

## BUSINESS CASE STUDY

### **Free trade led Uniceramic to bankruptcy**

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Uniceramic S.A.L. was founded in Lebanon in 1973, and was the largest ceramics factory in the country engaged in the production of ceramic floor and wall tiles.

It once dominated the Lebanese ceramics market and its production reached up to 5.5 million square meters of ceramic tiles a year. However, its fortunes changed in 2005, when the elimination of most tariffs among the Greater Arab Free Trade Agreement (GAFTA) members was enforced and the Lebanese government allowed the import of tiles from other Arab countries.

In 2007, Uniceramic lost over 5 million dollars. Losses continued to increase in 2008 and the company was forced to shut down operations at its industrial plants in the Bekaa Valley and reduce the number of workers and staff from 450 to about 80. Losses reached a record of \$15,000 a day in 2009, and Uniceramic declared bankruptcy on September 17, 2009 after 10 million dollars in losses in total.

Uniceramic's bankruptcy was mainly caused by its failure to compete with imported products whose manufacturing costs were 73 percent less. It was much more costly to produce ceramics in Lebanon because of the skyrocketing price of oil: the cost of producing a square meter of ceramic reached \$2.75 in Lebanon compared to only \$0.75 in Egypt.

In 2007, ceramics imports to Lebanon increased from 7.8 million sqm in previous years to 14.1 million sqm. Consequently cheaper ceramic tiles, mainly from Egypt, flooded the market, which explains the company's 5.5 million dollar loss that year.

The high cost of energy and what Uniceramic called "unfair competition" with imported products from countries like Egypt caused heavy financial losses to the company, and subsequently led to its bankruptcy.

## Sources

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