

THE GENERAL MANAGER

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An Open Dialogue With:



His Excellency
Mr. Adnan Kassar



Mr. Mohamed El-Hout,
MEA Chairman

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*T*he General Manager is delighted to dedicate the cover story of its forthcoming Mid-Summer issue to an open dialogue with his Excellency Mr. Adnan Kassar the Chairman of General Union of Chamber of Commerce Industry and Agriculture for Arab Countries and Chairman Fransabank S.A.L. His Excellency has always been considered by our magazine as a National icon who dedicated his entire career to the welfare and prosperity of his country as well as seeking harmony among all parties within the country. His responses came as follows:

1. What are the major challenges facing the Lebanese economy today?

The escalating repercussions of the political and military unrest in Syria are today posing the most serious threat to the Lebanese economy. It is crucial that the Lebanese parties unite in protecting Lebanon's stability, in supporting the call of H. E. President Michel Suleiman for dialogue and in taking all necessary steps to minimize the effects of the current neighboring events.

Additionally, the challenging external environment calls for strong domestic policies that instill confidence. This is very important for faster, sustained, and more inclusive growth. We need reforms in public spending and

investment in infrastructure as well as improvements in the business climate. Now these are our priorities, given that the rate of unemployment is estimated at 16%, where the share of youth and that of the highly educated are 45% and 30% respectively.

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2. Do you foresee any negative effects due to the political uncertainties in the neighboring countries?

The uprising in Syria, particularly if prolonged, presents the most serious risk to the economy. It has already disrupted tourism, increased costs of bilateral and transit trade, and affected the growth trend that may not reach the projected rate of 2.5 – 4% in 2012, as compared with only 1.5 – 2% in 2011. This is markedly below an average of 8% during 2007 – 2010. This is besides the decline in foreign direct investment to \$ 3 billion in 2011 from \$ 4.5 billion in 2010.

3. What role can the General Union of Chambers of Commerce, Industry and Agriculture for Arab Countries play to stimulate economic growth in Lebanon?

Our role is to serve and defend the interests of all the Arab economies and to foster the role of the private sector in development and in Arab economic integration. Since 1951 Beirut has hosted the headquarters of our Union that proved itself as a central focal point for regional and

international business communities, especially for the Arab businessmen and investors.

The General Union has played an important role in promoting Lebanese business, economic and investment opportunities to the Arab world. Our General Union groups thousands of business entities and associations and unites chambers from the 22 Arab countries. It gives Lebanon the chance to connect to the entire Arab World.

We organized many Arab and international economic delegations to Lebanon and convened business conferences and events at our Beirut headquarters to promote the investment climate and related opportunities.

This has been highly reflected on Lebanon, especially that the financial links are mainly and the strongest with Arab countries, notably the GCC. The Arab countries account for two-thirds of tourism and remittances inflows and more than 40% of goods exports.

4. Do you expect the banking sector to keep growing at a reasonable pace?

Thanks to prudent management and conservative regulations, the Lebanese banks have a capital that is above the regulatory minimum and enjoy high liquidity buffers.

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Despite the increasing challenging environment that the banking system is facing, the total assets of the commercial banks reached \$ 145.9 billion at the end of

June 2012, constituting an increase of 3.8% from end of 2011 and of 7.7% when compared to the same period of 2011. We expect an increase of 7 – 8% by the end of 2012.

5. You always came across as a wise and moderate leader who seeks to build consensus and promote harmony everywhere. What is the recipe that allows you to maintain such a positive attitude?

Thank you for your kind words.

I believe that optimism is much more than seeing the glass half-full, it is believing in the benefit and goodness of that half-full glass.

I am a person who seeks to serve his country without expecting or wanting anything in return. I am not looking for any position or any reward for myself, and I do not belong to any party nor take any specific party's side. I am Lebanese and I am quite proud of this country and believe that the Lebanese people are capable of living together in harmony, and so I promote it. I believe that the Lebanese people, without outside interference, can reach consensus, and so I preach this.

This is not something new in me. During the height of the internal war, I formed the Lebanese Federation of Chambers of Commerce and ensured that the Lebanese business Community was always united and that sectarianism and politics were not welcomed in business, and so our economy prospered and survived what would have led to a major recession for any other country.

6. Will Lebanon succeed in paying its huge debt in the foreseeable future?

The public debt remains the root cause of Lebanon's financial vulnerabilities. It is very important now to preserve macroeconomic stability in the face of uncertainty and spending pressures. The figures released about it don't show any improvement, on the contrary gross public debt reached \$ 55.2 billion at the end of June 2012, constituting a rise of 3% from the end of 2011 and an increase of 5.2% from the same period of 2011.

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Nevertheless, there are still tools to stop the deterioration. Fiscal policy should be anchored by a sizeable reduction in the ratio of the debt to GDP. Actually the stability of the financial system hinges on the state of Government finances. More importantly, we need to regain the previously recorded growth rates. We have observed that the sharp reduction in the debt ratio over the past years was largely due to strong dynamic growth that was generating more jobs and more opportunities for the economy as a whole.

