

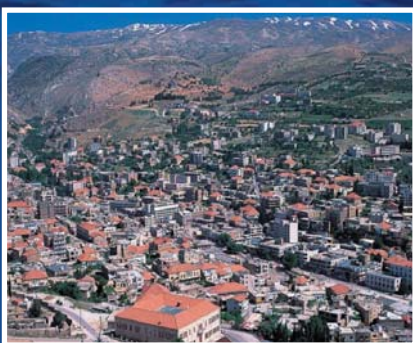


Chamber

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AUSTRALIAN LEBANESE CHAMBER OF COMMERCE • NOVEMEBR 2013

NEWS



**TRADE RELATIONS BETWEEN LEBANON AND AUSTRALIA
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A WORD FROM THE PRESIDENT



Dear Members and Friends

The year is practically at its end and I can only say that it has been an absolute pleasure for me and the Chamber's Board of Directors to be associated with all our members and friends, particularly for the continuous support which we value immensely.

The chamber's recent trade Mission to Lebanon, as described by Australia's Ambassador to Lebanon, was a huge success. Our meetings with the President of Lebanon, the Governor of The Central Bank, the Chambers of Beirut, Tripoli, Saida and Zahle were all aimed at strengthening the existing trade and economic ties between Australia and Lebanon and how best to move forward with some genuine and serious matters that would benefit both Australia and Lebanon.

The follow up committees that we now have in place are already in progress and that covers, Trade and Investments, export of Lebanese products to Australia and the Chamber's continuous role to promote these products. Invitations have been extended to business leaders in Lebanon who are major players in the Middle East Region to visit Australia and to explore business and investment opportunities. These visits will begin to take place, as early as 2014.

Serious talks are also continuing with the NDU University in Lebanon to establish an Australian institute of training at the NDU Campus. This exercise would benefit Lebanon enormously, Due to the fact that Australia has excelled in the training field.

We look forward to many more happy and productive years together.

Joe Khattar AM

President

The Australian Lebanese Chamber of Commerce Ltd.

AUSTRALIAN LEBANESE CHAMBER OF COMMERCE Board Members

Find us on:
&



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Michael Murr
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MANAGEMENT LIABILITY INSURANCE

Managing a private company, Small to Medium , has its risks. Every Decision taken , has the potential for downside , even with skilled and experienced management team.

Some may encounter unanticipated threats or risks that , due to their nature or complexity, are better off mitigated through Insurance Protection.

In Business, no relationship is free of risk, including dealing with:

- Employees
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- Suppliers
- Vendors
- Competitors
- Government Agencies
- Creditors

Think about these situations:

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- Legal proceedings by a disgruntled investor
- An allegation of Superannuation Mismanagement
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LETTER FROM H.E. LEX BARTLEM AMBASSADOR TO LEBANON

Dear Joe

Thank you so much for your letter and invitation to attend the 2013 Annual Awards Dinner in Sydney on 22 November. Nothing would give me greater pleasure to be there with you all, especially following your recent visit to Lebanon. But, sadly, I won't be able to attend. I wish you and all ALCC members a very successful evening, and a lot of fun too!

I was very pleased with the recent ALCC delegation visit to Lebanon. I think it was a huge success in building on existing contacts and establishing new ones. And the fact that you got around to Tripoli, Saida and Zahle as well as Beirut was, I believe, noticed and appreciated here. And there are some positive prospects that I know Michael is following up.

I was certainly glad to be a part of those bits of the program that I was able to attend. And I was delighted that we were able to open the photographic exhibition in Zahle in your presence. That too was a success and I think it was appreciated that we did it in conjunction with the ALCC visit.

It is another beautiful day here in Beirut – I haven't seen a cloud all day!

With best wishes to you and Chad

Lex Bartlem OAM
Ambassador to Lebanon





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THE AUSTRALIAN LEBANESE CHAMBER OF COMMERCE'S TRADE MISSION TO LEBANON FROM 22ND UNTIL 28TH OF SEPTEMBER 2013

A business meeting in the presence of Australia's Ambassador to Lebanon, Lex Bartlem, took place with H.E. President Michel Sleiman at the Presidential palace to follow up on previous discussions held between the chamber and His Excellency. President Sleiman expressed his deep appreciation and support for the Chamber's continuous drive to strengthen trade relations between Australia and Lebanon.

The meeting at the Beirut Chamber of Commerce focused on several trade and economic matters primarily investments both ways and the existing opportunities. Also the export of Australian products to Lebanon and the region and the import of Lebanese products and the role the Chamber plays in promoting these products.

The meeting at the Tripoli Chamber of commerce also covered business opportunities between the two countries and how best to strengthen the existing trade ties, taking into consideration the large presence in Australia of Lebanese from the Northern parts of Lebanon.

The meeting at the Chamber of Commerce in Saida covered quite a number of topics, export opportunities, investments, food and water quality control and the export of fresh produce from Lebanon to Australia.

The meeting at the Chamber of Commerce in Zahle attended by Lex Bartlem Australian Ambassador to Lebanon and Lebanese Agricultural officials focused primarily on the export of Lebanese fresh produce to Australia. The meeting was followed by an opening of the photo exhibition of Australian soldiers in Lebanon during the Second World War.

A seminar on water treatment in the presence of Ambassador Bartlem was held at the Press Club primarily to talk about the way we treat and supervise our drinking water resources in Australia.

A business meeting took place with Lebanon's Central Bank Governor Riad Salame who gave an accurate and positive rundown about the current financial and banking situation in Lebanon.

A large meeting took place with the Builders Association at the Biel and the emphasis was on investments both in Australia and Lebanon. It was attended by leaders in the Construction Industry. the Chamber promoted Australia as a safe haven for investments.

A seminar and press conference was organized by the Dekwaneh Municipality at the Habtoor/Hilton Hotel. It was attended by a large gathering of prominent businessmen and women. The emphasis was on investment and trade both ways. Enormous interest was shown by those who attended the conference.

The Arab bank held a function in honor of the Chamber at the Four Seasons Hotel which was attended by a large number of prominent business leaders from Lebanon and the Arab world.



Bank Med organized a business dinner for the Chamber and again the concentration was on strengthening bank ties between Australia and Lebanon.

Serious discussions took place with NDU University regarding an Australian institute of training to be set up at the NDU Campus. Talks are continuing in that regard.

As a result of this Mission, follow up committees are now in place between all the Chambers in Lebanon, the Ministry of Agriculture and the ALCC, to pursue all the business matters discussed during the visit.

Soon there will be delegations arriving from Lebanon to pursue business and investment opportunities in Australia.

Our sincere thanks to Lex Bartlem OAM, Australia's Ambassador to Lebanon, for working so closely with the Chamber throughout the visit.

Michael Rizk

Head of Trade Relations – Australian and Lebanon



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Basil Soda has dressed many celebrities during international award events like Katy Perry, Guilian Rancic, Melanie Brown, Britney Spears. The ready to wear line was launched four years ago. Soda presents his new collections during Paris, Milan and New York Fashion Weeks.

Basil Soda was the first designer to come to Australia, he presented his different creations over two days.

The first event was a private showing of his ready to wear Fall Winter 2013 and spring summer 2014 to the press and Social figures. the first lady Margaret Abbott attended.

On the second day, Basil Soda showcased the best of his Couture hand-made gowns during the Annual Gala Dinner known as the Magnificence of the Middle East organized by the George Khouzame Group sponsored by the Arab Bank of Australia. Lisa Wilkinson hosted the event wearing a black Basil Soda gown.

Basil Soda creations sparkeded the Australian press attention and celebrities including Dani Minogue who wore a Fuschia gown to the X-Factor show, as well as Melanie Brown who looked beautiful in a minted color dress for the Cannes Festival.

It is to mention that Basil Soda ready to wear Fall-Winter 2013 Collection is now available at David Jones City Store .

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Managing Partner

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The Case

On 25 September 2013 the New South Wales Court of Appeal handed down its decision in the *Owners SP 61288 -v- Brookfield Australia Investments Ltd* 2013 NSWCA 317. The Appeal was from the decision of McDougall J in relation to a separate question as to whether a builder was capable of owing a duty of care to a non-contractual party in the form of an Owners Corporation of a Strata Plan in respect of latent defects in the common property. The question had been answered adversely to the Owners Corporation by McDougall J. The Court of Appeal held that the separate question had been wrongly answered and a duty of care could be owed and remitted the proceedings for continuation.

The matter arose because the Owners Corporation was not entitled to the benefit of the statutory warranties under Part 2C of the *Home Building Act*, because the work was not residential building work, the development being a mixed use retail, restaurant, residential and serviced apartments building.

The successful appeal opens up an area of liability for builders which had been thought to have been closed by the decision of the High Court in *Woolcock Street Investments Pty Ltd -v- CDG Pty Ltd* 2004 HCA 16.

The Judgment

Each of the judges in the Court of Appeal delivered separate judgments.

Basten JA noted that the general orders not impose a general duty of care to avoid economic loss, but in this case a duty to avoid economic loss from latent defects should be accepted because the defects were:

- a) structural;
- b) a danger to persons or property in the vicinity of the apartments;
- c) made the apartments uninhabitable.

In particular, Basten JA thought that, contrary to the argument of the Respondent, that the Owners Corporation should be in no better position than the developer, because in reality the Owners Corporation and the lot owners had no realistic opportunity of inspecting nor any way of protecting themselves because the contracts were in a standard sale format and not able to be negotiated. Basten JA however did say that the tortious liability should only extend to economic loss which was the cost of steps reasonably taken to mitigate the risk of physical damage or personal injury, not because the work was not as specified or not fit for purpose.

McFarlan JA considered that the issue of a duty of care was not closed off by the decision of the High Court in *Woolcock Street* because of that Court's decision in *Barclay -v- Pemberthy* 2012 HCA 40, which related to a duty of care owed in tort by a pilot to the charterer of the aircraft, the charterer not having a contract with the pilot, in respect of damage and loss suffered by the charterer when its employees were killed in the crash of the aircraft and noted that the Court had said that the presence or absence of a claim in contract is not determinative of a claim in tort. McFarlan JA considered that judgment was binding on the Court of Appeal and it must be followed notwithstanding it was not easy to reconcile with *Woolcock Street*.

Leeming JA considered that the legislative scheme was such that the Owners Corporation was much more vulnerable than of a normal building owner.

Further Appeal

It is not known if an application for special leave has been lodged in respect of this judgment, although it is hoped that this is the case. An application for special leave would have better than usual prospects of being successful given the nature of the issues involved.

If an application has been filed, it will be heard in March 2014.

What to do

If the judgment stands, builders will have to take steps to amend their contracts with developers to ensure that there is a right of indemnity from the developer if claims are subsequently made against the builder for latent defects. Builders will also have to consider how to preserve the value of that right of indemnity, given that the defects might emerge many years after the performance of the work.

We can help you

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AUSTRALIA AND LEBANON: 28 YEARS OF TRADE RELATIONS

Australia and Lebanon have always had an excellent relationship which goes back to WW1 and WW2, when Australian soldiers were stationed in Lebanon and recently during the civil war, when many Lebanese immigrated to Australia. "I am proud that my roots are Lebanese and feels lucky to be part of both countries equally", Michael Rizk said.

As the head of Trade relations at the Australian Lebanese Chamber of Commerce, Rizk stated that the Chamber in Sydney has a solid relationship with the Federation of Chambers of Commerce, Industry and Agriculture in Lebanon. The Australian Lebanese Chamber was established 28 years ago, at a time when Lebanon was in the turmoil of the civil war. However, the specific visit conducted in September and October 2013, has strengthened that relationship. A committee network was set up inside the chambers for follow-up. "In the past, we did not detect any follow-up action. At present, the outcome of the follow up will be beneficial for both parties in Lebanon and Australia", Rizk said. The expected outcomes include promoting the Lebanese business community as the major players in the region due to the presence of very effective business leaders in the country. The goal, according to Rizk, is to promote Lebanon as a launching pad for Australian products and services. Should stability prevail, the Arab world would place Lebanon as the number one destination in the Middle-East, Rizk adds. Lebanese business leaders are already buying Australian products for the region. Lebanon imports approximately 30 to 40 million dollars worth; however, large quantities are destined to the Arab world markets. In this regard, Chambers must work closely together to exchange ideas and achieve tangible results.

Rizk describes himself as a man who does not give up easily. His motto is "Lebanon is our country, and giving up is not an option." He believes that Lebanese products can easily penetrate the Australian market since

Lebanon can meet the Australian quarantine conditions. Rizk has high expectations regarding the Committee that was formed between the Chambers, the Ministry of Agriculture and the Sydney Chamber, with communication being put in place allowing fruits, such as grapes and cherries, to be exported to Australia. Rizk believes where there is will, there is hope.

Michael Rizk's hope for a greater and better Beirut is depicted in his writing entitled "The Old Souks" which perfectly describes his vision.

Here is an excerpt:

"I remember once I had to entertain two retired former British members of Parliament on one of the cruising vessels in Beirut Harbor. One of them said "I now make sure that I visit Beirut annually because I have become so attached to the place and I simply love the way of life in this city, but most of all I thoroughly enjoy my visits to the old Souks, listening to the wonderful sounds of the vendors, whether it was selling fruit and vegetables, various refreshing drinks carried on the vendor's back, or the taste of the delicious hot Sfiha".

While the other gentlemen said "now you have a regular companion because I have the same feeling, and I too love the operatic sounds of the smiling vendors in the Souk." I can only hope that some of that atmosphere will be revitalized in the new Souks of Beirut...I know well that many people in Lebanon and abroad would be delighted to see and experience the beautiful sounds and aromas of old Beirut....All in all, this small country and its capital city have an incredible appetite for life regardless of all the hardships, political or otherwise."

Younna Naulfal

Courtesy of ECO News



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INVESTOR TRAFFIC AND THE ECONOMY - LEBANON



While the prevailing politico-security conditions are affecting the investment climate at large, the Investment Development Authority of Lebanon is still managing to attract investors every month, highlighting the continuous faith in the Lebanese economy.

In **September and October 2013, eight Lebanese investors requested IDAL's support for their projects**, 4 of which have projects in the Agro-Industry sector, while the rest of the projects are scattered across the Agriculture, Industry, IT and Tourism sectors. All of the projects are greenfield or new projects with only one project an expansion of an existing factory producing candies and cake. In terms of the

distribution of projects by region, we notice that 50% of the projects intend to set up in the Bekaa, 25% in Mount Lebanon, and the rest in Beirut and the Northern. The latter shows a decentralization of the economic activity across various regions in the country.

WHAT KIND OF LOCAL INVESTMENTS ARE CURRENTLY TAKING PLACE?

The concentration of projects in the Agro-food sector, is a shift from the trend of projects that IDAL used to witness in the past, where projects were mostly concentrated in the Tourism sector. The increase of investments in the Agro-food sector highlights the presence of business opportunities for local companies to serve the regional market, opportunities arising from the competitiveness of Lebanese goods in high-quality niche products. The projects that were brought forward in the last 2 months consisted of an olive oil refinery in Mount Lebanon, a beer factory in the Bekaa, a mineral water bottling factory and a packaging house in Batroun. It is important to note that exports of olive oil have been on an upward trend, growing at a rate of 22% between 2011 and 2012.

As for the other projects, they consisted of a factory manufacturing a new type of agriculture bacteria in the Bekaa, a software development (mobile application) company in Beirut, and a 3-star hotel with chalets in Mount Lebanon.

WHAT CAUSED THIS SHIFT TO AGRO-INDUSTRIAL PROJECTS?

The demand for Agro-food and Agricultural projects stems from a shortage in regional supply and the increasing competitive quality of Lebanese products; with agricultural exports increasing by a noticeable 34.4%, from USD 93 million in the first half of 2012 to USD 125 million in the first half of 2013. Agricultural and food products represent 15.1% of total exports in the corresponding period.

Of those eight projects, five are eligible for IDAL's incentives. The remaining three did not meet the requirements of Investment Law No. 360, be it in the number of jobs created or investment size, or the date of establishment of the company.

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TURNING LEBANON INTO AN OUTSOURCING HUB

FACTS AND FIGURES ON THE BPO INDUSTRY

- The Lebanese landscape for business process outsourcing (BPO) activities has been evolving over the last decade with a number of Lebanese companies mushrooming to offer a broad range of outsourcing services under three main subsectors: **Call Centers, BPO services** (back office operations such as IT, HR, Accounting, etc...), and **ITO** (Information technology outsourcing).
- Services offered by local companies include Sales & marketing, Technical support, Transaction processing, Customer care, Finance & accounting, CRM consulting & support, Software products, and other businesses
- More than 200 companies are involved in Call center, ITO and BPO activities, with 13 operating as call centers and the remaining offering IT solutions
- The **13** call centers in Lebanon, employ around **850** employees and companies involved in ITO activities employ **4100 employees**
- In total, the sector employs more than 5000 employees, engaged in Call center, BPO, and ITO activities with more than 90% of these employees in high value added services
- Local companies have already established a solid track record and now serve an array of local regional and multinational companies such as Samsung, Toshiba, Orange, Nestle, etc.

POLICY RECOMMENDATIONS FOR BETTER INDUSTRY POSITIONING

What can Lebanon do to become the outsourcing hub for the MENA region?

As economic growth is now coming from emerging markets, countries which are strategically positioned to access these emerging markets may be able to reap great business advantages. **Lebanon is adequately positioned to serve the growing Gulf market, given its location and cultural affinities to the region.**

Three main elements usually affect the decision of companies in the outsourcing industry: Labor (both cost and quality), Infrastructure, and an adequate Business environment. While Lebanon is able to compete successfully at this stage with regards to its labor pool, additional improvements have to be made at the level of the infrastructure and the Business Environment.

The labor pool poses as one of Lebanon's key advantages in the industry for a variety of reasons.

The country has one of the best educational systems internationally, allowing Lebanon to offer a tri-lingual highly skilled labor force - a top consideration for outsourcing decisions. While this labor force may not be as cheap as global outsourcing giants like India and the Philippines, it is cost competitive and able to offer comparable quality to Eastern European countries which have recently become a preferred high quality outsourcing destinations for multinationals (with an average labor cost of 9.6 USD / hour for Lebanon compared to around 13.2 USD / hour in the Czech Republic for instance). In fact, while cost has been the main variable in outsourcing decisions, the past 5 years have seen a heavier shift towards talent and quality considerations, with increased importance allocated to efficiency and customer satisfaction. Where Lebanon cannot position itself in terms of cost and scale, it can definitely compete at the level of productivity.

That being said, it remains evident that as companies move higher into the value chain of the BPO industry, activities will shift into more skill demanding subsectors, especially in the BPO and IT outsourcing industry. While the industry gains pace, ultimately it will require the presence of ITO focused university programs and training to allow for a transition from entry level call center tasks into more technical and IT focused skills that are at the high end of the outsourcing industry. This will strengthen Lebanon's positioning as a provider of high quality call center and back office operations, especially for accounting and finance tasks.

The outsourcing industry is one where Lebanon is highly capable of competing at the regional and international levels, given its cost competitive and highly skilled labor force.

Going forward, the government of Lebanon, through IDAL, aims to more aggressively promote its available talent to the world. By increasing its presence in relevant forums, and utilizing multiple investment promotion tools, IDAL can showcase Lebanon's competitive advantages and position the country among other prominent locations for successful IT and outsourcing operations and as such be able to create more job opportunities in the local market.

MEASURES PUT IN PLACE TO IMPROVE DOING BUSINESS ENVIRONMENT

In the World Bank's latest Doing Business report (2014), Lebanon's rank improved by 4 places, from 115th place to 111th place globally. This progress is the result of Lebanon's efforts to make life easier for the private sector. The government worked on facilitating the start-up process through:

- The simplification of the formalities to stamp company books
- The reduction of the cost of securing electricity by reducing application fees and security deposits for new connections.
- Enhancing its credit information system by allowing banks online access to the public credit registry's reports.
- Making it easier to pay taxes by eliminating the requirement to obtain permission to use accelerated depreciation, and introducing an electronic payment system that enabled taxpayers to pay taxes and fees to the treasury on the Internet.



ACTIVITIES

THIRD GLOBAL FREE TRADE AND SPECIAL ECONOMIC ZONES SUMMIT

IDAL has participated at the "3rd Global Free Trade and Special Economic Zones Summit" held in Dubai, UAE on Oct 21-23. Chairman of IDAL had an intervention on "Establishing and Efficiently Running a "One-stop-shop" best

practices" in tenant after care, development and retention. You can download the white paper on the subject matter.



MEETING WITH THE JAPANESE EMBASSY

In light of enhancing economic relations between Lebanon and Japan, Chairman of IDAL, Mr. Nabil Itani has met with First Secretary of the Japanese Embassy in Lebanon Mr. Masami Aishii.

The discussion revolved around the business advantages of both countries and the possible ways of increasing joint activities that will improve the balance of trade and facilitate investment through

focusing on business opportunities in sectors with potential especially in Technology, Industry, Agriculture, and Agro Food.

ABOUT US

The Investment Development Authority of Lebanon (IDAL) is the national investment promotion agency of Lebanon. Established in 1994, IDAL aims to promote Lebanon as key investment destination and attracting, facilitating and retaining investments in Lebanon. IDAL reports to the President of the Council of Ministers which exercises a tutorial authority over it.

Courtesy of IDAL

2013 ANNUAL BUSINESS LUNCHEON

Once again over 700 members and guests attended The Australian Lebanese Chamber of Commerce's Annual Business Luncheon at Doltone House, Pyrmont. This is the chambers flagship networking event.

This event was proudly sponsored by The Institute of Training and supported by the Chamber's partner Arab Bank Australia. The Institute's Managing Director Warren Jack said, "This is one of the most successful functions I've ever been to. Very well organised and lots of people attend".

Sky News' Chief Political Reporter, Kieran Gilbert was the Masters of Ceremonies delighting the audience with political commentaries and his own take in being Australian-Lebanese.

The Luncheon's keynote speaker was Scott Morrison MP who spoke about his visit to Lebanon with Tony Burke MP and the Coalition's policy on immigration.

Amongst guests in attendance was Ben Fordham from Radio 2GB. Ben joined the stage with Kieran and entertained the audience with his experience in Lebanon and the hospitality of the Lebanese community. At the end, both Ben and Kieran attempted a traditional Lebanese "war cry".

Zed n Zed Jewellers donated two NRL State of Origin watches for the lucky door prize and well as The Institute of Training donating iPads.

After the Luncheon concluded, guests were invited to The Star for further networking opportunities. The ALCC's Luncheon attracts high profile corporate celebrities as well as a number of guests keen to network and grow their business.

The ALCC's Luncheon is held every year in July. If you are serious about expanding your network and focused on growth, secure your spot and book early.

Sponsors of The Australian Lebanese Chamber of Commerce were invited to Oatlands House for a grand lunch to say thank you for their support in 2013.

50 guests were given an opportunity to sit down with fellow sponsors and discuss what they have achieved through supporting The ALCC.

The ALCC President, Joe Khattar AM addressed the membership with words of gratitude and optimism for the future of the Chamber. Sponsors play a crucial role in The ALCC, they allow the Chamber to for fill their objectives to service the membership, and also be able to showcase the strength of the network.

In September The ALCC organised a trade delegation to Lebanon. The ALCC's Head of Trade, Mr. Michael Rizk gave a report on the Chamber's activities and opportunities uncovered.

Oatlands House is central to the Parramatta & North West region. This recently refurbished multi-purpose facility was built in 1823 and is adjacent to Oatlands Golf Club. They cater for corporate functions, golf days and special occasions.

The Chamber would like to thank Harkola for donating Zaatar and Zeit.

If you would like to promote your business to The ALCC network, become a sponsor for 2014. Sponsorship packages include tickets to events, opportunities to promote your business and access to exclusive chamber activities.



Australian Lebanese Chamber of Commerce

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