanitarian crisis.

The US threatens to cut funding to UNRWA and the Palestinian Authority

On January 16, the US Department of State announced it would cut its yearly earmarked aid package to the United Nations Relief and Works Agency for Palestinian Refugees (UNRWA) from $125 million to $60 million. The US is UNRWA’s largest funder—contributing almost 30 percent of its budget—and this move will decimate funding for some of the most vulnerable people in the region. Later in the month, on January 25, US President Donald Trump threatened to cut aid to the Palestinian Authority, accusing the Palestinians of having “disrespected” US Vice President Mike Pence by refusing to meet with him during his recent
Byblos Bank is proud to achieve excellence in Economic Research and Analysis by providing insightful knowledge about the Lebanese economy and many emerging markets. Its publications Lebanon This Week, the Country Risk Weekly Bulletin, the Real Estate Demand Index and the Consumer Confidence Index in Lebanon have become a reference for all those who seek reliable facts, figures, and analysis about economies and sectors. Here's to the next 10 years!
state visit. Palestinian President Mahmoud Abbas declined to meet with Pence in protest over Trump’s decision to recognize Jerusalem as the Israeli capital, a move rejected with a resounding majority by the UN General Assembly in December 2017.

Turkey bombs Kurdish-controlled northern Syria

After a week of threats from Turkish President Recep Tayyip Erdoğan the Kurdish-controlled city of Afrin and its surrounding countryside in northern Syria, Turkish jets began bombing the area on January 20, hitting more than 100 targets in a military operation named “Olive Branch.” The following day, the Turkish army, together with allied Syrian rebel factions, began a ground incursion into the Kurdish enclave. The Turkish Defense Ministry claimed the operation aimed to eliminate groups such as the YPG and PKK and establish a security corridor along Turkey’s border with Syria, and promised to withdraw once this goal was achieved. The YPG, together with a coalition of north Syrian forces and with broad US support, now controls close to a quarter of Syrian territory, in the north-east of the country. As the bombing campaign got underway, reports surfaced of civilian casualties, with seven killed and 25 wounded. There is little international support for the military operation, with both Russia and the US openly opposing it and protests organized around the world. In Lebanon, hundreds of Kurds demonstrated in front of the Turkish embassy on January 26, carrying Kurdish flags and chanting slogans denouncing the Turkish president, including: “Down with Erdoğan!”

Activists protest violence against women after another femicide

A man reportedly killed his wife in the early hours of January 22 in Beirut, sparking renewed calls for more stringent laws to protect women in Lebanon; the country suffers from high rates of domestic abuse and femicide. A security source told The Daily Star that Fadi Ghazi Askar shot and killed his wife in the street as she attempted to escape following a domestic dispute. The latest Lebanese femicide prompted activists and civil society organizations such as KAFA to organize a protest on January 27 outside the Lebanese Parliament, decrying recent violence against women in the country. Protesters denounced the authorities’ passivity following the violent deaths of eight women since early December 2017, and demanded legislative reforms to protect women from domestic violence. A statement signed by several NGOs present at the protest said: “Women are dying one after the other because of inaction by the legislative, executive, and judicial powers that don’t consider this to be a priority issue.”

Rift between Amal and FPM deepens

A video leaked on January 28 showed Lebanon’s Free Patriotic Movement leader and Foreign Minister Gebran Bassil calling Speaker of Parliament Nabih Berri a “thug,” sparking outrage amongst supporters of Berri’s Amal movement. The Amal movement released an official statement on January 29 warning that the statement threatened the country’s unity, stability, and security. Berri’s top political aide, Finance Minister Ali Hassan Khalil, accused Bassil of crossing a red line and described him as a “political dwarf” with sectarian motives. Meanwhile, Berri’s supporters took to the streets shutting down roads across the city and causing traffic mayhem.
Your True Neighbor
LEADERS

OIL & GAS

Keeping it clean
Resource revenues must come with accountability and transparency

At the end of January, Lebanon signed its first contracts for offshore oil and gas exploration with a consortium of companies made up of Total, Eni, and Novatek (see Special Report, beginning page XXX). This year will be spent preparing for exploratory drilling in 2019—on paper, the prospects look good—and in a few years, Lebanon may very well be a oil- and gas-producing state.

The stakes are high, not only because the rule of law in Lebanon is weak, but also because the oil and gas industry is notoriously secretive and dirty the world over. The Lebanese government cannot allow or tolerate corruption; it must enforce environmental rules and monitor companies to ensure that the terms of the contract are met. This cannot be done without a regulator, and the oil and gas sector cannot be allowed to function (or dysfunction) like the telecommunications or electricity sector, where the mandates of the regulator’s boards of directors have expired or were never established in the first place.

The board of the Lebanese Petroleum Administration, the sector’s regulator, was appointed to a six-year term that expires December 4, 2018. There is no indication yet whether the board’s term will be renewed—media reports from the time of its appointment in 2012 said it could be renewed once, but the decrees that organized and appointed the board members gave no indication on how to renew terms—or whether new individuals will be appointed. The point is not whether the same individuals are reappointed, or whether a new board will be formed. The point is to maintain the institutional integrity of the LPA by having a qualified board of directors in place to oversee the exploration phase and, hopefully, oil and gas production.

Over the course of the first three years, the consortium will, according to the terms of the contracts, drill one well in each block. Drilling (and other activities) will have associated costs that will be recoverable by the companies if and when oil or gas beneath Lebanese waters is pumped out of the earth and successfully brought to market. At the end of each year, the consortium will have to submit a bill of the recoverable costs incurred while drilling the wells. In order to recover costs after a commercial discovery has proved profitable, the consortium has to submit a receipt to the minister, based on recommendation of LPA, for approval. If the LPA recommends the minister not approve the receipt, the LPA will enter into negotiations with the consortium, and if no agreement is reached, an arbitrator (one who is not a Lebanese national or a national of any of the companies in the consortium—impartiality to both parties is spelled out in Article 39 of the exploration and production agreement contract) will be asked to mediate.

Competent, trustworthy people with industry experience need to be keeping an eye on these costs. Last year’s tax law for the sector (not to be confused with the year’s many other tax dramas) was designed to codify a layer of cost control, but even the best law needs a watchdog to enforce it.

CRYPTOCURRENCY

A golden opportunity
Let’s take the lead in digital currencies

Welcome to 2018. EXECUTIVE trusts that you have settled yourself comfortably in this year, which has commenced with a resurgent phenomenon that is always greeted as new and yet is very old: the acceleration and accumulation of political economic momentum, including insanities in the financial world. From record gains on the globally watched NYSE to someone’s unchallenged claims at the World Economic Forum that it is only natural to think of your country first (if you happen to be top dog in the global economy), the month of January went by with flashing global alarm signals. But it seems pointless to moan. We have taken this month to look at, and try to increase our understanding of, digital currency.

There are plenty of reasons to be uncomfortable with the digital world: Some naturally have concerns over consumer privacy as stores analyze your every move to achieve marketing optimization, over state censorship and snooping, over children spending 10 hours a day on mobile gaming and only 10 minutes on the football pitch, over preteen kids who have seen everything “adult” and more online, or over virtual sex and rising loneliness in affluent societies—the list is just getting longer. Cryptocurrency, another harbinger of this new digital age, is upon us, and its advocates say it is the perfect tool to set us free.

Sadly, intentions and results in the history of civilization rarely align. Examples of this divergence can fill
DIAGEO

20

CELEBRATING LIFE EVERY DAY EVERYWHERE FOR 20 YEARS
entire libraries (or several USB sticks). Even Matthew, the evangelist, could not have envisioned that crusading hordes of European militants would stomp in his master’s name around the Eastern Mediterranean when he noted down Jesus’ sermon that the meek will inherit the earth and the peacemakers shall be called children of God.

The non-alignment of outcome and input, and sometimes perversion of the outcome, is certainly on display in the history of money. If one uses the definition that something mind-altering causes marked changes in mood and behavior patterns, then money should reside atop all historic lists for mind-altering substances. By ye assured, in the history of economic movers, King Croesus did not dream about sound money or the gold standard when he ordered the minting of the first gold coin some 25 centuries ago in what we today call Anatolia; feudal lords around Europe did not contemplate the societal changes that the innovation of allowing peasants to pay their fees in coin would lead to in later centuries.

That human ingenuity tends to result in boundless unexpected and unintended outcomes is also true for the history of economy and technology. Adam Smith could not have imagined the legions of imbecile economists who would waste time speculating about the invisible hand. John Maynard Keynes surely did not set out writing his General Theory of Employment, Interest, and Money in the 1930s with a mind to flood the global economy with statist problems, and the creators of the cameraphone in the 1990s did not think of selfies, or that people would tumble off cliffs or high rise buildings in their pursuit.

The creation of digital money, hard or easy, is indubitably a grand social experiment—perhaps even the greatest of all time, in terms of societal consequences. It is just that we are all, cryptocurrency creators very much included, the rats in this experiment. As inescapable mazes go, the only way forward is to gather our wits and fill what we do with meaning. It is the hope of EXECUTIVE that this dossier on cryptocurrency issues will inspire our readers to step up their own research into this important issue.

In line with what we learned, we call on Banque du Liban (BDL), Lebanon’s central bank, to support the intensification of the national debate on all things cryptocurrency. We further call on BDL to clarify and set standards for this emerging sector, and pioneer pathways for Lebanese entrepreneurs in the ecosystem fostered by Circular 331 to learn more about digital money and collaborate responsibly with the Lebanese banking and financial industry—so that both can shine on the digital-innovation frontier in our region.

EXECUTIVE was greatly encouraged to meet with passionate Lebanese entrepreneurs with shared cryptocurrency dreams (see story page 36), professors at Lebanese universities who deeply immerse themselves in the complex topics of Bitcoin and blockchain (see overview page 14 and explainer on page 24) and even a knowledgeable cryptocurrency enthusiast in Beirut during work on this dossier (see comment page 30 and interview page 44 with Stéphane Abichaker). To be fully transparent, Abichaker busts the doors wide open last October by taking the initiative to approach Executive with the idea of collaborating on a cryptocurrency dossier.

We were amazed to see how strongly interested many of EXECUTIVE’s contacts and interlocutors were when they heard of our humble research. We were enthused to note the latest responses by Governor Riad Salameh to questions about cryptocurrencies, for example at the LIFE/Endeavor event just before Christmas, and when our collaborators and interviewees told us of possibilities for a regional digital sovereign currency cooperation and general cryptocurrency opportunities they envision for Lebanon. We urge BDL to step up its research in these regards.

The fundamental power of the market society is the power of trust, playing out in the triangle of faith in a trust-worthy system, trust in the trade partner, and confidence in oneself. The celebrated Israeli historian Yuval Harari introduces his take on money and politics on his website with the observation of how exceptional it is that in our era, the “whole of humankind has become a single network of cooperation.”

According to Harari, people do not believe in the same god or obey the same government—one is tempted to comment that they are actually getting farther from it by the day—but they are all willing to use the same money. He sees money as a mental construct and states, “Trust is the raw material from which all types of money are minted.”

One can enter lovely debates about practically anything related to money, and although it sounds good to say, “trust is the only currency of any value,” it does not help in the accumulation of social capital. But let us agree that to increase trust, while making every effort to control the associated risks, is to increase the central currency of human history.
MASTERS IN ENTREPRENEURSHIP
NOW RECRUITING

THE WORLD NEEDS NEW LEADERS. BE ONE OF THEM.

ESA Business School is proud to announce the launching of its Masters in Entrepreneurship with HEC Paris. Enroll today in an exceptional program that pushes you to your limits. Amazing experiences are waiting for you! 2 major trips to Silicon Saclay and the Silicon Valley. You will be trained by the best experts in entrepreneurship.

A program done with the support of the Chamber of Commerce Industry and Agriculture of Beirut and Mount Lebanon.

PROFILE
• Holder of a university degree
• An average age of 24

LANGUAGE
English

DURATION
One year holders of Baccalaureate + 4 or two years for holders of Baccalaureate +3

APPLICATION DEADLINE
Continuing admissions process. No closing date.
The Crypto Challenge

For years, the world has been engulfed in accelerating debates full of fear and fascination about Bitcoin, altcoins, and blockchain economies. Just look at January 2018, which brought threats and announcements of state regulation over cryptocurrency in some jurisdictions, bans of exchanges, rumors of impending restrictions alongside news pointing to the opposite, reporting on both startups and legacy companies that are venturing into initial coin offerings (ICOs), and speculation on the intentions of governments seeking to create their own blockchain economies, crypto-coins, or sovereign digital currencies. (See glossary on page 25 for an explanation of these cryptic terms).

A peculiar noise this past month emanated from the cryptocurrency trade. It is so replete with extreme volatility that January seemed to be accompanied at every turn by warnings that the cryptocurrency skies were falling and that the Bitcoin crash had arrived, or was just around the corner. This clutter of chatter was aided by, on the one hand, the reality of excessive fluctuation in Bitcoin, and on the other hand, the cryptocurrency trade environment, which lacks any visible interruption by holidays or off hours.

Bitcoin, the market-capitalization leader in the crypto realm, went up and down like a yo-yo throughout the month, adding roughly $70 billion in market cap between January 1 and 7, only to see it drop by $72 billion in the following week—and so forth. By late January, when some trade augurs were waxing lyrical about Fibonacci lines, a momentary environment of relative calm seemed to exist and Bitcoin was trading in the range of $11,000 a coin.

As for the cumulative market cap of cryptocurrencies, since the beginning of the coinmarketcap.com time display on May 1, 2013, the estimated value grew from $1.4 billion to $8.4 billion on May 1, 2016—or almost sixfold over three years. The next year saw a massive acceleration: By May 1, 2017, the market cap was cited at an eye-popping $37.9 billion, having grown more than fourfold in a single year, followed by the really crazy rise to $600 billion at end of last year. At the end of January, the market cap was $550 billion.

Moves by the Second and Nanosecond

Notwithstanding that the trading of cryptocurrencies in the last few years has seen periods of almost normal market insanity, what truly matters in this domain is not the year and day, but the minute, or even the second, that you look at this market. Regardless of its degree of volatility at any time, the intensity of this market remains disturbing, unless you happen to be an algorithm.

The intensity of this market remains disturbing, unless you happen to be an algorithm. Even if one, for example, were aiming to implement a contrarian strategy in the current heap of cryptocurrencies (of which at least 70 percent, but possibly over 90 percent, appear to move in lockstep, while their overall number is growing daily), how could such a strategy be designed and implemented with human capacities to process information and act with a human mixture of experience, technical knowledge, information, and people-reading skills?
Cryptocurrency

Further adding to this muddled trading environment are marketing departments screaming of the next ICO and counting down its presale “offering” in pop-up ads on numerous sites dedicated to digital-economy news (with unknown percentages of fake news presumably strewn in), blatantly partisan cryptocurrency opinionating, and annoying coin promotions. To complete January’s chaos, just mix color into the picture in the form of mutually contradicting comments by economic celebrities, from Facebook CEO Mark Zuckerberg to investor legend Warren Buffet to popular economist Robert Shiller.

Zuckerberg praised cryptocurrency as a way to “take power from centralized systems and put it back into people’s hands.” Buffet appeared in a brief TV interview in mid-January with the ominous prediction that cryptocurrencies “will come to a bad ending” (while mainly saying that he has other investments and will not partake in a sector about which he knows little, nor will he take positions on cryptocurrency futures). And Shiller said in a debate at the World Economic Forum that Bitcoin was an “interesting experiment” after oracling in interviews that Bitcoin was in a bubble state, but that bubbles with strong narratives could last thousands of years.

It seems daring to assume that a load of brief cryptocurrency remarks to media will contribute to clarity, rather than just pile more noise onto the shaky ground of digital money and the historically incomparable reality of an already confused world’s digital transformation. But certainly not all economic noise is bad noise that merely obfuscates and distracts from core cryptocurrency concerns.

SOME GOOD THINGS CAN COME FROM NOISE

One important value of the recent hype lies in increasing the general curiosity about cryptocurrencies. Back after the first wave of attention to Bitcoin in 2013 and 2014, when its use for buying drugs on the online Silk Road marketplace and the shuttering of then-leading Bitcoin exchange Mt. Gox in Tokyo made news, cryptocurrencies were considered by some to have evolved from a subcultural phenomenon to a reference point in mainstream public debates. However, according to media reports and the Statista website, polls from December 2013 suggested that basic awareness of Bitcoin’s existence was below half the population in the United States at 48 percent, and between 13 and 45 percent in a number of developing countries. Moreover, responses in the US indicating willingness to invest in Bitcoin were far below basic awareness; only 13 percent said they would prefer Bitcoin investing over gold investing.

More recently, surveys from late 2017 in South Korea, Japan, and the United States—which are currently the three leading countries in the global
The concept of creating money for use in make-believe environments has fascinated human game creators and innovative minds throughout various phases of capitalism—and might have especially spurred them on during periods when capitalism was in one of its great crises. One can perhaps regard the Monopoly board game’s initial rise in the 1930s Great Depression as an indicator of the attractiveness of private money.

The quest to develop virtual money or online currencies was part of the narrative of the New Economy up until the bubble burst in the early 2000s. The idea of virtual money lost some gloss in the real world immediately afterwards, as online finance initiatives dwindled, but virtual money and virtual gold continued to thrive in the realms of strategy video games and massive multiplayer online games.

In the narrative of Bitcoin that tends to wander into the realm of urban myths, it is the pseudonymous Satoshi Nakamoto who is associated with the successful crossbreeding of cryptography and virtual money, boosted by the external impact shock of the Great Recession, into the first true cryptocurrency.

Taken from technological and economic points of view, the third element, blockchain and ICOs, are much lighter fare than Bitcoin, even as, in technical terms, the pure variety of the former is inextricable from the Bitcoin idea, and the latter appears to be largely a derivative of its success. Blockchain technology is still in flux and its economic and social uses have yet to be seen (see comment on page 30 and interview on page 44). The relationship between blockchain and banking is also closer to an engagement for marriage than to unbridled marital bliss as of yet (see explainer on page 24).
The trajectory of the ICO story, on the other hand, strongly suggests that digital progress can do nothing to modify human behaviors away from patterns that have tormented men and women (while negatively impacting male behavior more directly than female behavior) throughout the history of boom-bust capitalism and recurrent bubbles. There is no eradicating overconfidence and irrational exuberance; thus, it simply looks as if the short history of the internet will see its second bubble not too far into the future.

As an added concern, initial coin offerings, as they are currently handled absent supervision, could weaken the process of sorting out bad business ideas and channeling investments into start-ups that, by existing criteria, deserve to be funded. “The problem is that you allow lousy startups to fund themselves,” says Henri Azzam, director of the Masters of Finance program at the Olayan Business School of the American University of Beirut.

Azzam argues that an uncritical process of indiscriminately churning out coin offerings, on for example the Ethereum blockchain, can facilitate the funding of inefficient startups and the creation of zombie companies, resulting in detrimental impacts on the larger economy. “An initial coin offering is a crazy idea that startups, instead of selling part of their business to investors so that the investors become shareholders, are selling them coins with the promise: ‘You can use these coins to buy my services as soon as I am up and running.’ I want good startups, people who can pass criteria of selection,” he says.

THE BITCOIN WORLDVIEW

When compared with the dangers and the potentials of altcoins, ICOs, and quasi-decentralized but existentially third-party controlled blockchains, Bitcoin and its original blockchain are in a wholly different ontological category. Bitcoin is underpinned by libertarian anarchist thought, and thus is situated outside of the realm of most of the concerns that have plagued the 20th century. The question in regard to Bitcoin is whether it is just another hare-brained idea like almost all grand concepts to explain the world out of human comprehension, a viable alternative to the current rule of government-issued money, or even, more simply, a better option for money. Does Bitcoin compel humankind to use it because it is superior to the previous forms of money that humans created almost instinctively and without the a priori deliberation that would be able to hold water when compared with the consequences of the monetary creation, such as fiat money?

This question is a non-starter for Saïfedean Ammous, a professor at the Adnan Kassar Business School of the Lebanese American University, who thinks of Bitcoin as a take-it-or-leave-it proposition. Ammous, who is currently finalizing a book on Bitcoin in the context of the history of money as he sees it, tells EXECUTIVE, “Bitcoin removes trust from the issuance of money. It takes us from a world where we elect people, and then pray that they will not be corrupt as we entrust them with our money in the hope that they will create a financial future for us, and moves from there to making [money] into a force of nature as it was with gold.”

His arguments, laid out in his book that is slated to be published in April as “The Bitcoin Standard,” more than hint at a perspective on Bitcoin that is based on a concept of it being digital gold. One has to accept, in order to fully embrace this book, that one of the worst mistakes of the last 150 years was to give up the gold standard as the firm foundation of “sound money” and the foolish selection of “easy money” that can be printed or issued at will in paper or electronic forms by the governments that control them.

In his view, many of the world’s problems can be attributed to the very existence of governments as they are today. Problems such as misfiring World Bank interventions in national economies anywhere, or an over-reliance on credit for financing of consumption, will be no-brainers once there is no way in which governments can control money. “In the world of Bitcoin, the power of credit comes from saving, while right now, the power of credit comes from government,” says Ammous, explaining, “The whole point of Bitcoin is not that it easy to transact because it’s fast; the whole point of Bitcoin is that nobody can control it.”

From this perspective, Bitcoin is “zero percent trust and 100 percent verification,” he writes in his upcoming book. He posits that anyone who does not understand the value proposition of this sound money is free to refuse it, but will see his world crumble, while the world built with Bitcoin will see investors into Bitcoin rewarded. “If we move the
A world of crypto fragmentation

The digital divide, first highlighted as an intra-national concern in telecommunications in the US and later described as divide in access to internet and broadband connectivity—but also as a social and educational barrier—has been around for two decades, and is currently as far from being bridged as it was in the early 2000s. At least on the level of perception, based on looking at international news in the cryptocurrency sphere over the past weeks, there seems to be some fragmentation in the global community of nations in regard to cryptocurrencies and digital money. Some countries look better than others when it comes to different aspects of the crypto economy, which seems ironic in an area of economic activity that is in so many ways averse or indifferent to national borders, physical distances, barriers of travel, time zones, and climate issues.

The following is an unscientific and impromptu attempt to list countries as they are perceived at the beginning of this year—or in the recent past of up to one year—according to some cryptocurrency criteria. The list does not claim completeness nor does it represent an attempt to recommend where to locate a cryptocurrency-related enterprise or project. The lists were compiled by ExEcutivE, with contributions by Stéphane Abichaker, after numerous conversations with Lebanese stakeholders in the cryptocurrency community, research of websites operated by members of international crypto communities, and personal perception. It is also important to note in this context that countries riding the wave of media hype are more likely to be included in such a list than countries which have not yet appeared on the radar. Inversely, according to the findings of some economic writers, countries exposed to frequent media coverage about economic growth are not as likely to experience strong future growth as countries that are less exposed to coverage. From the perspective of people seeking to capitalize on opportunities, it thus seems not necessarily wise to run in sync with the media herd, or to follow the opinion leaders and legendary investors of the past.

1) Top countries for mining cryptocurrencies, rising new contenders, and countries talked about as miners’ havens (in terms of existing mining activity, competitive advantages due to low cost and high availability of electricity, advantageous climate for cooling of mining equipment, or efforts to attract new mining activity):
- Georgia
- China
- United States of America
- Iceland
- Canada
- Russia
- Bhutan
- Kazakhstan
- Venezuela
- Chile
- Switzerland

2) Countries that pull top weight in the global bitcoin economy or are perceived as cryptocurrency-friendly for operations and trading:
- China
- United States
- South Korea
- Japan
- United Kingdom
- Denmark
- Sweden
- Netherlands
- Estonia
- Belarus
- Spain
- Switzerland
- Canada
- Australia
- Philippines
- Chile
- Kazakhstan
- United Arab Emirates

3) Countries that are described as interesting for blockchain lovers (at the time of compilation) for various reasons:
- United States
- Panama
- Denmark
- Sweden
- Estonia
- South Africa
- United Arab Emirates (Dubai)
- Japan

4) Countries where people or governments might be drawn to cryptocurrencies because of weak institutions and/or extreme inflation:
- Argentina
- Venezuela
- Zimbabwe

5) Some examples of countries that may not be on top of the talked-about lists for mining or trading today, but that have hidden comparative edges because they have, or have the potential for, one or more of the following:
- Capacity as a knowledge hub in digital economy,
- Use of tokens in research and finance of infrastructure development,
- Regional trade-hub function that can employ cryptocurrency coins in trade facilitation,
- Financial growth opportunities from the activation of large unbanked populations,
- Large inbound remittances in absolute terms and as share of GDP,
- High level of distrust in government and perception of corruption in their political elites.
- Senegal
- Nigeria
- Kenya
- Brazil
- Mexico
- India
- Lebanon
world to a Bitcoin system, people who use it will see their savings rise, while people who stick to the old system of conventional money will see it collapse. This is based on the assumption that government power is not effective against ideas and technology,” he enthuses.

The specificity in Ammous’s approach is not so much a matter of like or dislike. But it comes across as intellectually bipolar: partly 21st century, with excellent comprehension of Bitcoin’s technical and economic complexity, and partly an expression of concepts that preexisted not only cryptocurrencies, but the entire internet. Thus, some of these views are not novel—and some of the arguments that are presented by Ammous in discussion are borrowed from writings by economists such as Friedrich Hayek and Murray Rothbard (each referenced multiple times in The Bitcoin Standard), of whom the latter was said to have coined the happy term anarcho-capitalist, which appears well suited to labeling Ammous.

In explaining the concept and some implications of Bitcoin that he sees as desirable, Ammous provides not just food but a whole banquet for thought, and more insights than a gazillion cute YouTube cryptocurrency tutorials, “documentaries,” or media stories that lack in everything but inadequate simplifications. One does not have to share the views that drive his perspective on the history of money, the value of Marxist thought (“I don’t consider anything that has ever come from any Marxist to be worthwhile of study”), Keynesianism and monetarism, and contemporary academics—whose original sin to him is that they have succumbed to government, their ultimate employer, and thus cannot talk about the problem that is government.

What he tells Executive about his views of the World Bank and International Monetary Fund (“Communist organizations”) is, at the very least, refreshingly different from the statements one hears at World Bank meetings. Ammous has unshakable views on the role of governments. After governments took control of money in 1914, “the world went to shit,” he declares, saying categorically, “Government creates a problem, then pretends to solve it and makes it worse.” This view is perfectly logical as a continuation of his saying earlier in the interview, “I refuse the idea that the state is the representation of anything good in society,” but instead the “highest expression of sociopathy, the narcissism in people, and the evil in people.”

As he speaks, the impression grows continuously stronger that the story of Bitcoin cannot entirely be appreciated without noting that libertarian thought and refusal to submit to state violence is woven perhaps not into the code, but into the DNA of Bitcoin. This is why Bitcoin appears to qualify as a worldview, perhaps more than anything else.

In practical terms, Ammous very reasonably says that he does not like to see Bitcoin discussed in terms of definitions that date back to days when Bitcoin did not exist, arguing convincingly that it does not make sense to discuss Bitcoin in such terms because it breaks old categories. He considers studying Bitcoin hugely important for Lebanon, and advises that Banque du Liban start thinking about adding Bitcoin to its portfolio of reserves. He agrees with Lebanon’s central bank governor, who warned institutions under its supervision against dealing in Bitcoin. “It’s perfectly reasonable to tell their own financial institutions not to deal with Bitcoin because those financial institutions are guaranteed by the central bank,” he explains. “The point is not to buy it right now. The point is to understand how it functions and try to understand how it can be integrated,” he opines, very conciliatorily.

**THE QUESTION OF TRUST**

It opens a whole new can of worms if one pivots to an approach of regarding cryptocurrency from the perspective of it representing a worldview. Not only are the consequences of adopting a worldview very tricky for individuals and societies, but worldviews have figured prominently in history—with very mixed outcomes.

Bitcoin is an ideological challenge to conventional forms of money in two ways: by provoking “sedimented beliefs about money and by exposing the forms of exploitation, risk, and even violence inherent in the existing system of state authorized credit money,” wrote Ole Bjerg of the Copenhagen Business School in 2015, in a contemplation of the philosophical ontology of Bitcoin. The question of interest, then, is: Can digital currencies remedy or ameliorate these aspects of existence, and what
SWOT ANALYSIS OF CRYPTOCURRENCIES

What Bitcoin is, or is not—a commodity, an asset, a currency, even an “un-currency” that exists as “commodity money without gold, fiat money without a state, and credit money without debt,” as Ole Bjerg, a European researcher at the intersection of capitalism and philosophy, posited during an ontological excursion in 2015—can certainly fascinate. Any student of political economy will (hopefully) revel in pondering issues such as the ontology of cryptocurrencies in a philosophical context or in their socioeconomic consequence. But questions about the strengths and weaknesses of cryptocurrency technologies, the challenges and associated opportunities that might come to bear out for entrepreneurs and economic actors because of Bitcoin and blockchain technologies, and the threats that might impair the returns of investors and businesses invested into crypto, are, one suspects, even more interesting as soon as one steps outside the kitchen of philosophy. Thus, the original question behind the compilation of the following—entirely unscientific and largely speculative—list is not what crypto is but what crypto does.

Strengths of cryptocurrencies (existing and potential)
- Aligned with the digital world
- Able to withstand capitalist problems and help remedy cycles of frequent meltdowns or mitigate episodes of creative destruction
- Fit for addressing some challenges associated with economic frameworks of existing globalization, such as the problem of financial inclusion
- Able to liberate people and help them control government excesses by shifting vested seigniorage rights and sovereign powers away from states and state institutions
- Facilitates monetary transactions, at least for intra-cryptocurrency transfers, by removing know your customer due diligence, anti-money laundering regulations, and other compliance constraints, as well as accelerates and reduces the costs of such transactions compared to fiat money-based transactions
- Removes the necessity of trusting a third-party (intermediary) and/or the counterparty in order to transact
- Code-based monetary policy would allow for fine-tuning the parameters leading to the “reserve of value” and the “means of exchange” functions, e.g. scarcity of coins issuance or transaction bandwidth

Weaknesses
- Great need for CPU power and electricity for proof-of-work based cryptocurrencies
- Complexity of the crypto process and confusion over design concept, ideological aims, and practical usage of crypto
- Blind spots due to superfast development processes, which churn out such innovations as sidechains, ICOs, DOAs, and smart contracts, and the risks associated with them
- Co-dependency on overall growth of digital economy and vulnerability to any large confidence shock related to the digital economy
- Unknowability of social or societal impacts and consequences of weakening of trust bonds in society and shift of sovereign aspects out of human control

Opportunities and challenges
- Awareness creation and spread of practical knowledge of digital economy
- Information intermediation on transaction volumes and flows in the cryptocurrency realm, as well as compilation of data related to cryptocurrency deployment and usage in either the online or non-digital economies, such as retail analytics and consumption measuring
- Interlinkage of cryptocurrency economy and markets and traditional financial operators, such as commercial banks, and security market operators
- Development of best practices, legal standards, ethics, and moral traditions
- Promotion of cryptocurrency awareness, promulgation of digital financial literacy, and increase in social acceptance
- Improvement of relations and development of tools for collaboration between banking/financial sectors and blockchain/cryptocurrency realms
- Increase of real financial inclusion, basic literacy, financial literacy, and online literacy in populations so as to progress from informal knowledge and imperfect use of mobile technology in chatting etc., to greater proficiencies in broad population strata
- Counteraction of scams, fraud, and con schemes as well as improved control of animal spirits, herd behaviors, greed-driven bubbles, and fear-driven speculation

Threats
- Double spending, theft, hacks from people attacking the software
- Criminal usage by individuals and vendors exploiting the anonymity of the permissionless system
- Terrorist and organized-crime usage for money laundering, illicit finance, and extortion
- Government rage against challenges of sovereignty
- State-sponsored attempts to steal large cryptocurrency amounts or disrupt national economies that rely on a sovereign digital currency at the national or regional level
- Abuse of initial coin offerings to scam investors, speculation, and discreditation after implosion of a speculative bubble
- Overproduction of coins in violation of standards to prevent inflationary loss of value
Cryptocurrency

will be the trade-offs and societal or ontological costs that have to be considered? More simply, could the challenge of Bitcoin turn out to be that this payment system is shaking the foundations of our ruling monetary mythologies about the human being, society, and state?

In research done for the European Parliament, another academic cautioned in several papers that the most profound impact of cryptocurrency development could be in contributing “to subtle changes in broad social values and structures.” The sociologist Philip Boucher specifically addresses the blockchain concept that technically underlies the existence of cryptocurrency. All technologies come with their strings attached to values and politics, “usually representing the interests of their creators,” he elaborates, so that “each time we use a distributed ledger we participate in a shift of power from central authorities to non-hierarchical and peer-to-peer structures.”

According to him, usage of blockchain, in every case, will contribute to a societal shift toward prioritizing “transparency over anonymity” and “to diminishing trust in traditional financial and governance institutions, and to expect greater levels of accountability and responsibility in all aspects of our lives.”

If digital capitalism will be the coming incarnation of capitalism that is exponentially more dominant in human life than any previous version of capitalism, if we are about to leap from Kaletsky’s capitalism 4.1 to an exponential capitalism 4.2 in the real, financial, and digital economies, and if cryptocurrencies are to emerge as key enablers of this much more intense capitalism, what societal consequences and new sociological concepts should we prepare for?

How will we handle freedom that does not come at the price of eternal vigilance or with a counter-weight of responsibly? What would be needed to be done to achieve realignment of historically entrenched social values when society and individuals undergo a shift toward greater freedom from the state, or even through dilution of interpersonal bonds and into a new trust relationship—camouflaged as verification—with a self-contained, presumably sovereign, technology? What are the ontological, existential, or, if you wish, spiritual implications of money that has aspects of digital gold in combination with aspects of statehood without a government and aspects of credit that is unencumbered by the currency of trust?

These might be naïve questions that will never become acute concerns in anyone’s life, but at the very least it is to be noted here that the real story of Bitcoin, cryptocurrencies, and ICOs is not about transforming electricity and processing power into truth, or about short-term investment prospects, enrichment opportunities, and present-day stability in cryptocurrency market cap, or the absence thereof. Nor is this about accidental losses of hard drives, criminal abuses, dope buyers, and computer hackers, or the possibility to order your pepperoni pizza with Bitcoin, or about early-stage design issues in smart contracts and Digital Autonomous Organizations, details of cryptography, or the deliberate mystification of Satoshi Nakamoto.

It seems the bottom line is that cryptocurrency tech will greatly change our lives, while at the same time more questions and uncertainties are bound to emerge with every further contemplation of the cryptocurrency realm, and the global digital economy. As societal paradigm shifts, affected in part by the digitization of our lives, appear to continue unabated and actually seem prone to further accelerate along with the proliferation of digital capitalism, it may indeed be unwise and counterproductive to keep questioning if Bitcoin is a bubble, how large the volatility in the cryptocurrency market will be next month or next year, or forever ponder academic constructs about the nature of money.

On the other hand, throwing all thought to the wind and just getting down to make some (digital or conventional) money will not bring nations or the global community any closer to drafting, as French President Emmanuel Macron asked for at the World Economic Forum on January 25, a new social contract or set of compacts based on the duty to protect, the duty to share, and the duty to invest, that help improve life in our world. Posing this monumental challenge, he also asked for this process to entail regulation of Bitcoin, cryptocurrencies, and shadow banking in the world of finance, as well as today’s corporate superpowers in the digital realm. Achieving a balance between economies speeding or leapfrogging into greater digital compatibility, managing the rise and use of digital currencies, and creating new ethics, values, and traditions for digitalized societies could well be the tallest order in at least a century, but, in 2018 more than ever, it appears to be a challenge that will not be denied.
REACHING A NEW HEIGHT...

93 POINTS by Robert Parker’s WINE ADVOCATE Comte de M 2012

Semper Ultra...

*Always higher...

CHATEAU KEFRAYA
A TERROIR, A SOUL, A GREAT WINE
DISRUPTIVE TECHNOLOGY
Banking, Bitcoin, and blockchain – win-lose-lose or lose-win-win?

The academic’s view is not spectacular in itself, given that the birth of Bitcoin at the height of the great recession of 2008 and 2009 appears to have been anything but a coincidence. The author, or authors, of the original white paper published under the pseudonym Satoshi Nakamoto “addressed a very serious question: If the banking system and central banks were not able to avoid such a big crisis, is there something we can do?” says Henri Azzam, director of the Master of Finance program at the Olayan Business School of the American University of Beirut. “The whole idea was to come up with a payment, clearing, and settlement system which is decentralized, rather than centralized in the way of going through banking or going through central banks.”

By this description, one of the roots of Bitcoin was the global financial crisis, and the desire—boosted by a historic economic crisis that was spurred by rampant mismanagement in the financial industry—to develop a payment system that would not fail the world. The targets of Bitcoin anarchists’ greatest disdain (besides governments and central banks), unsurprisingly, are commercial banks of all flavors. Moreover, it is the conventional wisdom of the period after the great recession that the systemic faults underpinning the freezing of financial liquidity in 2008 and 2009 were at best partially remedied. It, therefore, becomes more understandable when critics of current monetary affairs hail the importance of digital currency alternatives, such as when Jim Rickards—who wrote the books Currency Wars (2011) and The Death of Money (2013)—said that Bitcoin’s “widespread adoption can be taken already as a sign that communities around the world are looking for alternatives to the dollar and traditional fiat currencies.”
### GLOSSARY OF SOME TERMS RELATED TO CRYPTOCURRENCY

Digital vocabulary items in a technophobe’s very limited perception; offered without any guarantee of content or accuracy and not sanctioned by any third party.

**Cryptography** — The science of putting information, such as data or text, into a code, protecting it against code breaking by unwanted parties, and ensuring the ability of the intended recipient to decode the information. Represents the crypto in cryptocurrency.

**Currency** — A medium of exchange that is accepted for all-encompassing or broad use in a realm at the time being. A term that tends to be frontloaded with, sometimes divergent, definitions.

**Bitcoin** — A digital payment system developed in 2008 with design specificities that include, among other features, decentralized existence on a distributed ledger and finite supply with predetermined rate of increase to a ceiling of 21 million units by ca 2140. Complicated.

**Distributed ledger** — Many (often small) computers that all store the same boring data with a method for inexpensive verification in real time.

**Real time** — what you tend to expend when reading about cryptocurrency.

**Blockchain** — Distributed ledger technology in different varieties. Term was condensed around 2012 from block chain as described in the 2008 Bitcoin White Paper. Getting increasingly diverse and complicated, described by some advocates as engine to build trust in digital world.

**Altcoin** — Generic for a large array of digital coins/tokens that are not Bitcoin. Includes cryptocurrencies that are or already have been created through a “hard fork” of Bitcoin.

**Cryptocurrency exchange** — a trade market with yet to be determined standards and no universal safety net. Dares you.

**Initial Coin Offering** — The digital world equivalent of process of soliciting and acquiring conventional world money or digital coins such as Ether to finance an existing or startup company, usually in exchange for much digital promise and conducted with far fewer checks than habitual in conventional processes of angel investing, venture funding, initial public offering or other forms of equity funding. Proceed at your own risk.

**Cryptocurrency mining** — Alchemy of the digital age under application of computing power and expense of electricity for operating and cooling hardware that is optimized for the purpose of generating cryptocurrency.

**Satoshi Nakamoto** — the personified creator and savior myth of Bitcoin. Untraceable.

**Proof-of-work, hashing power, & difficulty adjustment** — Hard-to-grasp components of Bitcoin mining process that are important in production of cryptocurrency, notably Bitcoin. These mysteries were programmed into existence by Satoshi Nakamoto and released at Bitcoin’s big bang moment in January 2009.

**Merkle Tree** — Binary structures that facilitate efficient hashing and aid hashing power in any Blockchain forest. Very cryptographic. Extremely rare in national arboretaums.

**Node** — a computer that is part of the decentralized verification network of a distributed digital ledger.

**Node operator** — A stakeholder in a distributed ledger. His or her interest can be driven by commerce as a merchant in the Bitcoin economy, by profit as a miner of cryptocurrency, or by fascination with technology or the philosophy of cryptocurrency.

**Bitcoin miner** — An individual with operational knowledge and a non-dweller in digital caves. Potential social riser and possible apprentice for future membership in the One Percent.

**Ethereum Blockchain** — One of the most popular of many alternatives to the distributed ledger that Bitcoin is based on. It supports the signing of smart contracts (see below) and the Ether cryptocurrency. Features of this platform differ in several ways from features of Bitcoin, including a by comparison very short time requirement for generation of new blocks in its Blockchain. Founded in 2013/14 with very high nerd appeal. Ethereum price broke $1,000 line in early January 2018. Number 2 in the cryptocurrency market cap game with a significant distance to Bitcoin and popular with entities seeking to design own cryptocurrency and launch an ICO (or fraudulent ICO knockoff).

**Smart Contracts and Decentralized Autonomous Organizations (DAO)** — The concept of a smart contract was initially described as a way to formalize and secure relationships on public networks. A smart contract is supposed to be a self-executing contract that uses a distributed ledger in a decentralized blockchain network and has the terms of agreement between the contracting parties enshrined in its code. A DAO is a quasi-corporation that manages itself without direct human involvement (like many conventional companies have for centuries been rumored to be run) and operates through smart contracts. It is advised to not confuse DAO with DOA since the latter abbreviation is in wide use for disturbing terms, such as dead on arrival and (wanted) dead or alive. Smart contracts and DAOs should gain much prominence as digital capitalism expands.
Cryptocurrency

Given the clear intentions of decentralization and change in the global order of money, plus numerous signals that the financial and banking sector is likely to experience both, the first and the largest disruption comes from the rise of everything crypto. It is curious that international bankers and their institutions tend to come down on both sides of the debate over cryptocurrency. Sometimes bankers have even had to make an about-face turn after a rash statement, such as the infamous “Bitcoin is a fraud” remark of September 2017 by Jamie Dimon, the chief executive of JP Morgan Chase, the largest multinational bank headquartered in the United States. (He came out in January to say he “regretted” his fraud remark.)

BULLS AND BEARS

More concerning than Dimon’s one-eighty was that he was on record telling Fox News in the same interview, “I’m not interested that much in the subject at all.” In another example of emotional dissociation with the cryptocurrency challenge, this one from a prominent European bank, Credit Suisse CEO Tidjane Thiam was quoted by Reuters as telling a news conference last November, “I think most banks in the current state of regulation have little or no appetite to get involved in a currency which has such anti-money laundering challenges.”

According to a selection of quotes from central bankers, bankers, noted investors, and fund managers compiled by Bloomberg under the heading Bitcoin Bulls and Bears, bears outnumbered bulls about two to one in the 30-plus comments recorded since March 2017. However, the majority of statements avoided total clarity or a great passion for cryptocurrency. Almost all the quotes, whether from bulls, bears, or people leaning toward neutrality, focused on short-term issues, mainly giving opinions about the present Bitcoin and dotcoin bubble phase, and the related potentials for gain or loss.

The real question about the current state of relationships between banks and cryptocurrencies may not hinge on people’s word choices, but rather whether established financial professionals and banking executives are paying enough attention to this issue. Comments in this direction seem to be rare, with a statement by International Monetary Fund Chief Christine Lagarde from last September one of the exceptions. “Virtual currencies are in a different category [from digital payments in existing currencies], because they provide their own unit of account and payment systems,” she told a Bank of England conference then. The existing weaknesses and technological challenges of virtual currencies such as Bitcoin could well be addressed over time, and “it may not be wise to dismiss virtual currencies,” she said, advising the conference-goers “to think of countries with weak institutions and unstable national currencies,” of which some might see a growing use for virtual currencies.

It seems indeed prudent for banks to prepare for the eventuality that cryptocurrency will turn out to be more than just a favored narrative of economists on the anarcho-capitalist fringe and an obsession of a bunch of crypto weirdos who flash their cyber implants at nerdy events. If cryptocurrency is not just a new technology hype that is exploited by mongers of greed, fear, and assorted crimes, polite disinterest from mainstream economists and financial influencers is not a promising approach—especially as no one can rule out that the next financial emergency could be in the making, while elites in the US congratulate themselves about their genius tax reforms, and international elites celebrate the current “synchronized momentum” of the global economy.

It seems that the best many global banks can say for themselves in relation to the cryptocurrency discussion is that they are members in groups dedicated to the development of distributed ledger variants that can be of use to the financial industry. Blockchain associations go by a confusing number of names with a broad range of targeted industries,
such as Wall Street Blockchain Alliance (WSBA) for Wall Street firms in New York City, the Blockchain in Trucking Alliance (BiTA) for the logistics industry, or the more recently Blockchain Interoperability Alliance founded by specialized tech companies to construct a global interconnected network of blockchain protocols. Some blockchain clubs are more in the sights of banks, such as the Linux Foundation’s Hyperledger Project, whose members include Wells Fargo, ABN Amro, China Merchants Bank, BNY Mellon, and BNP Paribas; the one-year old Ethereum Enterprise Alliance (EEA), whose members include UBS, Credit Suisse, Santander, ING, Scotiabank, and JP Morgan; and the R3 CEV consortium, which claims to serve over 100 financial institutions and regulators. R3 was established with the participation of major banks in 2015 and aims to serve the needs of banks and the financial industry with its Corda blockchain platform.

These initiatives and their cousins in the academic and non-profit space, such as the UK-based Blockchain Alliance for Good (bisgit), do not presently appear to attract the sort of attention that Bitcoin and altcoins get due to their price trajectories and, as LAU professor Saifedean Ammous emphasizes in the manuscript of his upcoming book, so far have nothing much to show that actually works. But at least they exist.

Although scores of banks are in one global blockchain club or other, no Lebanese bank appears to be on any such alliance’s membership roster, nor do local bankers radiate with willingness to go on record with cryptocurrency opinions. Anecdotal evidence gathered by this writer since autumn 2015 during official interviews and off-record chance encounters with bankers, as well as industry conversations and info bytes shared with EXECUTIVE, all betray a great silence. Given the size and importance of this global, albeit young, debate, it seems almost unnatural how little local bankers have to say on the matter, other than making reference to the stance of the central bank and citing a handful of comments by Governor Riad Salameh.

One exception to this blast of silence in the local banking intelligentsia is AUB’s Azzam, who is a regional banking veteran. In an interview with EXECUTIVE, he readily outlines his views on Bitcoin and his take on the role of blockchain and cryptocurrencies in relation to banking. The central question on Bitcoin to him is its nature and role in the economic system. “The big question is if Bitcoin is a currency—and I argue no, is it an asset—what is left is [the question]: Is Bitcoin a speculative bubble? And I will argue yes,” he says.

**“Human beings, of course, have created value out of nothing throughout history, but to create value, you need someone who is willing to pay for it. The market creates value.”**

**ASSET OR CURRENCY?**

He then elaborates on definitions and required characteristics of a currency, namely being used as unit of account, useful as store of value, and of broad practicality as means of exchange. Denying all three uses and pointing out that Bitcoin today is far too expensive to use as a medium of exchange, he goes on to discuss the character of an asset under conventional economic definition. For something to be considered an asset, it should generate a cash flow or the prospect of a cash flow as well as facilitate the determination of its fair value. In his view, nobody can think of a fair value of Bitcoin. “Only for an asset with a cash flow or the promise of a cash flow can you come up with a fair value. It is therefore not an asset and not a currency. It is something that people are buying for only one reason: because they expect the price to go up,” he says, explaining that is the very definition of a bubble.

Azzam says the best way to describe Bitcoin is “digital gold,” yet he asks, rhetorically, “But what does this mean?” He also acknowledges its scarcity by design, but argues that scarcity by itself does not necessarily signify value. The fact that something is rare—for example, a signed photograph of some one who is famous in your family but unknown on any larger scale—will not translate into market value unless there is someone who is willing to buy it. “Human beings, of course, have created value out of nothing throughout history, but to create value, you need someone who is willing to pay for it. The market creates value,” he says.

According to Azzam, the issue of control over the mining process and the concentration of Bitcoin capital could be more important than Bitcoin’s pre-determined scarcity (21 million coins, each with 100 million sub-units known as satoshis). “What Nakamoto wanted was a decentralized ledger, [later named blockchain], that was permissionless, so that everyone can go and be an active miner on the distributed ledger,” he says. But what ended up happening, Azzam says, was the opposite of decentralization. Because of the mix of increasing costs of mining due to predesigned and incremental increases in the amount of computing power needed to mine a coin and a resulting combo of
Cryptocurrency

Growing hardware and electricity costs (mainly for cooling the CPUs in a mining facility), “It costs a lot of money today to validate a transaction [on the Bitcoin blockchain]. Thus only the big guys are today able to continue playing the game. So we started with decentralized and ended up with 100 whales who actually control all of this as miners,” he explains, questioning whether this will lead to monopolistic or oligopolistic cartel behavior of a small group instead of decentralization and democratization.

Only Fools Rush In

The time-tested method of seeking to counter oligopolies and remedy imperfect competition in markets is regulation from outside, but this hardly agrees with the design of a completely decentralized blockchain and the rejection of governmental authority. For Azzam this is where the story of Bitcoin goes off the rails and the story of blockchains takes over. “The whole story of Bitcoin, in my view, is the blockchain, and the fact that there is use for a blockchain,” he says, pointing to the concept of a central bank-issued digital currency and its advantages as a supplement for existing money: the potential to expand financial inclusion of the unbanked population, the efficiency of instant clearing, and the reduction of transaction costs in financial systems. “We are looking [at] how to use these advantages by using the central-bank digital-currency idea,” he says.

This would not affect commercial banks in their lending activity and management on behalf of customers, but it would alter their role as facilitators of payments. By implementing a central bank-issued digital currency and creating digital wallets that will be hosted by central banks, commercial banks “will realize that they are not making as much money and don’t need as many branches and as many ATMs. This will definitely disrupt the banking sector, but on the side of payment,” Azzam says, suggesting this would necessitate a revision of strategies for retail networks and require a further evolution of banks, not only because of the arrival of digital currencies but also because of other much-discussed fintech innovations, from crowdfunding to robo-advisors and even initial coin offerings in the crypto realm. “Banks have to be ready for all of those challenges. They cannot say that they will be doing business as usual, because the writing is on the wall—business will not be as usual,” Azzam emphasizes.

Pointing to countries such as Sweden, where mobile and internet transactions are already market dominant and bank branches are closed or redesigned to be cashless, and emerging economies such as China and India that are pushing forward in similar directions, he adds that banks in Lebanon are “aware and talk about it in our board meetings, but the perception is that this is not happening tomorrow, so we have time. Banks here think they can continue doing what they are doing.”

Denial of new technology can be a dangerous game, and high-profile central-bank initiatives toward the creation of digital currencies, in Azzam’s view, would force banks to be more serious about the issue. He also notes, however, that there are strong reasons why central banks would take their time in unleashing the digital currency shift, even as they regard it as the future. They are unlikely to rush into any partial conversion of reserves into Bitcoin, for example, because central banks are not in the business of speculation. They might also take more time than technically required in launching their own digital currencies, because huge disruptions of banking structures through abrupt deployment of citizens’ e-wallets at central banks and the reduction in numbers of current accounts at commercial banks would result in survival challenges for many of these banks.

With all this, a lose-win-win result of the cryptocurrency challenge to banks seems somewhat unlikely. A potential outcome of the banking-Bitcoin-blockchain game scenario could be win-lose-win, if it does not come to a perfect non-zero-sum game of win-win-win for all three. But according to Azzam, there seems to be no way that banks could achieve a win-lose-lose and wiggle out of embracing some type of distributed ledger system. This modified distributed ledger system, he says, “is a different kind of blockchain that is faster and efficient. It is an instant-clearing payment system, which we don’t have now, and it is the technology of the future. It is post-internet and we need to be ready for it.”
Our banking package designed to give your pharmacy ...

Vitality

The Pharmacy Booster Package* will give your pharmacy Vitality!

- Day-to-day banking services at only 6$/month
  (free cash deposit, checkbook, bills domiciliation, cards...)
- Interest earned on your current account
- Increased creditor rates for deposits
- Free installation of POS machine
- Attractive overdraft facility
- Preferential conditions on financing solutions and incentive loans
- Reduced value dates
- And much more!

Request a call-back at: www.bslbank.com/pharmacy.

01 594001
www.bslbank.com
THE BITCOIN REVOLUTION
A currency in the making
In a white paper sent to a cryptography mailing list on October 31, 2008, an unidentified individual (or group) using the pseudonym Satoshi Nakamoto described what the paper’s title called “Bitcoin: A Peer-to-Peer Electronic Cash System.” This paper was soon followed by a software implementation of the cash system believed to have been compiled by Nakamoto. The software was released in open-source form January 9, 2009, on a platform called SourceForge. Since then, Nakamoto’s invention has grown to the point where the market value of Bitcoin in circulation was estimated at $235 billion on January 14, according to coinmarketcap.com. This was not even the peak for the month: Bitcoin is prone to high, even extreme, volatility (especially in December 2017).

THE RISE OF CRYPTOCURRENCY

This volatility should not detract from the fact that Bitcoin, the oldest and most established of an ever-expanding array of cryptocurrencies, has proven over the last nine years a capacity to fulfill the three main functions of money: First, it has the potential to be a reserve of value, since, its price has appreciated (significantly) since its creation, and its volatility is relatively decreasing. Secondly, it is now increasingly clear that Bitcoin could become a significant means of exchange if a solution is adopted to scale it—that is, to allow more transactions to take place and at a lesser cost. Thirdly, its global nature and increasing recognition may well lead to it becoming a fully fledged unit of account that would facilitate international payments and accounts to be processed in a single currency.

Bitcoin’s situation vis-à-vis the three functions of money has led many to suggest that it is a currency in the making. But Bitcoin and other cryptocurrencies enjoy multiple unique features that fiat currencies do not possess.

It starts by solving the very paradox that any currency issuer, be it a king from the Middle Ages or a modern central bank, has had to cope with: How do you convince users to trust your money when you are a creator of scarcity? What would prevent you from abusing people’s trust and creating more and more money, thus rendering it less and less scarce? Cryptocurrencies like Bitcoin solve this paradox by outsourcing money creation, management, and control to a computer program and a distributed decentralized network. In that way, users do not have to trust each other, or even a third party, to transact with confidence.

Cryptocurrencies, according to the serial entrepreneur and well-known cryptocurrency advocate Andreas Antonopoulos, make up an “internet of money.” They are a programmable form of money that offer endless possibilities to set and execute complex, conditional monetary transactions.

THE PROMISES OF BLOCKCHAIN

The word “blockchain” does not appear in Nakamoto’s paper: he mentions “the chain of blocks” only once. The word only began being googled in earnest in 2012. Blockchain is the technology used by Bitcoin, namely a distributed ledger of time-stamped transactions that achieves consensus among its users through a proof-of-work (or other) algorithm. Its proponents believe it can revolutionize money, finance, and trust-based transactions in general.

Blockchain promises to extend the idea of a token representing a currency—the basis of Bitcoin—to encompass different possible uses of the token, from the most straightforward to the complex.

First, blockchain tokens can be used as money. As explained above, Bitcoin, the cryptocurrency that enjoys the highest market value and widest use, already serves as a store of value, and thus fulfills the first function of money. Its use as a means of exchange received a boost by Japanese authorities in April 2017, when they officially recognized it as a kind of “prepaid payment instrument.” It ultimately needs wider acceptance and diffusion to become a unit of account, the third function of money, but, Bitcoin’s potential to fulfill the three functions of money, and by extension the potential of any other cryptocurrency that may succeed in the future to do so as well, is palpable. Cryptocurrencies like Bitcoin are growing at such a pace that their emergence as a viable alternative to money could be measured in years, not decades.
Cryptocurrency

Second, blockchains may be used as repositories of digital assets. A digital asset could be any token of a blockchain to which a special meaning is attached. A title deed issued by a land registry or a diamond certificate issued by a jeweler, for example, may be exchanged over a blockchain, which may serve as the ledger and the market for such dematerialized assets.

Third, blockchains could also become repositories and executors of smart contracts and decentralized autonomous organizations (DAO). Smart contracts and DAOs can be defined as agreements—or a series of agreements—that would be programmed to run automatically on a blockchain backbone infrastructure. The Ethereum blockchain has been built with this goal in mind, among others. Nonetheless, the utility, technical soundness, and robustness of a smart contract or a DAO remain to be demonstrated. The Ethereum blockchain—the first instance of a DAO—has been hacked on at least two different occasions, leading the Ethereum founders to suggest and implement a re-writing of their blockchain history.

THE “INITIAL COIN OFFERING” HYPE

Between August 18, 2010, soon after the first cryptocurrencies came into being, and January 14, 2018—a span of less than seven and a half years—the compound annual growth rate of cryptocurrencies’ market value reached a staggering 637 percent. In other words, the total market value of cryptocurrencies was multiplied over the period by a factor of 2,702,050.

The attractiveness of such explosive returns is the main driver behind the hype over Initial Coin Offerings (ICOs), an appellation coined (excuse the pun) by mimicking the Initial Public Offering (or IPO) of stocks. The current rush to obtain non-binding funding through the issuance of “coins” loosely related to the blockchain technology, and squarely antithetical to cryptocurrencies, has been compared to the dotcom mania at the turn of the century. ICOs are typically launched as follows: Write a white paper stuffed with cryptographic jargon, hire a team of coders and industry veterans from the sector your coin belongs to, market your “coin” as being the next big thing among cryptocurrencies or blockchain apps, and receive bitcoins or fiat money in payment for your coins.

Bitcoin has so far proven that the more it is attacked and downplayed, the more it thrives

The overwhelming majority of these coins is centralized in a form or another. They might have a team promoting them, or a limited network of users, or an algorithm that has not been proven to be able to build and protect consensus among the network participants. The bottom line is that there is no need in the first place for these coins to use blockchain technology, since a centralized model would be much more efficient and secure for these specific uses.

There is no doubt the music will stop at a certain point, and one can safely assume that more than 99 percent of the existing cryptocurrencies (at the time of writing, there are 1,429 and counting, according to coinmarketcap.com) will fade away. ICOs, in their prehistoric form in the mid-2010s, used to be called fundraising rounds for startups, but at least in those days investors had a minimum of guaranteed rights and protections.

Large amounts of R&D, venture capital, and even ICO amounts (believe it or not, some ICO money did not go to the pockets of their promoters) have been invested into blockchain-related activities, with no breakthrough application emerging yet. Only time will tell which blockchains and cryptocurrencies will be to the ecosystem what Apple, Amazon, or eBay have been to the internet after the dotcom bubble crash.

There are mounting signs that regulators and governments are looking to reign in cryptocurrencies, possibly in a concerted effort. These efforts may well provide cryptocurrencies with credentials that accelerate their adoption. Otherwise, restrictive regulations may well open a round of confrontation between the Bitcoin ecosystem and the establishment. Nonetheless, in the case of Bitcoin, it has so far proven that the more it is attacked and downplayed, the more it thrives. This antifragile nature is intimately linked to the fact that cryptocurrencies are, in their purest form, an idea. As Victor Hugo wrote in Histoire d’un crime: “One withstands the invasion of armies; one does not withstand the invasion of ideas.”

STÉPHANE ABICHAKER is a partner at CDC Blockchain, a startup working on electronic currency solutions. He is a lecturer at Université Saint Joseph, with 15 years of experience in banking and investment banking.
More than 250 thousand potential buyers every month.
Lebanon hops on the crypto train

Entrepreneurs aspire to tackle the digital economy on six fronts

Antoine Yazbek and Zaki Soubra are budding Lebanese cryptocurrency entrepreneurs, and they radiate seriousness in their endeavor. As a journalist, one is inclined to consider an entrepreneur serious if they answer a series of probing interview questions without losing their temper at the intrepid—or sometimes just intractable—media type across the table. A more general measure of seriousness in business, especially in a new fintech startup, is if the enterprise is founded with personal money.

Yazbek and Soubra pass the test on both counts. They set aside over an hour to detail their value proposition and enterprise development plan to Executive, and last year, they invested their own money into their first cryptocurrency venture: a cryptocurrency mine—a facility with serious computing power that is dedicated to the production of cryptocurrency coins in—of all places cold and far, Iceland.

They do not disclose how much capital they committed to the venture—the partners only volunteer that their investment was 100 percent their own, and “above six digits and below seven digits” in dollar terms. Nor do they agree to disclose where they incorporated their offshore company for their initial foray into the global cryptocurrency realm, but it is clear that this tech startup has not been kissed by funding under the provisions of the famous Circular 331 from Banque du Liban, the Lebanese central bank.

“You have to put your money where your mouth is when you want to talk with an investor,” Soubra says, explaining the pair’s funding strategy. His partner, Yazbek, adds that they both learned the importance of an entrepreneur’s personal financial commitment when they were working in asset management for large Middle Eastern conglomerates and sitting on the buy side of the table, across from entrepreneurs looking for investment.

Rather than divulging further details about the legal and financial information related to their first venture, the partners instead emphasize that they are determined to develop a new brand, under which they want to bundle as many as six diverse cryptocurrency-related services. “We have just registered our new brand under the name Crypten. This will be the umbrella for all that we aim to do; it is designed to stand for confidence and transparency, and the brand name will stay with us even as our verticals evolve. Above all, we want to build a brand that will inspire trust as we strive to be the continuous partner in crypto for stakeholders,” Yazbek tells Executive when confirming the launch of their corporate
identity upon registration of their new brand in the last week of January, two weeks after the initial interview.

During the first interview, he had explained that the facility they established in Iceland constitutes the first of six pillars, or business units, that they want to build under their brand. The other pillars will range from consultations on crypto assets for asset managers, high net-worth individuals, family offices, and financial professionals, to the for-profit provision of education and information seminars on the cryptocurrency economy.

**GATE TO CRYPTO**

Yazbek and Soubra chose to invest in Bitcoin mining and cryptocurrencies as their initial pillar because they perceived it as "a more stable business model" and value proposition than other segments of the cryptocurrency realm. They also reasoned that their mine would provide traditional investors with an "entry gate" to the crypto world, as it involves tangible investments into hardware that are well suited for presenting to prospective investors and clients, and because operating their own mining facility gives them the opportunity to acquire hands-on experience in this realm.

Going forward, the business plan is for the mining facility to grow organically and be kept under Soubra and Yazbek's full ownership. The plan, however, includes added options for mining. One option is to rent out mining capacity to clients who want to produce their own cryptocurrency coins without exposing themselves to the large investment expenditures required to set up their own mine. Other possibilities are to develop and manage a custom mining facility for a single investor on the side of the existing one, or to build an additional mine through a Crypten fund, attracting investors who are not necessarily interested in cryptocurrencies but are involved in tech investing.

The two partners say they became friends while studying economics at the American University of Beirut in the late 1990s. After having acquired about 15 years of experience in the finance field since they graduated in 1998, they separately discovered their passion for the crypto-economy about two to three years ago. When they reconnected in Beirut in 2016, they decided to team up.

“We truly believe in the advantages of cryptocurrencies and are both in it for the long term. This specifically means Bitcoin, but [beyond this] all cryptocurrencies in general. However, when I say this, I want to exclude many of the initial coin offerings, or ICOs, and new tokens that are just coming out. These are mostly rubbish because their underlying aspects are not strong enough,” Yazbek explains. (See glossary of cryptocurrency terms on page 25). Soubra adds, “Cryptocurrencies have real advantages, and sooner or later, even though there will be road bumps and some people will get burnt, the advantages of cryptocurrencies will impose themselves.”

Their skepticism about the current ICO hype notwithstanding, the partners are not opposed in principle to initial coin offerings. They envision creating an ICO consultancy as one of the pillars that they want to develop—possibly later—as part of the Crypten brand. “We believe that if ICOs are better regulated with a better framework, more companies are going to want to go [the ICO route]. We want to help these companies conceptualize their own tokens, write a white paper, and go to market. Crypten would perhaps underwrite part of the tokens and help them find investors in their tokens,” they explain.

They estimate that rollout of an ICO consultancy might still be a few years away and come after the crypto economy has acquired some greater regulatory maturity. Other pillars of the new Crypten brand might see the light sooner, and initially as tech consultancies. According to Yazbek, the planned asset-management pillar will initially provide technical advice and research, but will refrain from giving investment advice in the manner of a private bank. “We want to help any asset manager to understand [cryptocurrency] technology better, and we want to explain to them all different ways how to invest. So think of us as tech consultants for asset managers,” he emphasizes.

The second pillar, labeled as a brokerage pillar, will likewise commence as a consultancy, with a focus on solving problems people have in relation to cryptocurrency trading. Yazbek points out that it is very difficult for many people, locally and in other jurisdictions, to find out how to go about this business. The plan for the brokerage pillar is to show clients how they can participate in the cryptocr-
Cryptography market and place even small amounts without succumbing to hype and scams or engaging in wild speculation. Another activity under this pillar will be the provision of storage for cryptocurrency wallets, either as “hot” or “cold” storage, meaning with or without online access to a client’s coins.

Like other experts on the matter, the pair found themselves spending a lot of time explaining to people what the whole crypto realm was about. They were confronted with a contradiction, or even paradox, when they would encounter people who were greatly under-informed about the crypto realm, but were already involved or wanted to get involved. This is the story behind the new brand’s pillar for providing training and education.

“‘There is a huge gap in information and knowledge [among potential Crypten clients]. If we want to make a business out of cryptocurrency involvement, we realized that we have to bridge this gap through education. We need to educate our clients before we can have a large number of interactions about the crypto world with them. This is where the idea of [a consultancy] originated,” Yazbek says.

A VISION TO BRIDGE GAPS

The brand’s overall governing philosophy will stress objectivity, Soubra explains. “We want to be perceived [to be] as objective as possible because the whole thing we’re building is a trustworthy brand that is not partisan for one coin or the other,” he says. As to their competitive advantage in an area of economic activity that is expected to rapidly fill up with providers, Soubra says, “We feel that our main advantage is that we’ve been involved with the crypto world and with the younger, tech-savvy generation for a while now. We feel that we speak their language. At the same time, we speak the languages of traditional financial institutions because we both come from this background.”

Soubra and Yazbek are setting their primary sights on winning clients among asset managers and high net-worth individuals, in family offices, finance houses, and banks. “We will be open to retail [clients] but we are not here for the hype. The goal is to take our knowledge and skill and use it to handhold potential investor clients or institutions interested in allocating funds to crypto,” in what they perceive as an unfolding paradigm shift in the entire world of finance, Yazbek says.

The ability to bridge the communication chasm between the new tech world and existing financial market leaders will be especially tested in the fifth Crypten pillar. This pillar is planned as blockchain consultancy with a mission to offer to financial institutions all the resources to understand how evolutions in the new technology affect them and which blockchain applications apply to them.

Knowing the importance of performing within the highly fluid environment of this paradigm shift, Soubra and Yazbek point out that the verticals or pillars of Crypten are not immutable. The venture’s organizational chart is not set in stone at this point, and verticals might be adapted and developed in response to market conditions. They are likely to also evolve along with the planned acquisition of licenses that the enterprise will need in order to give investment advice and move beyond a tech-consulting focus for some of the brand’s pillars. Some pillars might even be totally changed over the coming few years, the company founders acknowledge.

To them, flexibility is crucial, as no one can be certain how and in which direction the entire crypto realm will evolve. However, they are certain in their determination to build a trusted brand and also firmly convinced that cryptocurrencies will survive and stand tall, after having emerged from the expected phase of brutal adaptation. On top of that, they see cryptocurrency development as a chance for Lebanon to strengthen its economy, provided that the government adopts a proactive regulatory regime that sits well with the Lebanese central bank. “Let there not be a void; let the regulators decide on what they are comfortable with under the level of risks they see, but let there be something,” Yazbek states emphatically.

As Yazbek and Soubra see it, Lebanon has benefited greatly from BDL’s fostering of the country’s entrepreneurship ecosystem. This entrepreneurial edge, in conjunction with the country’s well-known competencies in the fields of banking and finance could, in their view, be developed into a powerful and fortuitous triangle by adding in the beam of virtual money. Says Soubra, “We feel that adding the field of cryptocurrency into the Lebanese mix will give us in this country a huge edge compared to our competitors, wherever they are.”
EMPOWERING YOUR POTENTIAL

Benefit from our expert services and see your future unfold

PERSONAL LOAN
TRAVEL LOAN
MARINE LOAN
CAR LOAN
HOUSING LOAN
CASH COW LOAN
RURAL DEVELOPMENT LOAN
SME BUSINESS LOAN

Beirut
Riad El-Soh
Ras Beirut
Verdun
Achrafieh
Corniche El-Mazraa
Noueiri
Chiyah
Furn El-Chebbak

South
Saida
Tyr
Nabatieh

Bekaa
Chtaura
Zahleh
West Bekaa

North
Tripoli

Mount Lebanon
Aley
Hammana
Zalka
Dora
Jounieh

www.bml.com.lb
@BMLBank
04 727 400
Legal aspects of digital currencies

A leap into the unknown

In the virtual Wild West of the digital economy created by the internet revolution, the emergence of cryptocurrency represents an important legal frontier. The rise of cryptocurrencies can be thought of as a digital-money revolution. Cryptocurrencies have the potential to transform the way people view money, how they transact, and even the overall structure of the financial system, starting from individuals all the way up to central banks and sovereign states.

Individual central banks and governments in different countries are considering new regulations and legal frameworks to rein in the wild horses of Bitcoin and other digital currencies. In the new year, the regulatory debate widened with remarks from the German central bank when Joachim Wuermeling, a member of the board of Germany’s Bundesbank, said national rules may struggle to contain a global phenomenon.

“Effective regulation of virtual currencies would … only be achievable through the greatest possible international cooperation, because the regulatory power of nation states is obviously limited,” Wuermeling said at a January event in Frankfurt, the German financial hub and seat of the European Central Bank, according to Reuters.

Roughly at the same time as the German banker’s statement, French media reported that Bruno Le Maire, the French economy minister, announced the creation of a working group to de-
Categorizing Bitcoin and other cryptocurrencies from a legal perspective is complex because unlike electronic money, for example, a cryptocurrency does not legally represent a “claim” on the issuer. It is a rather fluid and versatile concept, and its legal status is open to a broad interpretation. Arguably, authorities and legislators have not fully come to grip with all of the ramifications of cryptocurrencies, and this lack of governance has led to a general reluctance to accept cryptocurrencies.

**LEGAL FRAMEWORK IN THE US AND EU**

In the US, cryptocurrencies are permissible. Bitcoin and cryptocurrencies have been classified as convertible decentralized virtual currencies and the Commodity Futures Trading Commission treats Bitcoin as a commodity like gold, judging that it should be taxed on this basis.

There have been some attempts to regulate the cryptocurrency market in the US. In 2014, Benjamin Lawsky, then the New York state financial services chief, took a conservative stance on cryptocurrencies, mainly due to money laundering and terrorist-financing considerations, and spearheaded the historic regulatory framework for Bitcoin, referred to as BitLicense.

A BitLicense is essentially a business license for virtual-currency activities issued by the New York State Department of Financial Services for New York companies and residents. Cryptocurrency startup Ripple, operator of a “digital asset” called XRP, the fastest and most scalable digital asset enabling real-time cross-border payments, and Coinbase, a cryptocurrency exchange platform headquartered in the US, were both successful in obtaining BitLicenses in 2016 and 2017, respectively. Members of the cryptocurrency community have criticized New York’s interventionist regulatory provisions, as many of them hold the view that the cryptocurrency market should remain unregulated to avoid harming the potential for long-term innovation.

The European Union also lacks a solid cryptocurrency and blockchain regulatory regime. This is not surprising, as the technology is very new. However, the legal status of digital currencies has been
Cryptocurrency

analyzed and considered by the European Central Bank, the European Parliament, and the European Commission. The Court of Justice of the European Union was asked to opine on applicability of Value-Added Tax (VAT) to Bitcoin, and it concluded that Bitcoin is a currency and not a commodity (unlike the approach adopted by the US Commodity Futures Trading Commission) and hence it is exempt from VAT.

It appears that for the moment there is no clear consensus on whether Bitcoin should be treated as a currency or as a commodity. This distinction is important, because if it is treated as currency, it would fall under the jurisdiction of a central bank, and if it is a commodity, it would fall under the relevant commodity authority and face tax implications such as VAT.

The emergence of cryptocurrencies has caught markets unprepared. In 2016, the European Parliament voted for the establishment of a task force to develop financial regulations designed to harmonize the market. However, until the harmonization process is in place, each country is taking its own measures.

While the situation is very much in flux and new discussions on regulations may erupt every day, the general position in Europe at the time of writing is that cryptocurrencies and ancillary activities that derive from it are legal. Le Maire, the French economy minister, said that a working group headed by Jean-Pierre Landau, the former deputy governor, the country’s central bank, had been established to propose regulations and parameters designed to ensure that cryptocurrencies are used within the limits of the law and not to abuse the tax and payment systems, Les Echos reported recently.

France has been very active in this sector, passing regulations for Bitcoin market transparency in 2014 which require Bitcoin distributors to identify their customers and the applicability of capital gains tax to digital currencies, according to an official press release. In the UK, digital currencies are treated as “private” money and they are subject to taxation based on profits from sales.

European and UK regulators have issued warnings against cryptocurrency investments and are pushing for stricter regulations. Due to the secrecy around cryptocurrencies, the expectation is that the UK and the European governments will pass legislation in 2018 to regulate cryptocurrencies, aligning them anti-terrorism and money-laundering legislation. This might not be counterproductive, as it is likely to create legitimacy and credibility for the digital market.

LEGAL FRAMEWORK IN THE MIDDLE EAST

Central banks and governments in the Middle East have been very cautious in supporting cryptocurrencies. Although the Saudi Arabia Monetary Authority has not banned Bitcoin specifically, it has encouraged dealers not to use it due to its highly speculative nature. Banque du Liban, the central bank of Lebanon, has decreed that banks and exchanges cannot transact in virtual currencies. In Jordan, the central bank has also discouraged the use of cryptocurrencies, which it does not consider legal tender, and it forbids financial institutions, financial companies, and exchanges from dealing in cryptocurrencies.

In the United Arab Emirates, trading cryptocurrencies is illegally prohibited pursuant to the Regulatory Framework for Stored Value and Electronic Payment Systems issued by the Central Bank of the UAE in January 2017. A one-sentence provision in this regulation (Provision D.7.3) reads, “All Virtual Currencies (and any transactions thereof) are prohibited.”

In spite of this prohibition, Bitcoin trading, according The National, occurs on a regular basis, and it has become what appears to be a “tolerated practice” according to several legal advisors. Several real-estate brokers and entrepreneurs last fall announced their willingness to receive property payments in Bitcoin. Strengthening this view, local media last year repeatedly cited Mubarak Al Mansouri, the governor of the UAE central bank, as saying in January 2017 that the aforementioned new regulations do not cover digital currency, “defined as any type of digital unit used as a medium of exchange, a unit of account, or a form of stored value,” and “do not apply to Bitcoin or other cryptocurrencies, currency exchanges, or underlying technology such as blockchain.” He also stated that digital currencies are currently being reviewed and new regulations will be issued in due course. However, in remarks made later in the year, Governor Al Mansouri warned about volatility risks related
The Capital Markets Authority (CMA) has moved to a new location
Rome Street, Wardiyeh Hamra, Beirut
Contact us on +961 1 987 250
www.cma.gov.lb
to trade in cryptocurrencies. At present, it is not clear if Bitcoin can be used as a form of payment or for money transfers in the UAE.

**STATE-BACKED DIGITAL CURRENCIES: THE WAY FORWARD?**

Estonia presented a proposal back in 2013 designed to launch its own state-managed digital currency, estcoin, but this was strongly dismissed by European Central Bank President Mario Draghi. More recently, Venezuela, under tremendous financial pressure, announced a plan for a sovereign oil-backed digital currency that was criticized by many international experts. However, state-backed digital currencies could be in the cards in the GCC and the wider Arab region. There has been ongoing discussion that Saudi Arabia and UAE may create a cryptocurrency for cross-border transactions under the umbrella of the two central banks via blockchain technology.

In 2016, the Dubai Future Foundation established the Global Blockchain Council, indicating that the technology is being studied and not dismissed out of hand. The challenge is significant. “Technology advances such as blockchain are causing massive shifts to the way we use financial services,” noted Abdul Basitt Qayed, managing director of private investment firm Ghaf Capital, “but regulations are struggling to keep pace with the rate of change in new technologies for the past decade, and by the time they build new laws and regulations for such technology, [they] will be out-dated, because a new technology will appear to replace the old one. Since technology [is] out-pacing human development, regulators need to learn technologies faster and increase their ability to adapt.”

Riad Salameh, the governor of Lebanon’s central bank, has also suggested that the government is looking at the possibility of a state-backed cryptocurrency (see overview on page 14 and interview on page 44). These are highly significant developments for the region, although a timeline for implementation has not been set. A distinction is being made between central bank transactions and the use of cryptocurrencies for individuals. Certainly, validation by UAE and Saudi central banks might influence other countries in the region.

Many observers are predicting that it is only a matter of time before central banks across the world will launch their own cryptocurrency and move toward a cashless society. Banks are embracing blockchain technology across different sectors, including derivatives.

In the next 18 months, a global regulatory framework for the sector must be developed, but in order to be successful, it will need to balance intervention and innovation. It appears that there is no stopping the digital financial economy, and the players who fail to assimilate and adapt to this new system risk becoming obsolete.

NICOLE PURIN is a legal and finance expert based in the United Arab Emirates.
All views in this piece are her personal opinion.
1. How will this syndicated facility help LGB BANK and what will it allow you to do that you couldn’t otherwise?

This syndicated facility has allowed LGB BANK to build a strong relationship with renowned DFIs, namely the Dutch Development Bank (FMO), The OPEC Fund for International Development (OFID) and The Development Bank of Austria (OEeB), furthermore strengthening our relationship with international stakeholders, while enhancing our position as a leading SME lender in the country. The Environmental and Social milestones related to this facility will translate our strong social and environmental beliefs into our lending practices.

2. What has been your experience of working with DFIs on this transaction and how important are DFIs in supporting banks such as yours?

The professionalism and integrity demonstrated by the DFIs truly makes working with such international parties a pleasurable experience. As a matter of fact, LGB BANK was treated as a “Partner” rather than a “Borrower” since the very early stages of this transaction.

The importance of DFIs in supporting Lebanese banks is evident on two dimensions. The first dimension represents the level of professionalism and sophistication required by Lebanese banks in order to become suitable for DFI funding. Completing a transaction with international DFIs illustrates the bank’s sound governance, policies and operational robustness.

The second dimension represents the financing provided for supporting SMEs in the country. International flow of funds to a country such as Lebanon will provide Lebanese banks with the required incentive to support SME financing and boost the Lebanese economy as a whole. Funding from DFIs would also promote employment in a country were the unemployment rate is already quite high.

3. What are the main development-related challenges and opportunities facing Lebanon and how does LGB BANK help to overcome / capitalize on them?

Access to finance for Small and Medium enterprises is somewhat limited in Lebanon. This development-related challenge is the main obstacle faced by SMEs in the country alongside the below-par financial reporting standards adopted by such SMEs. We, at LGB BANK, view this challenge as an opportunity for building a strong niche as a leading SME lender in the country. Providing technical assistance to such SMEs and providing them with the necessary funding structure has undoubtedly enhanced the bank’s competitive position.

“Partner” rather than a “Borrower” since the very early stages of this transaction.

The importance of DFIs in supporting Lebanese banks is evident on two dimensions. The first dimension represents the level of professionalism and sophistication required by Lebanese banks in order to become suitable for DFI funding. Completing a transaction with international DFIs illustrates the bank’s sound governance, policies and operational robustness.

The second dimension represents the financing provided for supporting SMEs in the country. International flow of funds to a country such as Lebanon will provide Lebanese banks with the required incentive to support SME financing and boost the Lebanese economy as a whole. Funding from DFIs would also promote employment in a country were the unemployment rate is already quite high.

Access to finance for Small and Medium enterprises is somewhat limited in Lebanon. This development-related challenge is the main obstacle faced by SMEs in the country alongside the below-par financial reporting standards adopted by such SMEs. We, at LGB BANK, view this challenge as an opportunity for building a strong niche as a leading SME lender in the country. Providing technical assistance to such SMEs and providing them with the necessary funding structure has undoubtedly enhanced the bank’s competitive position.

1. How will this syndicated facility help LGB BANK and what will it allow you to do that you couldn’t otherwise?

This syndicated facility has allowed LGB BANK to build a strong relationship with renowned DFIs, namely the Dutch Development Bank (FMO), The OPEC Fund for International Development (OFID) and The Development Bank of Austria (OEeB), furthermore strengthening our relationship with international stakeholders, while enhancing our position as a leading SME lender in the country. The Environmental and Social milestones related to this facility will translate our strong social and environmental beliefs into our lending practices.

2. What has been your experience of working with DFIs on this transaction and how important are DFIs in supporting banks such as yours?

The professionalism and integrity demonstrated by the DFIs truly makes working with such international parties a pleasurable experience. As a matter of fact, LGB BANK was treated as a “Partner” rather than a “Borrower” since the very early stages of this transaction.

The importance of DFIs in supporting Lebanese banks is evident on two dimensions. The first dimension represents the level of professionalism and sophistication required by Lebanese banks in order to become suitable for DFI funding. Completing a transaction with international DFIs illustrates the bank’s sound governance, policies and operational robustness.

The second dimension represents the financing provided for supporting SMEs in the country. International flow of funds to a country such as Lebanon will provide Lebanese banks with the required incentive to support SME financing and boost the Lebanese economy as a whole. Funding from DFIs would also promote employment in a country were the unemployment rate is already quite high.
Talking to a local advocate for digital currencies

The concepts and realities of digital currencies are, at best, confusing. To understand more about the Lebanese cryptocurrency community, and the opportunities that the cryptocurrency economy opens for Lebanese business and banks—including the idea of a sovereign digital currency issued by Banque du Liban, Lebanon’s central bank—Executive sat down with Stéphane Abichaker. A locally well known advocate for adopting of digital currency, Abichaker is a lecturer at Saint Joseph University in Beirut, a blogger on bitcoin, and partner at CDC Blockchain, a startup launched in November 2017 that works on electronic currency solutions.

E When did you first get interested in Bitcoin?

That was in 2013 and it was by accident. I even downloaded the Litecoin software at that time and wanted to start mining on my laptop, but then I got busy with other things and totally forgot about it. I rediscovered cryptocurrencies in February 2015 through an article in an online magazine, which said that blockchain might revolutionize finance. Reading tons of material about it for six months, I really got the virus. From that point onward, I had the intellectual debate with myself, started blogging and exchanging ideas about it, and giving conferences and talks on the subject.

E In your view, is Bitcoin easy to understand?

No I think on the day when it becomes easy to be used and understood by many, it will probably be worth 10 times what it’s worth today. It’s very difficult to understand: It goes against what we learn at university, and it also goes against the mainstream finance system: behavior, transactions, etc. In my point of view, it poses a new paradigm, and therefore, is complex and difficult to grasp, [for all including] myself.

E There nevertheless is a community of people in Lebanon who have this virus that you referred to, and are interested in bitcoin and blockchain [the public ledger of cryptocurrency transactions]. How large is this community?

I would say that active people, who are very curious about this subject and who are interacting with each other, number a few hundred, measured by the [size of online] groups I participate in, which are the largest groups on this subject in the country. Then you have a core of about 50 people who are either IT professionals, bankers who do not disclose that they are bankers, or startup people and entrepreneurs, who are really deeply involved in this cryptocurrency space in terms of mining, trading, and discussing.

E Is it legal in Lebanon to mine, to trade, and to discuss Bitcoin, blockchain, and so on?

That is an excellent question which we ask ourselves every week on the groups. What we know today is that there is a sort of red flag that was raised by Banque du Liban in an announcement from December 2013, reminding banks of earlier circulars, which said that digital money is prohibited in Lebanon and cautions explicitly that Bitcoin and other cryptocurrencies are unregulated and
Much of the debate today deals with one or all of three cryptocurrency areas: Bitcoin, ICOs and altcoins—non-Bitcoin cryptocurrencies—and blockchain. Do you have an order of preference among the three?

I would definitely classify them in the following order: Bitcoin, then blockchain, and then altcoins and ICOs. Bitcoin was the first implementation [of a cryptocurrency] and has first-mover advantage. Also, because Bitcoin is open source, any innovation in altcoins, or other ICOs that is worth considering, would be absorbed into Bitcoin’s code.

Blockchain comes with the idea of being a network where you dematerialize assets, and where you’ll have ideal traceability, no single point of failure, etc. Blockchain is a word that has been used more and more to describe the technology as a whole, and there are lots of promises on that front. Nothing has materialized today, but it would be ridiculous to close the door on [the idea that] any innovation will come from this space. The third level are altcoins and ICOs, because I very frankly think that altcoins are variations on a theme, whereby a group of people would try to profit from the overall excitement [around cryptocurrencies], more often than not with a motivation to make money and accumulate riches.

Do some altcoins or ICOs break laws, according to your understanding?

You can assume that they are breaking laws, because the Securities and Exchange Commission in the United States has said that ICOs have to do with offers of securities, and any offer of securities is regulated by the SEC, [which] has said that ICOs should be regulated and come under their supervision.

In Lebanon, would ICOs be considered security offerings and regulated as such? Lebanon’s Capital Markets Authority, CMA, is eager in regulating every fund and every offering of securities, so should this, in your opinion, have to apply to ICOs?

It may also apply to ICOs [in Lebanon], but I have a question in this regard, which concerns the pace of progress and the quickness in which you can issue an ICO with very few technological prereq-

You might find yourself exchanging ideas with a Lebanese teenager who is an IT genius or with a guy in the Bekaa valley who has inherited a place where he can install mining equipment.
**Cryptocurrency**

uisites to do so. I wonder if the CMA and BDL are equipped to tame or control this market.

E You sent me a paper that you wrote last July on the idea of having a regional collaboration of central banks in issuing a joint cryptocurrency. In this paper you spoke of quasi- or pseudo-decentralized cryptocurrency as a possible way forward. What does this mean?

What I tried to reconcile is the principle of central banking—centrally issued and managed money—with decentralized issuance of money or currency. Under game-theoretical perspectives, I’m sure that central banks would lose part, or all of their seigniorage rights, and in my point of view, this is where we’re going. They’re losing [seigniorage, the authority to issue legal tender and profit from its issuance] because they’re abusing it, and people have seen that they have a power which they’ve been abusing since 2007 or 2008. I would say that on the left hand, central banks are condemned to lose part of their power, and on the right hand, you cannot go for a totally decentralized system because then you would have no regulation and control.

Bitcoin is not unregulated; it is regulated by code, but it is controlled by consensus. The reason why we today have six or seven versions of Bitcoin is that people do not always agree with each other. How do we control that? How do you reconcile? What you can do is a hybrid blockchain which is permissioned, meaning you need to be vetted to participate in the network. For example, it would be distributed among central banks in the region on the aegis of what was once called the Gulf Cooperation Council [GCC] unified currency, or even the Arab world currency. You can revive this idea and say, let’s do a regional cryptocurrency that is mined by the region’s central banks. Each one would lose part of its seigniorage rights, but they would make up for this by clubbing together and issuing a cryptocurrency that would be perceived by people as less exposed to abuse [or the potential for abuse].

E But if we go into the history of joint GCC currency projects—since such a common-currency concept was first modeled on the euro idea—we see that the project of a GCC Monetary Union (GMU) did not progress very far beyond the question where the central bank for policymaking in their GMU would be located. Given the overweight of Saudi Arabia in the regional economic context, whether as share of regional GDP or market capitalization of all Arab securities exchanges, wouldn’t other countries, such as Jordan, which one time talked about joining the GCC, and up being very little

brothers to a very big brother? How do you envision to solve this problem in an Arab context?

If the principle of a proof-of-work cryptocurrency is adopted, you would put as many means as you can to participate in the network. In that sense, your relative weight in the unified regional cryptocurrency would be proportional to your material means to invest in hardware. The two interesting aspects of such a scenario are that you first have central banks as players in this blockchain, but you also may have national banks as participants in this overall blockchain. It thus would resemble something decentralized, but at the same time, the weight of each player, in terms of transforming themselves into miners and nodes, would be proportional to their capacity.

E Would that require a political decision to set a regulatory limit on the maximum share in the mining capacity?

I think that pertains to what could be called the monetary policy of this cryptocurrency. This monetary policy definitely has to be defined and agreed on.

We may be very doubtful of such a system because it would require heavy political discussions and agreements and whatever. But [on the other hand] the challenges for central banks are growing in the economic contexts of the global digital economy, and of the real economies of nations, regions, and world. Central banks are going to find themselves confronted with mounting pressure to unify and agree and go this kind of route, a recent example of which is the declaration by an official from [the German central bank] Deutsche Bundesbank, who said that we need a global agreement on regulating Bitcoin and other cryptocurrencies. If you draw a parallel to this statement, it would be easier to say we do something regional rather than global, not in terms of regulation, but in creating a cryptocurrency. Otherwise, especially in developing countries, the challenge posed by decentralized cryptocurrencies would only be mounting and mounting.

E If I understand you correctly, you say that a global umbrella of regulation is needed, and perhaps even a first-ever global monetary policy system since Bretton Woods, and under this umbrella you would have regional central banks that are well advised to team up in issuing joint regional cryptocurrencies?
Mercedes-Benz Man.

Blue, the star eau de toilette.

Mercedes-Benz
Cryptocurrency

Let me be very clear: What you refer to is what I think is emerging, not what I defend or am a fan of. I'm saying this is the only way for mainstream finance to tackle the cryptocurrency revolution. I'm deeply convinced about Bitcoin dominance. Bitcoin will have first place among many in my opinion, but for the traditional central banking system, this is the only way forward.

Would not Lebanon—by virtue of its benign foreign-reserves position, its deposit base in the banking system, and the relatively high sophistication of its central bank mindset and banking industry skill base—be quite well positioned for playing a role in the development of a regional joint cryptocurrency?

I think it's a historic chance because there is this window of opportunity that should be seized. Whether in terms of available human capital, or by the fact that Lebanon's central bank has proven itself over the last decades, there is a historic opportunity to seize, and to transmit the message to the region that this is not a challenge that will disappear tomorrow. This cannot be tamed, and we have to react [as regional central banks] by taking inspiration from blockchain. It does not help to reject or deny it.

What best advantage could you envision for BDL if they chose to take this road and say we want to super-innovate in the cryptocurrency realm?

Digital currency is not the long-term solution, and all central banks are today equal on the starting line, because nobody has found the solution for this challenge. The opportunity for Lebanon is first of all that this country is accustomed to dealing with many currencies. According to the head of IT at BDL [Ali Nakhle], our systems at BDL are by default constructed to cope with a multi-currency environment, not like, for example, the European Central Bank that deals only with the euro. The very systems of BDL are multi-currency. The idea of issuing a cryptocurrency thus would be easily absorbed in the system. Second, the intellectual environment: You have youngsters that are encouraged by Circular 331 to go the way of innovation, new ideas, and technology. These are two advantages, and third, from a political standpoint, it would be easier to have a regional cryptocurrency proposal brought to the table by Lebanon, as outsider to the Gulf Cooperation Council, rather than a member country.

You speak of juxtaposing opposites in form of decentralization and deflation in the Bitcoin system versus the existing system of centralization and inflation. How would that be digested in our economy without causing all manner of disruption and upheaval?

If you go for a hybrid solution, you have your monetary policy that you can include in the blockchain and cryptocurrency that you would create in the code. And then, instead of setting an unlimited supply, as Bitcoin does, you set a progressively increasing supply that, however, is set from the start as being constant in the rate of increase, avoiding arbitrary increases in interest rates or a programmed decrease of supply. This could be debated and decided by the participants and written into the code of the central banks’ cryptocurrencies.

How could this code be protected against illicit modifications and hacking by malicious foreign governments, cybercrime organizations, or such?

This is where the hybrid part comes into play. It would not be a permissionless, but a permissioned, blockchain. So you first could not access the system unless you're authorized to do so. Secondly, the IT protections that exist for such a platform would be similar to ones that exist today to protect IT systems in BDL and other central banks.

But if you look at the recent evolution of organized crime on the internet and of state-sponsored hacks, you find for example the intrusion into the central bank of Bangladesh, and $1 billion in partially successful fraudulent transfers in 2016, with alleged links to cash-strapped North Korea. Also, this region is not exactly known as the center of global cyber-defense expertise, judging from past virus assaults against large oil companies in the Gulf or Iranian nuclear facilities.

Yes, but the difference to the centralized system is that it would be a distributed network among all banks and central banks of the region. Any attacker would have to be able to calculate faster than 51 percent of the calculation power of the whole network of [aligned] central banks and commercial banks in the region in order to modify the transactions on the database. This is remote as a possibility.

Would this be enough to resist all imaginable cyber-attacks, for example if two or three foreign states would collaborate in such an attack?

The answer is to expand the system by inviting other developing countries to join the network, because by the mere increase in network size, you’re protecting yourself from attacks which would aim to modify the integrity of data on your distributed databases.
At the end of January, Lebanon signed oil and gas Exploration and Production Agreements (EPA) with a consortium of companies composed of France’s Total (as operator), Italy’s Eni, and Russia’s Novatek. The consortium had placed two separate bids on October 12, 2017 for Block 4 and Block 9, the only bids received in Lebanon’s first offshore licensing round. With the contracts signed, Lebanon can now look forward to the exploration phase. The consortium has committed to drill two wells in 2019, one in each block. But what can Lebanon expect prior to drilling?

The Council of Ministers approved the award of exclusive petroleum licenses for exploration and production in these two blocks to the consortium in a cabinet meeting on December 14, 2017. This is what the EPA refers to as the “effective date,” and our starting point to map out the road ahead in 2018.

Two separate issues will be dealt with in this article. The first, larger section focuses on the companies’ obligations arising from their exploration and production licenses; the second sketches out the Lebanese state’s petroleum program in 2018.

By the end of January, the three companies form-
The exploration and production agreements between the consortium and the state include local-content clauses designed to benefit the Lebanese economy.

The consortium should have established a legal presence in Lebanon, each staffed and able to carry out its rights and duties. In addition, they should have established a management committee to authorize and supervise petroleum activities. Each one of the companies has the right to appoint at least one representative in this committee. Lebanon may also be represented in this committee: The energy minister and the Lebanese Petroleum Administration (LPA) are entitled to appoint representatives, though these will only have an observer status.

The exploration phase will extend over a maximum period of six years, divided into a first period of three years and a second period of two years, which may be extended for an additional year. The consortium is expected to submit the initial exploration plan to the energy minister and the LPA within 60 days of December 14, 2017 (the effective date). The plan should be approved within a maximum period of 60 days, if it meets all the criteria specified in the EPA. On the day it is approved, the exploration phase will have officially started.

On or prior to the signature date, the companies must have provided work-commitment guarantees to safeguard the state in case of their failure to fulfill the minimum work commitment specified in the EPA. These are the tasks that the consortium is required to perform (excluding an event of force majeure). In the first exploration period, which starts on the date the exploration plan submitted by the consortium is approved and extends over a period of three years, the required tasks include conducting surveys and drilling exploration wells, starting in 2019 in Block 4 and then in Block 9.

Within 60 days of the effective date, the companies must prepare a detailed work program and a budget for exploration activities, consistent with the requirements of the exploration plan, and submit it to the LPA. The regulatory body will either approve the work program and budget within a period of 30 days, or reject it, in which case the decision must be explained to the companies in writing so that the companies may submit a revised version.

The exploration and production agreements between the consortium and the state include local-content clauses designed to benefit the Lebanese economy. Among these is a requirement to give preference to Lebanese goods and services in awarding contracts, even if the local company makes offers that are up to 5 percent (goods) or 10 percent (services) more expensive than offers by foreign companies.

The consortium companies are also required to recruit 80 percent of their workforce from among
Lebanese nationals. As it may be difficult to source talent at the beginning of their activities, the legislation allows a certain flexibility. The consortium is expected to devise a detailed recruitment and training program within six months after the EPA's approval. An updated program for recruitment and training will have to be submitted to the LPA by December 31 of each year. If the consortium at first cannot meet the 80 percent threshold, they will be required to submit a written explanation on their own behalf, and on the behalf of their contractors, detailing the reasons and requesting an exemption. In addition, the companies are expected to assign a budget for training public sector personnel working on the oil and gas sector, starting with $300,000 per year, with a 5 percent increase each year, until the beginning of the production phase, at which point the amount will increase. These costs are recoverable costs for the companies.

A STATE OF AFFAIRS

For the Lebanese state, 2018 will be equally busy. Parliament will be busy discussing new oil and gas legislation, including an onshore petroleum resources law and a law codifying transparency measures for petroleum activities. These two pieces of legislation have a reasonable chance of being passed this year. Two other draft laws are expected to draw intense debate inside and outside Parliament this year: A law to establish a national oil company—although Article 6 of the 2010 Offshore Petroleum Resources Law provides for the establishment of a national oil company only "when necessary and after promising commercial opportunities have been verified" and indicates that the company would be established by the Council of Ministers—and a law to establish a sovereign wealth fund (see story page 50), in addition to establishing a General Directorate for Petroleum Assets within the Ministry of Finance. In both instances, as anyone would expect, the limits of the debate will not be confined to sectoral considerations, and are likely open to political meddling or outright obstruction.

In addition, Lebanon is planning to update the 2012 Strategic Environmental Assessment, an environmental policy-planning tool to guide decision-making and predict how the environment is expected to be affected by different scenarios. An updated version should be completed by end of Q2 2018.

In 2018, as in 2017, power generation is going to be among the government's biggest concerns. Lebanon's various political factions do not see eye to eye on this front, and progress has been painfully slow. Plans to acquire floating storage and regasification units and to import liquified natural gas for power generation, a project that has been repeatedly postponed since 2013, could be reactivated this year. Two tenders, one for the regasification units and another for gas imports, are currently being studied, but there are no indications as to when exactly they will be launched.

A big question on everybody's mind this year is the maritime border dispute between Lebanon and Israel. Despite the occasionally heated rhetoric, the area has been stable for over a decade. Is the US planning to resume mediation efforts? Is the United Nations considering an intervention on this front? By awarding Block 9, which includes an area that is claimed by Israel, Lebanon is once again bringing attention to this subject.

Another critical milestone this year is the expiry of the LPA board's mandate in December 2018. The current board was appointed in 2012 for a period of six years, renewable once. It is not clear at this point if its mandate is going to be renewed or not. If it is not, it remains unknown how the next board will be selected. When the current members were appointed in 2012, local media reported that they had been selected according to a procedure valid once, suggesting that the appointment of the next board might not follow the same procedure. These questions should be clarified reasonably well in advance, because, whether the mandate will ultimately be renewed or whether a new board will be appointed, these are political decisions, and every step of the process requiring a political decision is a potential obstacle. More importantly, there are EPA obligations this year (see the timeline) and beyond that require LPA participation or oversight. Better to anticipate than defer.

If Lebanon wants to send a positive and symbolic signal early in the year, a good starting point would be to publish the two contracts that were signed at the end of January with the Total-Eni-Novatek consortium. Failure to publish the contracts would undermine efforts to build a clean and transparent Lebanese oil and gas industry.

MONA SUKKARIEH is the cofounder of Middle East Strategic Perspectives (http://www.mesp.me), a Beirut based political risk consultancy.
NEW INTERIOR

RESTAURANT BAR
Mar Maroun st. Saifi

CENTRALE

RESERVATIONS: 03 915 925 / 01 57 58 58
SAVING US FROM OURSELVES
Planning begins for a sovereign wealth fund

Along the coastal highway in Batroun, north of Beirut, is a billboard that reads "Lebanon is now an oil producer." For now, that is optimism, not reality. Offshore wells will not be drilled before 2019, and until they are, the extent of Lebanon’s oil and gas reserves—if they exist—will remain unknown. But with an answer finally on the horizon, a draft law has been introduced in Parliament to decide how to spend the dollars that could eventually come gushing forth.

In December, the Council of Ministers awarded two offshore exploration licenses to search for oil and gas, and the consortium of companies that won both bids signed exploration and production agreements at the end of January.

The award has invigorated expectations that Lebanon is set for a windfall. Politicians looking to make a big splash ahead of the parliamentary elections scheduled for spring are claiming credit for ushering Lebanon to “day one” of exploration, and may already be attempting to stake claims over the oil and gas proceeds that could come some years down the road.

Uncharacteristically ahead of schedule, Parliament may soon begin debating a draft law that would set up a sovereign wealth fund (SWF) into which possible oil and gas riches will be deposited. Created in principle by a 2010 law that lays the foundations of Lebanon’s offshore oil and gas sector, the sovereign wealth fund needs its own law to detail how it would be managed and operate: who would oversee revenues, for example, and how they would be spent or invested.

**SLOW AND STEADY**

It may still be too soon to legislate a SWF—the first exploratory wells will not be drilled until next year and, if oil and gas are found, it may take several more years to extract and successfully bring them to market—but experts EXECUTIVE spoke to agree that it is better to begin fleshing out the legal framework earlier rather than later.

At the same time, they expressed caution, because the draft law would set out important rules for managing any future proceeds. Vidar Ovesen, a Norwegian consultant on petroleum revenue management who briefed lawmakers on SWFs last year, explained in an email to EXECUTIVE that creating a SWF should be a well thought-out process that manages expectations and considers the long-term health of the economy (see SWF Q&A page 58). Andrew Bauer, an expert on natural-resource revenue management with the Natural Resource Governance Institute who reviewed the draft law for the Lebanese Oil and Gas Initiative, advises that now would be too early to legislate a SWF: “There is absolutely no rush to get this passed now. If oil is produced, [revenues are] is years away.”

**INTO THE PIGGY BANK**

The draft law, introduced by Member of Parliament Yassine Jaber, proposes both a savings account and a development account. Most of the revenues generated from royalties and production sharing would be deposited in the savings account, and the development account would receive revenue from the 20 percent corporate income tax that oil and gas companies will pay in accordance with the sector-specific tax law that Parliament passed in October 2017.

The rules for spending money from the two accounts are complicated by design, an economist familiar with the draft law tells EXECUTIVE. Money can be withdrawn from the savings account in a specific year only if Parliament has approved a budget allocating the money for a specific purpose. And that withdrawal is conditioned on whether the Treasury has reached a debt-sustainable primary surplus, meaning that enough non-petroleum revenue is flowing to the Treasury to cover interest payments on public debt and stop the national debt from increasing. (As of November 2017, the debt stood at almost $80 billion, $30 billion denominated in foreign currencies and nearly $49 billion in Lebanese lira, according to Ministry of Finance figures.)

To create a debt-sustainable primary surplus, Lebanon needs to generate a primary surplus that equals about 5 percent of the national GDP, says the economist, who requested anonymity because he was not authorized to speak with press. Lebanon would have to generate an extra $2.5 billion in revenue to cover its debt-interest payments and keep the national debt from increasing—a nearly impossible task, the economist says, without introducing major reforms to public spending, like cutting back on the billion-dollar subsidy to the failing public utility, Electricité du Liban.

Tapping into the development account would only be allowed once a budget is in place and the debt-to-
GDP ratio is stabilized. A portion of the money in the development account (up to 2 percent of GDP, according to the draft law) can be spent to reduce public debt denominated in foreign currencies in order to ease pressure on the national budget. Once foreign-currency debt is paid down to 20 percent of GDP, funds in the development account (up to 3 percent of GDP) can be used for capital investments in education, health, research, development, and renewable energy.

The experts Executive spoke with differed on the draft law’s requirement that the government first pay down its foreign currency-denominated public debt. The economist familiar with the law describes this as a necessary and good strategy. “It is very important to only pay foreign currency debt instead of spending money on local currency-denominated government debt, which is held by Lebanese banks. If the state were to pay down lira-denominated public debt, that would create more space for borrowing in the future. But the point is not to worry about paying down local currency debt, because the government could theoretically print as much Lebanese lira as they want,” the economist says.

Martin Skancke, a former director of Norway’s sovereign wealth fund and now an asset-management consultant advising other countries setting up SWFs, wrote in an email to Executive that Lebanon should deliberate the pros and cons of saving versus paying down debt. “The first question you need to ask is, ‘Would it make sense to spend some of this money to reduce the overall debt level rather than building up a fund?’ If you have high debt and you start saving in the fund, you have a relatively leveraged balance sheet and you can be hit on the balance sheet both by losses on your assets and of course by disruptions in external finances. This is about managing the risks of the overall sovereign wealth fund balance sheet in a good way,” Skancke wrote.

Bauer says the draft law’s rules for spending on public debt are not strong enough. “There is nothing preventing the government from using oil revenues to pay down the debt then borrow separately, essentially moving money into one pocket then out the other. What would be needed is a rule that limits government debt accumulation in general, such as an expenditure growth rule (as in Peru), a structural balanced-budget rule (as in Chile or Norway, though I’m unconvinced this would work in Lebanon), or a debt ceiling (as in Indonesia),” he wrote to Executive in an email.

Oversight of the sovereign wealth fund will be a crucial challenge. An economist formerly based in Beirut with an international public-finance institution tells Executive that the state would need to set up multiple layers of auditing to optimize fund performance and limit mismanagement. “The government or the Parliament should set performance targets. The minister of finance and Parliament, alongside external auditors, must do the due diligence and make sure there is no fraud,” says the economist, who asked not to be named because he was not authorized to speak with reporters. “You want to have checks and balances and separation of powers so that everybody is not conflicted by interests.”

Skancke wrote to Executive that in other jurisdictions, it is the role of the finance ministry to oversee management of a SWF. He also wrote that the whole governance structure, including reporting requirements, must be enshrined in legislation as part of the SWF law.

The draft law calls for the appointment of a board of directors to oversee the operations of the SWF, and it implements spending and investment strategies. The strategies are prepared by a subunit of the board, a petroleum-assets management unit, which is overseen by the finance minister. The minister submits the strategies to the Council of Ministers for approval before sending orders back to the unit to implement. Control over investment strategy is vested in the finance minister.

Bauer wrote to Executive that the prescribed governance structure is weak, and that it was unusual to have the finance ministry circumventing the board of directors through the subunit. He wrote that the draft law does not clearly spell out several controls, and he criticized the law’s “lack of independent external audit to be made public; lack of independent board members; and [lack of] clear qualifications for board members.” He recommends adjusting the text of the draft law to clarify the required qualifications for board members and to allow Parliament to name at least two of the board members, with a focus on strong audit and financial-analysis skills. He also recommended implementing a requirement to publish the external auditors’ reports in full.

Though it may be years away, there is potentially a big chance for Lebanon to score some serious cash if oil and gas is discovered. To avoid botching this big opportunity, it is important to take the development of these wealth-management frameworks slowly and carefully. With drilling not scheduled until 2019 and hoped-for proceeds years ahead, there is still plenty of time to improve the draft law.
Match your Love

Happy Valentine’s Day
LEBANON’S O&G WEALTH

How a sovereign wealth fund can keep the government honest

Lebanon signed oil and gas exploration contracts on January 29, and officials hope to one day save and invest proceeds from selling and taxing the resources, if commercial quantities are found. It could take time to find oil and gas deposits off the coast of Lebanon, and even more time to extract and bring them to market. But if Lebanon finds itself sitting on a pile of cash, that money would need to be protected and invested in public goods, services, and infrastructure for the benefit of future generations.

As debate over a sovereign wealth fund (SWF) begins to take shape, lawmakers are receiving advice from a range of SWF experts. Executive corresponded by email with Vidar Ovesen, a Norwegian consultant on petroleum revenue management, on the basics of timing, design, and fund management.

If Lebanon makes a commercial discovery of oil or gas, some estimates show a several-year period before revenues from their sale pour in. When should the legal framework be put in place to organize a sovereign wealth fund?

Establishing a SWF should be considered an integrated part of the overall policies for managing petroleum revenues in a country. It is important to be well prepared to get the most out of the revenues, and the design of the SWF’s legal and institutional framework is one key milestone, in particular if a significant amount of the petroleum revenues are to be saved in an SWF. On the other hand, petroleum exploration and development normally takes many years, and major revenues to the government would, in most cases, first materialize when the investment costs are recovered, i.e. some years after production commences. Starting the planning for an SWF too early has, in some cases, raised unrealistic and overly optimistic expectations, which have resulted in increased public spending, rent-seeking, and loss of attention to other economic sectors that might be even more important for the country’s long-term economic development.

You mention that poorly designed funds could be very harmful. Can you give general examples of design flaws?

Lack of transparency is often a major reason for poor management of SWFs around the world. A good governance model for an SWF includes mechanisms for regular disclosure of information about in- and out-flow of revenues, the performance of the investments, and other aspects that may be relevant to the broader public. Transparency enables Parliament and civil society to hold the government accountable for how petroleum revenues are managed. It is important to ensure that common assets for future generations are managed well, and the only way to do this is to ensure maximum transparency on all key aspects of how the SWF is managed. Moreover, it is paramount to establish a clear division of responsibilities between the owner, i.e. the government, and the operational manager of the SWF to avoid any political interference in the day-to-day management. The government should establish the overall policies and leave the implementation of these policies to the professionals. Lack of oversight mechanisms such as independent audits may also harm the performance of the SWF.

In Lebanon’s case, your advice at a workshop for members of parliament was that it might be best to stabilize or reduce public debt before investing oil and gas revenues. Is that a common strategy of other jurisdictions and SWFs?

It is important to strike the right balance between debt repayments, SWF investments abroad, and domestic spending through the budget. In countries with significant foreign debt, it should be considered whether paying down foreign debt would be a better strategy than saving budget surpluses in an SWF. Although building up a portfolio of liquid assets is beneficial, particularly in tight global liquidity conditions, the opportunity cost of holding such assets is high when the cost of servicing that debt is high. It is important to bear in mind that what matters for future generations is the net fiscal position of the government, and not the size of the SWF that can be inherited. In Norway, all foreign debt was paid down before the first financial savings were allocated to the SWF in 1996.
THE ANNUAL BUSINESS MEETING PLACE FOR
THE HOSPITALITY AND FOODSERVICE INDUSTRIES

25
Years
FROM LEBANON
TO THE WORLD

20 - 23 March 2018
3 - 10 pm, Seaside Arena, Beirut, Lebanon
(Previously known as BIEL area)

350+ exhibitors | 2,500+ local and international brands
30+ international food, drink and hospitality experts
25+ daily competitions and workshops

STAY AHEAD WITH THE
HORECA LEBANON APP!

SKIP THE QUEUE AND REGISTER NOW AT HORECASHOW.COM FOR YOUR E-Badge

horecashow.com  f  horecatradeshow  ig  horecaleb  tw  horecalebanon

GOLD SPONSORS

SUPPORTING HOTELS

MEDIA PARTNER

OFFICIAL MAGAZINES

SUPPORTED BY

AN EVENT BY

hospitalityservices.com.lb
ENVIRONMENTAL IMPACT
An update to oil & gas environmental policy
Five years ago, Lebanon was ready to invite companies to explore for oil and gas offshore. A law organizing offshore exploration had been passed, an environmental study—known as a Strategic Environmental Assessment (SEA)—to study and mitigate the effects of exploration on the environment had been prepared, a had been regulator appointed, and the bid round announced. Then politics got in the way. The government could not agree on issuing needed decrees to move forward, and the licensing round was, effectively, put on ice.

Around this time last January, the bidding round was awakened from its cryogenic slumber. The needed decrees were issued and a roadmap to accepting bids laid out. By December 2017, the government awarded two separate exploration licenses, for Block 4 and Block 9, to a consortium of companies made up of France’s Total, Italy’s Eni, and Russia’s Novatek. At the end of January, contracts were signed.

ENVIRONMENTAL CONCERNS SET OIL AND GAS BACK

But during the licensing round’s four-year hibernation, the factors affecting oil and gas exploration changed. New exploratory data became available, and the Ministry of Environment issued new rules requiring and standardizing SEAs.

In May 2017, an analysis of the SEA found that it contained too many problems to be an effective planning tool. The report, published by the Lebanese Oil and Gas Initiative (LOGI), urged the government to overhaul the SEA, and to do so in parallel with the licensing round. Its author, environmental consultant Klemen Strmšnik, summarized the report’s findings in a January email to Executive: “The SEA was not fully implemented and was based on a lack of data. Stakeholder involvement was limited, and the SEA report was not presented to the public through public consultations. Additionally, national legislation on SEAs was substantially changed, and the current SEA report simply does not satisfy the standards set by new environmental legislation. [Therefore], it does not provide all needed answers and cannot represent a sound decision-making tool.” (Full disclosure: The author of this article is a co-founder of LOGI and sits on its board of directors.)

Given Lebanon’s track record on other national environmental problems, such as waste management, water pollution, and the destruction of wildlife habitats, it is easy to doubt the state’s capabilities to regulate and enforce environmental measures on large multinational oil and gas companies. And it is worth remembering that inadequate regulation can have huge financial costs for petroleum companies, and catastrophic consequences for ecosystems. BP, which was responsible for the Deepwater Horizon spill in the Gulf of Mexico in 2010, has had to pay a total of $67 billion for the spill, the Financial Times reported in January. According to the National Ocean Service, a US government agency, the Deepwater Horizon disaster killed 11 workers and spilled 134 million barrels of oil into the Gulf over nearly three months, killing thousands of marine mammals and sea turtles. LOGI’s SEA critique painted a portrait of a regulator unconcerned with environmental protection, and its recommendation was clear: Plug the data gaps, address new environmental rules, implement recommendations found in the original SEA, and do more to get the public’s feedback.

Assem Abou Ibrahim, head of the Lebanese Petroleum Administration (LPA)’s Quality, Health, Safety, and Environment Department, told Executive that some recommendations have already been addressed: In 2013, the government issued decrees as part of the Petroleum Activities Regulations, defining the SEAs scope in line with the new environmental rules, and, in 2016, the LPA published a National Oil Spill Contingency Plan—a guideline to prevent and respond to oil spills.

In December, Executive incorrectly reported that the government would be commissioning a new SEA from scratch and that such a contract would be directly awarded. This is not the case. Some sections of the SEA will be updated and the work carried out by the LPA with support from the European Union. “Based on our assessment of all these developments and their expected implications on the SEA study, the Ministry of Environment agreed with the LPA’s evaluation for not modifying the scope of the existing SEA but rather to implement some updates to sections affected with the current information availability and to integrate the various management and planning initiatives into a comprehensive plan,” says Abou Ibrahim, “The SEA will as well be an opportunity to further engage with affected stakeholders. We are currently assessing the possibility for initiating the SEA update work through a technical assistance project implemented at the LPA and funded by the EU.” He added that the SEA update should take around four months to finish, with an expected completion date toward the end of Q2 2018, ahead of exploratory drilling beginning in 2019.

JEREMY ARBID is the co-founder of the Lebanese Oil and Gas Initiative (LOGI) and a member of its board of directors, in addition to Economics and Policy Editor at Executive Magazine.
ONE EYE OPEN

Keep oil & gas production transparent

In the midst of Lebanon’s first offshore oil and gas licensing round, the Lebanese Oil and Gas Initiative (LOGI), an independent NGO aiming to develop a network of Lebanese oil and gas experts, commissioned a study about the 52 companies that had prequalified to bid. This research allowed LOGI to evaluate the companies based on six criteria covering two main areas: corruption track records and anti-corruption policies, and environmental track records—criteria not assessed by the government.

The licensing round ended in October, and a consortium made up of three companies—France’s Total (the operator), Italy’s Eni, and Russia’s Novatek—was the only bidder, submitting two separate offers (Block 4 and Block 9). The Council of Ministers awarded the bids in December and tasked the energy minister with signing contracts by the end of January. In this one-bidder scenario, it is crucial to revisit the findings of our report, with regard to these three companies. We found that none have a completely clean record.

The report found that while Total discloses its beneficial owners—the entities or individuals that ultimately own the company—there are still transparency issues that the company must address. Our research found that Total was involved in a number of bribery incidents, such as one in Iran in 2013 where the company admitted guilt in return for a deferred prosecution agreement with the US Department of Justice for paying third-party bribes for work. Total is also listed in the TRACE corruption database as engaged in anti-bribery lawsuits. On the environment, Total were fined after failings led to a gas leak in one of its plugged wells in the North Sea.

Eni, for its part, has a publicly available anti-corruption policy, yet in 2010, the US Securities and Exchange Commission brought corruption charges against the company related to a bribery scheme in Nigeria involving construction contracts. It also has other ongoing corruption lawsuits according to TRACE.

Novatek, a Russian firm, does not disclose its beneficial owners. But a review of available literature revealed that one is Gennady Timchenko, a Russian billionaire and member of Putin’s inner circle. For a country such as Lebanon, where foreign political players have substantial influence on all internal political dynamics, it is critical to know whether politically exposed people are associated with international oil companies working in Lebanon.

Based on these findings, LOGI proposes that Lebanese regulatory authorities publish the signed EPA contracts, establish a monitoring mechanism for negotiations between the government and the companies that includes a civil-society watchdog, and publish the outcomes of the negotiations to select a final winner.

In addition, LOGI strongly recommends that the Extractive Industry Transparency Initiative, a tool to facilitate the disclosure of information, be implemented as soon as possible, and that the draft law presented by MP Joseph Maalouf entitled “Strengthening Transparency in the Oil and Gas Sector in Lebanon” be passed. The main aim of the due diligence report was to push the Lebanese government to adopt criteria that LOGI included in its evaluation of companies applying to prequalify for bidding in subsequent licensing rounds, both offshore and onshore.

LOGI also recommends that Novatek’s beneficial owners—both actual and economic beneficiaries—is published by the government.

Further, LOGI recommends that the current Strategic Environmental Assessment, a policy prepared in 2012, be updated as soon as possible so that newly available data can be used as a baseline for future Environmental Impact Assessments. These assessments should be mandatory during the exploration phase because critical environmental planning as well as health and safety measures need to be put in place prior to the start of any exploration activity.

The oil and gas industry worldwide has been, and will continue to be, among the top industries associated with corruption, conflicts, and increases in poverty and unemployment rates. Managing these resources, from awarding rights to sustainable use of revenues, in a transparent and accountable manner will render prosperity to its owners, the Lebanese people. For Lebanon to ensure good governance at the early stages of awarding licenses it must adopt stricter criteria for the prequalification of companies, and better hold contractees to account.

Diana Kaissy is executive director at The Lebanese Oil and Gas Initiative
WHERE DID THE TRASH GO?
IT’S IN THE AIR YOU BREATHE.

YOUR HEALTH, YOUR RIGHT.
Sign the petition
www.hrw.org/StopTheBurning
By Jeremy Arbid

Lebanon is approaching a milestone nearly eight years in the making. In December, cabinet awarded two separate exploration licenses to a consortium of three companies: France’s Total (the operator), Italy’s Eni, and Russia’s Novatek. Contracts were signed at the end of January, leaving the consortium and the government about one year for preparatory work ahead of the first exploratory drilling in 2019. Executive met with Walid Nasr, president of the board of the Lebanese Petroleum Administration (LPA), the sector’s regulator, to find out what comes next.

At the end of January, the government signed exploration and production agreement (EPA) contracts. What happened between awarding the licenses and signing the contracts?

Finally, we have reached a point to start operations. After the approval of the cabinet to award the two blocks to the consortium, the companies are requested to provide the work commitment guarantee and parent company guarantee. These are two very important documents required to have [the] full commitment of the companies to actually implement their programs through the work commitment guarantees. And the parent company guarantee is very important because if anything goes wrong, the mother companies, who are fully in line with the prequalification requirements in terms of their financial capacities, would actually cover any losses or damages or anything coming up from operations. This is a safeguard to the government that we have such guarantees. The guarantees are uncapped.

Can you outline the aspects of the work commitment guarantee?

The consortium has proposed a technical offer with an exploration program with minimum work commitments, and the LPA has put in the tender protocol. It is published and known that there is a minimum commitment of one well for every exploration period. We have two exploration periods, [the] first one for three years and the second one for two years. So companies were required to drill at least one well in every period, and this is what the companies have actually submitted.

The companies need to estimate a budget to be able to implement their exploration program, and that budget will be covered by a work commitment guarantee issued by their bank. So in case, for any reason, the companies do not fulfill their work commitment as agreed upon in the offer, and then in the exploration plan that will be submitted soon, the government will have access to the money and the work commitment guarantee for the government either to implement it itself, or to bring another company to implement it. This would safeguard the targets set by the government to actually drill. So if the consortium fails to drill, the government has access to funds that would enable the government to do the work.

Have the guarantees been finalized and submitted?

The guarantees will be provided very soon. After that, it’s administrative work, but also a lot of technical work and preparing logistics, because the companies will have to prepare themselves to be able to drill in 2019. We have a firm commitment
from the consortium to drill one well in Block 4 and one well in Block 9 in 2019, meaning a lot of additional assessment, studies on the geology, on the technical side, on where and how to drill. Then, logistically, because based on the regulations the companies need to operate from Lebanon, they will need to open offices in Beirut or [elsewhere] in Lebanon … [and] prepare all the logistics needed, including a supply base in. So 2018 will be a very busy year for the government and the consortium to make sure that all the preparations are done in terms of permitting administrative work, technical work, logistics, and all types of studies to be able to reach our goal of drilling two wells in 2019.

Did the companies offer to conduct more seismic surveys in their bids—would they need more data to narrow down exactly where they will drill?

In the offers themselves, the companies didn’t provide additional seismic surveys, and this is a very good indication that the seismic surveys conducted by the servicing companies [contracted in the past by the Ministry of Energy and the LPA], were satisfactory for the companies. The companies were required to buy licenses to use the data of the seismic surveys, and they have done so. They prepared the offers based on the interpretation of the seismic surveys that they have done before, and they were very satisfied with the quality of the survey and their coverage.

All our blocks are covered with 2D and 3D data. Accordingly, they have done their assessment and the prospect of our offshore fields. That is why they applied and provided an offer for that. And they even provided details on how they want to drill and where. The companies did not commit to seismic surveys because they assessed they don’t need them. Now they still have the option to do seismic surveys if they think they’re needed to have a better exploration program. When they submit the exploration plan in the coming 60 days, then they will identify what type of studies they are doing and whether they need to do seismic surveys or not.

In December, Executive incorrectly reported that the strategic environmental assessment (SEA) was to be completely redone, and also incorrectly reported how it was to be contracted and carried out. Can you explain what is happening with the SEA in terms of an update and its expected completion?

The SEA was completed in 2012, before an SEA decree was [completed] by the Ministry of Environment, standardizing how an SEA should be done. The SEA has identified different scenarios [for] what may happen during the development of the petroleum sector in Lebanon, and it had a set of recommendations [for] what needs to be done next after preparing the SEA. The LPA had taken the recommendations of that study and has done a lot of work to actually implement these recommendations, for example, preparing a national oil spill contingency plan. Now, in 2017 and 2018, we thought it was time to update the SEA with anything new since 2012—most importantly, to include any additional environmental data available in our analysis. This will be done soon. It will also include environmental management plans for the sector.

A draft law for a sovereign wealth fund (SWF) has been submitted to a parliament subcommittee for debate. What role does the LPA have in contributing to this draft law?

The concept of the SWF is laid down in the Petroleum Resources Law 132, which says that all revenues coming from petroleum activities need to be put in the SWF. Now, the LPA is not an institution mandated to establish the SWF, nor to manage it. Our role is to basically give guidance to other institutions in the government related to the technical part of the input needed for the petroleum sector. So what we’ll be doing is that we’ve been coordinating with the Ministry of Finance and now, as you mentioned, this will be discussed in the Parliament and specialized committees. So the LPA will take part in those discussions in those parliamentary committees to provide any technical advice or input needed for the parliamentarians to discuss the SWF.

Are there specific revenues that have already incurred?

The revenues incurred so far are the revenues from sales of the licensing of the seismic data. And this is now put in a separate account in the central bank, [and] again this is a decision of the Parliament of how to use this fund, and whether this can be seed money for the [SFW].
The Lebanon International Oil & Gas Summit is held under the auspices of the Ministry of Energy and Water, Lebanon and H.E. Eng Cesar Abi Khalil, Minister for Energy and Water.

Global Event Partners

Held under the auspices of

LEBANESE REPUBLIC
MINISTRY OF ENERGY AND WATER

The Lebanon International Oil & Gas Summit is held under the auspices of the Ministry of Energy and Water, Lebanon and H.E. Eng Cesar Abi Khalil, Minister for Energy and Water.

Official Business Publication Partner

The platform for opportunity in one of the world’s most exciting oil and gas markets

24-25 April 2018
Hilton Beirut Habtoor Grand

www.liog-summit.com

To discuss delegate, sponsorship and showcase opportunities, please contact the organising committee below or visit www.liog-summit.com

Paul Gilbert
Email: pagilbert@gep-events.com
Telephone: +44 7850 025295 (International)

Dory Renno
Email: dory.renno@planners-partners.com
Telephone: +961 71 400339 (Lebanon)
Where is the money going?

A closer look at Lebanon’s first budget since 2005

In November 2017, Parliament ratified a state budget for the first time in over a decade. For fiscal year 2017, the state’s total spending allocation was almost $16 billion (LL23.9 trillion).

This represents a nearly 140 percent increase in public spending compared to 2005, the last year for which a budget was passed, when spending allocations totalled $6.6 billion (LL10 trillion).

In 2017, almost half of public spending—$7.6 billion (LL11.5 trillion)—went to common expenses, such as paying for interest on public debt, salaries and pension payments, and to subsidize the failing electricity utility Electricité du Liban.

The Ministry of National Defense, which is responsible for the finances of the Lebanese Armed Forces, was the highest-spending ministry in 2017 at $1.9 billion (nearly LL3 trillion), followed by the education ministry, which oversees the finances of the public school system and Lebanon’s public universities, at $1.1 billion (LL1.7 trillion). The next-largest allocation went to the Presidency of the Council of Ministers, which oversees public institutions like the Council for Development and Reconstruction, at $1.02 billion (LL1.5 trillion). Rounding out cabinet’s billionaire club was the interior ministry, responsible for domestic security forces, at just over $1 billion (LL1.5 trillion) in allocated spending. Health was the next-largest spending priority, with the Ministry of Public Health allocated $470 million (LL709 billion).
Government Expenditures by Function, 2017

- Ministry of Development and Reconstruction: $5m
- Ministry of Agriculture: $49m
- Ministry of Social Affairs: $150m
- Ministry of Finance: $418m
- Ministry of Public Health: $470m
- Ministry of Interior & Municipalities: $1bn
- Ministry of National Defence: $1.87bn
- Ministry of Youth & Sports: $10m
- Ministry of Tourism: $17m
- Ministry of Telecommunications: $5m
- Ministry of Industry: $5m
- Ministry of the Displaced: $5m
- Ministry of Information: $30m
- Ministry of Culture: $31m
- Ministry of Economy & Trade: $20m
- Constitutional Council: $1m
- Presidency of Republic: $14m
- Parliament: $48m

Type of spending:
- Government Institutions: 7%
- Government Ministries: 39%
- Common Expenses: 48%
- Budget Reserves: 6%

Includes interest payments on public debt, pension and retirement payments, and transfers to Electricité du Liban

Source: 2017 Lebanon State Budget
Crédit Agricole

Executive sat down with Jean François Deroche, chief executive officer of Indosuez, the wealth management arm at Crédit Agricole S.A. (CASA), and François Farjallah, global head of the Middle East and Africa for Indosuez. In a November 2017 interview, the pair discussed Indosuez and CASA’s governance, international investments, and presence in the Middle East.

E Can you please explain the structure and governance of Crédit Agricole?

JF: We have a very simple structure: There are 39 independent cooperative mutual banks, which together hold 55 percent the majority of Crédit Agricole S.A., and the other 45 percent is listed on the stock exchange.

Crédit Agricole S.A. controls all other corporate activities: investment banking, private banking, insurance, consumer credit, and all retail banking outside of France.

E What was the impact on CASA’s recent simplification of its governance? Who holds the most power on the board today?

JF: Ultimately, the power is always with the 39 regional banks, because together they control 55 percent. The main change does not come from this simplification; the main change comes from the political body of the 39 banks getting together to decide what they want to do. The major change was made to ensure that now people are sitting together. Before, they were separate—you had the 39 banks, in the federation they were appointing people in CASA. Now, the people in charge of CASA’s and the CEO keep their seat in the political body, and the people in the political body are on the board of CASA, which means you have two organs, but in fact, they’re the same people, and they all meet together.

E So is this better oversight now?

JF: Exactly, because they are together.

E Indosuez had a very bad experience in Greece, which led to the loss of $14 billion dollars. Had worse, or equally bad, experience with the subprime crisis, which inflicted another $14 billion in losses. Today, you’re looking to acquire Commerce Bank. What are the lessons learned from the Greece and subprime experiences, and how are you going to mitigate risks associated to acquiring Commerce Bank?

JF: So, in terms of experience, I think Crédit Agricole’s bad experiences, which translated into losses in the beginning of the financial crisis, were not specific to Crédit Agricole. Most of the large banks during the 1990s and the 2000s were in a big expansion mode. They wanted to do everything everywhere. So you buy, and you develop. So on those two aspects, yes, we have been hurt by the subprime crisis, like 90 percent of the very large international banks, and we have made badly timed acquisitions, because I think the acquisition was back in 2006 in Greece, just before the crisis and the explosion.

“‘Yes, we have been hurt by the subprime crisis, like 90 percent of the very large international banks.’”

Unfortunately, some of the other banks had made bad acquisitions in other countries like Russia, some in the US, in Brazil, whatever. I think it was a mistake, but it was a very common mistake done by many banks. What all banks and Crédit Agricole
has learned from this crisis is that they become much more prudent in their approach to have more reasonable ambition; to focus on their strengths.

Retail banking is the heart of Crédit Agricole, but the group really wants to develop in markets that are really close to its own culture and geographical reach, so going to Greece was a bit far away. When you acquire, you need to have people sent over there who know the market, who come from the bank. Italy works much better because it's much closer. In reality, it's a story that started 20 years ago during the 90s, with Crédit Agricole investing in banks in Italy at that time.

The other retail markets are also markets that have been present for many years. In Morocco, we control Crédit De Maroc, which is one of the big retail banks [there]. In fact, it has been under our control for 30 years, so it's historic. Other retail markets are much smaller. Yes, we [are involved in the] retail market in Poland, for instance, but it's a story that began 15 or 20 years ago, with the consultants of a finance company that really extended its product offers to clients, so the group is more productive today.

[On the subject of] Commerce Bank, I think what our CEO said was that we can't not look at Commerce Bank; he didn't say we want to buy Commerce Bank. So we'll see what happens, and just can repeat what our CEO said, of course he said at some point that if the German government decided to sell and was looking for some buyers, that the group would look at it.

Critics of Crédit Agricole's international expansion are worried that many of its executives come from a regional level, and that they got catapulted with little global experience. How do you address these critics?

JF: I think this has changed dramatically in the past few years. Yes, our CEO comes from the group, but since he has been appointed, he's been traveling quite a lot. To know what the group is doing everywhere, he's going twice a year to the American zone, he's going twice a year to Asia, he's doing many things. And if you look at the composition, the number two of the bank Mr. Xavier Musca does not come from the group; he used to be a civil servant—head of treasury—he was even general secretary of the presidential palace with very [extensive] international experience.

If you look at the level right below the executive committee of the listed vehicle, you have a number of people who don't come from Crédit Agricoles. They might come from Indosuez, they might come from Crédit Lyonnais—and with much broader international expertise. The CFO of the group, Mr. [Jérome] Grivet, was from Crédit Lyonnais, which has a large international network. Mr. [Yves] Perrier—the CEO for Amundi, the number-one asset manager in Europe, one of the top eight in the world—came from Credit Lyonnais, and before that Société Générale, with a big international connection. So I think progressively it has become more international; this is probably a critique which had a lot of ground four, five, or six years ago, [but] I think it has been changing. I'm not saying it's perfect, but it's changing. If you look at the board, the person in charge of the board's nomination committee of is an Italian lady, not a French person. So I think the group has realized that and has taken steps to evolve and become more international.

In France, you are at almost 7,000 branches, which is triple your closest competition: Société Générals has around 2,000, and of the other competitors, nobody has more than 2,500. How is this an opportunity, and how is this a challenge, especially since you're looking at developing your e-banking platforms?

JF: In retail banking, [our] largest competitors are not Société Générale or BNP [Paribas]. The largest competitors are other cooperative banks—Banque Populaire or Crédit Mutuel—which have larger number of branches than [Société Générale], BNP, etc. Then you have the other competition, which are the digital banks and those types of affairs. This week, there was a competitor who announced the creation of a new bank and new offer: Orange, the telephone company, a new entrance. So this is the real competition. Existing people, existing banks, new entrance in banks, and new digital players.

“What all banks and Crédit Agricole have learned from this crisis is to become much more prudent in their approach to have more reasonable ambition.”

The approach of the group is to explain that the reality of this business is still about the clients. So you have people who try to approach the client with a very targeted approach,
but usually it's only a very small segment of the banking relationship you have with the clients.

The new offer from Orange, for instance, just started. They offer something very simple: You go to them and you get the checking account, the saving account, and the credit card, and that's it. The reality is when a bank is like Crédit Agricole, you can do more things, you insure your house and your cars, you buy investment products, it's much broader. So the group's strategy is to develop its digitalization offer, because there is a revolution of the whole industry, but the motto of the bank and 100 percent digital to 100 percent personal. Because what we believe is that the global relationship with the client cannot be only digital—the client wants to also have physical and direct contact with a banker to discuss various issues.

Private banks in general are lagging in terms of digitalization, because the older clients are less interested in new communication means. Now they're catching up. And last year, we made a study. We interviewed a number of clients, and we said, 'Ok, we're going to launch a mobile app.' What's important to you? Is it to look at your account? Is it making transactions off your telephone? Of the two strong things that came out, one is, of course, to have access quickly [to] a view of my portfolio. The second one [is] that I want a very easy and secure way to communicate with my banker. If I do it by phone, it's a bit old, but if I do it by Skype or FaceTime, this is not as secure, and I don't like to talk about my bank account. This was a bit surprising for us; it was not what we had thought in the beginning. So we're launching at the end of this month an app by Indosuez, and we realized that the client does not just want the digital experience, they want to have somebody to talk to.

**Q: Is that something you can provide?**

**JF:** Yes, of course we provide that sort of communication, and the retail banking. That's why Crédit Agricole says that our branches are very important for us, because in the end, this is where people like to [bank]. They might look at the internet and other things, but at some point, they want to walk in and talk to the banker, so this is why the motto is really 100 percent digital and 100 percent personal. And we believe that this is really our differentiating factor compared to people who only have digital.

**Q: Let's come closer to our part of the world. What are the main changes in the profile or the needs of your clients in the last two or three years, especially in the Middle East, and especially in light of the decrease of the price of oil?**

**JF:** It's two things. One [challenge] which affected everybody was the fact that we were living for a long while in an environment with very low interest rates. For people who [were] looking for a very secure type of investment to protect their wealth [rather] than trying to be very aggressive with wealth creation, it was very difficult environment because if you were for example just playing in a very secure type of interest rates investment, the yield was very low. So that's one challenge that's true for every client, including [those in] the Middle East. For the Middle East, I think what's happening is that with the decrease in the oil price in general in the region, it probably created more need for the client to support their own business. So [clients] have been a little bit more prudent in exporting funds outside because they needed to support their own business; the cash flow might have been not as big as it was in the previous years, which created [the need for the client to support their own business].

Now this trend is being contradicted by another trend, which is the need for wealthy people in the Middle East to diversify, because this is the need of every wealthy person. They like to diversify, not to keep everything in one place. If you take countries like Lebanon, clients are [often] entrepreneurs. They or their families have amassed major fortunes by doing business. Their wealth is really here in Lebanon or the region. If they want to have some secure part of their wealth to be independent from the economic or political situation here, they need to have offshore wealth placed somewhere, which is not correlated with what's going on [in the region]. In the past two years, as I said, [wealthy people] had to adjust their business to the slowdown due to oil prices. Now, it seems that people have adjusted to the lower price of oil, and can resume as before.

**Q: Saudi Arabia, of course, beyond the decrease of oil prices, is also facing a lot of fiscal and other policy changes, which creates uncertainty for businesses that feel they are going to be targeted. We see a lot of family offices trying to relocate outside of Saudi Arabia, or even businesses trying to get their business or money out, and sometimes even families moving to Geneva or London in a time of uncertainty. Do you think that this trend will continue and if so, how will you be able to respond to it?**

**JF:** From the point of view that we have interviewed a lot of clients, the most important thing is to have someone to talk to. So launching an app is the right thing to do. But at the end, this is where people like to have a real relationship with their banker to discuss various issues. I think this is the most important thing.

**Q: What is the role of your branches in this context?**

**JF:** The role of the branches is to have a physical and direct contact with the client, and the relationship with the client is really 100 percent personal. And we believe that this is really our differentiating factor compared to people who only have digital.

**Q: And how are you responding to this trend?**

**JF:** We are responding to this trend by developing our digital offer, but we are also responding to the need for a personal touch. We have launched an app by Indosuez, and we realized that the client does not just want the digital experience, they want to have somebody to talk to. This is why we are developing our digital offer, but at the same time, we are also responding to the need for a personal touch.
أولاً
الجمهورية
IPSOS NRS 2017
الصحيفة رقم واحد في لبنان
aljoumhouria.com
you consider these as clients? Have you witnessed this type of clientele coming to the bank?

JF: It's difficult to comment because movement offshore is always in and out, as I explained, all clients are entrepreneurs, so they do movement in both sides. I don't feel a particular trend, [or anything] very extraordinary happening. You mentioned a big transformation that has started in Saudi Arabia—as you know, we have been present there for many, many years. I think we have been doing private banking since around 1945 or 49, and so it's a very important region for us. Of course we are following this transformation, [and] what seems obvious is that these changes are trying to strengthen the kingdom to make it move into the 21st century. But we didn't see a particular trend from [our] clients.

E Economic fundamentals in Europe have been changing. For example, Spain, which was witnessing negative 2 percent growth in GDP, is now up to 2.5 to 3 percent, and it looks like it will stay like that for the coming two to three years. Britain increased its interest rate from 0.25 to 0.5 percent, most likely triggering a trend that we will see across Europe. How does this change the offers that you are making to your clients, and what do you expect for the European economy?

JF: I think the European economy is getting better. It went through a very big crisis for almost 10 years. It is promisingly recovering. While the cycles in Europe are not as mild as can be in North America or the Middle East and Asia, usually the move is milder. And its seems [that] right now, we're entering a period where most of the European countries have a better prospect for the next couple of years—but that doesn't mean that the European growth will become 5 percent. That's not the type of growth we [will] enjoy, but at least it will be positive, [and] it will be above 1 percent, and, of course, it will create a much better environment.

For us, it doesn't really change the type of offer that we do. The financial markets in Europe have been performing well anyway. So in terms of a particular investment proposals, etc., it does not make any big change.

E Lebanon is composed of family-owned enterprises. We don't have huge corporations or corporate treasury account, so estate planning happens on paper here. We have our real estate—which is probably apartments, or land we have inherited or bought—and we have a bit of cash that we have put aside, and we get 6, sometimes 7 percent interest rates from Lebanese banks. Where does your offer, or Crédit Agricole Indosuez, come in to complement this estate planning? What is the pitch of Crédit Agricole Indosuez to the Lebanese client?

JF: You're right, the main issue for clients with family enterprises is that their wealth creation is coming from their business, and from the investment side, they want to have wealth preservation. When you want preservation, the first thing that you want is safety. Crédit Agricole is one of the biggest and most solid banks in the world. It's number five in terms of capital, and it's really one of the top 15 in terms of fiscals very stable. This safety aspect is very important.

If they want to diversify their assets—we're not trying to make them an offer in Lebanon because there are Lebanese banks—so if you want to diversify, you have to go abroad. If you want to go abroad, we have two [advantages]. First of all, we have [many offerings] in terms of locations, because we are present in Asia, in Europe, and in the American regions, so wherever you choose to diversify you can have a proposal from us. And you are going to get the same type of proposal whatever the product or investment you want to do. You will be able to locate it and book it in Miami, France, Switzerland, Luxembourg, Hong Kong—wherever you like it. And the [range] of offers that we have is very large.

So if you look at all these elements, we don't say that we're the only bank that you can consider, but certainly amongst the four, five, or six banks that you will have to consider. On the other hand, the knowledge and the understanding of the region that we have is very strong and probably unique, because of the history of Indosuez. There has been presence in the Middle East since the 19th century. Our experience is long, and we're very stable here. So if you combine everything we believe, then we're really a good choice for these clients.

FF: And, if I may add, what differentiates our offering is our capability for tailoring things for each individual client. Real estate is one of the very important assets for the Lebanese in particular, so for real estate in Switzerland, France, and in the UK, we're capable of accommodating these needs for the client. We really look at the needs of the client, we study what is still missing, because the needs that were 10 years ago are not today's needs.
الحملة الوطنية لدعم الرضاعة الطبيعية، الرضاعة مهمة، مهمتنا كلنا! واجبنا ندعمك وحقك تطلبي الدعم

للدعم والمساعدة، إنصلوا 1416

الجمهورية اللبنانية
وزارة الصحة العامة

يونيسف لكل طفل
Is Lebanon technologically ready to tackle growth?

To avoid being left behind, the country needs better education, good governance, and lasting stability.

In March 2017, The Economist reported that Intel, the giant American chipmaker, paid $15.3 billion for Mobileye, an Israeli firm at the forefront of developing autonomous-car technology. The deal was not the first to involve an Israeli tech firm attracting foreign buyers, but it was the biggest yet. The Mobileye acquisition is an example of how Israel’s technological edge has strengthened its economy, and a reminder of the crucial role that technology and production efficiency play in the growth process of any economy today.

Of course, very few countries have the necessary elements to create an edge in technology—especially if they are a developing country, and more so if they go through recurrent political instability. Lebanon is generally known to have an educated workforce, and during the postwar rebuilding period it benefited from considerable capital accumulation. But it has also been subject to political setbacks that have sapped its energies.

One way to understand Lebanon’s growth process and the role of technology in its economic development is to examine what the American economist Robert Solow called the sources of growth, or the factors that contribute to gross domestic product (GDP): human labor, physical capital, and total-factor productivity (TFP). TFP measures the contribution to GDP that cannot be explained by labor or capital—in other words, it captures extra factors that affect the overall efficiency of production, like political stability, technology, human capital, governance, institutional quality, and cultural traits.

Research published in 2003 by Barry Bosworth and Susan Collins of the Brookings Institution shows that for developed economies, TFP contributes close to 40 percent of growth in output, making growth an “intensive” process that is dependent on technology and the quality of inputs. But in developing countries, TFP growth was negative for all GCC countries between 1990 and 2009, and only positive for three countries when non-oil output is considered: Kuwait, Oman, and UAE, which had an annual TFP growth of 0.9, 0.8, and 0.2 percent respectively.

The picture is worse for Arab countries, where the contribution of TFP has been zero and sometimes negative, according to 2007 research by Aamer Abu-Qarn and Suleiman Abu-Bader published in the journal “World Development,” which implied that TFP has held back production efficiency and economic output due to technological underdevelopment, political instability, and institutional weakness. These outcomes did not spare the buoyant, modernizing countries of the Gulf Cooperation Council (GCC). Evidence compiled by Raphael Espinoza in a 2012 research paper for the University of Oxford shows that TFP growth was negative for all GCC countries between 1990 and 2009, and only positive for three countries when non-oil output is considered: Kuwait, Oman, and UAE, which had an annual TFP growth of 0.9, 0.8, and 0.2 percent respectively.

The two glaring exceptions to the international picture are China and Israel. China has returned to the world economic stage with gusto, averaging an annual GDP growth rate of 9.2 percent between 1978 and 2004, and, just as importantly, an average TFP growth of 4 percent—translating into a TFP contribution to output growth at 43.5

<table>
<thead>
<tr>
<th>Period</th>
<th>GDP Growth</th>
<th>TFP Contribution</th>
<th>Labor Contribution</th>
<th>Capital Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992-2015</td>
<td>4.69</td>
<td>0.52</td>
<td>1.74</td>
<td>2.43</td>
</tr>
<tr>
<td><strong>Sub-period</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1992-1998</td>
<td>6.31</td>
<td>1.95</td>
<td>1.15</td>
<td>3.21</td>
</tr>
<tr>
<td>1999-2006</td>
<td>2.33</td>
<td>-2.33</td>
<td>1.85</td>
<td>2.82</td>
</tr>
<tr>
<td>2007-2010</td>
<td>9.20</td>
<td>2.24</td>
<td>1.46</td>
<td>5.49</td>
</tr>
<tr>
<td>2011-2015</td>
<td>2.05</td>
<td>-1.77</td>
<td>2.85</td>
<td>0.98</td>
</tr>
</tbody>
</table>

WINE FESTIVAL
AND GREAT ENTERTAINMENT
STARTS ON KHAMIS EL ZAKARA
8, 9 & 10 FEBRUARY
ZOUK MIKAEL
OLD SOUK (SHELTERED)
6:30 PM TILL 12 AM

Valent Wine
2018
percent, which is even higher than that of developed economies. While less advertised, Israel's experience has been equally notable: GDP growth in the same period averaged 4.3 percent and TFP growth 1.97 percent, indicating that the TFP contribution to output growth was at 45.8 percent.

POLITICS AFFECTS GROWTH
What about Lebanon? The table on the previous page, from research done by the Lebanese economist Ali Bolbol, displays the growth accounting numbers for Lebanon between 1992 and 2015, and for four consecutive sub-periods within these 23 years. Overall, GDP growth was 4.69 percent, but TFP growth was 0.52 percent annually, thus contributing only 11.1 percent to growth.

Growth was driven mostly by physical capital accumulation at 2.43 percent, which thus contributed more than 50 percent to growth. Interesting patterns emerge in the sub-periods: During the rebuilding period of 1992–1998, growth was notably characterized by TFP at 1.95 percent, but more so by capital accumulation at 3.21 percent. A slowdown period followed, which was characterized by political bickering and culminated with the assassination of Prime Minister Rafik Hariri in 2005. TFP dropped precipitously during that period, robbing from growth at the rate of 2.33 percent annually.

The subsequent 2007–2010 period was underpinned by the Doha Accord of political reconciliation. TFP did well, growing at 2.24 percent, but the construction boom in the real estate sector had the biggest effect, with capital growing at 5.49 percent and contributing more than 50 percent to growth. The last period, 2011 to 2015, was the most dismal, marked by internal political paralysis and the Syrian war. TFP contracted at a rate of 1.77 percent annually, and even capital accumulation suffered due to the dearth of investment, growing at only 0.98 percent. Labor growth saved the day, growing at 2.85 percent, thanks in part to inflows of low-cost Syrian labor. It contributed more to Lebanon's GDP growth during this period than capital growth and TFP combined.

Overall, post-war Lebanon has fared better than its Arab counterparts. Capital accumulation explained slightly more than 50 percent of its growth, whereas TFP growth was positive and contributed close to 12 percent to growth. But compared to countries like China and Israel, Lebanon has done poorly as far as TFP is concerned—that is, in terms of technological development and the quality of inputs.

It was always quite evident that political stability matters greatly to growth; now, we can put an approximate number on it. As reflected in TFP, we saw that between 1999 and 2006, political instability denied the economy 2.33 percent annually in growth, whereas between 2007 and 2010, political stability added 2.24 percent. This is the minimum impact, since instability can also affect labor utilization and capital investments.

But TFP captures more than the impact of politics. What Lebanon needs is not only continuous political stability, but also a climate that fosters innovation and technological growth. Focusing on technological growth is one of the most effective ways to boost TFP, and, with it, overall growth. In this respect, Banque du Liban, the central bank of Lebanon, took a welcome step in the right direction with Circular 331, an initiative to channel bank investments into “knowledge economy” entrepreneurs establishing companies in Lebanon through direct investment or via a locally based venture capital (VC) outfit. However, this was an isolated event within a sector that lacks momentum and a VC culture, in an overall environment that still remains cumbersome to invest in, because of a lack of modern regulations and good governance. The government must clear the way for investing, and the private sector must seize these incentives and take on investments that can ultimately transform the economy into a modern, technology-driven economy.

The private sector will need first and foremost an educated labor force to carry out these structural changes. The popular perception that the Lebanese education system is extraordinary may not hold water: TFP growth in post-war Lebanon has been low, and the contribution of education small. A 2016 UN report on Lebanon, “Mind the Gap,” argues that the country should design an educational system that focuses more on new technologies and applied sciences, reverses the widening skills gap, and exploits cooperation between universities and the private sector.

Lebanon’s comparative advantage no longer lies in services, given the emerging and competing centers in the region, like Dubai. Technology is now the undeniable driving force behind growth and the rise of modern economies. Post-war Lebanon is still lacking in this respect, as apparent in the country’s relatively low TFP. It can reverse this pattern by maintaining political stability, enriching human capital and talent, and improving governance and the business environment. If it fails to do so, the country will lag increasingly behind its peers, and move toward a dimmer future.

We saw that between 1999 and 2006, political instability denied the economy 2.33 percent annually in growth, whereas between 2007 and 2010, political stability added 2.24 percent.
حتى ما يبقى حدا
بلا ابتسامة!

عملية جراحية بسيطة
في نمحي التشوهات الخلقية الفموية

#حتى ما يبقى حدا إبتسامة
www.gsf-mena.org
A draft law that would help with preservation heritage of Beirut buildings

Each year, a new series of coffee-table books feeds Lebanon’s nostalgia with vintage photographs and cityscapes that celebrate the country’s rich architectural past. Today, the old Lebanon survives through a dwindling number of heritage buildings, now barely recognizable compared to the images of the city when in bygone decades. Having survived the war, the remaining structures have been left to decay, collapse, and make way for larger, modern developments amid a growing scarcity of buildable land.

Lately, a long-awaited draft law to protect heritage buildings—which had lain untouched for over a year on the government’s doorstep—is beginning to gain traction. If enacted, the new law would incentivize owners of heritage buildings to maintain their properties. The law targets older buildings that are indexed on the Ministry of Culture’s heritage list. In principle, this list safeguards structures with heritage value by restricting the disbursement of demolition permits, thereby prohibiting their destruction. What it does not address, and what the new law hopes to assist with, is maintaining and restoring these buildings.

Since the creation of the heritage list in 1996, its limitations have drawn the ire of a number of interest groups, none more outspoken than the owners of the historic buildings themselves. Proprietors complain that the ministry has denied them the full value of their land, as market prices are dependent on potential constructability. Built-up properties are of little interest to developers without the ability to raze them and lay new,
more lucrative foundations.

But the difference between a property's actual value and its potential value, known as the rent gap, has surged in the decades since the end of the civil war. Eager to liquidate their estates for large profits, heritage building owners have found a workaround: While the demolition of the buildings is prohibited, leaving them to collapse of natural causes is not.

“The fact was that these buildings were being destroyed, either with or without permission,” says Minister of Culture Ghattas Khoury. “Because if you have an old house on a piece of land in Beirut, and you want to build a tower, then you neglect that house, and through neglect it will fall down. This was what was being done all year, either by illegal attempts of bringing it down [or by neglect], so we made a law that will encourage the owners of these houses to preserve them.”

**SOMETHING IN THE AIR**

The new law would incentivize the owners of heritage buildings to save their aging properties by allowing them to sell their lot's unconstructed space as if it were buildable area. The amount of space that can be sold, along with its market price, is primarily set by the potential constructibility of the property, which is determined in part by the zoning density of the location. This potential building size is expressed by what is known as the exploitation factor.

For example, a 1,000-square-meter plot with an exploitation factor of three would allow for the construction of a 3,000-square-meter structure. If a heritage building on the property takes up an area of 800 square meters, then the property owner would be left with 2,200 square meters of saleable area. This area, known as the property's air rights, would be apportioned to the owner by the Ministry of Culture in the form of certificates that represent the dimensions of the unconstructed space.

These air rights could then be shifted from the initial heritage property to another location through a process known as the transfer of development rights (TDR). Developers can buy certificates from owners of heritage properties, allowing the companies to exceed the previous exploitation factor for their project by the amount of the air rights they purchased—up to 20 percent extra. At the same time, zoning regulations and development controls, such as building height limits, will remain in effect. Under the law, transfers can only be made from small heritage sites to large, empty parcels in mainly non-heritage zones.

Although the certificates are denominated in square meters, the value of the area being traded will vary from place to place. “One hundred meters in Basta are not equal to a 100 meter air right on the seafront,” explains Khoury. “Because the seafront is very expensive. So if you want to transfer 100 meters from Basta to the seafront you have to take into consideration that these 100 meters might become 25 meters.” Khoury adds that the value calculation would be appraised by a committee involving the culture, interior, public works, and finance ministries.

When it comes to the sale of the air rights, that would be subject to the dynamics of supply and demand. Abdul-Halim Jabr, an architect and urban-design consultant who helped draft the law, says, “If I have a property, [and] I aspire to sell it at $5 million, I have a better chance of selling it in a good market—if there is a booming economy and people are building. If the entire market is in a glut, I have fewer chances of selling the property. The same applies for air rights.”

Through the transfer of development rights, heritage building owners could profit from the permanent sale of their air rights, while keeping their old homes. Furthermore, a portion of the revenues generated in the transfer would have to be invested into the maintenance and refurbishment of the heritage structure. The exact dollar figure would also likely be specified by the Ministry of Culture and would be evaluated on a case-by-case basis, depending on the repairs that are required. “If it’s just minimal, it can range between $200 per meter or $1,000 per meter. If it’s completely destroyed and you’re rebuilding it again, it’s $1,000 per meter. If it’s just, you know, façade and internal partition, it’s about $400 to $500 per meter,” says Khoury.

According to Jabr, homeowners whose buildings are not already on the heritage list will have an added incentive to register their buildings for heritage status protections. Those that voluntarily list their buildings as heritage sites, should they qualify, will be authorized to sell all of the air rights that their property is eligible for, whereas property owners whose homes are already on the list will only benefit from a maximum of 75 percent of the air rights they have available.

The 100-percent entitlement may be complicated by the addition of a fund that the Ministry of Culture has attached to the bill following its initial submission. Maintaining the fund would require that 5 percent of air-right certificates be collected from each transaction and sold at the ministry’s discretion, Khoury said. The funds would be used to revitalize heritage buildings in rural areas, where...
MIXED REVIEWS

Over the past 20 years, several attempts have been made to legalize TDR frameworks. Jabr said the idea was first introduced in Lebanon in 1997, when he and other part-time academics were called upon to review the Ministry of Culture’s first heritage list. He notes that the first attempt to pass a TDR law was undertaken in 2000 by then-Minister of Culture Ghassan Salame. That effort, failed along with another initiative from Minister of Culture Tarek Mitri in 2008. The latest version was submitted in July 2016, and initially looked as though it would share the fate of its predecessors. Then, in October 2017, news broke that the cabinet had suddenly negotiated approval of the law.

Now that the draft has made it past the Council of Ministers, lawmakers say that they will try to fast-track the legislation. Member of Parliament Mohammad Kabbani, head of a joint committee on public works, transport, energy, and water, said he will attempt to pass the law before elections take place in May. Khoury raised the possibility that Speaker of Parliament Nabih Berri might take the draft directly to a vote in the general assembly.

Despite this sudden sense of urgency, the TDR law may still face a number of legislative hurdles, from homeowners to politicians. In an interview with EXECUTIVE, Kabbani called on the government to compensate heritage homeowners with bankers’ checks as opposed to air rights certificates. He also suggested that the government should arrange for real estate companies to purchase the air rights directly from the owner.

Many heritage activists also cautiously support the law, but have their own concerns.

For years, civil-society organizations have lobbied to reduce zoning densities and rein in building sizes to human scale, a goal that they believe could become politically impossible if property owners feel entitled to air rights. Mona Fawaz, professor of urban planning at the American University of Beirut, notes that owning land does not automatically confer the right to develop it and that the government has the legal authority to reduce exploitation factors without compensation.

Fawaz clarifies that she is not opposed to the entirety of the draft, but says that “[TDR] tends to be the main point of contention for everybody, because this is where, the advocates of this law say it wouldn’t have passed if it wasn’t for this, and those who are saying this is risky businesses are saying what you’ve just passed is likely to create a precedent, which is 10 times worse than not protecting heritage.”

“I agree,” says Jabr, citing these critiques, “but I tell them, look, I’ve been struggling for 20 years. I’m limited. This is the most I, or we, came up with. If you can come up with anything better that can bridge the divide, I’ll be your first supporter. But nobody has gone through the trouble of balancing the act and trying to make sense of black and white [and turn it] into some kind of middle grey the way we did.”

For years, civil-society organizations have lobbied to reduce zoning densities and rein in building sizes to human scale.
JOIN THE LARGEST CORPORATE EVENT IN THE MIDDLE EAST
45 GAMES OF SPORTS, CULTURE, FUN & SKILLS IN 2 DAYS

Mini-Football | Basketball | Athletics | Tug of War | Ping Pong | Swimming | Badminton
Bag Race | 3 Legged Race | Wall Climbing | Tennis | The Fitness Course | Archery | FIFA 18
Dodge Ball | Arm Wrestling | Baby Foot | Quiz | Sports Quiz | Driving Quiz | Travel Quiz
IQ Test | Sudoku | Song Quiz | Squash | Bicycle Challenge | Backgammon | Chess
Grass Volley | Best Company Slogan | Best Cheering Company...
After living in France for 30 years, Jad Tabet, an architect and urban planner, returned to Lebanon early last year to run for the presidency of the Order of Engineers and Architects of Beirut (OEA), an independent trade syndicate covering all Lebanese regions bar the North. Tabet campaigned as an independent against Paul Najem, a Free Patriotic Movement candidate that was backed by several of Lebanon’s most powerful political groups. Having secured an unlikely victory in May, he is turning his attention to several ambitious goals for his three-year term, including reforming the organization and increasing employment for members in new sectors. Executive sat down with the new president in January to discuss his plans for the OEA.

**Q&A**

Tell me about your platform, and why you think you were able to come out on top.

In the last few years, there has been a large civic movement, with people raising different issues related to the question of garbage, electricity, water, pollution, etc. My platform was based on several things. The first thing was the participation of engineers in the large issues that concern the public. We think that all these issues are related, from electricity to transportation to pollution to the preservation of heritage, forests, natural heritage, etc. All of these issues have technical solutions for these things. So one of the first points on my platform was that the order should play a role in these issues. This was not the case before, so since September, we have launched a series of conferences during which all these issues were debated, and we invited people from the government, from different administrations, to come and discuss these issues with us.

The second thing that we raised was the role of the engineers and architects in the market. The problem is that the market is shrinking. Traditionally, Lebanese engineers and architects worked not only in Lebanon but across the whole Arab region. We have 52,000 engineers and architects registered in the order. Obviously, the Lebanese market cannot provide opportunities for everyone, so what [has] happened since the 50s [is that] Lebanese engineers and architects [have] worked in the Arab region—mainly in the Gulf—but also in Africa. Now, we know that the market in these regions is shrinking, and this is creating a big problem for us, for engineers. Moreover, the real-estate situation in Lebanon is also shrinking, and we know through the number of buildings permits for the year [that] 2017 was not a good year, and we’re not expecting 2018 to be better. So this also raises a problem for the engineers [trying] to find work.

What are your main priorities for 2018?

We are raising two issues. The first one should be a real transformation in the practice of engineering and architecture in this country. I deeply believe that there is general trend everywhere in the world toward what I call the environmental revolution—I think we’re entering a new phase of human history, pro-
tecting the environment is becoming a major issue, and our engineers and architects in Lebanon should be trained for this.

I think this will open new initiatives and new work possibilities for them everywhere in the world, if we train our engineers and architects [in environmental protection] and green buildings...this will open new [opportunities] for them. I deeply feel that [in] the next 10 or 20 years, the issue of the environment will be [commonplace]. Everywhere in the world today, environmental protection [is] becoming [a] major issue, and [at the moment] we in Lebanon [have not yet caught up]. We should give much more importance to this and we should train our engineers and architects for it.

The other issue is [the] internal organization of the order. The order now has [just over] 50,000 members, but it is still working as a small club. So one of the main issues I’m [pursuing] is transforming the order into a modern institution, and to have it [rated by the International Organization for Standardization, or ISO]. With 52,000 engineers, we should become a real modern institution with very clear rules of governance. This is not the case today.

We should have a real structure that functions well: How do you [expect] the order to really serve the engineers if the structure does not function well? The other thing that I really want is to have very strict rules of governance with no conflict of interest possible. This is very important to me.

When I was elected, I did two things immediately. First of all, I [issued] a declaration of what money I owned in accounts in the banks, as houses [in] real estate, etc. [I] put in a sealed envelope [the information about] all I owned. This envelope is sealed, and it can be opened at any time in order to have real transparency.

The other thing I [issued was] an official conflict of interest declaration. I [used the] example of what is done [by] international organizations. You know when you have UNESCO, [the] United Nations, [its necessary for] key staff to [release a statement] on conflict-of-interest. I did it, and I want to generalize it for all the elected people in the order. I think this is very important. Having a very clear rule of transparency is something that, in a country like Lebanon, is very important.

What are some specific examples of the structural shortcomings you’ve alluded to?

For the time being we don’t have an HR department—we have 140 employees, but we don’t have an HR department. [At the moment], it’s the director of the order and the president who are acting as HR managers, which is not [acceptable]. This is one example. We have really to [create] a real structure. We have, for example, a very light and poor communications department, which is not acceptable. We have to [improve the] communications department with new technologies, etc. The website of the order is very bad. So all these things should be transformed and changed, and for this reason we should probably hire new people—but I don’t want to hire people before the whole evaluation and the whole new structure is done.

What are your next steps in achieving this ISO certification?

We are now launching a tender among international companies to help us establish a new [internal] organization, to first of all do an evaluation of the situation of the administration in the order today, then propose a new organizational chart that will allow us to have an order that is organized based on international standards, so that we can apply to have the ISO certification. We’re launching it in the following months.

What is your expected time frame?

The whole process will take around one year [or] one year and a half, and in that case I want to do it before I leave the order. I want to have the order certified ISO before I leave. We got the approval of the [OEA] council.

You’ve spoken about environmental training programs to help Lebanese gain employment abroad, but what can be done for those engineers and architects that hope to make a living while remaining in Lebanon?

I think also in Lebanon this is a very important issue. You know that more and more environmen-

“With 52,000 engineers, we should become a real modern institution with very clear rules of governance. This is not the case today”
are examined by the higher council of urban planning should have an environmental approach.

We have started [a] training center in the order. We have started to do training sessions on environmental issues. We're preparing the engineers, for example, to become LEED [Leadership in Energy and Environmental Design] registered engineers. You register in the order [for] the program of training and then once you [finish] with the program you can go to the LEED and present your [qualifications] to become LEED certified.

**Q&A**

**E Architects and engineers frequently report that they are underpaid in relation to the fees recommended by the OEA. What can be done to improve their wages?**

This is true. Look, I will tell you something. We're in a free market. Lebanon is a free market, and you can't intervene. The percentage put in the order is a sort of incentive, it's a direction that is given, but you cannot force [it]. You can't force the owners, the developers, to apply these things. [For example, the Tripoli OAE said fees paid to members should be paid at the order at fixed rates. But members started to reimburse part of their salary to developers to remain competitive.]

**E Architects and engineers also report issues of overregulation associated with technical control offices that were established a few years ago.**

It's not the order that installed this; [it was] the government. It's a governmental decree imposing this issue of technical control, which is something that came from France. It's a copy of what happens in France. I think the decree has a lot of things that do not work. It's not well applied in Lebanon; it's not adapted to the Lebanese case. We are now discussing [it] with these [offices]. [Currently] you have seven bureaus of control, technical offices. We're talking with them to try to set up some rules for their work.

We want to organize these technical control offices, because we're getting a lot of complaints from engineers that they take money, [but] they don't do what is really important, and what is their real function. They don't go to the site, etc. So we want to [impose some] sort of control on them. We hope that the decree will be changed. We're trying to work on a committee that would propose amendments to the decree to the government and to the minister of public works.

**E When you ran for the presidency of the OEA, a few parties said they backed you, including Beirut Madinati, Kataeb, and the Progressive Socialist Party. Do you identify with any of these parties?**

No. In fact, I will tell you exactly what happened. I had been living in France for 30 years, and in December 2016, I got a phone call from a former student of mine [who] told me, “We want to have somebody that runs for the presidency of the order, that could be backed by the civil society, who would not be affiliated to any political party ... You are a figure, a professional figure. We want you to run for this post.” I told them, “Look, I don’t think we have [a good chance of winning], but, if you want, I will do it just to do a campaign that raises major issues.” We did the campaign, I was backed by several groups: Beirut Madinati, but not only [them], by other civil-society groups [as well]. The backing by Kataeb and [the] Progressive Socialist Party only came [in] the last week. I will be very frank with you. The whole campaign was done with the civil society, not only Beirut Madinati.

**E So you were not, and are not, a member of Beirut Madinati?**

I've never been a member of Beirut Madinati. Never. I have friends in Beirut Madinati. I have people with whom I work, but I'm not a member of Beirut Madinati.

**E When you were elected, you won by a narrow margin of only 21 votes. How would you describe your relationship with the OAE council and other members now that you're the president?**

You know that the council of the order is sort of [a] reduced example of the Council of Ministers. You have all political parties there. It's not always easy. I always say that, well, I’m not against political parties. I’m not against engineers and architects being affiliated to political parties, but what is important is that when they are in the order, they basically act as [such], having in mind the interest of engineers and architects. And what I told them, what I always tell [them], is that they should take these interests and concerns and [raise them with] their political parties, and not the reverse. Not the interest and con-

“...I’m not against engineers and architects being affiliated to political parties, but what is important is that, when they are in the order, they basically act as such.”
SMS 1105 NOW
TO DONATE $1 TO SAVE
CHILDREN'S LIVES
VALID UNTIL MARCH 2

At the CCCL, all children are treated for free with an average cure rate of 80%!
M (70) 35 15 15 | www.cccl.org.lb
Behind that flute of prosecco or gin-based cocktail enjoyed at a bar after a long day—or even the single malt whisky or bottle of wine recommended by a premium specialty liquor boutique—there is an intricate distribution chain.

Executive sat down with Lebanon’s major spirit importers and brand owners to discuss the Lebanese drinks of choice for 2017, the drinks consumption trends, how they were consumed, and by whom.

REASONS TO CELEBRATE

Spirit distributors had several reasons to toast in 2017. Diageo marked its 20th anniversary with various promotional activities, which introduced Lebanese consumers to the company behind well-known brands like Johnnie Walker whisky and Dom Pérignon champagne. “We wanted to highlight Diageo’s contribution to the business in terms of elevating the standards of service, building markets, growing the trade, [and] providing leadership for the industry,” says Ziad Karam, MENA corporate relations director for Diageo. Lebanon, he added, is among the key sales markets for Diageo worldwide.

Having acquired and re-launched the Edrington Group portfolio in Lebanon early in 2017, Carlo Vincenti, the owner of G. Vincenti & Sons, says its brands—in particular The Famous Grouse blended Scotch whisky and Macallan single malt whisky—had record growth. “The Famous Grouse had an almost 50 percent increase in sales in 2017 when we took over, and is now the preferred brand in [bars and restaurants]. The Macallan also had a record year in 2017, with an almost 100 percent increase from 2016: For example, we sold a Macallan Lalique bottle,” says Vincenti, referring to a 65-year-old limited-edition bottle priced at $36,000.

In fact, all the spirit distributors who spoke with Executive say 2017 was an overall growth year compared to 2016. "It was a very good year for spirits, with an overall double-digit growth across most of our spirits portfolio,” says Jeanine Ghosn, managing director of Gabriel Bocti.

Etablissements Antoine Massoud (EAM) also reports a positive 2017 for both its spirits-distribution arm and its retail arm, The Malt Gallery, which completed its third year of op-
erations early in 2018. “The growth rate for EAM spirits arm is 10 percent, while for The Malt Gallery it’s 40 percent. The Malt Gallery has become an important component of our business and constitutes almost 14 percent of our sales,” says Anthony Massoud, EAM’s owner and managing director, adding that while whisky is a major contributor of sales in The Malt Gallery, wine and craft beer are becoming important components as well (for more on craft beer see article page 92).

IS IT PARTY TIME IN LEBANON?

Sales flourished last year despite the usual obstacles, both in the on-trade (hospitality venues such as restaurants and bars) and off-trade (retail spaces such as supermarkets or specialty stores) sectors.

Summer 2017 saw the opening of several new rooftop bars and clubs, much to the delight of spirit distributors, who see them as an opportunity to showcase their brands. “The summer was very good for the industry—especially for on-trade, since a lot of new places opened, and they were all very active and fully booked on weekends. Such clubs have a 1,500 [person] capacity, so it’s very good for business. However, these clubs usually have exclusivity deals with spirit distributors, so while profitability shrinks, it’s still a showcase for our brands,” says Roy Diab, marketing manager for Fawaz Holdings. Diab explains that brands that are marketed successfully in the on-trade sector eventually become popular and more consumed off-trade, and, as such, the on-trade sector is an important marketing tool for distributors.

While summer 2017 may have been a good season for the on-trade sector, some spirit distributors believe that the political uncertainties of November 2017 (the resignation and subsequent return of PM Saad Hariri) put a stopper in the drinks on-trade market and led to a slight downturn in December’s performance. “In the on-trade, we were depending on end-of-year sales, and those were not as good as expected because tourists didn’t come to Lebanon for New Year’s,” says Ziad Nacouzi, head of the spirits distribution division at Neo Comet KFF Food and Beverage.

Gabriel Bocti’s Ghosn explains that the length of Lebanon’s tourism season—which used to be the whole month of December for end-of-year festivities, and July and August for the summer—is becoming shorter and shorter, which means the periods of high-frequency alcohol consumption are becoming narrower.

Vincenti also complains about the seasonality in on-trade due to low domestic consumption. “The HORECA performance is very much linked to the seasonality and festive timings, because it relies on expats and Arab tourists who are still not coming [to Lebanon] in big volumes, except for [during the] holidays,” he says, using an acronym for the food-service industry. “Domestic consumption spending is too small and doesn’t even cover 30 percent of the HORECA potential considering the number of venues in Lebanon and the number of people who go out.”

PRICE WARS

Although distributors agree that December was a good month for the off-trade sector—largely driven by holiday gifting and increasingly lavish home celebrations—they say that the dwindling purchasing power among average consumers has become an issue. “Lebanese are still struggling with their purchasing power, the perfect example being when there were a lot of price cuts on alcohol in supermarkets in December,” says Samer Nassar, head of marketing at Diageo. “People are either moving to the more accessible categories as compared to the standard, or going to premium, but standard is still the biggest category.”

Indeed, starting in mid-November 2017, alcohol consumers were bombarded with text messages promoting major retailers’ promotions on all varieties of alcohol. Supermarket aisles were crowded with significant discounts on many alcohol brands and holiday promotions, such as free glasses with every bottle purchased. Major retailers were competing to provide the most attractive deals on alcohol, which would lure consumers into their spaces and get them buying.

For Diab, the problem with these price wars is that they negatively impact a premium brand’s perception. “The issue is that price reflects image, value, and position in the market, so when the price of a premium brand starts fluctuating downward in the market, questions may arise among consumers on the legitimacy and authenticity of the product from one end, as well as the image perception from the other end,” he says, explaining that since Fawaz Holdings has good relationships with these retailers, they usually reach an agreement to restrict the price cuts.

ONGOING TRENDS

Trends in spirits consumption among Lebanese consumers did not change much in 2017. “A trend is not a fashion or a fad, and it lasts for a while—for almost 10 years. So today, we’re still in this trend of premierization, crafts, and cocktails,” explains Massoud.

Indeed, all the distributors/executives spoke to said they continued to see growth in their premium or high-end brands across all categories. Nacouzi says he saw an increase in sales of 10 percent and above in his company’s premium whiskies portfolio, mentioning that it recently released Dewar’s 25 into the market—priced at $225 a bottle—to positive feedback from consumers.
Spirits

While Fawaz Holdings’ Diab says gin consumption is still going strong both on- and off-trade.

“Beefeater, our core gin brand, is still doing strong in the on-trade and is growing in the off-trade because home consumption is increasing. People are growing more accustomed to creating their own cocktails at home or getting bar catering for their private events,” he explains, adding that super-premium gin is also growing solidly.

Monkey 47, a super-premium gin made with 47 botanicals, is doing so well, Diab says, that Fawaz Holdings had to revise and increase the volume allocation for Lebanon twice in 2017. Likewise, single malt whiskies are increasingly popular, and Nacouzi says his sales in that category have increased by 25 percent in 2017. Vincenti explains that the strength of the single malt whisky trend is in its value. “I would say the total single malt consumption in Lebanon increased by 30 to 40 percent [since the trend started in 2015], and it’s still driving the whisky category upwards in volume to some extent, but more importantly, in value. To give you a small example, in 2017, we sold five bottles of Bowmore 50 Year Old for $20,000 for each bottle [in our retail showcase store. The Cask and Barrell], which would have never been possible three years ago. This shows that there is a serious single malt fan base developing in Lebanon,” he says, adding his company has a waiting list on limited edition bottles.

SPARKLING IS BETTER

Meanwhile, a new trend of prosecco consumption emerged in 2017. “Women primarily drive this category in both the on-trade and off-trade segments. Today, on the supermarket shelf you can find a large number of prosecco brands, while three years ago, you would only have seen a few brands,” says Diab.

The distributors Executive spoke to tried to explain prosecco’s rising allure. “Prosecco was growing slightly in 2016, but exploded in 2017. It’s a global trend that we’re following. It’s also smooth to drink, and the price compared to champagne is also attractive. There is a difference between a bottle of champagne sold for between $40 and $60, and a bottle of prosecco, which you can find for $10 to $12.”

Like Nacouzi, Diab says Absolut Vodka saw 8 percent growth compared with 2016—lead by an increase in off-trade consumption following two major holiday engagements for the brand in 2017—which, he says, is a significant increase given it already has a large volume base.

OF Gins AND SINGLE Malts

The trend of gin consumption also continued through 2017. “Although it remains a small segment of the spirits industry, contributing less than 1 percent of its total value, it’s definitely the fastest growing,” says Diageo’s Nassar.

Speaking for Bocti, which distributes Hendrick’s gin, Ghosn says bottles of gin are now being offered on tables in nightclubs (for consumers to drink with their mixer of choice), while Fawaz Holdings’ Diab says gin consumption is still going strong both on- and off-trade.

“Beefeater, our core gin brand, is still doing strong in the on-trade and is growing in the off-trade because home consumption is increasing. People are growing more accustomed to creating their own cocktails at home or getting bar catering for their private events,” he explains, adding that super-premium gin is also growing solidly. Monkey 47, a super-premium gin made with 47 botanicals, is doing so well, Diab says, that Fawaz Holdings had to revise and increase the volume allocation for Lebanon twice in 2017.

Likewise, single malt whiskies are increasingly popular, and Nacouzi says his sales in that category have increased by 25 percent in 2017. Vincenti explains that the strength of the single malt whisky trend is in its value. “I would say the total single malt consumption in Lebanon increased by 30 to 40 percent [since the trend started in 2015], and it’s still driving the whisky category upwards in volume to some extent, but more importantly, in value. To give you a small example, in 2017, we sold five bottles of Bowmore 50 Year Old for $20,000 for each bottle [in our retail showcase store. The Cask and Barrell], which would have never been possible three years ago. This shows that there is a serious single malt fan base developing in Lebanon,” he says, adding his company has a waiting list on limited edition bottles.

SPARKLING IS BETTER

Meanwhile, a new trend of prosecco consumption emerged in 2017. “Women primarily drive this category in both the on-trade and off-trade segments. Today, on the supermarket shelf you can find a large number of prosecco brands, while three years ago, you would only have seen a few brands,” says Diab.

The distributors Executive spoke to tried to explain prosecco’s rising allure. “Prosecco was growing slightly in 2016, but exploded in
WHO’S DRINKING?

Distributors agree that these trends are driven by well-traveled Lebanese in their mid-20s and above, who are social media savvy. “The new generation and young drinkers have more curiosity and are more exposed to social media, and so you feel they want different drinks than the older generation used to consume. With them, it’s more about the experience and the journey. When we introduce niche new brands to the market, there is curiosity from the consumer where before we were met with resistance,” explains Ghosn.

To Nacouzi, this means less volume, but more value. “People are upgrading what they drink: Instead of going out every night they go out less, but consume higher-quality, and hence, more expensive alcohol. It’s also a sign of prestige to bring premium alcohol to a party or to a house party one is catering. Also, some on-trade outlets use the premium brands as their go-to pouring [brand] to distinguish themselves from the competition,” says Nacouzi.

Distributors also give credit to their own marketing efforts which, they say, support these trends and sustain them through a variety of events, including tastings for consumers, training for bar staff, and social media campaigns. “We’re very dedicated and aggressive in events, visibility in the trade, in promotions, and a lot of tastings across the whole market. All our competitors are also doing this, and we have common platforms like the Whiskey Live event or dedicated platforms like Malt Gallery. We’re all working on further exposing these brands to the consumers,” says Ghosn.

In 2017, Lebanon’s major spirits distributors formed a commission within the Syndicate of Importers of Foodstuff, Consumer Products, and Drinks, and used that common platform to work together on two major common challenges. The first issue was the increased taxation on alcohol. Ziad Karam, the MENA corporate relations director for Diageo, explains that a new taxation model, which was initially proposed in November 2016, would add a 25 to 35 percent tax on the value of the bottle, while the existing model was a LL400 per liter flat rate. “The damage would have been inconceivable [had it passed]. We explained the negative impact on the industry through numbers: the impact on our performance, and, therefore, our ability to pay corporate tax, and consequently to pay our employees, plus how it would strengthen counterfeit and parallel [imports],” he says.

Through the collective lobbying and campaigning from the spirit distributors’ commission, taxes remained at a flat rate, but increased to LL1,200 per liter. “Lebanon is one of the few countries [in the region] where alcohol is not that expensive, so some taxation is not that harmful. It’s a flat rate per liter, so it will reflect on the consumer as a few hundred liras increase per bottle,” reflects Anthony Massoud, EAM’s owner and managing director.

Ziad Nacouzi, head of the spirits distribution division at Neo Comet KFF Food and Beverage, warns that these taxes are not the only factors driving alcohol prices up. “There is the 1 percent VAT increase, stamp prices for paperwork at the port have also increased, and so all this has affected the selling price of alcohol by 3 to 5 percent, depending on the brand. We did increase our prices, but we cannot tell the effect yet, as we just started and January tends to be a slow month for alcohol anyway,” he explains.

Attempting to restrict the production of counterfeit alcohol in Lebanon is another cause that brings together most of the distributors interviewed. In early December 2017, Diageo, in collaboration with three major spirits distributors and in partnership with the NGO arcenciel, launched Lebanon’s Bottle Recovery Program in many major bars and clubs in Lebanon. Locked boxes were distributed to gather empty bottles which would then be collected by arcenciel and recycled by Development Inc.

The program won the support of the Ministry of Tourism and the Syndicate of Restaurants, and aims to restrict the availability of empty alcohol bottles, which counterfeit alcohol producers typically collect and refill. “We feel we need to contribute to a greener Lebanon, and also a better image of Lebanon, where people don’t say alcohol in Lebanon is bad,” says Jeanine Ghosn, managing director of Gabriel Bocti.

Karam explains that this program is not the only way in which distributors are combating counterfeit alcohol. “We’re also delivering counterfeit indentification training for enforcement agencies, and we have our own search and audit personnel on the ground,” he says.
By Nabila Rahhal

Craft beer: a maturing market in Lebanon

Compared to the ancient history of beer in the Middle East, Lebanon’s small craft breweries are extremely new on the scene. The earliest evidence of beer brewing was found in Mesopotamia some 6,000 years ago, while the world’s oldest brewery, which was located in Egypt, dates to around 3400 BC. Beer eventually made it to Europe in the Middle Ages, where consumption of the brew flourished among the masses.

Beer’s popularity has showed no sign of fading since, with global beer production reaching 1.96 billion hectoliters (hl) in 2016. China leads in beer production (460 million hl produced in 2016) followed by the US, which produced 221.25 million hl of beer in 2016.

In the last few years, the demand for craft beer—defined by the US Brewers Association as beers produced by small, independent breweries in a traditional or innovative way—has increased significantly, both in Europe, and in the US. For example, the number of operating craft breweries in the US rose from 1,596 in 2009 to 5,234 in 2016 according to the Brewers Association, while the number of microbreweries has tripled in Europe since 2010. Paul Choueiry, manager of Les Caves de Taillevent and its recently opened craft-spirits bar, The Backroom, says, “The trend in Europe really flourished four or five years ago. I travel to Ireland almost every year, and I see that existing craft beer breweries are doubling their volume year-by-year, and new breweries are opening year-by-year.”
In Lebanon, the demand for craft beer has been growing steadily, with the last few years bringing more local success stories and a maturing market.

IT’S ALL ABOUT TIMING

For generations, the local beer market in Lebanon was dominated by Almaza, a brewery that dates back to 1933 and is estimated to produce 24 million liters annually, according to a 2013 report by BLOMINVEST titled “Lebanese Beer Market Yet to Brew.” Likewise, the range of imported beers available in Lebanon in the 1990s and early 2000s was dominated by Heineken, Corona, Efes, and Budweiser.

Craft beers were virtually unheard of in Lebanon up until 2006, when Mazen Hajjar and his partners started a microbrewery and introduced 961 to the market. (Mazen Hajjar has since sold his shares, and today the active main partner is Kamal Fayyad.) While 961 garnered a lot of attention at its launch, consumption did not pick up quickly: According to the 2013 BLOMINVEST report, 961 had only 5 percent of the total beer market in Lebanon in 2013. Speaking for 961 today, its Chief Commercial Officer Iyad Rasbey says local consumption of the beer is now at approximately 15 percent of total beer consumption in Lebanon. Rasbey explains that 10 percent of 961’s production is sold in Lebanon while the rest is exported to 12 countries across the globe, including the US.

Omar Bekdache, a former partner at 961 and current co-managing partner at Brew Inc., a brewpub in Badaro, believes the beer market in Lebanon was not mature enough back in 2006. “At that time, the majority of Lebanese consumers were not aware that there was such a wide variety of beers. Perhaps because of influence under the French mandate, Lebanese tend to drink more wine than beer, so our consumption of beer per capita is quite small when compared to most other countries, especially back then,” he recalls. According to the 2013 BLOMINVEST report, statistics placed the consumption of beer per capita in Lebanon at 5.5 liters, which is small when compared to average beer-drinking countries such as France or Italy (30 and 29 liters per capita respectively back in 2013).

BRING IN THE CRAFT

Several developments have set the stage for a more dynamic beer market in Lebanon. 961 is unanimously credited with opening Lebanese eyes to the concept of craft beer. Bekdache believes it drove Almaza to diversify its beer varieties and to introduce Almaza Malt, a darker alternative to its ubiquitous pilsner, and later Almaza Light and Al Rayess beer.

When Jamil Haddad launched Colonel Beer in 2014, he says few people believed he would succeed given the small beer market in Lebanon. Haddad decided to go about things in a different way and focus on the experience as much as the product. “I focused on creating a concept around the beer, which included the beer garden, live bands, a transparent glass separated brewery, an ecofriendly setup, a bike station, a beach bar,” he says. “For me, a microbrewery should come with a concept and be an experience to succeed. When you come to Colonel, you come for the beer, as well as the experience, and this is very important.”

Haddad’s vision was realized, and today he says that Colonel, which has a capacity of 1,300 people, is full on weekends and very busy on weekdays all year long. Colonel has also made an impression among others in the industry: The Backroom’s Choueiry called the venue a “dream for a master brewer,” and Bekdache noted that “Colonel created a nice buzz around craft beer. Its setup and location really did a nice job, since they created something new.”

Kassatly Chtaura launched Beirut Beer the same year as Haddad’s Colonel, and while it is a commercial beer—not a craft one—it also played a role in expanding the Lebanese beer market. “Beirut Beer’s launch campaign was very aggressive, creating a beer buzz in Lebanon, while also adding a new variety of beer,” Bekdache says. “This variety makes consumers more willing to try new beers. I believe all this [vibe around beer] led to a bigger consumption per capita, and interest in beer. Once this inter-

“Variety makes consumers more willing to try new beers. I believe all this [vibe around beer] led to a bigger consumption per capita.”

FOREIGN CRAFTINESS

The introduction of new beer brands in Lebanon and the explosion of the craft-beer trend in Europe and the USA—plus the Lebanese tendency to adopt trends from abroad—created an increased demand for craft beer in Lebanon. Spirit distributors took notice. “Although we don’t have...
Craft beer

February 2018

a big beer culture in Lebanon, a growing number are enjoying craft beer. We acquired new craft-beer brands, and we sell them at The Malt Gallery and have a limited distribution of them in the on-trade,” said Anthony Massoud, the managing director and owner of Etablissements Antoine Massoud. (On-trade is the alcohol that is sold in restaurants, bars, and cafes.)

Through The Backroom, which is owned by Fattal Holding, Choueiry says he is hoping to grow the craft-beer trend in Lebanon and says Fattal is importing craft beers from Ireland to sell on site and to distribute in bottles as well. The problem with serving imported craft beer on tap in Lebanon, explained Choueiry, is that the equipment is expensive and most bars cannot afford it. Even the bottled variety of imported craft beers is considered expensive, with prices starting at $8 per bottle and going up to $16. While craft beer is globally more expensive than commercial beer, due to its artisanal nature and to the higher-quality ingredients used, in Lebanon the price of importing it is added to the mix.

Meanwhile, locally produced craft beer is also on the expensive side. Bekdache explains that the extra price is for the premium quality of the beer. “Doing something artisanal means you cannot do mass volume. For example, craft beers need 15 to 30 days to brew properly and be ready for consumption, while commercial breweries need three days. If I produce commercial beer, I will have to compromise my quality and will have to sell at a lower price,” he says. Bekdache also explains that the extra overhead expenses unique to Lebanon (such as double electricity and water bills) drive his costs up further—which is reflected in the price.

Nevertheless, the number of bars serving imported bottled craft beer in Lebanon is on the rise, as more and more consumers demand the beverage. Locally produced craft beer, like 961, Colonel, and those produced in Brew Inc., are also finding a solid consumer base. While the trend of craft beer in Lebanon is still small, its potential seems to be quite real.
Just off the main street in Badaro, a narrow alleyway leads to a charming bar with a microbrewery right inside. This shows you that its managing partners Omar Bekdache and Samir Tabiat are as serious about brewing as they are about beer. “The whole point [of Brew Inc.] is to highlight the experience of being in a brewery, and that’s why we have it in the middle of the venue. We do live brewing, so people see how beer is made, and we’re going to have brewing experiences and tastings, where we brew beer for groups. We want to promote craft beer and raise its appreciation among consumers,” says Bekdache. Following an investment of $500,000, Brew Inc. opened its doors in October 2017. The partners say they chose Badaro as the location because they felt there was a stronger beer culture in the area than in other bar streets in Lebanon, and also because they claim the average age of customers in Badaro—25 and above—matches their target audience.

Brew Inc. produces 3,500 liters of beer per month, but Bekdache says the setup is upgradable, and he can at least triple that number when needed. At any given moment, consumers have a choice between three to seven types of beer to try. “It’s for people who are not that into beer to start liking beer, because of the variety available. You are bound to like one of them, and that can be a starting point to like others,” explains Bekdache. Bekdache and Tabiat also encourage home brewing. “This helps you appreciate more what we do with beer in general. There are a lot of homebrewers in Lebanon, and from our side, we try to support them as much as possible. I do a lot of live brewing. I often get people asking me questions for their home brewing,” says Bekdache.

Bekdache explains that they can also work with commercial venues who want to buy breweries for their outlets. Such breweries start at a capacity of 20 liters, and can go up to 1,000 liters or more, according to Bekdache. The investment size would depend on how many and what type of beer varieties are needed, and would start at $25,000 for a business. At the moment, Brew Inc.’s suds can only be enjoyed unbottled. “My beer is fresh, and I like to keep it this way. I know for a fact that this type of beer can’t really be spread in a commercial way, and the whole concept was built on that. I prefer to maintain the quality I have and sell it in volumes I can control, rather than selling in a commercial haphazard way,” says Bekdache. However, consumers can still enjoy Brew Inc. outside the microbrewery, as they sell disposable five liter kegs for at-home consumption and bigger ones for events.
Craft beer

A COLONEL’S STORY

Jamal Haddad always enjoyed experimenting with producing alcoholic beverages, making and selling liqueur to family and friends during the holidays. On a lazy day back in the mid-1990s, while Haddad was drinking beer with his friends, he asked them how it was made. When no one had an answer, Haddad started digging deeper, but it was not until a trip to London in the mid-2000s that Haddad discovered the world of craft beer. “I was astounded at the amount of microbreweries and craft beers there was. I got my own home brewing kit and started producing beer at home. Because of this trip, I started taking long vacations from work and going to London for workshops and training [sessions] on how to produce beer in a professional way,” recalls Haddad.

Haddad quickly realized that his dream was to have his own microbrewery. Since he is from Batroun, and he believes that there is a strong beer culture in the area, Haddad decided to base his brewery there—on land he rented from church. He applied for and got a Kafalat Plus loan for $400,000, and sold his car, sailing boat, and a plot of small land he owned to raise the $1.2 million needed to launch Colonel in 2014. He says he has since further invested $1 million into expansion and improvements to the brewery. Colonel is named after a bay in Batroun where Haddad and his friends kitesurf. Haddad produces 1,000 liters of beer a day, which he says is appropriate for a local craft beer. Outside the brewery, Colonel is intentionally not widely distributed in the market. “I decided to focus on my venue, and have it be my marketing tool. I didn’t want to be distributed across the country and have distributors sell my beer and take from my margins, which would mean I would end up having to compromise the quality of my beer to sell it at a profit, when my focus is on the concept,” explains Haddad. As such, and although he gets a lot of requests, Colonel is only available in a few restaurants and bars, and only one supermarket (in Batroun). Consumers can buy refillable growlers from the brewery, however, a concept which Haddad launched in November 2017. “You buy it once and can refill it with fresh beer, which lasts a week in the fridge. It’s good for the environment in that it saves bottles,” explains Haddad.

While Haddad would not consider opening a Colonel brewery in Beirut, he says he would franchise the concept abroad. Meanwhile, he has his eyes set on producing Lebanon’s first gin. But that’s a story for another time …
WHERE CREATIVITY SOARS, SUCCESS FOLLOWS

LEARN, COLLABORATE AND CONNECT WITH THE CREATIVE INDUSTRY AT DUBAI LYNX

JOIN MENA'S PREMIER GATHERING OF GLOBAL BRAND LEADERS, CULTURAL INFLUENCERS, CREATIVE LEGENDS, DIGITAL STRATEGISTS, STARTUPS, COMMUNICATIONS EXPERTS AND MORE AT DUBAI LYNX FROM 11-13 MARCH.

HEAR SOME OF THE WORLD'S MOST CREATIVE COMPANIES AND LEADING BRANDS, INCLUDING:

<table>
<thead>
<tr>
<th>UNILEVER</th>
<th>BURGER KING</th>
<th>NIKE</th>
</tr>
</thead>
<tbody>
<tr>
<td>NISSAN</td>
<td>IBM</td>
<td>BAYER MIDDLE EAST</td>
</tr>
<tr>
<td>ANGAMI</td>
<td>MBC GROUP</td>
<td>UTURN ENTERTAINMENT</td>
</tr>
</tbody>
</table>

STAY AHEAD OF THE GAME. VISIT DUBAILYNX.COM TO BOOK YOUR FESTIVAL PASS.

INTERNATIONAL FESTIVAL OF CREATIVITY 11-14 MARCH 2019

Dubai Lynx

CO-SPONSORS

IN ASSOCIATION WITH

STRATEGIC PARTNER

Choueiri Group  MOTIVATE  IAA  DUBAI MEDIA CITY
SAME STREETS, DIFFERENT VIEW
NEW WALKING TOUR RE-EXAMINES BEIRUT’S URBAN LANDSCAPE

Words by Olga Habre

There isn’t much of a pedestrian culture in this city. Between the absence of sidewalks, cars blocking what few sidewalks exist, and a variety of traffic violations, it’s not always easy to walk through this urban obstacle course. Running counter to this reality are several walking tours on offer that guide tourists and locals alike around cultural sites, monuments, and a selection of scenic streets. It’s surprising how much you miss when you’re inside a car: Walking through Beirut is an eye-opening experience. One new tour has a distinctive approach, going off the beaten, touristy path to zoom in on the capital’s urban landscape, which isn’t always beautiful, and has been shaped by historical shifts and riddled with political intrigue.

Launched late last year, these walks are guided by Jana Nakhal, an urban designer expert, and activist. The free tours are held one Saturday a month and are given in Arabic—though Nakhal is willing to do tours in English and French for large groups upon request—as part of the artistic and cultural space Nadi Al Rowwad, which closed down during the civil war but has recently been revived to support alternative works of art and culture.

From the tour’s starting point in front of Downtown’s layers of archeological ruins, Nakhal takes us through historical and contemporary Beirut, telling stories about what it used to look like, who has lived here, and how the face and dynamics of the metropolis have changed. She relates historical accounts about the Romans, the Ottomans, and the French, which are widely documented in textbooks.

Like many of its Mediterranean counterparts, Beirut was once surrounded by a wall with several gates, one of which might sound familiar: Bab Idriss, now the name of a glitzy area close to the modern day Beirut Souks mall. That mall is named after a more
humble marketplace that used to be surrounded by residential buildings according to Nakhal—quite different from today’s upscale real estate developments. In fact, she says the French colonial style currently prevalent in Downtown is only one of the many architectural varieties formerly found in Beirut. As we stroll past the Mohammed Al-Amin mosque and through Saifi Village, she points out some misleading heritage facades of restored buildings—like arcades added to the side of a building simply because the side now is facing a major street—and discusses other absurdities in the city, like the irony of naming the prim and polished seaside Zaitunay Bay project after what was once the city’s notorious red light district.

Next, on to Bachoura—which lies just west of the former demarcation line and is now home to the contemporary Beirut Digital District that hosts the city’s entrepreneurs and techies—where our tour becomes increasingly political. Nakhal points to empty, crumbling buildings that just a few years ago still housed residents, and talks of controversial, long-forgotten, or erased details about Solidere’s post-war development in Downtown. Many of her stories aren’t in textbooks: Schools do not teach Lebanese history beyond 1948, and there is no official account of the 15-year civil war, which had glaring effects on the city’s architecture and people. Some of her sources are residents of Bachoura, many of them refugees from south Lebanon who were displaced during the conflict. She says there are likely plans for more elite projects in the area: two shopping malls—according to rumor.

We walk further, into Khandaq al-Ghamiq, which resembles the Bachoura of a few years ago—run-down but still populated—and arrive at Beirut’s famous antique furniture district, Basta. Eventually the group piles into shared service-taxis and heads across town to Jisr al-Wati’s Souk el-Ahad, a weekend flea market that has been operating for close to 30 years. Inside the bustling, partly tented lot situated near a highway, visitors can discover various antiques and find bargain clothes, electronics, and more. It is there that the tour comes to an end, as we stand in the shadows of the massive, new, mostly empty residential towers mushrooming in the area—dubbed “Soho Beirut”—and listen to how Souk el-Ahad is, allegedly, at an increasing risk of getting shut down as the area is developed.

There’s little doubt most local developers are catering to the wealthy, driving poorer residents and their enterprises out of the city center and bulldozing its architectural heritage. More and more, Beirut residents can no longer afford the high costs of the city and are pushed further away from the center, as even the ever-expanding Greater Beirut area becomes increasingly expensive.

Nakhal criticizes controversial practices and urban-planning violations, and offers alternatives for preserving a city’s cultural heritage. For example, she believes that true preservation is renovating and re-storing heritage buildings, not patting oneself on the back for letting age take the place of a wrecking ball. (A long-awaited draft law to protect heritage buildings may soon offer more incentive to preserving them—see story page 80).

Whether you label it gentrification or justify it as the natural evolution of the market, the face of Beirut has changed, and continues to do so. Our guide presents a city that, throughout history, has been continuously pounded, resettled, and rebuilt—but this isn’t unique to Beirut. Cities evolve, but they also deserve to have their pasts remembered and preserved in a way that allows for evolution. There’s a clichéd phrase about Beirut having been destroyed and rebuilt seven times. In the face of this latest wave of reconstruction, the last remains of old Beirut merit a voice. Whether you agree on the preservation of the actual buildings, preserving their tales is arguably essential in order to reduce Lebanon’s collective amnesia about its own recent history. Rooted in hard facts, urban myths, or widely accepted anecdotes, these narratives make up the fabric of our history and culture. It’s fascinating to hear such a wealth of surprising, controversial, and little-heard accounts, especially for Beirut residents who drive through these streets daily. What has happened in Lebanon since the civil war has been largely ignored, oppressed, or denied—and risks being forgotten forever. Beirut’s stories need to be told, and this tour is giving them a rare voice.
In the end, our society will be defined not only by what we create, but what we refuse to destroy.” – John Sawhill

DAR EL-NIMER FOR ARTS AND CULTURE
A CULTURE OF INCLUSION

Words by Olga Habre

Art can be therapeutic, cathartic, healing. In its wide spectrum of expressions, it is often regarded as a coping mechanism that inspires individuals and unites communities. But some criticize the contemporary art world, with its pristine galleries, high prices, and elite cliques, for being pretentious and distant from the public. In Lebanon, we are lucky that most art spaces offer free entry. For those who are unfamiliar with this sphere, however—those who come from underprivileged backgrounds, don’t speak the languages of the art world, or even know where to go to see it—art and cultural spaces aren’t always inviting.

A vibrant cultural space in the heart of Beirut, Dar El-Nimer for Arts and Culture, is not only offering beautiful, varied exhibitions and events, but also a vital sense of inclusion—especially for Palestinians, one of Lebanon’s most marginalized communities. It celebrates the region’s rich and complex heritage, with a special focus on Palestinian culture, which, along with its identity, is constantly facing erasure and distortion. Since its launch, Dar El-Nimer has developed a solid reputation for its interactive and accessible spirit, which is apparent both in its quality exhibitions and frequent, engaging event offerings, such as...
film screenings, workshops, performances, talks, and tours. Entrance is free, as are most events, except for some workshops that need to cover the cost of materials.

Officially opened in May 2016, it is the brainchild of Rami El-Nimer, a banker and patron of the arts whose family hails from Palestine. Over the past 40 years, El-Nimer has amassed a growing collection of Islamic, Christian, and orientalist pieces that span about 10 centuries of civilization. These include manuscripts, coins, ceramics, textiles, woodwork with mother-of-pearl inlay, and metal work, as well as modern and contemporary Palestinian art, all selected for their aesthetic and historic value.

Its launch exhibition, “At the Seams,” was a moving display of Palestinian craftsmanship and the political history behind traditional embroidery—the first satellite exhibition from the Palestinian Museum in Birzeit. Sharing Palestinian culture with its own community and the rest of the country is a big part of the independent nonprofit art foundation’s mission. Though the space exhibits works by artists of all nationalities, its debut exhibition was purposely Palestinian. Dar El-Nimer’s Executive Director Rasha Salah says, “[We want] to break the clichés around Palestine in Lebanon, to show that there’s many faces of Palestinians. … Palestine has its culture, history, heritage, and it’s important to show it regardless of whatever is happening politically.”

In fall 2016, Dar El-Nimer showcased artworks as part of Qalandiya International III, the Palestinian biennale that was held internationally for the first time that year, across 16 art foundations in four countries. The artistic program was built around the theme of return, and sought to restore Palestinians’ relationship with their natural surroundings through its focus on the sea. Since then, other regional and Palestinian artists have showed their work at the space.

As part of its mission, every year, Dar El-Nimer aims to feature thematic exhibitions from its own collection. The first exhibition from the collection, held from April to October 2017, was titled “Midad: The Public and Intimate Lives of Arabic Calligraphy,” and included over 75 pieces of calligraphy dating as far back as the 8th century, along with newly commissioned pieces. For 2018, an exhibition marking the 70th anniversary of the Nakba is set to present documents and archives of Palestine, curated by Palestinian artist and curator Jack Persekian.

This year, the exhibition “Keyword: Palestine” runs through February, followed by an auction of the pieces, the profits of which will go to the Institute for Palestinian Studies. Other highlights for the coming months include an exhibition by the renowned London-based Palestinian contemporary artist Larissa Sansour, a retrospective of the late Toufic Abdul Al, and an exhibition by a surprise international photographer. In addition to being a cultural hub, Dar El-Nimer focuses on research, dialogue, and intellectual engagement, with a keen emphasis on drawing in an eclectic mix of visitors, especially from Palestinian communities.

As part of its outreach program, Dar El-Nimer invites students from public, private, and UNRWA schools, universities, as well as scholars and anyone else who is interested in its various activities. The quality of works shown may be on par with other respected cultural spaces in Lebanon, but the special attention toward creating a welcoming environment makes all the difference for those that aren’t normally invited to the art world. “We show an amazing, prestigious exhibition like Midad, but also invite a dance troupe from Ain Al-Hilweh [a Palestinian refugee camp] to perform, and [the media talks] about them. They feel involved and respected. … They feel they are part of this space. It’s not intimidating; it is accessible,” says Salah.

She says that all aspects of the space are aimed at inclusion. The copywriting, in both Arabic and English, attempts to stay clear, so that it can be understood by anyone and not a select elite. “Just putting big words [in the copy] that some people don’t understand … for me this is as if I’m already excluding a big part of the society around me,” she says.

Dar El-Nimer’s website says it hosts artists and others whose work is “engaging with the challenging social realities and political currents shaping the region,” and in their own dealings, they truly practice what they preach. “For us, art should have a message. It should open minds and provoke questions and discussions,” says Salah. That message isn’t just in the pieces themselves, but in the center’s ability to share art with a wider audience, not neglecting those who can benefit tremendously from a broader outlook and a beautiful sense of belonging.
Under the Patronage of the President of the Council of Ministers
His Excellency Mr. Saad Hariri

Forum of Opportunities and Resources FOR 2018

February 21 - 25 | Forum de Beyrouth
10am - 10pm | Opening Date February 20 at 6:00 pm

Oraunion Second Short Film Festival | Third Salon of Visual Art | Village Dinner
Archaeological Museum | Artisanal Workshops | Poetry and Musical Evenings

FOR a Better Future
**BUSINESS ESSENTIALS**

Company Bulletin

- **Château Ksara**, Lebanon’s largest winery, highlighted its heritage when a bottle of its Vin D’Or 1942 sold for £1,500 ($2,000) in an auction at the Human Rights Watch annual dinner in London on November 20.

- In 2017, numerous awards and prizes yet again underscored the degree of recognition BMW automobiles receive both nationally and internationally. Awards went to the outstanding product attributes across all model series: their design, innovative technologies, intelligent connectivity, and last but not least, their exceptional level of sustainability.

- In line with efforts to advocate for gender diversity and empower women to play a vital role in companies’ growth, the International Finance Corporation launched—for the first time in Lebanon and the MENA region, and in collaboration with Tamayyaz-EIGL division and the Lebanese League for Women in Business—an exemplary program for women on corporate boards entitled “Women on Boards—WOB.”

- **T. Gargour & Fils**, the exclusive agent of **Mercedes-Benz** in Lebanon, maintained its position as the top-selling luxury car brand in Lebanon in 2017.

- **LGB BANK**, in collaboration with Visa, took part in the 26th Dubai Shopping Festival from December 26, 2017 to January 28, 2018. The bank offered its customers discounts in more than 3,000 stores across Dubai, in addition to a special discount at selected Jumeirah Hotels when using Visa Cards issued by LGB BANK.

- The chairman and general manager of **Fenicia Bank**, Abdul Razzak Achour, received the Golden Merit Award at a ceremony honoring the winners of the “Arab Eagle Award for Public Management Strategies 2017,” organized by the Tatweej Academy for Excellence Awards in the Arab region in Dubai.

- With a history that spans over 160 years, the winery **Château Ksara** has become one of Lebanon’s most visited destinations. Throughout 2017, from January till November, the number of recorded visitors increased to 80,000 from 66,000, an impressive jump that indicates double-digit growth for the brand’s business endeavors.

- **Renault-Nissan-Mitsubishi**, the world’s leading automotive alliance, announced the launch of **Alliance Ventures**, a new corporate venture-capital fund that plans to invest up to $1 billion to support open innovation over the next five years.

- **Samsung Electronics Co., Ltd.** announced the latest additions to the **Galaxy A** series: the **Galaxy A8** (2018) and **A8+** (2018). Both feature a dual front camera, a large infinity display, and stunning ergonomic design that draws on Samsung’s flagship design heritage and experience.

- **BMW** has recorded more than 1.5 million new registrations of the **BMW X3** across the two model generations released so far. The new BMW X3 is now set to write the next chapter in this success story, with an even more striking, dynamic design language, powerful and efficient drive systems, and luxurious appointments.

- Under the patronage of Minister of Tourism Avedis Guidanian, HORE-CA Lebanon, the country’s premier business to business hospitality and foodservice event, returns to Beirut’s Seaside Arena (BIEL) for its 25th edition from March 20 to 23, 2018.

- **Byblos Bank** and the Green for Growth Fund have signed a long-term senior loan agreement, under which $25 million will be loaned to support energy efficient investments in Lebanon.

Following its world premiere at the 2017 Dubai International Motor Show, the **INFINITI QX80** has arrived in the Middle East.

- **Visa Inc.** has announced the appointment of Andrew Torre as regional president for its Central and Eastern Europe, Middle East, and Africa (CEMEA) region, based in Dubai. Torre, who previously led Visa’s Sub-Saharan Africa business, will now oversee all of Visa’s operations in more than 90 countries across CEMEA and report to Visa’s global president, Ryan McInerney.

- As part of the Visa Platinum Debit Card campaign launched by **Credit Libanais** throughout the month of December 2017, the bank distributed valuable gifts to 50 of its customers who used their cards for purchases at selected merchants. The initiative aimed to reward customers for their loyalty and usage of Visa cards.
customers who had the chance to win by using their cards at merchants in Lebanon and worldwide.

- Under the patronage of Prime Minister Saad Hariri, a press conference was held on January 23 at the French Institute in Lebanon to launch the first Urb-Hackathon in Lebanon. The event was organized by e-EcoSolutions and IPT Energy Center, with the support of Bertytech, the Order of Engineers and Architects of Beirut, the UNDP in Lebanon, the Global Compact Network Lebanon, USJ, and the French Institute in Lebanon.

- Emerging Investment Partners, a private equity fund management company, announced that its “EIP Levant Fund” has received capital commitments from the International Finance Corporation and the Dutch Good Growth Fund.

- For the first time, a Lebanese movie—“The Insult,” directed by Ziad Doueiri—was nominated for an Academy Award in the Foreign Language Film category on January 23.

- The Harvard Alumni Association in Lebanon invited colleagues and friends to its annual Christmas event, held on December 19, 2017, at the Four Seasons Hotel.

- The MIT Enterprise Forum of the Pan Arab Region announced the semi-finalists of the 11th edition of its competition. The MITEF Arab startup competition, in partnership with Community Jameel, will be held in Oman on April 19.

- MINI, the British automobile manufacturer, strengthened the character and appeal of its models in the small car segment with a refined appearance and extensive technological advancements. The upgrade of the original product substance in the premium segment of small cars highlights the mature and distinctive charisma of MINI, which in its current model generation is now available for the first time with three body types for driving in urban traffic.

- Samsung Electronics Co., Ltd. offered CES 2018 attendees a first look into its vision for the “Workplace of the Future” with the unveiling of its new Samsung Flip digital flip-chart display.

- Ericsson’s 2018 Hot Consumer Trends Report reveals expectations surrounding technologies like smart assistants, virtual reality, transportation, and others.

- Already one of the most talked-about technologies at the 2018 Consumer Electronic Show, Hyundai’s newly unveiled 2019 NEXO Fuel Cell Vehicle has won the Reviewed.com Editor’s Choice award for the show.

- Pikasso’s 128 state-of-the-art screens, located in eight already digitized shopping malls in Lebanon, Jordan, and Algeria, have all been equipped with the Quividi Audience Measurement Platform. The system provides Pikasso with the most accurate Audience & Attention analytics for digital out of home advertising.

- In the context of its efforts to thank its loyal customers, Credithbank sal organized the annual domiciliation draw on December 20, 2017, under the supervision of the Lebanese National Lottery. The winner, Ali Abed Al-Menhem Fahs, was awarded a brand new Hyundai Elantra Model 2018.

- Roads for Life held its fourth annual dinner at the Phoenicia Hotel, during which it revealed that since its inception, it has provided trauma rescue training programs to 1,290 “rescue angels,” including ER physicians, nursing staff, and emergency medical service volunteers.

- In the most unlikely of locations, Beirut’s newest movie theater made its debut on January 17. Completely transforming the iconic Grand Stairs at its entrance, Phoenicia Hotel brought an avant-garde approach to the world of cinema.

- The Luminor Due is the thinnest and most versatile of Panerai’s wristwatches. Its elegant, logical design, with pure, minimalist lines, is the result of a sophisticated technical reworking of the historic Luminor design.

- Gemini Property Developers, a Dubai-based boutique real estate developer, has announced the appointment of National Piling as the piling and shoring contractor for the upcoming 29-story Symphony tower in Business Bay.

- Under the patronage of Minister of Education and Higher Education Marwan Hamadeh, L’Oréal Levant organized a graduation ceremony for the technical institute students of its “Beauty for a Better Life” training program, in partnership with SOS Children’s Villages Lebanon, on January 17.

- touch, managed by Zain Group, has partnered with Teach for Lebanon to launch e-touch, an educational program that aims to support Lebanon’s underprivileged children in rural areas.

- The all-new Lincoln Navigator has been named North American Truck of the Year, marking the first time a Lincoln vehicle has captured this prestigious honor.
With its titanium case, 3D-printed with direct metal laser sintering, Lo Scienziato Luminor 1950 Tourbillon GMT is undoubtedly one of the most innovative and surprising wristwatches of the Panerai Manufacture in Neuchâtel.

Huawei was a big winner at CES 2018 in Las Vegas, earning awards from global technology media titles following the HUAWEI Mate 10 Pro’s introduction to the US market.

A new poll by Bayt.com, the Middle East’s leading job site, entitled “New Year’s Resolutions in the Middle East and North Africa” illustrates a remarkably high morale and optimism among professionals in the region coming into 2018.

On January 15, Cisco announced the appointment of Hani Raad as general manager for its West Region in the Middle East.

With a large number of new and improved service offerings, Lufthansa wants to make the stay in its lounges as pleasant and entertaining as possible for guests.

Byblos Bank celebrated 10 years of excellence in economic research and analysis at a lunch at the Four Seasons Hotel. The event was marked by the presence of guests from across the public and private sectors, including ambassadors, diplomats, and representatives from the United Nations, the International Monetary Fund, and the World Bank Group.

Further anchoring its presence in Lebanon’s sports retail industry through a strategic expansion, adidas celebrated the opening of its latest branch in the ABC Verdun mall on December 29 and 30, 2017.

2018 ThinQ AI TVs from LG Electronics will be compatible with Amazon Alexa devices, giving users the ability to issue voice commands to their existing Amazon Alexa devices to control their LG TVs.

2017 marked the 100th anniversary of Yokohama, a leading tire brand in the Lebanese market. To commemorate this occasion, Yokohama plans to honor its loyal customers through small gestures of appreciation.

The Queen Rania Foundation for Education and Development launched its first free educational mobile application “Karim and Jana” for children aged three to six years old.

IWC Schaffhausen is opening the bar “Les Aviateurs” right next to its boutique on Rue du Rhône in Geneva.

Select Whirlpool smart appliances now support Google Assistant and Amazon Alexa, allowing families to control their appliances from anywhere in the house with simple voice commands.

On New Year’s Eve, Lebanese from all ages and walks of life turned Nejmeh Square into a bursting dance floor for the night. Beirut Celebrates 2018 was held by the Municipality of Beirut under the guidance of Prime Minister Saad Hariri, and was successfully organized by ITS Events.

The British premium automobile manufacturer MINI highlights the sporty character of its current models in the small segment with a new type of transmission.

OLX Property, the leading property platform in Lebanon, hosted the OLX Property Event networking reception in its first edition in Lebanon. The event hosted over 60 attendees, including leading real estate agents, developers, and agencies, at Le Grey Hotel, Beirut on December 13, 2017.

Aigle Azur announced that it has ordered two new Airbus A330-200 aircraft. They will be fitted with Pratt & Whitney PW4000 engines, and will offer an economy class, an economy+ class, and a business class. Both A330 jets will join Aigle Azur’s fleet in the first quarter of 2018, bringing the airline’s total number of aircraft to 12.

With Valentine’s Day around the corner, Mouawad brings you the most distinctive range of gifts to commemorate your eternal love with brilliance and romance.

It is the Huawei Mate 10 lite that will throw us into the world of creativity and surprises with its four-camera setup, Fullview display, and an industrial design, for just $289.

Samsung Electronics Levant organized the participation of Lebanese delegates to join the Pyeongchang 2018 Olympic Torch Relay in a campaign that started on November 1, 2017, and will end on February 9, 2018. Pierre Rabbat and Silvio Chiha joined 7,500 participants from around the globe.
to represent Lebanon in the Torch Relay campaign.

- **20th Century Fox, Panasonic Corporation, and Samsung Electronics** announced updates to the associated certification and logo program for the open, royalty-free dynamic metadata platform for HDR, called HDR10+, which they initially announced last year at IFA, a global consumer electronics show.

- **Hyundai Motor Company**, South Korea’s largest automaker and a proud FIFA partner, is pleased to announce the launch of the “Be There With Hyundai” slogan competition for the 2018 FIFA World Cup Russia.

- **British Airways** announced a multi-million pound investment in its World Traveller (long-haul economy) cabin, introducing an expanded new menu that provides more quantity and quality to meals and snacks throughout the flight.

- The use of driverless technology in mainstream models and an accelerating move toward electrified drivetrains will be two top trends for new car showrooms in 2018, says Hyundai’s Africa and Middle East chief, Mike Song. Hyundai’s head of operations says autonomous technology is already a feature of the new model from the brand, and in many cases fitted as standard on the newest models.

- **Librairie Antoine** announced the launch of the highly anticipated Arabic version of the book “SWISS MADE” in an event held at Librairie Antoine’s flagship store at Beirut Souks.

- 2017’s Black Friday was not just another Black Friday for Khoury Home merchants; it was the biggest to date, with a record making $12 million in sales, a surge of 20 percent over last year.

- **Gemayel Jewellery**, the renowned jewelry design house known for its exquisite designs for over 40 years, has announced the opening of its new store at the beginning of the New Year at Dunes Verdun.

- As part of its Alfa 4-Life CSR program, Alfa, managed by Orascom TMT, launched the “Let’s bring their Sight Back this Season” initiative, in support of three children from the Lebanese School for the Blind and Deaf.

- Set in a winter night of twirling lights and end-of-year festive celebrations, Hilton Beirut Habtoor Grand and Hilton Beirut Metropitan Palace joined hands with St. Rita Church and opened their doors to children and the elderly to celebrate the Christmas season.

- **LAU Medical Center – Rizk Hospital** celebrated Christmas with all its employees in an open-house day full of joyful moments for the end of 2017.

- Under the theme “Awarding Love & Success,” The Lebanese ALS Association, presided over by the writer and TV personality Karen Boustany, organized its second annual dinner at Phoenicia Hotel on December 19, 2017, in the presence of Minister of Social Affairs Pierre Bou Assi and many political, social, diplomatic, and media personalities.

- **Majid Al Futtaim** organized the second Retailers Award Ceremony to honor the new tenants that complied with a series of sustainability features within the green rating system set by Majid Al Futtaim.

- **Huawei** has announced the end of the Lebanon chapter of its ICT Skills Competition 2017.

- In correspondence with Spinneys’ year-round priority of helping and giving, and on the occasion of the festive season, Spinneys launched a charity activity in December 2017 to highlight that no happiness is ever complete unless shared.

- **Gefinor Rotana Hotel**, Lebanon, appointed Lazetta Abou Haidar as its new sales director.

- **Grand Hills**, a Luxury Collection Hotel & Spa, lit up its Christmas tree and decoration, inviting deaf children from “Institut Père Robert Pour Jeunes Sourds” to sing Christmas carols using sign language along with the Carolino chorus.

- **Ford Motor Company** announced the latest recipients of its Conservation and Environmental Grants, awarding a total of $100,000 to 10 successful entries.

- Under the patronage and in the presence of Minister of Tourism Ave-dis Guidanian, Marc Kallassi, general manager for King Food S.A.L., the BURGER KING brand franchisee in Lebanon, opened a new branch in Dbayeh, joining its family of 27 restaurants.

- In 2017, Huawei chose the Children Cancer Center of Lebanon for its Christmas donation campaign, to make sure that every child who has cancer can feel the joy of the festivities. For this campaign, Huawei chose Yara, a Lebanese singer, to celebrate the season with these children.
## BUSINESS ESSENTIALS

### Events

#### CONFERENCES

<table>
<thead>
<tr>
<th>ORGANIZERS</th>
<th>CONTACT</th>
<th>WEBSITE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LEBANON</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16-18 Feb</td>
<td><strong>ROTY PRESIDENTIAL PEACEBUILDING CONFERENCE</strong>&lt;br&gt;Rotary International District</td>
<td>+961 357 9966 2118; <a href="mailto:presidentialconference2018@gmail.com">presidentialconference2018@gmail.com</a> <a href="http://www.rotaryd2452.org">www.rotaryd2452.org</a></td>
</tr>
<tr>
<td>17-19 Feb</td>
<td><strong>MEET UK UNIVERSITIES IN BEIRUT</strong>&lt;br&gt;Global Study UK</td>
<td>+44 20 7486 4762; <a href="mailto:info@globalstudyuk.com">info@globalstudyuk.com</a> <a href="http://www.globalstudyuk.com">www.globalstudyuk.com</a></td>
</tr>
<tr>
<td>20-22 Feb</td>
<td><strong>ARABNET</strong>&lt;br&gt;Arabnet</td>
<td>+961 1 658 444; <a href="mailto:info@arabnet.com">info@arabnet.com</a> <a href="http://www.arabnet.com">www.arabnet.com</a></td>
</tr>
<tr>
<td>1-2 Mar</td>
<td><strong>FINANCIAL LITERACY</strong>&lt;br&gt;Union of Arab Banks</td>
<td>+961 1 377800; <a href="mailto:uab@uabonline.org">uab@uabonline.org</a> <a href="http://www.uabonline.org">www.uabonline.org</a></td>
</tr>
<tr>
<td>2-3 Mar</td>
<td><strong>FUTURE HEALTH</strong>&lt;br&gt;Al-iktissad Wal-Amaal</td>
<td>+961 1 740173; <a href="mailto:info@iktissad.com">info@iktissad.com</a> <a href="http://www.iktissadevents.com">www.iktissadevents.com</a></td>
</tr>
<tr>
<td>29-30 Mar</td>
<td><strong>OIL AND GAS IN EASTMED</strong>&lt;br&gt;Al-iktissad Wal-Amaal</td>
<td>+961 1 740173; <a href="mailto:info@iktissad.com">info@iktissad.com</a> <a href="http://www.iktissadevents.com">www.iktissadevents.com</a></td>
</tr>
<tr>
<td>24-25 Apr</td>
<td><strong>THE LEBANON INTERNATIONAL OIL AND GAS SUMMIT</strong>&lt;br&gt;Global Event Partners</td>
<td>+44 1737 784956; <a href="mailto:athompsett@gep-events.com">athompsett@gep-events.com</a> <a href="http://www.gep-events.com">www.gep-events.com</a></td>
</tr>
<tr>
<td><strong>DUBAI</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6-7 Feb</td>
<td><strong>GCC GOVERNMENT AND BUSINESS ORGANISATIONS GOLDEN JUBILEE CONFERENCE</strong>&lt;br&gt;Datamatix Group</td>
<td>+9714 - 3326688; <a href="mailto:info@datamatixgroup.com">info@datamatixgroup.com</a> <a href="http://www.datamatixgroup.com">www.datamatixgroup.com</a></td>
</tr>
<tr>
<td>13-14 Feb</td>
<td><strong>SEVENTEENTH GCC HUMAN RESOURCES MANAGEMENT CONFERENCE</strong>&lt;br&gt;Datamatix Group</td>
<td>+9714 - 3326688; <a href="mailto:info@datamatixgroup.com">info@datamatixgroup.com</a> <a href="http://www.datamatixgroup.com">www.datamatixgroup.com</a></td>
</tr>
<tr>
<td>13-14 Feb</td>
<td><strong>GLOBAL FUTURE RECRUITMENT SUMMIT</strong>&lt;br&gt;Datamatix Group</td>
<td>+9714 - 3326688; <a href="mailto:info@datamatixgroup.com">info@datamatixgroup.com</a> <a href="http://www.datamatixgroup.com">www.datamatixgroup.com</a></td>
</tr>
<tr>
<td>15-16 Feb</td>
<td><strong>MACHINE LEARNING SUMMIT</strong>&lt;br&gt;Fleming Gulf</td>
<td>+971 4 609 1555; <a href="mailto:info@fleminggulf.com">info@fleminggulf.com</a> <a href="http://www.fleming.events">www.fleming.events</a></td>
</tr>
<tr>
<td>26-27 Feb</td>
<td><strong>FINOVATE MIDDLE EAST</strong>&lt;br&gt;Informa Middle East</td>
<td>+971 4 407 2528; <a href="mailto:register@cityscape.org">register@cityscape.org</a> <a href="http://www.informaexhibitions.com">www.informaexhibitions.com</a></td>
</tr>
<tr>
<td>6-8 Mar</td>
<td><strong>GLOBAL SMART ENERGY SUMMIT</strong>&lt;br&gt;Informa Middle East</td>
<td>+971 4 407 2528; <a href="mailto:info-me@informa.com">info-me@informa.com</a> <a href="http://www.informa-mea.com">www.informa-mea.com</a></td>
</tr>
<tr>
<td>7-8 Mar</td>
<td><strong>TWENTY-FIRST GLOBAL WOMEN LEADERS CONFERENCE</strong>&lt;br&gt;Datamatix Group</td>
<td>+9714 - 3326688; <a href="mailto:info@datamatixgroup.com">info@datamatixgroup.com</a> <a href="http://www.datamatixgroup.com">www.datamatixgroup.com</a></td>
</tr>
<tr>
<td>12-13 Mar</td>
<td><strong>MIDDLE EAST RAIL 2018</strong>&lt;br&gt;Terrapinn Middle East</td>
<td>+971 14440 2500; <a href="mailto:enquiry.me@terrapinn.com">enquiry.me@terrapinn.com</a> <a href="http://www.terrapinn.com">www.terrapinn.com</a></td>
</tr>
<tr>
<td>14-15 Mar</td>
<td><strong>INSURANCE INNOVATION SUMMIT</strong>&lt;br&gt;Fleming Gulf</td>
<td>+971 4 609 1555; <a href="mailto:info@fleminggulf.com">info@fleminggulf.com</a> <a href="http://www.fleming.events">www.fleming.events</a></td>
</tr>
<tr>
<td>19-20 Mar</td>
<td><strong>MENA SECURITIES FORUM</strong>&lt;br&gt;Informa Middle East</td>
<td>+971 4 407 2528; <a href="mailto:info-me@informa.com">info-me@informa.com</a> <a href="http://www.informa-mea.com">www.informa-mea.com</a></td>
</tr>
<tr>
<td>22 Mar</td>
<td><strong>EIGHTH GCC FOOD SUPPLIERS AND MANUFACTURERS SUMMIT</strong>&lt;br&gt;Datamatix Group</td>
<td>+9714 - 3326688; <a href="mailto:info@datamatixgroup.com">info@datamatixgroup.com</a> <a href="http://www.datamatixgroup.com">www.datamatixgroup.com</a></td>
</tr>
<tr>
<td>9-10 Apr</td>
<td><strong>ATD MIDDLE EAST CONFERENCE AND EXHIBITION</strong>&lt;br&gt;Informa Middle East</td>
<td>+971 4 407 2528; <a href="mailto:info-me@informa.com">info-me@informa.com</a> <a href="http://www.informa-mea.com">www.informa-mea.com</a></td>
</tr>
<tr>
<td>10-11 Apr</td>
<td><strong>FOURTH ANNUAL RETROFITTECH DUBAI SUMMIT AND AWARDS</strong>&lt;br&gt;ACM</td>
<td>+9714 361 4001; <a href="mailto:opportunities@acm-events.com">opportunities@acm-events.com</a> <a href="http://www.acm-events.com">www.acm-events.com</a></td>
</tr>
<tr>
<td>15-16 Apr</td>
<td><strong>SEAMLESS MIDDLE EAST 2018</strong>&lt;br&gt;Terrapinn Middle East</td>
<td>+971 14440 2500; <a href="mailto:enquiry.me@terrapinn.com">enquiry.me@terrapinn.com</a> <a href="http://www.terrapinn.com">www.terrapinn.com</a></td>
</tr>
<tr>
<td>16-17 Apr</td>
<td><strong>COMPENSATION AND BENEFITS FORUM</strong>&lt;br&gt;Informa Middle East</td>
<td>+971 4 407 2528; <a href="mailto:info-me@informa.com">info-me@informa.com</a> <a href="http://www.informa-mea.com">www.informa-mea.com</a></td>
</tr>
<tr>
<td>22-26 Apr</td>
<td><strong>TWENTY-FOURTH GCC SMART GOVERNMENT AND SMART CITIES CONFERENCE</strong>&lt;br&gt;Datamatix Group</td>
<td>+9714 - 3326688; <a href="mailto:info@datamatixgroup.com">info@datamatixgroup.com</a> <a href="http://www.datamatixgroup.com">www.datamatixgroup.com</a></td>
</tr>
<tr>
<td><strong>ABU DHABI</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5-6 Feb</td>
<td><strong>MOI INNOVATION AND FORESIGHT SUMMIT</strong>&lt;br&gt;ACM</td>
<td>+971 4 361 4001; <a href="mailto:opportunities@acm-events.com">opportunities@acm-events.com</a> <a href="http://www.acm-events.com">www.acm-events.com</a></td>
</tr>
<tr>
<td>5-6 Feb</td>
<td><strong>GLOBAL FORUM FOR INNOVATIONS IN AGRICULTURE</strong>&lt;br&gt;Media Generation</td>
<td>+971 2 234 8400; <a href="mailto:info@InnovationsInAgriculture.com">info@InnovationsInAgriculture.com</a> <a href="http://www.InnovationsInAgriculture.com">www.InnovationsInAgriculture.com</a></td>
</tr>
<tr>
<td>ORGANIZERS</td>
<td>CONTACT</td>
<td>WEBSITE</td>
</tr>
<tr>
<td>------------</td>
<td>---------</td>
<td>---------</td>
</tr>
<tr>
<td>8 Feb</td>
<td>FUTURE TRAFFIC SECURITY ACM</td>
<td>+971 4 361 4001; <a href="mailto:opportunities@acm-events.com">opportunities@acm-events.com</a></td>
</tr>
<tr>
<td>21-22 Feb</td>
<td>MENA INVESTMENT CONGRESS Informa Middle East</td>
<td>+971 4 407 2528; <a href="mailto:info-mea@informa.com">info-mea@informa.com</a></td>
</tr>
<tr>
<td>7-8 Feb</td>
<td>MIDDLE EAST DISTRICT COOLING SUMMIT Fleming Gulf</td>
<td>+971 4 609 1555; <a href="mailto:info@fleminggulf.com">info@fleminggulf.com</a></td>
</tr>
<tr>
<td><strong>QATAR</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27 Feb</td>
<td>SECOND INTERNATIONAL CYBER SECURITY CONFERENCE Naseba</td>
<td>+971 4 367 1376; <a href="mailto:prachid@naseba.com">prachid@naseba.com</a></td>
</tr>
<tr>
<td>6-7 Mar</td>
<td>SAUDI DOWNSTREAM FORUM BME Global</td>
<td>+44 203 463 1022; <a href="mailto:m.elgohary@bme-global.com">m.elgohary@bme-global.com</a></td>
</tr>
<tr>
<td>12-13 Mar</td>
<td>INTERNATIONAL CYBER DEFENSE SUMMIT Naseba</td>
<td>+971 4 367 1376; <a href="mailto:prachid@naseba.com">prachid@naseba.com</a></td>
</tr>
<tr>
<td>19-20 Mar</td>
<td>WOMEN IN LEADERSHIP ECONOMIC FORUM KSA Naseba</td>
<td>+971 4 367 1376; <a href="mailto:prachid@naseba.com">prachid@naseba.com</a></td>
</tr>
<tr>
<td>30 Apr</td>
<td>SMART TRANSFORMATION SUMMIT Naseba</td>
<td>+971 4 367 1376; <a href="mailto:prachid@naseba.com">prachid@naseba.com</a></td>
</tr>
<tr>
<td><strong>SAUDI ARABIA</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3-4 Feb</td>
<td>THIRD EGYPT INVESTMENT FORUM Al-Iktissad Wal-Aamal</td>
<td>+961 1 740173; <a href="mailto:info@iktissad.com">info@iktissad.com</a></td>
</tr>
<tr>
<td>3-4 Feb</td>
<td>THE ROLE OF MODERN TECHNOLOGY IN COMBATING MONEY LAUNDERING AND FINANCING TERRORISM Union of Arab Banks</td>
<td>+961 1 377800; <a href="mailto:uab@uabonline.org">uab@uabonline.org</a></td>
</tr>
<tr>
<td>18-19 Apr</td>
<td>THE ARAB BANKING CONFERENCE: BANKING ANF FINTECH: A BRAVE NEW WORLD Union of Arab Banks</td>
<td>+961 1 377800; <a href="mailto:uab@uabonline.org">uab@uabonline.org</a></td>
</tr>
<tr>
<td><strong>EGYPT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5-7 Feb</td>
<td>OMAN CLEANING &amp; FACILITIES MANAGEMENT CONFERENCE Oman International Trade &amp; Exhibitions</td>
<td>+968 2465 6000; <a href="mailto:info@oite.com">info@oite.com</a></td>
</tr>
<tr>
<td>27-28 Feb</td>
<td>WORLD EXCHANGE CONGRESS 2018 Terrapinn Middle East</td>
<td>+971 14440 2500; <a href="mailto:enquiry.me@terrapinn.com">enquiry.me@terrapinn.com</a></td>
</tr>
<tr>
<td>26-28 Mar</td>
<td>OMAN’S OIL AND GAS EXHIBITION AND CONFERENCE Oman Expo</td>
<td>+968 9934 4198; <a href="mailto:info@ogwaexpo.com">info@ogwaexpo.com</a></td>
</tr>
<tr>
<td>29-30 Apr</td>
<td>OMAN ECONOMIC FORUM Al-Iktissad Wal-Aamal</td>
<td>+961 1 740173; <a href="mailto:info@iktissad.com">info@iktissad.com</a></td>
</tr>
<tr>
<td><strong>KUWAIT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11-14 Feb</td>
<td>FOURTH ANNUAL MAINTENANCE KUWAIT SUMMIT IQPC</td>
<td>+65 6722 9388; <a href="mailto:enquiry@iqpc.com">enquiry@iqpc.com</a></td>
</tr>
<tr>
<td>20 Feb</td>
<td>DIGITAL CITIES KUWAIT FORUM IQPC</td>
<td>+65 6722 9388; <a href="mailto:enquiry@iqpc.com">enquiry@iqpc.com</a></td>
</tr>
<tr>
<td>26-29 Mar</td>
<td>SIXTH ANNUAL CRISIS AND RISK MANAGEMENT SUMMIT IQPC</td>
<td>+65 6722 9388; <a href="mailto:enquiry@iqpc.com">enquiry@iqpc.com</a></td>
</tr>
</tbody>
</table>
## BUSINESS ESSENTIALS

### Events

#### EXHIBITIONS

<table>
<thead>
<tr>
<th>ORGANIZERS</th>
<th>CONTACT</th>
<th>WEBSITE</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LEBANON</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>20-25 Feb</strong></td>
<td>FORUM OF OPPORTUNITIES AND RESOURCES</td>
<td>+961 4 403352; <a href="mailto:fundraising@oraunion.org">fundraising@oraunion.org</a></td>
</tr>
<tr>
<td><strong>1-4 Mar</strong></td>
<td>EDUCATION AND ORIENTATION EXPO 2018</td>
<td>+961 1 561 605; <a href="mailto:info@promofair.com.lb">info@promofair.com.lb</a></td>
</tr>
<tr>
<td><strong>17-22 Mar</strong></td>
<td>BLOOM</td>
<td>+961 1 322177; <a href="mailto:info@gata.pro">info@gata.pro</a></td>
</tr>
<tr>
<td><strong>20-23 Mar</strong></td>
<td>HORECA LEBANON</td>
<td>+961 1 480081; <a href="mailto:info@hospitalityservices.com.lb">info@hospitalityservices.com.lb</a></td>
</tr>
<tr>
<td><strong>23-25 Apr</strong></td>
<td>BEIRUT INTERNATIONAL PROPERTY FAIR</td>
<td>+961 1 339 050; <a href="mailto:sm@promoteam-ltd.com">sm@promoteam-ltd.com</a></td>
</tr>
<tr>
<td><strong>25-28 Apr</strong></td>
<td>SMARTEX</td>
<td>+961 1 38 47 91; <a href="mailto:lara@micelebanon.com">lara@micelebanon.com</a></td>
</tr>
<tr>
<td><strong>26-28 Apr</strong></td>
<td>JAMALOUKI CON</td>
<td>+961 1 561 605; <a href="mailto:info@promofair.com.lb">info@promofair.com.lb</a></td>
</tr>
<tr>
<td><strong>DUBAI</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>6-8 Mar</strong></td>
<td>AGRA ME</td>
<td>+971 4 407 2528; <a href="mailto:register@cityscape.org">register@cityscape.org</a></td>
</tr>
<tr>
<td><strong>12-13 Mar</strong></td>
<td>MIDDLE EAST RAIL</td>
<td>+971 4 407 2528; <a href="mailto:register@cityscape.org">register@cityscape.org</a></td>
</tr>
<tr>
<td><strong>12-14 Apr</strong></td>
<td>GULF EDUCATION AND TRAINING EXHIBITION</td>
<td>+971 4 335 5001; -</td>
</tr>
<tr>
<td><strong>21-23 Apr</strong></td>
<td>ARAB OIL AND GAS</td>
<td>+971 4 335 5001; -</td>
</tr>
<tr>
<td><strong>22-25 Apr</strong></td>
<td>ARABIAN TRAVEL MARKET</td>
<td>+971 4 335 5001; -</td>
</tr>
<tr>
<td><strong>ABU DHABI</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>17-19 Apr</strong></td>
<td>CITYSCAPE ABU DHABI</td>
<td>+971 4 407 2528; <a href="mailto:register@cityscape.org">register@cityscape.org</a></td>
</tr>
<tr>
<td><strong>BAHRAIN</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>6-8 Feb</strong></td>
<td>TENTH GULF INTERNATIONAL INDUSTRY FAIR</td>
<td>+973 17299116; <a href="mailto:cherly@hilalce.com">cherly@hilalce.com</a></td>
</tr>
<tr>
<td><strong>21-24 Mar</strong></td>
<td>EDUCATION AND TRAINING INTERNATIONAL EXHIBITION</td>
<td>+973 360 86 266; <a href="mailto:edutex.bahrain@gmail.com">edutex.bahrain@gmail.com</a></td>
</tr>
<tr>
<td><strong>21-24 Mar</strong></td>
<td>BAHRAIN HOSPITALITY AND RESTAURANT EXPO AND FORUM</td>
<td>+973 34237708; <a href="mailto:sidrah@cuisinaireandbeyond.com">sidrah@cuisinaireandbeyond.com</a></td>
</tr>
<tr>
<td><strong>24-26 Apr</strong></td>
<td>GULF CONSTRUCTION</td>
<td>+973 17299116; <a href="mailto:cherly@hilalce.com">cherly@hilalce.com</a></td>
</tr>
<tr>
<td><strong>EGYPT</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>14-16 Feb</strong></td>
<td>EGYPT PETROLEUM SHOW</td>
<td>+202 7538 401; <a href="mailto:info@acg-itf.com">info@acg-itf.com</a></td>
</tr>
<tr>
<td><strong>22-24 Apr</strong></td>
<td>AFRICA FOOD MANUFACTURING</td>
<td>+971 4 407 2528; <a href="mailto:info-mea@informa.com">info-mea@informa.com</a></td>
</tr>
<tr>
<td>ORGANIZERS</td>
<td>CONTACT</td>
<td>WEBSITE</td>
</tr>
<tr>
<td>------------------------------------------------</td>
<td>----------------------------------------------</td>
<td>----------------------------------------</td>
</tr>
<tr>
<td><strong>QATAR</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13-15 Mar</td>
<td>AGRITEQ IFP</td>
<td>+961 5 959 111; <a href="mailto:info@ifpexpo.com">info@ifpexpo.com</a></td>
</tr>
<tr>
<td>26-28 Mar</td>
<td>CITYSCAPE QATAR Informa Middle East</td>
<td>+971 4 407 2528; <a href="mailto:register@cityscape.org">register@cityscape.org</a></td>
</tr>
<tr>
<td><strong>SAUDI ARABIA</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5-7 Feb</td>
<td>AUTOMECHANika Al Harithy Company for Exhibitions</td>
<td>+966 12 654 6384; <a href="mailto:ace@acexpos.com">ace@acexpos.com</a></td>
</tr>
<tr>
<td>13-16 Mar</td>
<td>SAUDI BUILDING AND INTERIORS EXHIBITION Al Harithy Company for Exhibitions</td>
<td>+966 12 654 6384; <a href="mailto:ace@acexpos.com">ace@acexpos.com</a></td>
</tr>
<tr>
<td>20-21 Mar</td>
<td>SAUDI FOOD, HOTEL AND HOSPITALITY ARABIA Al Harithy Company for Exhibitions</td>
<td>+966 12 654 6384; <a href="mailto:ace@acexpos.com">ace@acexpos.com</a></td>
</tr>
<tr>
<td>24-26 Apr</td>
<td>INTERSEC - SAUDI ARABIA Al Harithy Company for Exhibitions</td>
<td>+966 12 654 6384; <a href="mailto:ace@acexpos.com">ace@acexpos.com</a></td>
</tr>
<tr>
<td><strong>OMAN</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16-18 Apr</td>
<td>GLOBAL HIGHER EDUCATION EXHIBITION AND CONFERENCE Oman International Trade &amp; Exhibitions</td>
<td>+968 2 465 6000; <a href="mailto:info@oite.com">info@oite.com</a></td>
</tr>
<tr>
<td>24-28 Apr</td>
<td>COMEX - IT, TELECOM AND TECHNOLOGY SHOW Oman International Trade &amp; Exhibitions</td>
<td>+968 2 465 6000; <a href="mailto:info@oite.com">info@oite.com</a></td>
</tr>
</tbody>
</table>

www.executive-bulletin.com

Your daily update on all corporate news and announcements from all the region’s countries and sectors
Lebanon, let’s talk

Tackling sexual violence requires a shift in mentality

When Rebecca Dykes was sexually assaulted and tragically murdered by an Uber driver in December 2017, much of the public directed its anger against the driving service, dragging down its competitor, Careem, with it. But blaming Uber drives the discourse away from the real issue: Sexual harassment and violence are bigger than any form of transportation, and they’re not exclusive to the public realm. In December and January, at least 10 other women were murdered in Lebanon—mostly by their partners—according to news reports. The conversation we need to have is about the safety of women in both public and private spaces.

The problem extends across borders, classes, religions, ethnicities, and industries. The World Health Organization estimates that about 1 in 3 women worldwide have experienced physical or sexual violence in their lifetime, and often both. Then there is the recent Hollywood can of worms that opened with accusations of sexual harassment leveled against producer Harvey Weinstein, an industry titan, and exploded into the #MeToo and #TimesUp movements. Whatever the manifestation, the root of the problem is the patriarchy. How do you change a system that is entrenched in our societies? A better question is: Can you stand idle and not even try?

While Lebanon may seem liberal from the outside, it is shockingly behind when it comes to the implementation of women’s rights. In recent years, Lebanon has taken small steps forward thanks to efforts by women’s rights organizations like KAFA, Abaad, and others. A law criminalizing domestic violence (Law 293) was passed in 2014, and the so-called rape law (Article 522 of the criminal code), which allowed rapists to escape prosecution by marrying their victim, was repealed in 2017. But the changes and their implementation have drawn criticism. A protest on January 27 called for amendments to Law 293 that would strengthen protections for abused women and enforce penalties on perpetrators. Further legislation is still needed, to outlaw child marriage and marital rape, both of which remain legal in Lebanon., but a bill is said to be in motion to address the former.

ENDING HARASSMENT

Lebanon’s criminal code defines violent crimes against women, such as rape, acts of indecency, or statutory rape, but the criminal code does not define sexual harassment, let alone criminalize it: There are no clear penalties against perpetrators or protections for survivors. Only last year did Jean Ogasapian, the Minister for Women’s Affairs, present a bill to criminalize sexual harassment. It was approved by the cabinet, but has not yet been passed in the Parliament. Activists point out that this draft law isn’t perfect—it defines sexual harassment as an action that “compromises the honor and dignity of the victim,”—but it is at least a start. Last summer, the American University of Beirut’s Knowledge Is Power, or KIP, project on gender and sexuality, in partnership with the Office of the Minister of State for Women’s Affairs, launched a campaign to highlight that sexual harassment should not be normalized.

The national campaign aimed to raise both awareness of sexual harassment and that it is not okay, using #MeshBasita to

Anecdotal evidence highlight that the lack of legislation on sexual harassment push for legal reform. Sexual harassment happens often in Lebanon, but there is no national data to measure the extent of the problem. Like so many issues in Lebanon without a legal framework in place, civil society has stepped in: Abaad and KAFA are documenting the number of sexual harassment cases in Lebanon, citing Internal Security Forces numbers that say 229 cases were reported between January 2016 and August 2017. In reality, experts suspect the numbers are far greater. Lebanon undoubtedly needs a sexual harassment law, but we also need to raise awareness about the prevalence of abuse, and increase preventive measures, from national campaigns to grassroots solutions. More shelters and networks of community centers would help educate women and men about why sexual harassment is a problem and how to report it, and shift reactions from victim-blaming to investigating the perpetrator. Local community support could also make reporting violence and rehabilitation easier for survivors.

With elections around the corner, it is up to candidates and existing leaders to recognize the problem and propose solutions on multiple levels. Sustainable change takes time and requires adjusting mentalities, not just laws and local mechanism. We need to start by changing how men look at women, through gender-sensitive education in schools, seminars that use real-life examples from Lebanon to shed light on sexual harassment, and media and advertising that is more conscious of the messages they endorse. We need to have more conversations about these topics, to create safe spaces for women to talk and be listened to, and to break through outdated taboos. We need more women in Parliament, and a female minister of women’s affairs. How can we progress as a nation if we fail to treat half our citizens as equals?
At Fidus, we see a USD 3.5 million Stradivarius violin.

We know a good investment when we see one

Private Wealth Management • Trading and Capital Markets • Funds & Structured Products Advisory

+961.1.990600 • www.fidus.com.lb
FILL YOUR TANK.
ENJOY MORE SHOPPING!

Double your points for every fill at IPT stations, using SGBL Cards and spend them freely!

OFFER VALID TILL 28/2/2018
Extra points will be credited on your Super Rewards account by March 15, 2018