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**FOREIGN INVESTMENT IN LEBANON:
CULTURAL CONCEPTION OF ATTRACTING
FOREIGN INVESTORS**

The main objective of this study is to provide a new perspective towards understanding and exploration of cultural conception that affects behavioral performance for three key sectors in the economy: the Government or public institutions, private institutions, and individuals, which in turn represent the first incentive to attract foreign investment and to improve the attractiveness for investors in the short term.

The study begins with the existing theories concerning foreign investment, culture, and the impact of each on attracting foreign investment, then we study the effects of cultural conception on economic behavior of Lebanese republic on the three sectors that were established, studying the relations between them and shows the behavioral activity done by each sector and the goal orientation forcing them together.

This paper indicate the history of attracting foreign direct investment (FDI) in Lebanon and analyzing the why, how, and where foreign direct investments activated in Lebanese economy, using data from various time periods.

The aim of the paper is to show the great efficiencies that FDI will have on the Lebanese economic growth if we control these three sectors and if we indicate the difference in attracting foreign investment due to the difference in implementation of government strategies, abuse of the private sector with foreign investors, individuals should understand and respect foreign investor without imposing beliefs and values.

Key words: investment, investor, foreign, attraction, Lebanon, conception, culture.

Introduction. While the global economic and financial crisis was at its height in 2008–2009, Lebanon had achieved the highest growth in 2008 and a rise in foreign investment reached \$4.33 billion. Lebanon is one of the only seven countries in the world in which the value of the stock market increased in 2008. The Lebanese economy experienced continued resilience, growing 9.1% between 2008–2010. However, Lebanon's debt to GDP ratio remained one of the highest in the world [1]. These statistics and others will be studied and analyzed in terms of the size, growth, or history in addition to the high or low rates due to external factors that are linked to global markets and economic crises, investors and attitudes towards different sectors and because of the internal factors related to the sectors of the Lebanese economy identified in this study as the public sector, the private sector, and members of the Lebanese community, where the nature (based on culture) of the cooperation between these sectors and the results of this cooperation and comparable figures will be studied.

In short, culture is the bridge to success in business and investment.

This study talks about the cultural role and cultural concept to guide the behaviors adopted in these three sectors and focus on the role of each of these sectors and its relationship with the other as well as the role of the Lebanese government in the formulation of strategies combining these sectors

and setting it in the direction of attracting long term foreign investment.

The aim of this study is to show that the concerted cooperation between the government and the private sector and individuals have clear results, it is through a change in the government's orientation and its cooperation with the private sector and distancing itself from representing members of the community and their expectations, the numbers collapsed quickly and these parables were clear over history and will be shown in addition to the growth stages and phases of contraction and linking it to the government policies and the orientations of its custodians indicating lack of influence of the external factor in this internal economic disparities.

The global financial crisis was then at its height, when the internal growth (Lebanon) in attracting investment at a rate of 9% (2008 to 2010), and the reason for this growth was the government's orientations and capturing global signals and using them internally cooperating with the private banking sector in addition to the individuals and groups internal satisfaction consisting the power.

This study shows the competitive advantages that characterizes the Lebanese private services sector and the Lebanese society, environment, investment climate, climate of personal freedom, ease of investment and banking secrecy and the transfer of funds, tax policy sector and available

experiences and policies of governments in general, and other attributes that forms key factor in attracting foreign investment.

Main part. There is an awareness that the investor needs to invest in an integrated environment and not a place to make a profit only. Many goals motivate him to make the investment: the place, time, cons and pros decisions. Another key factor influencing the adoption of this resolution is the cultural factor and the nature of the behaviors, adopted by the states, individuals and institutions with him and its compatibility with the place as well as his compatibility with the investment environment.

According to the International Monetary Fund (IMF) and the Organization for Economic Cooperation and Development (OECD), “Foreign direct investment enterprise is an enterprise (institutional unit) in the financial or non-financial corporate sectors of the economy in which a non-resident investor owns 10% or more of the voting power of an incorporated enterprise or has the equivalent ownership in an enterprise operating under another legal structure” [2].

We can illustrate FDI inflows to Lebanon (USD billion) from 2008 to 2015 (table).

FDI inflows to Lebanon (USD billion) [1]

Year	FDI inflows to Lebanon (USD billion)
2008	4.33
2009	4.84
2010	4.96
2011	3.50
2012	3.78
2013	2.83
2014	3.1
2015	2.34

The Lebanese economy was affected economically because of the civil war that ended in 1990. But he rapidly improved, in 2006, as usual the Lebanese economy was risen from the ashes and achieve high growth rates in 2008-2010 amounted to 9%. However, the Lebanese economy was badly affected by the Syrian civil war. But it still a country that traditionally has remained open to foreign direct investment especially in crisis public and private sector join efforts. For that investment promotion is not responsibility of the Government alone but is a collective effort in which the objectives converge with the private sector and society.

To this trends it is important the theory of John Dunning (his electric theory), which combines the theory of ownership advantage, internal-

ization advantage, and location advantage in which Ownership advantage theory answering why FDI occur and “suggests that a firm owning a valuable asset that creates a competitive advantage domestically can use that advantage to penetrate foreign market through FDI ,While internalization theory answer the question why firms choose FDI and asked a question why should we locate here but not there. Dunning theory recognizes that FDI reflects both international business activity and business activity internal to the firm and it occur when the three conditions is satisfied ownership advantage, location advantage, and internalization advantage” [3].

According to Hofstede, “culture is always a collective phenomenon, because it is at least partially shared with people who live or lived within the same environment, which is where it was learned. It is the collective programming of the mind that distinguishes the members of one group or category of people from another” [4]. Culture’s essence is captured in the above definitions. In sum, the concept is representative when: the members of a group share a set of ideas and values; these are transmitted by symbols from one generation to another; culture is an outcome of past actions of a group or its members; culture is learned; culture shapes behavior and our perception of the world; it is reinforced by components such as language, behavior and ‘nation’.

Tayeb says that the decision to become involved in international business depends among others, on the size of the company’ domestic market, its production capacity and capability, and the financial and other resources that the foreign market requires. In that way, firms can be placed on an internationalization scale ranging from domestic single nation to totally globalize [5].

At any time we start to think about business we have to pass in studying culture since it affect business opportunity and business procedures, we have to make sure that we are well informed about the local culture before start doing business. The most influential studies analyzing culture are those performed by Geert Hofstede he identified five dimensions along which people seems to differ across culture, the element are social orientation, power orientation, uncertainty orientation, goal orientation, time orientation.

Firms often face difficult choices regarding the location of the FDI (Dunning 1998) [3]. Firms seeking to invest in foreign countries are typically motivated to invest in nations with favorable economic, institutional, and regulatory conditions.

Lebanon is open to foreign direct investment and has many advantages that have encouraged foreign companies to set up offices in the country. These include a free-market economy, the absence

of controls on the movement of capital and foreign exchange, a well-developed banking system with strong financial soundness indicators, a highly-educated labor force, good quality of life, and limited restrictions on investors. Its qualified and competitive labor force has reinforced Lebanon as a strategic destination for high-value added investments.

Invest in Lebanon and you can enjoy the most hospitable MENA (Middle East and North Africa) destination for business, culture and leisure with a Mediterranean climate, cosmopolitan lifestyle and a variety of touristic attractions and activities across breath-taking natural landscapes. Strategically located at the intersection of Europe, Asia and Africa, Lebanon can provide companies easy access to regional and global markets.

Lebanon also boasts state-of-the-art health care services, internationally renowned for the quality medical centers and staff. A historic melting pot for multiple civilizations, Lebanon is a small, multilingual haven of culture and diversity that is worth the journey.

Lebanon, with its official non-interventionist stance toward private investments, offers one of the most liberal investment climates in the Middle East. The economic openness of the country is harnessed through the absence of legal restrictions on the entry or exit of many firms, encouraging free market competition and furthering the development of the private sector. Liberal trade and investment policies have allowed foreign direct investments to account for a considerable share of Lebanese GDP (gross domestic product).

The economy of Lebanon is a developing economy, with a private sector that contributes to 75% of aggregate demand and a large banking sector that supports this demand. It has the 54th richest GDP per capita in the world, and it is forecasted that Lebanon's GDP per capita will reach 20,000 by 2015, making it one of the strongest economies in the MENA region.

Lebanon was the third largest recipient of FDI in nominal terms among 19 Arab countries, the sixth largest among the 22 economies of the MENA (Middle East and North Africa) region, and the fourth largest in West Asia in 2011. Also net FDI inflows to Lebanon totaled \$2.34bn in 2015, making the country the fourth largest destination of net inflows in the Arab world.

We can emphasize advantages of investment environment in Lebanon. The tourism sector has long been one of Lebanon's leading economic sectors, representing a major source of income and employment. In fact, 70% of firms have access to a line of credit, which compares favorably to the regional average of 20%; and 50% of firms use banks to finance expenses while the regional

average is 24% (World Bank, 2015). Long-term financing (i. e., housing finance) is also well developed (20% of total loans) compared to MENA and other regions.

Lebanon is a source of talent to the entire Arab region and MENA that is both highly skilled and cost competitive with average wages usually 50–60% lower than in the region. Compared to the Gulf region, the Lebanese workforce is very cost efficient to investors in the deferent field of business.

Lebanon's culture is the product of various civilizations that have passed through the country over thousands of years. Lebanon's diverse population, composed of different ethnic and religious groups, has further contributed to the country's festivals, musical styles and literature as well as cuisine. Despite the ethnic, linguistic, religious and denominational diversity of the Lebanese, they share an almost common culture.

Lebanese society is very modern and similar to many Mediterranean countries, especially in Europe.

Lebanon is one of the largest banking centers in Western Asia, and reached the peak of its prosperity has become known as the "Switzerland of the East", because of its financial position firmly and diversity.

The market continues to be highly promising with a youthful population ensuring a continued rise in demand.

Lebanon's diverse geographic scene is considered very adequate for filming and production, facilitated with the presence of 250 days of sunlight, offering weather conditions and geographic areas adequate for shooting, and with diverse locations.

There are no restrictions on the movement of capital, capital gains, remittances, dividends, or the inflow and outflow of funds.

A foreigner can generally establish a Lebanese company, participate in a joint venture, or establish a local branch or subsidiary of their company without difficulty and under the same conditions that apply to a Lebanese national, provided that the business is registered in the Commercial Registry and Foreign investors who do not manage their business from Lebanon do not need to apply for a work permit. While investors who own and manage their business from Lebanon must apply for an employer Department of State.

The law imposes no performance requirements on investments they does not differentiate between local and foreign investors, There are no requirements on foreign investors regarding geographic location, amount of local content, import substitution, export expansion, technology transfer, offset requirements, or source of financing, they enjoy the same incentives as local investors.

Now we show how to attract foreign investment from 3 sectors of Lebanese economy. For example, the role of Governments when they was open to the international community and cooperate with the private sector has achieved high growth rates while these proportions were universally low and was passing the world entered a suffocating financial crisis (in 2008-2010). The prime minister was a businessman open to civil society and to foster individual initiative and believes in cultural and behavioral role in attracting investment and large private sector facilities are secure.

For example, in other times when government does not represent the goals and aspirations of the private sector and civil society, the growth rates fell 0,7% while it was universally high.

In order to facilitate all the investor business establishment administrative formalities, the law no. 360 of 16 August 2001 on investment promotion formed a government agency IDAL (Investment Development Authority of Lebanon). This agency, which is under the direct authority of the Prime Minister, grants numerous tax exemptions, or offers exceptional regimes, as long as the investment is in defined sectors of activity, in zones designated by name, and starting from a certain invested amount. Likewise, this agency has the power to issue the necessary licenses and permits.

The Lebanese government has just launched a plan to attract foreign investors. It provides the creation of special economic zones, tax-free and specialized in high potential sectors like medical tourism, media, high-tech and food processing. Each of these areas should receive special infrastructure and customs facilities. The plan also provides for the improvement of the country's image amongst foreign investors by developing the Lebanese Agency for the Promotion of Investment website.

Lebanon's private sector has many qualities made him competitive value is distinguished among the countries of the world and nearby. This is due to the behavior of catalyst for investment comes from understanding the culture and goals of investors and deal with similar culture and behavior in time and space and style from here we focused always on the cultural role in encouraging investment and who clearly sees only understand its effectiveness in the long term.

The majority of total workers (83.3%) are employed by private sector companies and contributing 67.3% of GDP, while 15.7% are hired by public sector institutions and 1.0% by other organizations (i.e. international organizations, civil or partisan organizations, NGOs, political parties etc.).

The role of Individual behavior on attracting FDI to Lebanon is high. As Known the Lebanese

civil society is commercial investment community. It has allowed Lebanese spread worldwide in international trade relations. And Lebanon high skilled labor comparable European countries and the highest among Arabic States. Lebanon's population of 4 million residents and many Lebanese deployed overseas more than 10 million people, mostly professionals, efficiency and capability, and they associated whereabouts distinctive economic and political relations and family that they are able to put them up as these relations in the interest of Lebanon if their Government communicated with them and gave them something of interest.

We should emphasize the relationship between the three sectors of the Lebanese economy and cultural impact and direction of behavioral objectives to achieve the highest level of foreign investment through activating the role of each sector to the fullest extent by providing the required infrastructure from the Government or private individuals and groups.

Conclusion. This article has studied the cultural conception for attracting FDI to Lebanese republic as well as analyzing the differences among the three sectors in attracting investments to the country. The results achieved show that the difference among sectors in terms of investment's attraction, lies in Government activities and the decrease in the economic indicator comes from the bad relation between the public sector and the private one of the countries and the level of infrastructure development, the result also shows the difference within years in terms of investment's attraction, a situation that makes FDI rises and bring with it the absolute cooperation and sustainable growth in investment promotion through setting goals for future cooperation and coordination with the private sector and to achieve trust and attraction of individuals and group of expatriate resident and this action requires reliance on cultural concept of decision makers. This study does not claim that culture is the only or even the main determinant of attracting FDI. The study is premised on the assumption that all things when worked to gather and being equal, culture can and should be a significant explainer of the pattern of international business as well FDI. The most important issue is to be prepared for the different culture that comes to invest in Lebanon. If people are open and respectful and behaved well without forcing its own beliefs on foreigner, foreign investment have a good chance to be successful.

The government should plan for future and put strategies to attract FDI and these strategies should include the relation with the private sector and there objectives, and go to the expatriate Lebanese which is the first who invest in Lebanon.

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