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## **ECONOMIC INDICATORS OF FOREIGN DIRECT INVESTMENT IN LEBANON**

Foreign direct investment (FDI) has become a key source of growth in many countries with transitional economies while stimulating its inflows has become one of the main tasks of economic policy. This vector of the policy is based on expectations that FDI will have a positive impact on the economy, bring new technologies, open new markets and improve the management and administration methods.

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. However, some issues continue to cause frustration among local and foreign businesses, such as red tape and corruption, arbitrary licensing decisions, an ineffectual judicial system, high taxes and fees, and weak enforcement of intellectual property rights.

Lebanon is keen to attract U.S. investment because of its state-of-the-art capabilities in technology, know-how and competitiveness. Significant potential opportunities for U.S. oil companies exist in the energy sector, namely oil and gas exploration. Moreover, there are tremendous opportunities in energy-related sectors, as Lebanon intends to rely on renewable energy for 12 percent of its needs by 2020. Other potential opportunities exist in the information and communication technology, health, and agribusiness sectors.

FDI inflows into Lebanon rose until 2011 because the relatively healthy Lebanese banks had avoided the crisis and benefited from an increase in their deposits, acting as a kind of refuge. Other investment is directed primarily to the telecommunications sector, building infrastructure (mostly through public/private partnerships), tourism and construction. However, the unstable situation in Syria and the economic crisis in Europe weakened this dynamism. In 2013, FDI inflows fell by 23% compared to 2012, especially because of a decline in investment in the real estate sector. They recovered in 2014 (6.6% compared to 2013), reaching USD 3.1 billion. The discovery of gas in Lebanese waters is expected to stimulate FDI in the future.