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# **THE ECONOMY OF LEBANON**

Basic data and Information



by  
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### First Impression 1961

Revised June 1965 specially for  
the Convention of Lebanese  
Overseas Businessmen held in  
Beirut from 5-10 August 1965.

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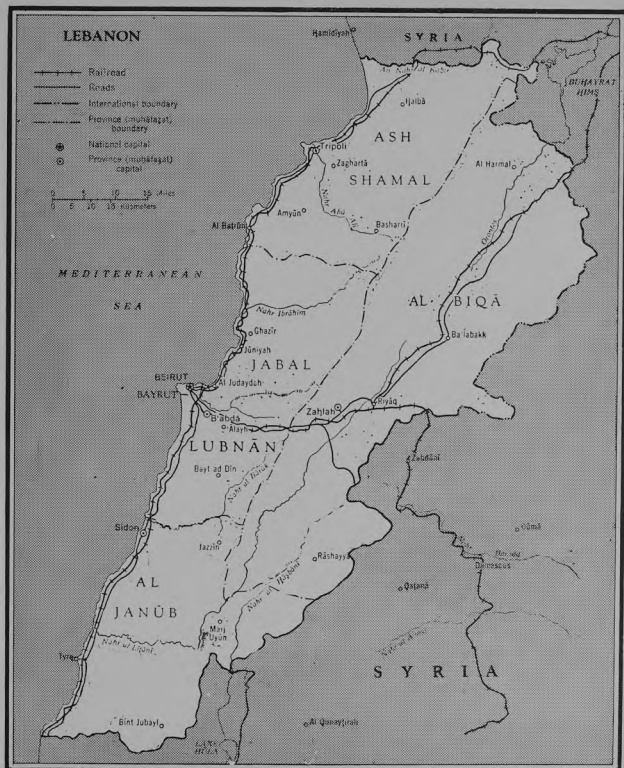
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## GENERAL INFORMATION

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### Geography and Climate

Lebanon is located on the eastern shore of the Mediterranean Sea. It is bounded to the north and east by the Syrian Arab Republic and to the south by Palestine. Its area is approximately 10,400 square kilometers; its length which runs in a north-south direction is 190 kilometers, and its maximum width is 75 kilometers.

Within this tiny area the country manifests a unique combination of a contrasting variety of physical features. A chain of mountains, the Lebanon Mountains, ranging from 1000 to 3000 meters, with their high peaks snowtopped for half the year, dominate the country throughout its entire length. To the west of this chain of mountains lies a fertile coastal plain, averaging about 24 kilometers in width. To the east of the Lebanon Mountains lies the rich valley of the Bekaa, Lebanon's chief agricultural area which is drained to the south by the Litani river and to the north by the Orontes river. Beyond this plain rises another chain of mountains, the Anti-Lebanon mountains, some 65 kilometers from the Mediterranean. It runs the full length of the country and forms the boundary between Lebanon and the Syrian Arab Republic.

A Mediterranean-type climate, with generally mild, wet winters and relatively warm and humid but rainless summers, prevails in Lebanon. The coastal region is semitropical. In the interior valleys and the mountain slopes, the climate is temperate. In the high elevations of both the Lebanon and the anti-Lebanon mountains, frost and snow occur in the winter. The high peaks of the Lebanon mountains are snowtopped throughout half the year and small patches of snow may be found all the year round.

August is the hottest month and January is the coldest with mean temperatures at sea level of 80°F (27°C) and 57°F (14°C) respectively.

Because of the variety of its physical features Lebanon has significant differences in climate within short distances. The pre-

vailing winds along the Lebanese coast are from the west across the Mediterranean Sea, and precipitation results during the travel of moist-bearing winds over the Lebanon Mountains. It occurs mainly on the west side of these mountains and near their peaks and declines rapidly once the winds pass the crests of the mountains. Average annual precipitation varies from 30.4 inches (77cm) on the coast to 59 inches (150cm) on the top of the Lebanon mountains to 27.5 inches (70cm) in the Bekaa and to less than 20 inches (51 cm) over the Anti-Lebanon Mountains. Normally, no rain falls from May to October.

## Population

The population of Lebanon is estimated at present, 1965, at 1,850,000, a density of 178 persons per square kilometer. Some 550,000, or approximately 30 percent, live in Beirut the capital. Another 250,000 slightly less than 11 percent live in the four main urban centers of Tripoli, Sidon, Zahle and Tyre. The remaining 1,050,000 persons, or about 57 percent of the total population live in a few small towns and some 2,200 villages scattered throughout the country.

The people are composed of a variety of religious and ethnic groups representing virtually all sects of christianity and Islam. According to official estimates the christians constitute 54 percent of the population, the Moslems 44 percent and the remaining 2 percent consist of Jews and other very small sects. Arabic is the language of the country, but a large proportion of the population, especially in the urban centers, are also fluent in English and/or French. The rate of literacy is high, possibly above 85 percent, and the student population is about 15 percent of the total number of inhabitants..

Lebanon has four universities. The Lebanese National University, a governmentally established and endowed institution, was founded in February 1953. The American University of Beirut, chartered under the State University of New York, and the University St. Joseph, a French Jesuit institution were founded almost a century ago. They offer education in Arts and Sciences and in professional schools comparable with those of leading universities in

the United States and France. They draw their students from the Middle East, Africa, Latin America, and the United States. A fourth university, chartered under the University of Alexandria, the United Arab Republic, started classes in 1960.

## Government

Lebanon is a republic with a unitary Government. Legislative power is vested in the unicameral Chamber of Deputies, which has a membership of 99 deputies elected directly by the people for a term of 4 years. The electoral system provides for proportional representation in the Chamber of Deputies by religion and by region.

One law governs the entire country. The Chamber elects the President of the Republic, the chief executive of the country, for a term of 6 years. The President designates the Prime Minister, usually a deputy, after consultation with members of the Parliament; the Prime Minister selects the members of his Cabinet normally from among Deputies of the Chamber and assumes power through a vote of confidence by the Chamber. There are 14 portfolios in the Cabinet: Interior, Foreign Affairs, Public Works, Finance, Education, Defence, Public Health, Justice, National Economy, Social Affairs, Information, Post and Telecommunications, Agriculture and General Planning. Each Ministry is headed by a Minister but one person may head more than one Ministry. The second man in the Ministry is a Director General, a non-political appointee who ensures continuity in the administration.

The Government is centralized. All Government employees are employed by the Central Government and all appointments are made by Presidential Decree. Lebanon is divided into four administrative districts in addition to the city of Beirut which stands as a district alone. Each district, including Beirut, is under the direction of a governor, a Muhafez who is a direct appointee of the Ministry of Interior.

## STRUCTURE OF THE ECONOMY

Historically, commerce and agriculture have been the basic economic activities in Lebanon and have provided the largest share of the national income. World war II separated Lebanon from Western suppliers and therefore, helped the Lebanese industry expand. But with the cessation of hostilities and the resumption of foreign trade, industrial expansion in Lebanon slowed down. At present, trade and services, including tourism, provide the largest share of the national income of Lebanon followed by agriculture and industry.

The national income is estimated to have been LL 2,400 million in 1964. The distribution by economic sectors was as follows; in millions of Lebanese pounds with percent of total shown in parentheses: trade, 635 (27); agriculture, forestry and fishing, 320 (13); industry, 280 (12); services, 270 (11); real estate, 235 (10); government, 220 (9); finance, 190 (8); transportation 145 (6); and construction 105 (4).

Except for a heavy deficiency in cereals and meat, Lebanon produces most of its food requirements. Its major exports are agricultural products and by-products, chiefly, fruits and vegetables and tobacco. The country is dependent on imports for most manufactured goods, fuel, and cereals.

The Lebanese balance of payments, summarized in table I below, portrays clearly the unique feature of the country's economy as depicted by the structure of its national product. The country has a heavily unfavorable balance of trade. But this unfavorable trade balance is very largely compensated for by earnings from services mainly travel and tourism, transportation, entrepôt trade, international arbitrage operations and from remittances from Lebanese emigrants.

Capital movements present another unique feature of the Lebanese economy. For more than a decade, Lebanon has been receiving a substantial net inflow, of foreign capital seeking investment opportunities and/or a safety haven. As a result, large surpluses in the balance of payments and hence growing accumulations of international reserves have been realized.

Table I. — Balance of Payments Summary 1959—1961 (in LL. 1,000,000)

Item	Credit			Debit			Net Credit or Debt					
	1959	1960	1961	1959	1960	1961	1959	1960	1961			
<b>A. CURRENT ACCOUNT</b>												
Merchandise	152	162	230.5	762	930	1043.8	—	610	—	768	—	512.9
Non monetary gold	128	187	287.5	137	195	294.9	—	9	—	5	—	7.4
Foreign Travel and Tourism	87	102	147.2	25	21	28.7	—	62	—	81	—	117.6
Transportation and Insurance	93	119	153.4	15	13	31.4	—	78	—	106	—	122.0
Investment Income	55	67	116.9	12	12	44.7	—	4.3	—	55	—	72.2
Gov't non included elsewhere	55	57	74.5	4	4	6.6	—	51	—	52	—	67.7
Miscellaneous services	145	172	199.4	..	..	11.0	—	145	—	172	—	188.4
Total goods & Services	715	866	1209.7	955	1176	1462.1	—	240	—	310	—	252.4
Donations	110	107	127.7	2	2	7.5	—	108	—	105	—	120.2
Total	825	973	1337.4	957	1178	1469.6	—	132	—	205	—	132.2
<b>B. CAPITAL MOVEMENT</b>												
Net capital movement (1)	156	236	308.5	..	..	89.6	—	156	—	236	—	218.9
Total (A+B) (balance surplus or deficit)	981	1209	1645.9	957	1178	1559.2	—	21	—	31	—	86.7
<b>C. BALANCING ITEMS</b>												
Monetary gold	..	..	..	33	53	64.6	—	33	—	53	—	64.6
Foreign exchange assets	3	..	..	..	20	11.3	—	3	—	20	—	11.3
Bank short-term liabilities to non residents	6	42	..	..	..	10.8	—	6	—	42	—	10.8
Grand total (A, B and C)	990	1251	1645.9	990	1251	1645.9	—	..	—	..	—	..

(1) Includes errors and omissions. These were LL 52.9 million in 1961.



Table 2. — Gross Value of Agricultural Production, 1963-1964 Crop Year  
Volume in metric tons,<sup>1)</sup> value in thousands of Lebanese Pounds

Item	1) 1 metric ton = LL 2,204.4		2) 92,000,000 eggs <sup>2)</sup>		3) 850,000 broiler chicken and laying chicken	
	Volume	Value	Volume	Value	Volume	Value
<b>Agricultural products total</b>						
Dairy products						
Fresh milk	96,000					13,900
Fruits		3,840		3,520		6,500
Oranges	110,000	118,761		1,500		4,000
Apples	112,000	33,000				2,500
Grapes	25,000	44,016				146
Bananas	19,000	11,325		200		72
Lemons	30,000	7,410		200		42
Others	30,000	9,000		120		32
Grain and Feeds		14,000				3,006
Wheat	40,000	13,250		1,500		1,050
Barley	7,000	10,500		2,000		1,200
Grain Sorghum	2,500	1,540		1,000		400
Corn	2,500	550		600		356
Rice	200	100				642
Industrial crops						200
Olives	35,000	63,975		400		200
Leaf Tobacco	5,000	48,125		800		160
Sugar Beets	5,000	83,975		400		180
Cotton Lint	80,000	10,500		300		102
Cotton Seed	200	4,400				321
Sugarcane	2,000	180		1,700		306
Sesame	400	280		300		15
Cotton seeds	400	80				26,791
Nuts						13,000
Peanuts	1,700	1,165		65,000		10,000
Green almonds	200	935		20,000		1,500
Walnuts	30	200		8,000		1,440
		39		2,000		360
				2,000		900
				6,800		1,591.5
<b>Poultry and Poultry Products</b>						
Eggs <sup>2)</sup>				3,520		6,500
Chickens <sup>3)</sup>				1,500		4,000
Pulses						2,500
Seed crops-feed						146
Kirsamit (Vilavetch)						72
Bogyl (Vidca)						42
Others						32
Seed crops-food						3,006
Lentils				1,500		1,050
Harcot beans				2,000		1,200
Chickpeas				1,000		400
Others				600		356
Green food crops						642
Green peas				400		200
Green bread beans				800		160
Green French beans				400		180
Others				300		102
Green Forage crops						321
Alfalfa				1,700		306
Others				300		15
Vegetables						26,791
Potatoes				65,000		13,000
Tomatoes				20,000		10,000
Dried red onion				10,000		1,500
Carrots				8,000		1,440
Eggplant				2,000		360
Garlic				2,000		900
Others				6,800		1,591.5

## AGRICULTURE

Lebanon contains 2.5 million acres of which only 675,000 acres, or 27 percent, are cultivated. The Lebanese Ministry of Agriculture classifies the country's land area as follows:

	Acres
Cultivated area	675,000
Irrigated area	180,000
Rainfed	469,000
Rainfed but irrigable	26,000
Cultivable but uncultivated	224,000
Forest	183,000
Rocky and waste area	1,373,000
Other	47,000
Total area	2,502,000

Lebanon produces a great variety of agricultural commodities, since variations in altitude, temperature, and precipitation make possible the growing of both subtropical and temperate crops. Along the coast and up to an altitude of 1,000 feet (305 meters), subtropical crops of all kinds can be grown, including oranges, bananas, lemons, tangerines, medlars, figs etc.. Olives and grapes are grown in the dry coastal plain and extend into the mountainous areas up to 3,000 feet (914 meters) elevation. Cereals are grown in all parts of the country, but are a major crop principally in the interior. At altitudes of 2,000 to 4,500 feet (610-1372 meters) are found apples, grapes, pears, figs, peaches, cherries, apricots and plums.

The Bekaa Valley is the major vegetable producing area. It produces potatoes, tomatoes, onions, carrots, eggplant, and garlic.

Of the total estimated income from agriculture in 1964 (LL 320), 46 percent is attributable to fruit and 36 percent to industrial crops. Listed in descending order of value, the main crops were olives, apples, oranges, grapes, leaf tobacco, bananas, potatoes, lemons, wheat, eggs, etc. Table 1, gives the volume and gross value of agricultural production of various crops for the 1963-1964 crop year.



No census of animals has ever been undertaken in Lebanon, and estimates are necessarily inaccurate owing to a continual migration of livestock between Lebanon and Syria. The following estimates for the livestock population in 1964 was given by the Section of Agricultural Statistics, Ministry of Agriculture : goats, 940,000; sheep, 440,000; cattle, 184,000 (108,000 are dairy cows); buffaloes, 100; camels, 1,700; hogs, 15,800; horses 5,700; donkeys 69,000; and mules. 9000.

Milk production in Lebanon in 1964 was, in metric tons : 50,000 of cow's milk; 30,000 of goats milk; 6,000 of sheep milk; and 100 of buffalo's milk. Dairy products in 1964 consisted, in metric tons, of 50 of samneh (animal ghee); 22 of butter; 3 of cream; 850 of white cheese; 4,000 of laban (Yoghurt); and 800 of labneh (yoghurt concentrated).

Lebanon is a net importer of dairy products. Its imports of these products amounted in 1964, to 12,044 metric tons valued at LL 27 million while exports were 84 metric tons only, valued at LL 0.2 million.

A Fruit Office, established on March 25, 1959 as an autonomous public institution is responsible for organizing and controlling the export of Lebanese fruits and for developing and improving fruit production in the country. The responsibilities of the Office concern principally, citrus fruits, apples and other fruits subject to export, such as grapes, olives and olive by-products. The Office plans to exercise gradually a closer and stricter control over fruit exports. It has already prepared regulations for grading and standardization and is carrying out a policy for providing adequate cold storage facilities.

## INDUSTRY

### Principal Industries

Lebanon is one of the most industrialized countries in the Middle East. Twelve percent of its labor force is engaged in industry. With few exceptions, industries in Lebanon are small and devoted chiefly to the production of light consumer goods. Among the most important is the textile industry. Table 2 gives Lebanon's principal industries, capital investment, and employment statistics for the various categories of industry for 1964. Of the few basic industries in the country the two of chief importance are the Iraq Petroleum Company's topping plant at Tripoli and MEDRECOs at Sidon, which in 1964 processed over 1,289,270 metric tons of crude petroleum for consumption in Lebanon and Syria and the three cement plants at Chekka, a place 10 miles (16 kilometers) south of Tripoli on the coast, which produced over 882,000 metric tons of cement in 1964.

Lebanon has no domestic petroleum resources. But it serves as a transit and export point for both Saudi Arabian and Iraqi crude oil. Saudi oil flows in a pipeline operated by Trans-Arabian Pipeline Co. (TAPLINE) from Dhahran, Saudi Arabia, to Sidon in south Lebanon, a distance of 750 miles (1500 kilometers). Iraqi oil flows through a pipeline operated by the Iraq Petroleum Co. (IPC) from Kirkuk, Iraq, to Tripoli. In addition to this pipeline, IPC operates a topping plant at Tripoli.

Table 3. — Industry  
Lebanon's Principal Industries, Capital Investment and Employment Statistics, 1964

Industry	Number of establishments	Declared capital LL 1,000	Total number of workers	Average number of workers per enterprise	Average investment per enterprise, LL 1,000	Approximate capital invested per person, LL 1,000
Food Manufacturing	2,421	152,510	12,886	5.3	62.9	11.9
Beverage industries	198	43,194	1,759	8.9	218.2	24.6
Textiles	174	85,096	5,316	30.6	489.0	16.0
Clothing and shoes	330	22,280	3,786	11.5	67.5	5.9
Industries of wood (except furniture)	342	45,555	4,508	13.2	133.2	10.1
Furniture	114	16,002	1,283	11.3	140.4	12.3
Paper and paper products	59	11,420	499	8.5	133.6	22.9
Printing	263	39,106	3,270	12.4	148.7	12.0
Leather products	127	12,582	1,335	10.5	99.1	9.4
Rubber and byproducts	48	5,377	488	10.2	112.0	11.0
Chemical products	219	82,127	2,830	12.9	375.0	29.0
Nonmetallic mining	867	61,663	6,785	7.8	71.1	9.0
Ferrous and metallic industries	382	86,726	5,357	14.0	237.0	16.2
Electrical machinery, apparatus, and appliances	26	28,048	287	11.0	1078.8	97.7
Miscellaneous	1,074	114,009	12,701	11.8	106.2	89.8
Total Average	6,847	806,725	63,091	9.5	121.2	12.8

Source : Association of Lebanese Industrialists.

## Government Encouragement

Lebanon's economic policies are oriented toward providing a favorable climate for private enterprise. This is reflected in Lebanese exchange and tariff regulations, which provide for a free exchange market and a very liberal trade control policy with low import duties on raw materials and noncompetitive items. Traders and industrialists often exert opposing pressure on the Government with respect to tariff levels, but the current trend favors industry to the point of raising import duties on those relatively few items which compete with domestic production.

Lebanon's liberal policies give private investors virtually a free hand for their operation. As a further inducement to private foreign capital investment in the country, the Government passed a law on December 29, 1953, which came into effect on February 10, 1954, granting exemption from income taxes to certain new corporations or companies for a period of 6 years. Before the expiration of this period in 1960, the law was extended for a period of 6 years ending on February 3, 1965. Preparations are now being made to extend the validity of this law for a further period of 6 years. To enjoy the tax exemptions a company must (1) have as its object the exploitation of a new project, to step up the national production, contributing at the same time to the economic development of the country; (2) have a minimum initial capital of LL 1 million invested totally in Lebanon; and (3) pay out a minimum of LL 100,000 annually in the form of wages and salaries to Lebanese personnel.

Present plans for expanded industrial development in Lebanon are limited. A general lack of basic resources and skilled labor, plus unfamiliarity of local entrepreneurs in manufacturing enterprises, on the one hand, and market limitations on the other, are major handicaps to any substantial expansion of local industry. The availability of low-cost power upon completion of the Litani River development program may, however, provide certain incentives to increased industrialization in the future.

## Type of Ownership

Most industrial and commercial enterprises in Lebanon are privately owned. The government operates only certain public utility companies, the post, telephone, telegraph, the Beirut Water ser-

vice, the Beirut electricity service, the Chemins de Fer de l'Etat Libanais (CEL), the national lottery, and the tobacco monopoly. Principal foreign capital investment in Lebanon are Arab, French, British and American. United States private capital investment is mainly in the petroleum industry and Arab investment is mainly in apartment buildings. In addition there are numerous foreign investments in industry, trade and service producing activities. A large number of foreign firms, attracted by the facilities, conveniences, and specialized services which Lebanon provides, have regional representatives in Beirut. These generally maintain rented offices and have limited, if any, capital investment in Lebanon.

Many private institutions, churches, foundations, and private citizens of Western countries, particularly, the United States, have invested in a variety of church-affiliated schools, colleges, hospitals, orphanages, and other philanthropic and charitable institutions in Lebanon.

## FOREIGN TRADE

Lebanon is known for a singularly high proportion of its national income earned in the trade sector. It is estimated that 27 percent of its income arises in this sector because of its strategic geographic location, the mercantile abilities of its people, and the open-door policy which favors services in general. Because of these factors, Lebanon has developed into an entrepot and a middleman for an extensive region.

The import trade sector is engaged largely in obtaining food, textiles, clothing, and household appliances. In addition, a good portion of the consumer expenditures go to the purchase of imported petroleum products, automotive equipment, and luxury items. The country's demand for these imported products is growing rapidly, reflecting the rising purchasing power and standard of living of the Lebanese and the growth in the number of foreign visitors to Lebanon.

Lebanon's exports are largely fruits and vegetables and, to a smaller extent, textiles and industrial products. Value of exports generally amounts to about one-fifth the value of imports. Table 4 shows the relation of Lebanon's exports to imports for the years 1957 through 1963.

Table 5. — Lebanon's Foreign Trade by Commodity, 1963 <sup>1)</sup> in LL. 1,000.

C O M M O D I T Y		Imports <sup>2)</sup>	Exports
I	Live Animals; Animal Products	99005	8750
II	Vegetable Products	178700	60933
III	Animal and Vegetable Fats and Oils; Prepared edible fats, waxes	10936	3348
IV	Prepared Foodstuffs; Beverages; Spirits and Vinegar; Tobacco	63004	16324
V	Mineral Products	80749	3707
VI	Products of the Chemical and Allied Industries	71027	4480
VII	Artificial Resins and Plastic Materials; Rubber and Rubber substitutes	16324	1848
VIII	Raw Hides and Skins; Leather; Furskins; Travel goods; Articles of Guts	15695	4838
IX	Wood; Articles of wood; Cork; Manufactures of straw, Esparto etc...	29445	3206
X	Paper-making material; Paper and paper board and articles thereof	32427	6028
XI	Textiles and Textiles Articles	142111	22898
XII	Footwear; Headgears; Umbrella; prepared feathers; articles of Human Hair etc...	2758	672
XIII	Articles of stone, of plaster, of cement, of asbestos; Ceramics; glass and products	23495	3350
XIV	Pearls, precious stones, precious metals, imitation jewellery; coins	12862	2411
XV	Base Metals and Articles of Base Metals	115066	9274
XVI	Machinery and Mechanical Appliances, Electrical Equipments etc...	136139	9643
XVII	Vehicles; Aircraft; Vessels and Associated Transport Equipment	97497	11043
XVIII	Optical, Photographic, Cinematographic and precision instruments	16233	443
	All other merchandises.	13393	2367
<b>T O T A L</b>		<b>1166124</b>	<b>176339</b>

1) Excluding gold, coins, checks, and stamps and cinematographic films.

2) Adjusted at free market rate of LL. 3,0988 per U.S. Dollar.

Note: Total Imports are over-valued by 35 million Lebanese pounds because imports from Syria are recorded at the rate of SL 100 = LL 100.

Table 4. — Foreign Trade of Lebanon 1957—1963 <sup>1)</sup>  
(In million of Lebanese Pounds)

Year	Imports <sup>2)</sup>	Exports	Re. exports <sup>3)</sup>
1957	728	124	21
1958	940	95	24
1959	778	121	35
1960	930	121	37
1961	990	119	35
1962	1034	162	56
1963	1131	176	106

1) Excluding Gold, coins, checks, stamps etc and cinematographic films.

2) Adjusted at free market exchange rates.

Table 5 below gives Lebanon's foreign trade by commodity for 1959.

Table 6. — Lebanon's Foreign Trade by Country, 1) 1963, in L.L. 1,000.

Country of Origin or Destination	Value 2)	Per cent of Total	Country of Origin or Destination	Value	Per cent of Total
U.S.S.R.	13427	1.2	U.S.S.R.	2746	1.6
Sweden	11802	1.0	East Germany	2341	1.3
W. Germany	108839	9.6	West Germany	8025	4.6
Britain	82076	7.2	Great Britain	6035	3.4
Italy	84289	7.4	Iran	1107	0.6
Belgium	39300	3.5	Italy	8483	4.9
Poland	12967	1.1	Belgium	1766	1.0
Turkey	40315	3.6	Bulgaria	7351	4.2
Czechoslovakia	20845	1.8	Turkey	1212	0.7
Denmark	11651	1.0	Czechoslovakia	2227	1.3
Roumania	23149	2.2	Denmark	2006	1.1
Syria	57346	7.8	Sudan	1876	1.0
Switzerland	6673	0.6	Syria	17627	10.0
Iraq	29273	2.6	Switzerland	29232	1.6
France	111793	9.9	Iraq	6750	3.8
Finland	9526	0.9	France	7503	4.2
U.A.R.	17281	1.5	Palestine	2471	1.4
Jordan	10740	0.9	Cyprus	4542	2.6
Saudi Arabia	32712	2.9	Kuwait	16031	9.0
Austria	12746	1.1	U.A.R.	1997	1.1
Holland	32997	2.9	Jordan	19298	10.9
U.S.A.	129024	11.2	Saudi Arabia	15715	8.9
Other countries	28227	2.5	Holland	1884	1.1
Japan	179080	13.6	U.S.A.	10899	6.3
			Greece	4650	2.6
			Other Countries	18894	10.8
Total	1130900	100	Total	176339	100

1) Excluding gold, coins, checks, stamps and cinematographic films. 2) Adjusted at the free market exchange rate.

Table 6 shows Lebanon's foreign trade by country of origin and destination and the relative share of these countries in the Lebanese market as well as the relative position of each as customers for Lebanon's exports.

About half of Lebanon's imports are purchased from Western Europe and slightly over one-half of its exports are sold in the Near Eastern markets.

Lebanon follows a policy inspired by the conviction that its economy prospers best through a maximum possible degree of laissez-faire. In accordance with this policy, the authorities have sought in all negotiations and conferences with neighboring countries to remove trade barriers and restrictions on the movement of capital and on foreign travel. On the domestic scene, however, the desire of compromising between the merchants and industrialists has led the Government to take some measures that protect local industries against foreign competition.

Moved by the substantial and steadily rising deficit in its trade balance and by pressure from fruit growers and some industrialists, Lebanon continues the attempt to organize its trade on a bilateral agreement basis. Experience with the agreements has not been encouraging. Trade conducted under their terms has generally shown no smaller adverse balance to Lebanon than without them. The Government is therefore reconsidering these agreements.

## BANKING

The Bank of Lebanon is Lebanon's central bank which started operation in April 1964. Prior to that the Bank of Syria and Lebanon, a foreign private institution performed two central banking functions, the sole right of note issue and the holding of the Government's accounts. Upon expiry of the convention which granted it the right to perform these functions, the Bank of Syria and Lebanon became a regular commercial bank, one of 87 approved commercial banks which, at present, serve the Lebanese economy. They belong to a number of nationalities, 67 of them are Lebanese, 3 American, 3 British, 2 French, 2 Jordanian and one of each of the following nationalities, Belgian, Dutch, Egyptian, Italian, Iraqi, Iranian, Kuwaiti, Saudi Arabian, Tunisian and West German. In addition Lebanon has 20 banks which are non-approved i.e. their guarantees are not accepted by the government. They provide their services through both their home offices, branches and correspondents practically all over the world. The prosperous banking system of Lebanon has helped turn Beirut the capital into a regional and an international money market which finances a tremendous volume of triangular trade and financial operations encompassing all parts of the world. The political and economic stability of Lebanon have helped Beirut develop into a safety haven for capital flowing in from different markets; its developed banking and financial institutions and its close connections with world markets have contributed to its development as a world intermediary for channeling and investing of funds.

Table 7 below shows the development of bank deposits and loans and discounts over the period 1953-1963.

Table 7. — Bank Deposits, and loans and discounts,  
end of period (1953-1963)  
(in million of Lebanese Pounds)

Item	1953	1954	1955	1956	1957	1958	1959	1960	1961	1962	1963
Demand Deposits	219	246	289	307	447	443	621	716	792	971	1419
Time Deposits	19	27	39	42	50	54	78	113	138	184	261
Foreign Currency Deposits	..	54	72	82	115	136	165	369	452	449	434
Bank loans and Discounts	4320	4440	5529	6574	7155	8069	8015	10628	12977	13676	14833

Source : Lebanese Directorate General of Statistics, Ministry of General Planning

Lebanon's international financial position as reflected by available balance of payments estimates, is healthy and promising. A summary of these estimates covering 1959-1961 is given in table 1. above. They portray a unique balance of payments position which is characterized by a large and rising deficit in the trade balance, a great dependence on services to finance a larger part of this trade deficit, and a substantial inflow of capital and donations which more than cover the outstanding deficit on current account.

The trade deficit amounted in 1961 to LL 813 million compared with LL 768 million in 1960 and with LL 610 million in 1959. Foreign exchange earnings from services covered a large portion of this deficit and reduced it to LL 252 million in 1961, LL 310 million in 1960 and LL 240 million in 1959. In other words Lebanon depends on services to pay for about half of its commodity imports.

Donations (representing largely emigrants and migrating workers remittances) finance over 40 percent of the total goods and services deficit, LL 108 million out of LL 240 million deficit in 1959, LL 105 million out of LL 310 million deficit in 1960. and LL 120.2 million out of LL 253.4 million deficit in 1961.



## FINANCE

### Insurance

Supervision of operations of insurance companies in Lebanon is exercised by the Office for Control of Companies, which is part of the Ministry of National Economy. Insurance companies, are not permitted to do business in the country unless authorized by the said Ministry. Qualifying requirements for insurance companies are laid down in a law enacted on January 26, 1955.

This law requires foreign insurers to deposit with an approved bank in Lebanon a sum equal to that which would be required of a Lebanese insurance company operating in the home country of the foreign insurer; reserves must be invested in Lebanon on the same « reciprocal » basis. Generally speaking, the insurance business in Lebanon has been developed under French influence, and underwriting practices conform more or less to French methods.

There are three Lebanese insurance companies. The Oldest of the three companies was formed in 1944 and is extensively organized throughout the Middle East, operating in Lebanon, the Syrian Arab Republic, Jordan, Iraq, Saudi Arabia, Libya, and the Sudan. A second company was formed in 1947 and operates in Syria as well as Lebanon. Although these companies write all branches of insurance their principal business is reportedly fire, marine, and automobile. The third company was incorporated in 1951 and operates in Egypt as well as Lebanon.

The number of foreign insurers in Lebanon has been growing rapidly. At present 82 foreign insurance companies and agents for such companies operate in the country. The majority of them are British and French. In the casualty insurance field the most important type written by foreign insurers is automobile insurance. The market for personal accident and general liability insurance is still limited. Burglary insurance is written, but the rates charged, particularly for commercial risks, are relatively high.

Virtually all foreign insurers operating in Lebanon are represented by agents in Beirut, who, in turn, appoint subagents in other localities.

### Currency

The principal monetary unit is the Lebanese pound, or Lebanese Lira (LL.) It consists of 100 piasters and has denominations of 5, 10, 25 and 50 piasters. The par value of the Lebanese pound is 405.521 milligrams of fine gold, which is equivalent to an official exchange rate of LL 2.19 per US \$ 1 at US \$ 35 per ounce of fine gold. A new official rate for customs purposes was declared in 1965 at US \$ 1 = LL 3.08. However, since 1948 the free-market rate has been legal and is applicable to all transactions. This rate has been gradually appreciating and is now approximately LL 3.05 per US \$ 1 (see table 8 below).

Table 8. — The Free Market Exchange Rate of the  
Lebanese pound, Yearly Average, 1955-1964

Year	1955	1956	1957	1958	1959	1960	1961	1962	1963	1964
US Cents/LL 1.00	30.9	31.1	31.4	31.4	31.7	31.6	32.5	33.2	32.3	32.7

Source : Lebanese Directorate General of Statistics, Bulletin Statistique Trimestriel, 1962-1964

Beirut is the clearing center for many international financial transactions. Transactions in gold and inconvertible currencies of various types take place in Beirut, which is a center of both commodity and currency arbitrage. All payments for both current and capital transactions take place through the free market.

The law provides for hundred percent coverage for the currency by gold, foreign exchange, eligible commercial papers and loans guaranteed by the Government. Although the law only stipulates that gold and foreign exchange in the cover should not fall below 50 percent the gold in the cover amounts today to over 85 percent and it rarely fell below this level. Table 9 below gives the composition of the currency cover for the period 1948-1964.

Table 9. — Lebanon : Composition of the currency cover for the period 1950-1964  
(In LL, Millions)

End of Year	Elements of Currency Cover							Per Cent of Total	
	Currency in Circulation	Gold	Per Cent of Total	Foreign Exchange	Per Cent of Total	Treas. Bonds	Per Cent of Total		Other
1950	186	70	36	28	14	53	27	45	23
1951	208	93	45	13	6	55	26	47	23
1952	200	109	55	—	—	55	27	36	18
1953	205	127	62	7	3	54	27	17	8
1954	242	219	90	—	—	23	10	—	—
1955	266	253	95	—	—	13	5	—	—
1956	333	264	79	—	—	55	17	14	4
1957	356	309	87	—	—	47	13	—	—
1958	389	309	77	—	—	47	12	43	11
1959	400	342	86	—	—	45	11	13	3
1960	431	399	93	—	—	32	9	—	—
1961	437	399	91	—	—	38	7	—	—
1962	470	432	92	—	—	38	8	—	—
1963	505	465	92	—	—	38	8	—	—
1964	539	465	86	—	—	36	7	38	7

Source : Lebanese Republic, Official Gazette, January issues, each following the year of which the data are recorded.

## TRAVEL AND TOURISM

Lebanon, endowed with a long and colorful history, a good climate, and incomparable scenery, earns a significant percentage of its national income from tourism and related activities. In 1964, Lebanon received 711,707 foreign visitors of whom 239,531 came as passengers in transit remaining, in the country up to 3 days.

The traffic of foreign visitors to and through Lebanon has been rising steadily and impressively since the completion of the Beirut International Airport in 1950. A good percentage of visitors come from Arab countries, and many of them are summer resorters. The number of Western visitors, particularly, United States and West German citizens has been growing considerably more than the number of Arab visitors. They generally stay a relatively short time in Lebanon. Nevertheless, their percapita expenditures, is believed to be higher than that of the remaining visitors.

The number of first-class hotels, modern night clubs and other service activities which cater to the varied demands of foreign visitors has been increasing markedly. Equipment and services of hotels, restaurants and night clubs in general have been substantially improving, and the income which the country derives from this industry is increasing steadily. Owing to Lebanon's open-door policy, the up-to-date facilities of Beirut International Airport, and the geographic location of the country, a large number of international and regional airline services have been attracted to Beirut. They provide Lebanon with excellent connections with various parts of the world and offer added-encouragements for foreign travel to and through Lebanon.

## TRANSPORTATION

### Highways

The government policy has been to connect Beirut with all important cities and villages of Lebanon by good highways in order to promote domestic economic and social activities.

The highway system is generally considered adequate for the economy as a whole. The road network is largely influenced by the presence of the coastal mountain chain. The two principal roads in Lebanon are: (1) the coastal road running from Nakura on the Palestinian border (now closed) through Beirut and up through Tripoli, to the Syrian border, and (2) the Beirut-Damascus road, which climbs from Beirut over a mile-high pass through the mountains.

Secondary feeder roads run east from the coastal highway up to the mountain towns. In north Lebanon, these roads are not interconnected by any north-south road other than the coastal road. A good road runs the length of the broad Bekaa Valley. It is connected with east-west highway at the three passes across the Lebanon mountains at Marjayoun in the south, at Chitaura on the Beirut-Damascus highway, and at Homs in Syria, on the Tripoli-Aleppo road. The total length of the highways is about 3750 miles (6000 kilometers) of which some 938 miles (1500 kilometers), consist of improved roads, mostly macadamized.

Highway transport is predominant in Lebanon. In July 1964, there were 97,334 automotive vehicles in Lebanon (85,050 passenger cars, 1771 buses and 10513 trucks) as compared with 55,346 vehicles in December 1960 (46878 passenger cars, 13,89 buses and 7,079 trucks).

### Railways

The Lebanese railway system carries primarily freight most of which consists of agricultural and fuel oil products. The system faces steadily increasing competition from highway transport and suffers from the fact that much of its equipment is antiquated.

Three railway lines serve Lebanon. They are all operated by the Chemin de Fer de l'Etat Libanais (CEL) as follows:

1. The Nakura-Beirut-Tripoli line is standard-gage. This line is connected to Haifa, Palestine, but its Nakoura-Beirut section has been idle since the partitioning of Palestine in 1948.

2. A narrow-gage line runs from Beirut to Rayak (Riyak) in the Bekaa, and thence to Damascus, Syria. At Damascus this line connects with the Hedjaz railway, which runs southward through Amman to Ma'an in Jordan.

3. The standard-gage line which runs from Tripoli is connected through the Syrian and Turkish railways with the European rail network all the way to the English Channel. From Homs, Syria, a branch of the CEL line extends south and reenters Lebanon terminating at Rayak.

Total track miles in Lebanon are currently estimated at 254 miles (406 kilometers) of which 203 kilometers are standard gage and 51 (81 kilometers) are narrow-gage.

Tonnage on the Nakoura-Tripoli line is derived principally from the cement mills at Chekka. Tonnage on the Tripoli-Homs section consists mostly of trans-shipments to Baghdad, Iraq. On the Homs-Rayak line, tonnage is virtually nil, with passenger trains daily handling most of the freight. Tonnage on the Beirut-Rayak-Damascus line is made up principally of transshipments for Damascus and Jordan.

### Seaports

The two major seaports are the port of Beirut and the port of Tripoli. The port of Beirut, originally operated as a monopoly by the French concession Compagnie du Port de Quais et Entrepôts de Beyrouth is now Government-owned but still operated by the same company in accordance with an agreement signed with the Government late in 1960. The port has two harbors, which are well protected by breakwaters and can be reached in all types of weather. Seven heavy tonnage vessels can berth simultaneously alongside all quays while 10 other vessels can be moored in the harbors. Work is now underway and has reached an advanced stage, in the

of traffic through the port. Standard and narrow-gage railway construction of a third harbor to cope with the increasing volume tracks run alongside all quays, beyond which are located large, modern warehouses. A free zone is operated by the company, and the custom warehouses are also under company control. A considerable portion of the goods arriving are destined for transshipment to other commercial centers of the Middle East.

Tripoli is the country's second port, but its shallow harbor, in spite of some recent improvements makes it relatively unimportant except as a loading point for the IPC petroleum which transits Lebanon via IPC pipeline to waiting tankers.

## Airports

Excellent regional and international air passenger and cargo services are provided Lebanon by 28 foreign airlines, and 3 national airlines (Middle East Air Liban, Lebanese International Airlines, and Trans-Mediterranean Airways).

The principal airport, the Beirut International Airport, is located at Khalde, about 4 miles (6.4 kilometers) south of Beirut. It is considered to be one of the best in the Near East, with two runways (one of them 61 meters wide and 3250 meters long and the other 61 meters wide and 3180 meters long, ample taxiways, and a large and well equipped administration building. The latest safety devices for safe landing are installed at this airport. In addition there are customs facilities, tourist information service, restaurants and a bazaar in a free zone exit for the convenience of transit passengers.

Lebanon has two other airports, one at Kleiate about 14 miles (22 kilometers) northeast of Tripoli, is now out of use being reconstructed and improved. The other located at Rayak in the center of the Bekaa plain, is a military field.

All Lebanese airports are owned maintained and operated by the Lebanese government which provides essential regulatory legislation and daily administrative guidance in the Lebanese Civil aviation program, allocates air routes among its national carriers, and negotiates bilateral aviation agreements.

## COMMUNICATIONS

### Telephones

Lebanon's telephone system is owned by the government and is administered by the Ministry of Post, Telephone and Telegraph. Eleven cities (Beirut, Tripoli, Sidon, Zahle, Byblos, Jounieh, Aley, Ehden, Marj'youn, Batroun and Hammana) have an automatic dial system. There were at the end of March 1965, 66222 telephones in Beirut and 34938 telephones in other cities and villages in the country. The Beirut dial system extends to Tripoli, Sidon, Jounieh and Aley by utilization of a very high frequency communication between Beirut and each of these cities. There is underway at present a program for extending the telephone system to all rural regions; and it is expected that by the end of 1970 the telephone system would have been extended to reach every Lebanese village.

### Radiotelegraph, Radio, T. V.

Radio-Orient, a French concession located in Beirut, operates a wireless station having direct transmission to Europe and the United States. It is the only private undertaking among Lebanese telecommunications organizations.

The Government operates two broadcasting stations at Beirut. One of them is equipped with 2500 watt (medium wave) and 1000 watt (shortwave) transmitters and serves Lebanon as well as a few neighboring countries. The second is equipped with 100,000 watt and 10,000 watt (medium waves) and 1000,000 watt (short wave) transmitters to serve a much wider circle which encompasses the various countries of Lebanese emigrants.

Lebanon has two television stations. Both of them are privately owned and operated. One is equipped with a 6000 watt transmission which is raised to 60,000 watt with the help of auxiliary stations, two 500 watt transmissions and a 50 watt transmission. The second is equipped with a 10,000 watt transmission which is raised to 60,000 watt by auxiliary stations, and another small transmission of a maximum 500 watt power.

## Development Planning

Lebanon has to date no comprehensive economic development plan. Government planning is limited to certain aspects of the economy. It emphasizes private efforts and seeks to insure a favorable environment for the private sector.

The major aspects of the country's economic life where the Government has been active through some programing and with definite objectives are international trade, highways, rural development, irrigation, and electric power supply.

For rural development, the Government has a village water supply project which aims at improving living and health conditions in rural Lebanon by providing an adequate supply of wholesome drinking water to villages that now obtain water from inadequate sources. The project involves the construction of a number of domestic water supply systems for villages or groups of villages. Six districts encompassing 218 villages with a total population of 179,000 will benefit from this project.

Another project for rural development aims at connecting the various Lebanese villages with the highway system by asphalted secondary roads. The Government has recently appropriated for this purpose LL 84 million.

There is no defined road development project but serious efforts are being made to improve the main highway between Beirut and Tripoli and the highway between Beirut and Syria in the direction of Damascus. On the Beirut-Tripoli road, a 17 kilometer, modern dual highway has already replaced the old narrow portion of the road starting at Beirut. Plans for extending the new highway some 6 more kilometers have been completed, but the starting of construction has not yet been fixed. On the Beirut-Damascus road, construction work for improvement of narrow and poor sections of the road is underway.

## ESTABLISHING A BUSINESS IN LEBANON

### Government Policy on Investment

Official and private attitudes in Lebanon are favorable to the entry of foreign private capital. Lebanon's position as a center of entrepot trade and international finance, its numerous contacts with other countries through the large Lebanese emigree population, its long history of close political and religious ties with both the West and the Middle East, and the country's religious and cultural heterogeneity have combined to create among the Lebanese an international outlook and a dislike for government restrictions on economic activity.

### Entry and Repatriation of Capital

The Government's policy, as confirmed in recent years by numerous official declarations, is to encourage the entry of foreign capital. The Government, moreover, has taken positive steps to put this policy into effect. With the establishment in Lebanon, in 1948, of a free foreign exchange market, movements of funds into and out of the country (including capital and profits of foreign enterprises operating in Lebanon) have been freed of all restrictions. Foreign capital is not subject to any special registration, and it is imported and exported free of any fees, taxes, or restrictions of any type.

The law of Feb. 5, 1954, intended to encourage the investment of foreign as well as domestic capital, by exempting from income tax for a period of 6 years, new enterprises established in Lebanon under certain conditions, was renewed by Decree Law No. 8 of January 13, 1959 for a further period of six years (For details see Section on « Taxation »). At present (June 1965) a draft law stipulating extension of the validity of this law for a further period of six years, with retroactive force, has been referred to the Parliament for promulgation.

The Government has sought, also, to stimulate the inflow of capital by means of special provisions in some of its bilateral economic and trade agreements with some other countries, and by enforcing a banking secrecy law which accords complete secrecy for accounts held in banks in Lebanon.

### Foreign Ownership of Property

There are no restrictions on the ownership by foreigners of business enterprises in Lebanon other than public utilities and aviation companies. At least one-third of the capital of public utility corporations must be owned by Lebanese.

Decree Law No. 110, issued by the Lebanese Government on June 12, 1959, concerning transfer of real estate in Lebanon to foreigners, specifically supersedes the old Legislative Decree 196 of July 24, 1942, which provided that no foreigners, except Syrians, and foreigners of Lebanese origin, could obtain title to property in Lebanon for a period exceeding 9 years without obtaining special license. The new law, however, permits the transfer of certain properties to «nationals of Arab countries», whether individuals or bodies corporate, without the necessity of a special license. No national of a non-Arab country, however, can obtain title to property in Lebanon without obtaining a special license granted by the Government. The obligation of obtaining such a license also extends to corporations unless at least one third of its capital stock is held by Lebanese. The licensing requirements for non-Arab foreigners have not changed. The new law simply exempts nationals of Arab countries from the licensing requirement within the limits specified in the decree.

### Trade Factors

No special tariff or trade concessions are granted by law to new industries.

Lebanese import duties are intended generally to produce revenue, although a number of rates have been raised to provide protection for local industries. A wide variety of industrial machi-

nery and equipment, and foods in which Lebanon is deficient are allowed to enter duty free or at very low rates.

Lebanon's customs tariff levies most duties on ad-valorem basis, the average being about 16 percent calculated on the CIF value converted to Lebanese pounds at the official rate of \$ 1 equals LL 3.08 rather than at the effective free rate. This latter rate has fluctuated during the past three years within the range of \$ 1 equals LL 3.15 and LL 3.05. Special low tariff rates apply to certain imports from member countries of the Arab League; in addition many agricultural products are exchanged free of customs.

Importation of a number of commodities requires an import license issued by the Ministry of National Economy prior to shipment of the goods. The list of such products includes about 45 items already produced in Lebanon plus all machinery and equipment for factories which would compete with domestically produced goods. The prior import license is one of the principal means used by the Government to protect domestic enterprises from excessive competition. Any imports which do not fall into this commodity do not require import licenses upon their arrival into the country.

Lebanon provides a number of advantages for firms wishing to do business on an area-wide basis in the Middle East. It is centrally located and has excellent transportation facilities to the other principal centers of the area. Foreign businessmen and their families will find in Beirut all facilities including good schools and hospitals, necessary to live in comfort and health. Funds may be transferred into and out of Lebanon with complete freedom. Lebanon's close economic, political, and cultural ties with the petroleum-producing countries of the Middle East place financial and commercial firms located in Lebanon in an excellent position to profit from the rapidly growing wealth of these countries. Free zones offering facilities for repacking and processing merchandise, assembling, and manufacturing are located in the Beirut and Tripoli ports. Raw materials to be processed within the customs territory of Lebanon and reexported may be granted temporary free admission for up to six months upon payment of a deposit equal to the import duty.

In accordance with the Inter-Arab Customs and Payments Agreements which came into effect on December 12, 1953, Lebanon, Syria, Egypt, Saudi Arabia, Jordan and Iraq grant a 25 percent reduction below normal tariff rates on a substantial list of



industrial products originating in any of the other countries and grant to each other exemption from import duties on a number of agricultural and animal products. The industrial list is composed largely of food products and other light manufactures including textiles.

Manufactured products assembled or partly produced within a member country enjoy tariff preferences among signatories of the Inter-Arab Trade Agreement signed on Sept. 7, 1953 provided the amounts of local raw material and labor embodied in them, exceed 50 percent, of their cost.

Since 1952, Lebanon has concluded trade agreements with most of the countries with which it maintains trade relations. The object of this policy has been to expend Lebanon's merchandise exports and to reduce the large and steadily increasing deficit in the country's trade balance. At present approximately two thirds of Lebanon's imports and of its exports are conducted under trade agreements. The United States, the United Kingdom and West Germany are the only countries without such trade agreements which have a significant share in Lebanon's trade.

## Business Organization

All business establishments in Lebanon, domestic or foreign, are required to register in the Registry of Commerce (court record office) within a month following their establishment. Foreigners establishing a business must also have a residence permit. These are the only formal requirements for the establishment by foreigners of a commercial, industrial, or financial business not having the character of a public utility, if the enterprise takes the form of an individual proprietorship, a general partnership (*societe en nom collectif*) or a simple limited partnership (*societe en commandite simple*). The last-named type of organization has active partners who have unlimited liability for the obligations of the firm, as well as inactive partners whose liability is limited.

Requirements for establishing two other principal types of business organization — the corporation (*societe anonyme*) and the branch establishment of a foreign company — are discussed below.

The formal requirements for establishing a business are simple.

Lebanon is a small country and economic development projects of substantial significance are of direct concern to the Cabinet and the President of the Republic. Persons or firms contemplating the establishment of important enterprises in Lebanon may obtain advance informal approval of their plans at the highest Government levels.

## Corporation

The *societe anonyme* is the nearest equivalent in French commercial law to the American corporation. The Lebanese law provides that the head office of a Lebanese *societe anonyme* be in Lebanon; its minimum capitalization shall be LL 50,000 (about 16,670 U.S. dollars), completely subscribed; and the board of directors, which may number from 3 to 12, must have at least one half its members from among Lebanese nationals. For aviation companies the chairman of the board and a majority of the directors must be Lebanese.

Persons desiring to form a *societe anonyme* must fill an application signed by three founding members, along with the proposed articles of association, with the Ministry of National Economy. The latter after having obtained favorable opinions from the Ministry of the Interior and the Ministry of Justice, prepares a Presidential decree legalizing the establishment of the company. This decree, after approval by the Cabinet, is signed by the President. Thereafter the articles of association must be authenticated by a notary public and the corporation registered in the Registry of Commerce.

The law governing the establishment of a *societe anonyme* also governs the establishment of limited partnerships with share capital (*societe en commandite par actions*).

## Branch Offices

The branch office is most frequently employed by foreign corporations doing business in Lebanon. To establish such a branch, the company's board of directors must execute a power of attorney in favor of a person residing in Lebanon (usually an executive or

employee of the company who has obtained a residence permit) specifically giving him the authority to register the firm in Lebanon, represent it in court, and sign documents in the name of the company. This representative must also be provided with a copy of the company's articles of incorporation signed by responsible officials of the company and a legal document from the company's country of domicile proving that it is incorporated therein. The representative also must be supplied with a copy of a resolution of the company's board of directors authorizing the opening of the branch, nominating its responsible representative in Lebanon, and issuing the power of attorney.

These documents, legalized by a Lebanese consular official and translated into Arabic, together with an application to open the branch in Lebanon, must be presented to the Office of Companies of the Ministry of National Economy. The application is referred by the Ministry, with a draft of the necessary decree, to the Council of Ministers. As in the case of the *societe anonyme*, authorization to establish the branch takes the form of a presidential decree. A Lebanese lawyer usually is engaged to assist with these formalities.

### Special Types of Business

**Banks.** — The establishment and operation of banks in Lebanon are regulated by the currency and credit law of August 1, 1963. The application for establishment of a bank in Lebanon should be filed with the government commission at the central bank. It requires the joint approval of the central bank and the government commission.

A Lebanese bank should have a minimum paid-in capital of LL 3 million, and a foreign bank should prove that it has allocated for its operations in Lebanon a minimum capital of LL 3 million. A foreign bank should also constitute a reserve fund by allocating annually 10 percent of the net profit on its operations in Lebanon, until this fund shall equal one third of the bank's capital.

**Insurance companies.** — The establishment and operation of foreign insurance companies in Lebanon is regulated by an Insurance Law of January 26, 1955, as amended on January 12, 1956. Foreign insurance companies may register and do business in Lebanon if they are organized as corporations or limited partnerships with share capital, if they have paid-up capital of at least LL 1

million, and if their country of origin permits Lebanese insurance companies to do business therein.

A foreign company's application for registration must be accompanied by :

1. A duly authenticated copy of the company's articles of incorporation.
2. If a life insurance company, the general conditions of the insurance sold and the technical bases thereof.
3. A certificate showing that the required deposit (see below) has been made.
4. A document proving that the paid-up capital of the company is at least LL 1 million.
5. A power of attorney authorizing the company's representative in Lebanon to : (a) Keep accounts relating to insurance business done by the company in Lebanon; (b) conduct the management of the company in Lebanon and, particularly, to sign insurance policies, amendments thereto, and all documents relating to its insurance transactions; (c) represent the company in Lebanese courts and before the Ministry of National Economy; and (d) delegate to another all of the above powers.

The application for registration is not to be refused by the Ministry of National Economy except for non-compliance with the pertinent laws and regulations. The Minister consults, first, with the Insurance Advisory Committee, the membership of which is drawn largely from persons engaged in the insurance business.

An insurance company may employ up to three foreign specialists, with the approval of the Minister of Social Affairs, and, in addition, foreign companies may have a foreign manager or general agent.

Every Lebanese branch of foreign insurance company must provide a guaranty in the form of cash or approved securities deposited in a bank approved by the Government or in the form of real estate recorded at the Registry Office. The amount of this deposit or guaranty is LL 50,000 for life insurance and savings, and

LL 25,000 for each other type of insurance business done by the company.

Insurance companies shall retain in Lebanon in respect of life insurance, old age, and savings policies, funds equivalent to the aggregate mathematical reserves pertaining to contracts current in Lebanon, but the Minister of National Economy and the Minister of Finance may reduce the amount of such reserves required to be held in Lebanon by a maximum of 50 percent. With respect to all other insurance, except insurance against transport risks, companies shall retain in Lebanon assets equal to 40 percent of the premium collected in the preceding year, and with respect to risks of transport, 25 percent of the preceding year's premiums.

Mines. — The owner of land also holds title to the subsoil resources; but a concession from the Government is necessary to exploit them. No special limitations are imposed on foreign firms.

The right to explore for minerals is subject to a license issued by the Mines Section of the Ministry of National Economy. The duration of the license to explore for all categories of resources except gaseous and liquid hydrocarbons is 1 year and is renewable twice, once for 1 year and again for 2 years. The license fee is LL 500 for the first year, LL 1,000 for the first renewal, and LL 2,000 for the second renewal.

The license to explore for petroleum or gas is good for four years and is renewable twice, each time for three years. The license fee is LL 5,000 for the first 3-kilometer-square block (9 square kilometers), LL 1,250 per block for the second to the fifth blocks, and LL 250 for additional blocks.

As laid down in the mining code, the standard terms for concession which are necessary in order to exploit mineral or petroleum resources (except quarries), are as stated below.

Concessions are for a term of 75 years and can be extended for an additional 25 years. For mines, a small fee based on the area of the mine plus 5 percent annually of the value of the minerals extracted is payable to the Government.

For petroleum concessions the fees, per hectare <sup>(1)</sup> are : LL

- 1). One hectare equals 2.471 acres.

0.05 for the first and second years, LL 2 for the third year, and LL 3 from the fourth year onward.

The Government is also entitled to 5 percent of the value of the first million tons produced annually; 15 percent of the value of the second million tons produced annually; and 7.5 percent of the value of production over 2 million tons annually.

Application for a concession should be addressed to the Directorate General of Control of Concessionary Companies of the Ministry of Public Works, Beirut, Lebanon.

The law provides also for special terms if the concession is approved by Parliament. A petroleum concession granted in 1955 to a French-Lebanese group, and ratified by the Parliament, deviates substantially from the standard concession terms, particularly with respect to the payments to be made to the Government. According to the terms of this concession, which covers about a third of the territory of Lebanon, the company is to pay to the Government the following share of its net profits :

<i>Annual Production (Millions of tons)</i>	<i>Government's share of total Net profit (percent)</i>
0—1	15
1—3	20
3—4	25
4—5	30
5—6	35
6—7	40
7—8	45
8 or over	50

New petroleum concessions, should any be granted, may deviate from the standard concession terms on the scale of payments to the Government.

Public Utilities. — The establishment of a business having the nature of a public utility requires a concession, application for which must be made to the Directorate General of Control of Concessionary Companies of the Ministry of Public Works. As has been noted, corporations engaged in such business must be at least one-third owned by Lebanese nationals.

## Patents, Trademarks, Copyrights

As regards patents, trademarks, and copyrights, foreign nationals and companies enjoy the same protection under the law as Lebanese nationals and companies. Lebanon has adhered to all existing international conventions, including the Bern Convention of 1886 (as amended in 1928) and the Paris International Convention of 1883 (as amended in 1934). The governing law in Lebanon is that of January 17, 1924, promulgated by the French High Commissioner.

Applications for trademarks and patents must be presented to the Chief of the Bureau for the Protection of Commercial and Industrial Property, Ministry of National Economy, Copyrights need not be registered. Trademarks and patents are valid for 15 years, and trademarks can be renewed any number of times. Copyrights are valid for the life of the owner and continue for 50 years after his death on behalf of his heirs and assignees.

## Regulations Affecting Employment

To reside and work in Lebanon, a foreigner is required by law to have a residence permit issued by the Ministry of the Interior. Foreigners employed in Lebanon are also required to have a work permit issued by the Ministry of Social Affairs, and, in practice, self-employed foreigners are often subject to the same requirement. In general, work permits are granted to persons having skills not readily found in Lebanon and to management personnel. As a rule of thumb, the Ministry of Social Affairs permits up to three persons on the management staff of foreign establishments. However, the law is administered flexibly, and, in general, efforts are made to accommodate reasonable desires of foreign enterprises with respect to employment of foreign personnel and to administer the law in accordance with the principle of reciprocity.

Employment in Lebanon is governed by the provisions of the Labor Code of September 23, 1946. The code provides for oral or written contracts for definite or indefinite periods of time. Written contracts should be in Arabic. Labor is usually recruited directly. There are, however, a few private employment agencies as well as public employment offices. Recruitment through unions is available especially in the case of hotels, restaurants and entertainment em-

ployees whose union is well organized and has a relatively large membership.

The legal maximum hours of work per week are 48, but the Ministry of Social Affairs may lower this maximum on hazardous occupation or may increase it to 72 hours in cases of emergency. Overtime work is to be paid for at a rate at least 50 percent higher than the ordinary rate. Workers are entitled to at least 9 consecutive hours of rest each day, 36 hours of uninterrupted rest each week, and to an annual leave of 15 days on full pay. Every worker is entitled to a two days leave with pay when his father, mother, spouse, or any of his children or grandchildren dies.

The Labor Code provides for a minimum wage of LL 145 per month.

The minimum wages are exclusive of monthly family allowances, as follows: LL 10 for the spouse (the first wife only in case of more than 1), LL 10 for 1 child, LL 17.5 for 2 children, LL 25 for 3 children, LL 30 for 4 children, and LL 35 for 5 or more children.

Wage rates, per day, for unskilled labor average about LL 5—LL6 and for skilled labor LL 7—LL12. The following rates, per year, are paid by a number of foreign employers in Lebanon: Stenographers — LL 4,800 (\$ 1,600) — LL 7,200 (\$ 2,400); engineers, recently graduated from Beirut Universities — approximately LL 9,600 (\$ 3,200) — LL 12,000 (\$ 4,000); bookkeepers — LL 4,800 (\$ 1,600) — LL 7,200 (\$ 2,400) and drivers — LL 3,000 (\$ 1,000) — LL 4,000 (\$ 1,333).

A social security law has recently been put in force. However, the Labor Code provides for rather liberal dismissal payments amounting to 1 month of pay for each year of service, with a maximum of 20 months' pay. An employee who has reached the age of 60 or who has been employed by the same firm for 25 years may demand his discharge and claim his dismissal indemnity. Women workers who leave their employment in order to marry are also entitled to their dismissal indemnity.

The Labor Code also provides for sick leave of one month with full pay and one month half pay for a person who has been employed by a firm between 2 and 4 years; 1 1/2 month full pay and 1 1/2 month half pay for a person who has been employed between 4 and 6 years; 2 months full pay and 2 months half pay for em-



ployment between 6 and 10 years; and 2 1/2 months full pay and 2 1/2 months half pay for a person who has been employed for 10 years and more. If any employee's disability results from an occupational disease or an industrial accident he is entitled to payments up to the following maxima: (1) For permanent total disability 1,800 days' pay for employees below 35 years of age, 1,500 days' pay for employees 35 to 50 years of age, and 1,200 days' pay for employees over 50 years of age; (2) for permanent partial disability, compensation proportional to the loss in the employee's capacity to earn; and (3) for temporary disability, compensation equal to three-fourths of the employee's pay during the period of his disability.

Death resulting from hazards connected with employment entitles the deceased's heirs to a maximum compensation of 1,000 day's plus LL 100 for funeral expenses. Deaths from any other cause entitles the heirs to the indemnity which would have been due the employee had he been discharged.

Pregnant women are entitled to 40 days of maternity leave with pay.

The literacy rate in Lebanon is higher than in any of the other Arab states in the area and is officially estimated to be between 85 and 90 percent. Labor, especially unskilled labor and white collar workers is plentiful.

Some 30 percent of all commercial and industrial workers belong to unions. Most of the 82 existing unions are weak, but a few, including the Railroad Workers, the Bank Employees, and the Hotel, Restaurant and Entertainment Employees and Workers, Port Company Employees and Tobacco (Regie) Employees have acquired significant bargaining power. The Labor Code accords workers the right to strike. Labor disputes which are not settled by direct negotiations between the employer and the employees are referred to the Ministry of Social Affairs, which attempts to reconcile the two points of view.

Conciliation committees are created by the Ministry on an ad hoc basis, and the Labor Code provides for the establishment of a Labor Arbitration Council in each district. Organized labor in Lebanon has pressed for some demands for the past two years: many of the disputes having arisen from demands of workers for more wages, better working conditions and high cost of living.

## Taxation

The burden of taxation is relatively light in Lebanon; total Government receipts amount to some 15 to 18 percent of national income as compared with 20 to 25 percent in the United States.

An income tax is assessed on all income-producing establishments, undifferentiated as to type of organization. The rates, after deduction (in the case of individual proprietors and active members of partnerships) of LL 1,500 for unmarried persons, LL 2,400 for married persons, and LL 3,000 for married persons with families are shown in Table 10 below.

Table 10. — Lebanese income tax rates.

LL		On income of industrial, commercial, and financial establishments (percent)	On income of other establishments (percent)
Up to	5,000	5	4
From	5,000 to 15,000	7	5
	15,001 to 25,000	9	7
	25,001 to 35,000	13	10
	35,001 to 50,000	17	13
	50,001 to 75,000	22	17
	75,001 to 100,000	27	22
	100,000 to 250,000	32	27
	250,001 to 750,000	37	32
	750,001 and above	42	37

Wages and salaries are not taxed under the foregoing schedule, but according to the following rates (after deductions).

LL		Percent
Up to	4,800	2
From	4,801 to 8,400	3
	8,401 to 12,000	4
	12,001 to 24,000	5
	24,001 to 36,000	6
	36,001 to 48,000	8
Over	48,000	10

In addition to the income tax a special municipal tax amounting to 10 percent of the assessed income tax is enforced.

Income tax is assessed on net profits realized during the year preceding the year of assessment. Net profits are defined as total income of the business concerned less operating expenses. The tax is levied on any such earnings which are realized in Lebanon regardless as to whether the tax payer, a real or legal person, is or is not a resident of Lebanon, and even if his salary is also taxed in his country of origin.

Legislation enacted on February 5, 1954, exempts from income tax for a period of 6 years from the date of formation, companies established within 5 years of the enactment of the law. Before the expiration of this period in 1960 the law was extended for a further period of 6 years ending February 1965. Preparations for extending the validity of this law for another six year period are underway. To enjoy the tax exemption a company must meet the following conditions :

1. Have as its object the exploitation of a new project, to step up the national production, contributing at the same time to the economic development of the country;
2. Have a minimum initial capital of LL 1 million invested totally in Lebanon;
3. Pay out a minimum of LL 100,000 annually in the form of wages and salaries to Lebanese personnel.

If in any one year during the second six years, the company should fail to meet any of the three basic conditions, it will be liable to pay double the amount of tax due during that particular year.

A tax is collected from owners of built-up property. Built-up property consists of buildings of all types and the land attached thereto, provided its area does not exceed 1,000 sq. meters. The tax is levied on the total income from the property, whether earned or imputed. It consists of (a) 1 1/2 of the rental value of the property which accrues to the government, and (b) a municipal tax which should not exceed 3 percent of the rental value. The actual rate of the municipal tax is fixed for each municipality by the respective municipal council. The rental value is obtained from the lease contract if the building is rented. If it is occupied by its ow-

ner, its rental value will be imputed by a special commission of evaluation. No deductions from the actual or imputed rental value are made except in the case of central heated and air conditioned apartments which have elevators and a resident doorkeeper. The rental value of such apartments is reduced by 10 percent before the tax is assessed.

The principal excise taxes are as follows in Lebanese pounds per liter : Gasoline. 0.18 (LL 0.14 goes to the Treasury and LL 0.04 to the Municipality); kerosene 0.0650 (LL 0.0450 goes to the Treasury and LL 0.02 to the Municipality); Acetone 0.30/degree (the rate is per degree per liter and the tax goes to the Treasury in full); beer LL 0.07; wine LL 0.08; arak LL 0.030 (per degree/liter); other beverages and white industrial alcohol, LL 0.01 (per degree/liter); colored industrial alcohol LL 0.003 (per degree/liter); another principal excise tax is the one on cement at LL 5.00 per metric ton.

Civil and commercial documents are subject to stamp tax which is either proportional or fixed. (1) Fixed fees, the rate of which depends on the type of the transaction, range between LL 1.00 and LL 50.00 per transaction; (2) proportionate fees, which depend on the value of the transaction is at the rate of 0.2 percent of the sum enunciated.

On April 5, 1956, a bill was passed imposing certain new taxes to finance reconstruction of houses destroyed or damaged by the earthquake of March 16, 1956. This bill was renewed, extending the period where taxes were to be collected until 1967. These taxes include the following : (1) A surtax of 3 percent on the amount of the income and built-up property taxes if such amount exceeds LL 1,000; (2) an additional tax of 1.25 piasters (1 per liter of gasoline, and taxes of one piaster per liter of gas oil and fuel oil; (3) additional import duties, amount of increase not specified, on imported articles; and (4) an additional tax of 5 percent on registration of real estate sold to non-Lebanese.

- (1) One Lebanese pound (LL) equals 100 piasters.

## TRAVELLER'S BAGGAGE REGULATIONS

Tourists or commercial travellers coming to Lebanon require a Lebanese entry visa which may be obtained from Lebanese Embassies, Legations and Consulates abroad. An exit visa, necessary only for tourists whose stay in Lebanon has exceeded 3 months, can be obtained from the Surete General, Controle des Etrangers.

## CUSTOMS REGULATIONS

### Duty-free Goods

Personal effects. — Personal effects of commercial travellers and tourists to Lebanon are admitted duty free and cover the following items: Individual wearing apparel and luggage, personal jewelry up to 500 grams in weight, 2 cameras with 4 films, 1 small movie camera, binoculars and personal musical instruments, 1 phonograph with 20 records, 1 radio, 1 typewriter, a traveling rug, baby carriage, camping outfit, fishing outfit. 1 firearm for hunting (subject to licensing), 200 cigarettes or 25 cigars or 200 grams of tobacco, (in the summer season this quantity is increased to 500 cigarettes, 100 cigars, and 500 grams of tobacco), 1 bottle of wine, one bottle of spirits, toilet waters, not exceeding 1/2 liter; coffee, tea, and other foodstuffs in reasonable quantities for personal use.

Gifts. — The Lebanese customs law has no provision for special treatment of articles brought into Lebanon by travellers as gifts. Such articles are subject to the same customs duties and treatment as regular commercial shipments. However, a fairly liberal allowance is made when gifts intended for distribution in Lebanon are carried as personal luggage. No customs fees are imposed on gifts purchased en route which will accompany the traveller on departure from Lebanon.

Visitor's automobiles. — A traveller is permitted to bring into Lebanon an automobile duty free on a triptyque (if only one country is to be visited) or carnet de passages en douanes (if more than one country is to be visited). In addition, an international driving permit, international license plates, and international registration certificate are acceptable in Lebanon. These can be obtained through most automobile associations. Automobile insurance al-

though not required is recommended. The rule of the road is to drive on the right.

Samples and advertising materials. — Samples and advertising matter of no commercial value, catalogs, and price lists are admitted free of duty. However, no article of gold or silver, or any article of jewelry would be considered as a sample. All samples of commercial value are subject to the duty applicable to ordinary shipments of the goods represented.

### *Restricted Items*

Firearms, ammunition, explosives, inflammable materials, and narcotic drugs are forbidden to be brought into Lebanon by tourists or commercial travellers.

## EXPORT REGULATIONS

No export license is needed for tourist gifts mailed from Lebanon. All packages should be wrapped carefully and tied with string. They must not be sealed with scotch tape or similar materials. All packages are subject to a customs check, but this is rarely done. The Beirut Post Office is located in the center of the city.

## EXCHANGE REGULATIONS

Lebanon has no foreign exchange restrictions. Unlimited quantities of foreign exchange may be freely imported and exported without declaration. The export of gold, however, requires a license.



It is hereby certified that the foregoing is a true and correct copy of the original as the same appears in the files of the Department of the Interior.

Very truly yours,  
Secretary of the Interior

Approved: \_\_\_\_\_  
Special Agent in Charge

**DEPARTMENT OF THE INTERIOR**

UNITED STATES OF AMERICA  
BUREAU OF LAND MANAGEMENT  
WASHINGTON, D. C.

**MINERAL RIGHTS**

WHEREAS, certain mineral rights have been discovered on the above described land, and it is deemed proper to issue a lease therefor, it is hereby ordered that a lease be issued to the applicant for the purpose of exploring for and producing oil, gas, or other minerals.

This lease is subject to the provisions of the Mineral Leasing Act of 1920, as amended, and the rules and regulations thereunder.

