



Belting the Chinese- Lebanese Economic Road

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The history of cultural and economic relations between China and the Arab World constitutes one of the prominent phenomena of ancient civilizational interactions that weaved the first strings of globalization in the old world. This relationship, which was built on the basis of positive communication, exchange of interest, and mutual respect, dates back to more than 2000 years. The initial contacts between the Chinese and the Arabs were made on economic and trade grounds, whereby merchants traveled back and forth along the Silk Road that extended from inland China all the way through Central Asia to the Middle East. In fact, the Phoenicians, ancestors of the contemporary inhabitants of Lebanon, were the first sea merchants who then exported the Chinese goods and commodities, including silk, to the Romans in Europe.

As we speak, the Silk Road is being revived today in the context of the new initiative "One Belt, One Road", unveiled by the Chinese president in 2013. This initiative envisages linking China to the rest of Asia, as well as to the Middle East, Africa, and Europe through an extensive network of infrastructure – including railways, ports, roads, and industrial parks. Based on this initiative, both China and the Arab world are keen to establish close cooperation in a diversity of areas, including economy, trade, and energy.

Official trading between Lebanon and the People's Republic of China started in 1971 when both countries established diplomatic relations. Since then, our bilateral relations have progressed smoothly and the volume of trade evolved significantly between the two countries, reaching USD 1.9 billion in 2017,

according to the Lebanese Minister of Economy and Tradeⁱ, thus making China a main economic partner with Lebanon.

The strategic catalyst behind Lebanon's potential is its highly distinguished human resources. As a matter of fact, Lebanon's most valued asset is its highly qualified labor force, as it is evident in some of the global knowledge and entrepreneurship indicators: 27/131 ranking in tertiary education and vocational training; 52/131 ranking in high educationⁱⁱ; 59/137 ranking in entrepreneurshipⁱⁱⁱ.

Therefore, inclusive growth and job creation are key for capitalizing on Lebanon's strategic capacities and unlocking its potential. They have been, as such, the drivers behind Banque Du Liban's (BDL) monetary policy that has strived, over the past two decades, to secure the appropriate monetary and banking climate and infrastructure for encouraging private sector activities. BDL has also launched unconventional initiatives and incentives to secure the necessary efficient funding for this sector in order to maintain financial and social stability without generating inflation.

Through our stimulus packages, which have been renewed on an annual basis since 2013 and have amounted to more than USD six billion to date, BDL has been supporting various economic sectors through subsidized credit. These interest-supported loans, provided through the banking sector, have played a key role in boosting and supporting numerous segments of the Lebanese economy specifically productive sectors; developing human capital and entrepreneurship through education, research and development, and knowledge/innovation loans; reinforcement of the middle class through housing loans; and preservation of the environment through green incentives.

BDL has also particularly supported the industrial sector for the significant role it plays in realizing economic diversification, stimulating inclusive growth, and achieving sustainable development. In this regard, BDL has been assisting Lebanese productive sectors to increase the volume of locally manufactured exports by granting foreign currency loans to industrial enterprises in order to finance their working capital for exportation.

The importance of all these catalyst endeavors lies in their sizable contribution to real GDP, and their momentum in job creation. In this context, we believe that the financial sector plays a leading role in the development and modernization of the Lebanese economy. That said, we believe that growth is largely linked to improving Lebanon's competitiveness, with the knowledge economy playing a pivotal role.

Innovation and human capacity are the pillars of the fourth industrial revolution; they are fundamental elements that contribute to improving competitiveness. From this perspective, BDL was the first institution to foster the Lebanese knowledge economy on a national scale. By issuing its Circular 331, BDL has been focusing on developing and supporting Lebanon's highly qualified human capital that is capable of effectively turning innovative ideas into successful businesses, creating job opportunities in the process, and contributing to economic prosperity. Furthermore, we believe that this new growth model has the potential to attract investments to Lebanon.

With the former in mind, we are developing an Electronic Trading Platform that will be launched in the near future, providing the necessary equity and liquidity for SMEs and will boost investment in the Lebanese knowledge economy, since it will facilitate worldwide access to Lebanese markets. This electronic platform, which will allow communication between Lebanon and the world, serves to attract funds from Lebanese and non-Lebanese and will be operated by a private company and will be led by the Capital Markets Authority of Lebanon aiming at expanding investments and enhancing exports.

Another strategic sector is the oil and gas that represents a latent viable source for inclusive growth and job creation in Lebanon. If efficiently developed, it can have innumerable potential gains on the economy and will be able to restore public debt and finances to more sustainable levels.

Last but not least, Lebanon is looking forward to capitalizing on its historical relations with China which have been developing steadily based on solid foundation. Based on such ties, numerous agreements have been signed between the two countries in the fields of economy, trade, banking, tourism, and technology. Accordingly, in September 2017, the Central Bank of Lebanon and the Banking Control Commission of Lebanon have signed a memorandum of understanding with the China Banking Regulatory Commission in Beijing. The memorandum aims at establishing an arrangement for sharing supervisory information and enhancing cooperation in the area of banking supervision. Moreover, both countries are working to further strengthen trade relations by removing obstacles and to develop new bilateral agreements that cover specific areas such as energy and high technologies, including telecommunications.

We believe that Lebanon and China have great potentials to upgrade their constructive relationship toward a new level that will capitalize on the comparative advantages of each, thus benefiting both countries on the short, medium, and long terms.

Thank you.

References

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- ii Global Knowledge Index, 2018.
- iii Global Entrepreneurship Index, 2018.