

# The emergence of the “Multi Meda”

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The most important economic piece of news of 2005 in the Mediterranean was about the great investments made by private multinational companies – but rather than the north investing in the south, it was the other way round. Companies that were founded and located in southern Mediterranean countries, invested in countries on the northern shore. These companies took years to internationalise their activity, normally with small investments from South to South. However, in 2005 they revealed to be capable of such ambitious investments that made them appear on the front pages of the world’s press.

In the summer of 2005, the Egyptian Naguib Sawiris, first shareholder of the Egyptian Telecom Company Orascom, became the main Euro-Mediterranean investor. He placed his money in Europe, by buying the Italian operating company GSM Wind for a little more than 12 billion Euros. This operation from Egypt to Italy, from the South to the North, is the biggest Euro-Mediterranean investment in history. Only the direction of the flow of capital is opposite to what we usually see, and its size also means that it is on a much bigger scale than usual. The total amount of the Wind operation far outweighs the total sum of foreign investments received by all the Meda countries from all over the world both in 2002 and in 2003.

Meda Multinationals, or MultiMeda, have not just appeared with this spectacular operation. They have been transferring their capital and “know-how” abroad for years. Normally they are venerable state-

**TABLE 7** Gross foreign investment in Euromed countries according to UNCTAD, expressed in millions of dollars

Country	2002	2003
Israel	1,721.0	3,745.0
Morocco	480.7	2,279.3
Libya	-96.0	700.0
Algeria	1,065.0	633.8
Tunisia	821.3	583.9
Turkey	1,038.0	575.0
Jordan	55.9	378.6
Lebanon	257.3	358.0
Egypt	646.9	237.4
Palestine	..	..
Syria	115.0	150.0
<b>Total</b>	<b>6,105.0</b>	<b>9,641.0</b>

owned or public sector companies that acquired the necessary turnover for these operations thanks to state monopolies, and operated on a South-South axis.

A well known case is that of the Moroccan Office Cheriffien des Phosphates (OCP), which has a presence in India as well as in Pakistan. South-North operations took place using the same strategy. For example the operations carried out by the Algerian company Sonatrach, which holds the gas export monopoly in Algeria and which has significantly invested in Spain in the past couple of years. The company started building a chemical plant in Tarragona together with BASF, it holds shares in the Reganosa regasification plant in Galicia, while at the same time it allied itself with CEPSA to form a joint venture within the electrical sector. These South-North operations were occasionally structured around holding-type companies which invested in Europe the profits earned by the State in the ex-

ploitation of natural resources under monopoly conditions. The best-known case is that of Libya, whose external holdings, such as Lafico, have a significant number of shares invested in all types of Italian organisations, from the Juventus Football Club to the car manufacturer Fiat. Nevertheless, these operations were considered more as a symptom of the economic dysfunctions of the MEDA countries; in this region, State monopolies did not even generate local investment.

In 2005, however, some MEDA economies showed themselves to be capable of creating private entities which have both the necessary boldness and the capacity to invest in external markets. There have been many examples of internationalisation in southern Mediterranean private companies during 2005. An example of this is the largest Lebanese bank, Banque du Liban et d’Outre-Mer (Blom), which bought the Egyptian bank Misr Romanian Bank in 2005, for almost 100 million dollars. This organi-

sation has affiliated companies in France (Banque Banorabe), Switzerland (Banque Banorient), Syria (Bank of Syria and Overseas) and representative offices in half a dozen countries. Its Lebanese competitor, Bank Audi, followed in its footsteps by starting up its business activity in Syria in 2005 while keeping banking subsidiaries in France and Switzerland. For a further example of Lebanese multinational financial dynamism, let's consider the Fransabank bank, which invested 35 million dollars in creating a subsidiary in Algeria. In this country, in 2005, the Group Byblos, which is also Lebanese, bought 51% of the Algerian bank Al Rayan for \$12 million. Regardless of the proliferation of Lebanese operations, these financial multinationals exist in almost every southern Mediterranean country. The final example to take into consideration for 2005 is the Israeli bank, Bank Hapoalim that bought the Turkish bank C-Bank for \$113 million.

Without wishing to tire the reader with extensive lists, we have to report that multinationals also appear in different sectors and include unsuspected countries. They are present in Syria, for example, a country which does not lead Mediterranean countries' rankings for business dynamism. However, the Tabourian Group, which in July 2005 bought the Lebanese company Sanine Mineral Water for \$11.5 million, is Syrian.

All these investments made in 2005 refer to private companies, which do not count on monopolies to increase their financial strength.

Their emergence shows that at least some companies in some southern Mediterranean countries have gained an outstanding level of maturity. The key to achieving this is probably to be found in their "know-how" and in their market knowledge rather than in their economic power. Something which can always be obtained from a northern partner. This is the case of the Moroccan Bank Attijari Wafa, which won the tender for the privatisation of the Tunisian Banque du Sud. The Moroccan bank carried out this operation in alliance with its second shareholder, the Spanish Santander Group. Another case of a northern company seeking the support of a southern one to invest in a third country, is that of

the French group Danone, which reached an agreement to create a biscuit factory in Algeria together with the Tunisian company Sotubi, with percentage holdings of 51% and 49% respectively.

Let's conclude this overview with the Egyptian Group Orascom, which besides being a telecommunications multinational with investments from Algeria to Jordan, also has a dynamic construction materials division which has just inaugurated its first cement factory in Algeria while already building its second one. "MultiMeda" multinationals certainly have a long way to go before reaching the same level as their counterparts in other continents which have already attained the status of world leaders. For example, the Mexican company Cemex in the cement sector, or the Indian firm Mittal in the iron metallurgy field.

However, this type of operation is starting to become a significant element which should be taken into consideration. Having said this, we also need to mention that southern Mediterranean countries have a long way ahead of them before becoming net exporters of capital.

Up to now they have received rather than made foreign investments, even though only in small volumes. For example, the investments contribute a level of foreign currency revenue to the area significantly lower than the remittances of their emigrants. Everything suggests that these constants remained throughout 2005, or were maybe on the rise once in a while, though to prove it is necessary to wait a few months for the publication of these countries' balances of payments.

While this data is still missing, we should also note that among the investments received by the region, telecommunications have also featured. This is the sector which was restructured in Turkey when the negotiations for Turkey's entry into the European Union started, giving rise to significant operations. On one part, the British Vodafone company won the tender for the Turkish company Telsint through offering \$4.5 billion. On the other, the Russian company Alpha bought 13% of Turkcell for \$1.89 billion. This certainly induced the Finnish company Telia Sonera to unleash a lawsuit, claiming that it had signed an outline agreement to carry out the same oper-

ation. Thirdly, the Saudi group Oger bought 55% of Turk Telekom for \$6.5 billion in 2005. It has to be considered that these operations, in the balance of payments, will only count as foreign investment to the extent that they really involve the entry of fresh capital and prevent investors resorting to local banks to finance operations.

Except for telecommunications, the effect of opening negotiations with the European Union has been noticed in almost all sectors of the Turkish economy, where there has been a surge of foreign investment. For example, the Anglo-Dutch oil company Shell, together with the Turkish Group Koc, bought the Tupras refinery for \$ 4.14 billion, while the United States General Electric bought 25.5% of the Turkish bank Garanti for \$1.55 billion. Another country that experienced an outstanding 2005, more for the quality of foreign investments rather than their quantity, was Morocco. A country which marked the start of the year with the successful initial listing of Maroc Telecom, an organisation that is publicly quoted in Casablanca and Paris. This contributed to create the country's profile as a destination for investment. Another important factor was the entry into force of the Free Trade Agreement with the United States, which attracted the interest of various textile groups, mainly fabric manufacturers. For example, the Italian denim manufacturer Legler allied itself with the Moroccan group Senoussi to build two plants, investing 90 million euros. At the same time, Fruit of The Loom, which also specialises in cotton fabrics, expanded its Moroccan plant by investing 70 million euros. Both are following in the footsteps of Tavex, the Spanish denim specialist, which extended its Settat factory by investing 60 million euros. Other operations of great strategic significance were carried out by Cesce, the Spanish export credit agency, which took a 19% share in its homologous Moroccan export insurance company, Société Marocaine d'Assurance à l'Exportation. While the Spanish Telefonica obtained the second fixed telephone licence in the country.

The third significant country in 2005 was Algeria, where the novelty lay in the quantity of projects carried out. Algeria probably reached an historic

### ANIMA: EURO MEDITERRANEAN NETWORK OF INVESTMENT PROMOTION AGENCIES

Within the framework of initiatives aimed at economic cooperation and trade in the Euro-Mediterranean region, the activities of the ANIMA network are notable. ANIMA is a five year project (although initially conceived as being over three years) launched in 2002 and largely financed by the European Union. Its main objective is to help the MEDA partner countries, plus Cyprus and Malta to equip themselves with the tools and strategies that will attract and increase foreign investment. Its headquarters is based in Marseille and the institution which steers the project is the French Agency for International Investment (AFII), supported by ICE (Italian Institute of Foreign Commerce) and the Investment Department (Morocco). For the MEDA countries the majority of interlocutors are represented by the Investment Promotion Agencies (IPA).

Beyond the missions entrusted to it by the European Union, such as that of training, networking and promotion of investment, ANIMA's strategy, as presented by its members on the official website, is very clear: "tell the truth, be pragmatic, exchange and share". This involves primarily analysing the different situations in each country and targeting debate in political and economic terms. The systematic use of case studies can also contribute to a significant acceleration in investment activity in the Mediterranean. The network was conceived from a cooperative viewpoint: all the partners

must contribute with both their positive and negative experiences, so that everyone may benefit, in an environment of parity, without distinction between North and South.

Among the principal activities put in motion during 2005, the following are notable:

- Organisation of, or participation in, many EuroMed gatherings, such as the Mediterranean Economics Meeting (organised by IEmed and The Cercle des Economistes) in September 2005 or the World Information Society Summit (Tunis November 2005);
- Organisation of activities which promote and lobby the network. The action of lobbying mainly consists of the drafting of documents and institutional propositions concerning possible future developments, in keeping with a vision of perpetuating the network (strategic dossier directed at European decision makers, at a national or regional level; offer of AIM – Investment Accelerator; a legally structured status to be created, preparation of an ANIMA CLUB similar to the AFII Club);
- Organisation of eleven training seminars at a regional level, European and local, in MEDA countries (Algeria, Morocco, Egypt, Turkey). On this subject note that until now more than 900 MEDA professionals have been trained.;
- Two secondments of long duration since IPA-MEDA (Egypt et Morocco);
- Distribution and circulation of three bilingual

bulletins (paper and electronic) and duplication of website;

- Pursuit of initiatives such as MEDA Entrepreneurs (for the promotion of investment in the region by businessmen from different diasporas), MedFranchise (for franchise development) or Medinnov (creation of a Mediterranean network for innovation, research and development);
- Carry out 7 technical assistance missions (Cyprus, Syria, Tunisia, Israel, Turkey, Egypt and Morocco);
- Duplication and development of several databases such as MIPO (MEDA Investment Project Observatory) for investment projects; Ani-contacts for the filing of contacts; database "Experts" for FDI (Foreign Direct Investment) experts or even a Top 1000 for the main foreign businesses who have already invested in the region;
- Carry out, publish and launch studies (assessment of FDI in the area, investors perceptions of the region, etc, etc).

Finally, ANIMA proposes to act as a base for the creation of the first IPA of the Euro-Mediterranean region, a "desire shared as much by the founders of the project as by IPA MEDA".

For more information: [www.animaweb.org](http://www.animaweb.org)  
For the Mediterranean database: [www.animaweb.org/investir\\_bdmediterraneenne.php](http://www.animaweb.org/investir_bdmediterraneenne.php)

record from this point of view, which suggests that the country has left behind the conflict in which it was involved in the 90's.

Algeria strongly confirmed its re-entry into the group of countries receiving the largest investments. It did not have operations of great scope, but it had many of them, and in all sectors. For example, the Brazilian organisation Neobus created a bus assembly factory, while the French distribution company Champion agreed to open a hypermarket. Moreover, various Spanish companies managed to win tenders to build desalination plants, and various oil companies obtained contracts to explore and exploit oil fields. This point brings us to the last

important sector of 2005, energy, which experienced great dynamism thanks to the high prices of crude oil.

So, the Italian company ENI will put 330 million euros in order to increase the capacity of the Transmed pipeline which carries Algerian gas to Italy. Gas Natural did the same, while the year started with the launch of the new Medgas pipeline, between Spain and Algeria, a project directed by the Spanish company Cepsa. High crude oil prices explain the number of oil companies expanding their plans to increase production so as to take advantage of the market's bullish tendency. Cases such as the Austrian OMV Aktiengesellschaft's investment of 100 million Euros in the

Tunisian Ashtart oil-field do not attract any particular attention. With the same aim, the United States Corporation Amerada Hess will invest \$500 million in Algeria, the British company British Gas will invest \$880 million in a second liquefaction plant in Egypt, and even the Malaysian company Petronas will invest \$2 billion in Egypt.

These are only some of the milestones in the really large list of foreign investments in Euro-Mediterranean energy. In spite of everything, 2005 will be shown in investment records as the year in which the creation of Meda multinationals was revealed to be possible. In 2006 we will see whether this trend was short-lived or if it continues.