The Canadian Trade Commissioner Service
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ICT Sector Profile [1] - Lebanon

1. Sector Overview

ICT sector in Lebanon has many advantages, including skilled workforce, established advertising firms, media content providers and web portals, competitive Internet service providers, and well developed GSM cellular networks. Software developers are considered among the best in the Middle East. Few sectors are growing as fast as the IT sector, with ever-expanding employment opportunities, especially in software development. Lebanon is well positioned to expand the ICT sector, on both local and regional levels.

The ICT sector continues to be significant, resilient and productive despite the political instability and challenging economic environment. The industry has sustained its overall size and level of activity due to a focus on exports. The average growth rate of the Lebanese ICT sector is around 13-15% annually. The annual turnover is estimated at USD 400m, in the private sector and the annual revenues coming from the sector to the state budget are USD 1.2bn.
Mobile Telecom penetration has reached 28% of the population only with 2 mobile operators (MTC Touch of Zain group and Alfa of Orascom). The characteristics of the Lebanese mobile market indicate great long-term potential. These include high usage at an average of 399 minutes per month compared to 142 in Jordan and 125 in Egypt. The telecom revenues are the second source of income after the VAT and officials believe that this sector can fetch a good price if it will be privatized.

Internet penetration rate is at 37.7% up by 11.4% on a yearly basis. Software development has grown steadily in the past few years mostly expertise in banking, insurance, hospital and healthcare packages and offer installation and customization.

The Government of Lebanon has plans to regulate and upgrade its outdated and costly ICT infrastructure that could offer significant opportunities for Canadian companies. Current Minister of Telecom is implementing new regulations and working to establish and operate international call centers in Lebanon; to install fibre optic cables over a distance of 4,700 Km and at a cost of USD 62m, aiming at boosting the capacity of Internet networks in Lebanon and eventually at reducing the prices of DSL subscriptions.

Challenges include the complexity and shifting nature of the Lebanese government and the market uncertainty this creates.

1.1 Value of ICT imports for 2008:

	US$ M[2]] (unless otherwise indicated)	Largest suppliers	Canada's Position (US$)
Electrical machines and apparatus, having individual functions, not specified (HS 8543)	14	Germany 20% USA 19% China 18.6%	1M; 5%
Transmission apparatus for radio-telephony, radio-telegraphy, radio-broadcasting or television, whether or not incorporating reception apparatus or sound recording or reproducing apparatus; television cameras; still image video cameras and other video camera recorders; digital cameras (HS 8525)	22	Japan 31% China 28.4% Italy 9%	1M; 4%
Printing machinery used for printing by means of the printing type, blocks, plates, cylinders and other printing components of heading 84.42 ; ink-jet printing machines, other than those of heading 84.71 ; machines for uses ancillary to printing (HS 8443)	45	China 33.5% Germany 26% Japan 8%	1M; 1.4%
Automatic Data processing machines and units there of; magnetic or optical readers, machines for transcribing data onto data media in coded form and machines for processing such data, not elsewhere specified or included (HS 8471)	103	China 61% Ireland 5.2% USA 5.2 %	395000; 0.3%
Electrical apparatus for line telephony or line telegraphy, including line telephone sets with cordless handsets and telecommunication apparatus for carrier-current line systems or for digital line systems; videophones (HS 8517)	78	China 36% Finland 10% Sweden 6%	325000; 0.4%
Insulated (including enamelled or anodized) wire, cable (including coaxial cable) and other insulated electric conductors, whether or not fitted with connectors; optical fibre cables, made up of individually sheathed fibres, whether or not assembled with electric conductors or fitted with connectors (HS 8544)	14	China 42% Italy 8% USA 7.3%	47000; 0.35%

Electronic integrated circuits and micro assemblies (HS 8542)	5	Singapore 28% China 16% Taiwan 13%	3000; 0.06%
Oscilloscopes, spectrum analysers and other instruments and apparatus of measuring or checking electrical quantities,(HS 9030)	4	USA 25.5% China 19% Germany 14%	0.068%
Reception apparatus for radio-telephony, radio-telegraphy or radio-broadcasting, whether or not combined, in the same housing, with sound recording or reproducing apparatus or a clock (HS 8527)	9	China 61% Malaysia 16% Thailand 5.4%	0.002%
Optical Fibres and optical fibre bundles; optical fibre cables (HS 9001)	5	USA 37% China 15% France 7%	Not ranked
Radar apparatus, radio navigational aid apparatus and radio remote control apparatus (HS 8526)	3	France 51% USA 25% Taiwan 19%	Not ranked
Diodes, transistors and similar semiconductor devices; photosensitive semiconductor devices, including photovoltaic cells whether or not assembled in modules or made up into panels; light emitting diodes; mounted piezoelectric crystals (HS 8541)	1	China 45% Malaysia 11% Philippines 7%	Not ranked

(Source: Lebanese Customs)

1.2 Market structure:

In terms of most IT indicators, Lebanon ranks third or fourth among Arab countries in the region. Many major international hardware producers are well represented locally, and software developers and services are widespread. New policy initiatives and legislative reforms include an intellectual property rights (IPR) law, e-Banking, other forms of e-business, and e-government initiatives.

1.3 Legal issues:

Lebanon is a country open to foreign direct investment by tradition. "The Investment Development Law" authorizes *Investment Development Authority of Lebanon (IDAL)* to award licenses and permits for new investments and to grant special incentives, exemptions and facilities to larger enterprises. In an attempt to attract foreign investments, IDAL launched in 2003 the "Investors Matching service" to facilitate the creation of strategic international - local partnerships through joint venture, equity participation, acquisition and others. The country has many advantages that encouraged foreign companies to set up offices in recent years.

1.4 Local industry:

ICT firms have strong presence in the banking sector and distribution, followed by government, general trade and services, and insurance. Local industry is limited to hardware design and assembly, and a very well established high-quality software development (programming and customization). Telecom is very well served by local assembly for infrastructure (electrical panel boards, environmental control systems, hybrid systems, integrated power systems and batteries). Raw materials are mainly from Asia, Europe and the USA.

1.5 Local ICT companies:

For details on ICT companies in Lebanon we advise you consult their website.

1.6 Main foreign companies:

Despite fierce regional competition, Lebanon attracted major foreign companies to open regional headquarters, regional customer support center facilities in Beirut and/or transfer their software production to Lebanon like Microsoft, Ericsson, Cisco Systems, Computer Associates, French firms: Soft Solutions, SAB Mediterranée, UNILOG, etc.

1.7 Number of jobs:

Lebanese ICT industry is estimated to have between 6,500 and 7,000 employees which are considered below market need. This is due to increased number of Lebanese ICT specialists' moving to the neighbouring Arab and Gulf countries because of better opportunity.

1.8 Maturity of the sector:

Major industry sources forecast steady growth in the region. According to the International Data Corporation, IT spending in the MENA region increased from US$6.9 billion in 2003 to around US$13.4 billion in 2008, with a particular marked increase in Saudi Arabia and the Maghreb. To capitalize on this trend, the Beirut Emerging Technology Zone (BETZ), a one million square meter technology park being developed by IDAL in cooperation with the Municipality of Damour, will soon provide international investors with appropriate facilities and infrastructure to set up assembly plants. The goal is to attract companies that will produce PCs, software and telecommunications products to be distributed across the Middle East and North Africa.

2. Market and Sector Challenges (Strengths and Weaknesses)

2.1 Market strengths:

The major key advantages include a free market economy, the absence of control on the movement of capital and foreign exchange, a highly educated labor force, limited restrictions on investors and Lebanon's location at a crossroad of three continents. The ICT sector in Lebanon is a vibrant and productive sector.

2.2 Market weaknesses:

Very strong competition between Internet Service Providers. Competition of locally assembled low-quality computers. Software piracy, although it is on the decrease because of better enforcement. Dominant, often stiffing role played by the Lebanese Government as operator and regulator. Ongoing political uncertainty in the country.

2.3 Access issues:

ICT projects in Lebanon can benefit from general business climate in the country, where trade is open, taxation is reasonable, and related commercial policies are favourable compared to other countries in the Middle East. Foreign investors are much interested in the telecom sector.

2.4 Tax issues:

The import customs tariff for ICT products ranges from 10% to 25% (including VAT).

2.5 Financing issues:

The banking sector in partnership with the public sector launched many loans initiatives like *Kafalat* that provides funding for SMEs and start-ups in many sectors including the ICT.

3. Case Study

- Waterloo-based *Research In Motion (RIM)* launched the Blackberry solution in Lebanon in January 2009
- Mississauga-based *Redknee* opened in Jan 2010 a regional office in Lebanon
- Markham-based *Redline Communications* has a regional office in Lebanon
- Ottawa-based *EION Wireless* has a regional office in Lebanon
- Ottawa-based *Fidus Systems Inc* opened a design center in Lebanon *Fidus Systems Lebanon* and is recruiting freshly graduated Lebanese engineers.

Useful Internet Sites

- Lebanese-Canadian Business Association (LCBA)
- Canadian-Lebanese Chamber of Commerce and Industry (CCICL)
- Embassy of Lebanon in Canada
- Canada Arab Business Council (CABC)
- Alfa
- MTC Touch
- Berytech Technological Pole
- Higher Council for Privatization (HCP)
- Investment Development Authority of Lebanon (IDAL)
- Council for Development and Reconstruction in Lebanon (CDR)
- Lebanese Ministry of Economy and Trade
- OMSAR – Office of the Lebanese Minister of State for Administrative Reform
- Lebanese Ministry of Industry
- Lebanese Ministry of Finance
- Lebanese Customs
- Chamber of Commerce, Industry and Agriculture of Beirut
- Beirut Traders Association
- Association of Lebanese Industrialists (ALI)
- Lebanese Businessmen Association
- The Central Bank of Lebanon
- Association of Banks in Lebanon
- International Fairs and Promotion
- Promofair
- The Daily Star
- L'Orient Le Jour

- Lebanon Opportunities
- Executive Magazine
- Le Commerce du Levant

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[1] *The Government of Canada has prepared this report based on primary and secondary sources of information. Readers should take note that the Government of Canada does not guarantee the accuracy of any of the information contained in this report, nor does it necessarily endorse the organizations listed herein. Readers should independently verify the accuracy and reliability of the information.*

[2] *All monetary amounts are expressed in US dollars (USD).*