Executive Summary:

Lebanon is open to foreign direct investment and has many advantages that have encouraged foreign companies to set up offices in the country. These include a free-market economy, the absence of controls on the movement of capital and foreign exchange, a well-developed banking system with strong financial soundness indicators, a highly-educated labor force, good quality of life, and limited restrictions on investors. However, some issues continue to cause frustration among local and foreign businesses, such as red tape and corruption, arbitrary licensing decisions, an ineffectual judicial system, high taxes and fees, and weak enforcement of intellectual property rights.

The formation of the cabinet in February 2014 – after a stalemate of eleven months – created a positive climate and led to a slight improvement in economic activity. This spurred S&P to revise its outlook for Lebanon from negative to stable in April 2014. However, political risk perceptions remain high in 2014, given the continuing turmoil in Syria and in the region and its adverse impact on Lebanon. Moreover, uncertainty prevails about the presidential and parliamentary elections being held in a timely manner in May and November 2014 respectively. On the security front, the cabinet took measures to counter security threats, but the security environment continues to represent a major challenge leading investors to adopt a wait-and-see attitude. The public deficit and public debt could be a growing issue of concern for investors, but given the high liquidity in the domestic banking sector and continued growth in deposits, the Government of Lebanon (GoL) should not face difficulties in rolling over sovereign maturities in 2014. The Central Bank publicly asserted that it will continue to maintain monetary and financial stability, reassuring investors that there will be no debt defaults or currency depreciation.

The business climate will remain sensitive to domestic and regional political and security developments. Spillovers from the Syrian crisis will continue to impact growth, which is expected to remain below potential in the near term. There is also laxity among the political class to endorse structural reforms and legislation to stimulate growth, encourage private sector development and create jobs. The launch of the first bid round for offshore oil and gas exploration on April 30, 2013 was still pending as of May 2014, because the cabinet's approval of two decrees – the model Production Sharing Agreement and the delineation of the ten offshore blocks – is required for the licensing round to proceed.

Lebanon is keen to attract U.S. investment because of its state-of-the-art capabilities in technology, know-how and competitiveness. Significant potential opportunities for U.S. oil companies exist in the energy sector, namely oil and gas exploration. U.S. firms are also well positioned to invest in the upgrading of Lebanon's power plants to operate on natural gas, the construction of an LNG pipeline along the coast from northern to southern Lebanon with subsequent extensions, and the development of terminals and storage facilities. Moreover, there are tremendous opportunities in energy-related sectors, as Lebanon intends to rely on renewable energy for 12 percent of its needs by 2020. Other potential opportunities exist in the information and communication technology, health, and agribusiness sectors.

1. Openness to, and Restrictions Upon, Foreign Investment

Lebanon is a country that traditionally has remained open to foreign direct investment. Over the last ten years, the GoL has passed several laws and decrees to encourage such investment. The Investment Development Authority of Lebanon (IDAL) possesses the authority to award licenses and permits for new investment in specific sectors. IDAL also has the authority to grant special incentives, exemptions, and facilities to large projects, whether implemented by local or foreign investors. IDAL has further expanded its support to encourage agricultural exports through a new program, Agri-Plus, providing financial incentives and different promotional and marketing activities to qualified exporters. IDAL is currently working to promote investment opportunities in Business Process Outsourcing, specifically in the outsourcing of IT services. Furthermore, IDAL facilitates the creation of strategic international and local partnerships through joint ventures, equity participation, acquisition, and other mechanisms. It provides legal and administrative advice as well as sectoral studies to support potential investors. IDAL processed three projects in 2013 deemed eligible to benefit from incentives based on the Investment Law No. 360. Updated information on IDAL and its incentives can be found on their http://www.investinlebanon.gov.lb/.

Lebanon’s economy performed sluggishly in 2013 for the third consecutive year but remained resilient, despite the country’s political stalemate, deteriorating security conditions, and impacts of the conflict in Syria on Lebanon. The economy avoided a contraction in real terms and maintained monetary and financial stability. The economic slowdown is attributed to spillover from the Syrian crisis into the domestic political and security environment, which discouraged investment and tourism and affected Lebanese exports via land routes. Some mitigating factors, such as an influx of returning Lebanese expatriates and increased spending by Syrians in Lebanon, helped to partially alleviate these negative trends. According to the most recent projections made following the International Monetary Fund’s (IMF) Article IV mission in May 2014, Lebanon’s real GDP growth was estimated at 2.5 percent for 2012, and the IMF revised upwards its Economic Outlook growth estimates for 2013 and 2014 to 1.5 percent and around 2 percent, respectively. The World Bank in its April 2014 Lebanon Economic Monitor forecasted real growth of 1.5 percent in 2014, compared to 0.9 percent in 2013 and 2.2 percent in 2012. The economy witnessed a slight improvement in the first quarter of 2014 following cabinet formation, but growth continues to be driven mostly by household consumption, as investors adopt a wait-and-see attitude, delaying major investment decisions. The presence of an estimated 1.5 million Syrians seeking refuge in Lebanon has boosted domestic consumption of goods and services. Although financial inflows increased in 2013, they were not enough to offset the country’s rising trade deficit. However, Lebanon’s balance of payments (BoP) deficit was smaller in 2013, at $1.1 billion compared to $1.5 billion in 2012 and $2 billion in 2011. In the first quarter of 2014, the BoP recorded a surplus of $162 million, compared to a deficit of $62.2 million in the corresponding period of 2013.

Some issues continue to cause frustration among local and foreign businesses. Impediments include red tape and corruption, arbitrary licensing decisions, complex customs procedures, archaic legislation, an ineffectual judicial system, high taxes and fees, flexible interpretation of laws, and weak enforcement of intellectual property rights. The World Bank/International Finance Corporation (IFC) in its 2014 Doing Business report ranked Lebanon 111 out of 189 countries worldwide and 9 out of 18 MENA countries in terms of ease of doing business. Lebanon improved in two out of the 10 indicators considered: resolving insolvency (up by 38 spots) and protecting investors (up by 2 spots). Lebanon's scores fell in the categories of starting a business, dealing with construction permits, getting electricity, registering property, getting credit, paying taxes, trading across borders, and enforcing contracts.

The government continues to express a strong commitment to improving the business environment as well as encouraging domestic and foreign investment and public-private partnerships, but some efforts have slowed. The Ministry of Economy and Trade's (MoET) amendments to the Code of Commerce to further streamline business and intellectual property legislation are still pending parliamentary approval. The MoET has revitalized efforts to support micro- and medium-sized enterprises and start-up firms. It also introduced e-registration for copyright and trademarks. A revised Public-Private Partnership (PPP) Law is being discussed in the Budget and Finance parliamentary committee, but official sources believe it could take several months to pass, after parliamentary elections scheduled for November 2014. In anticipation of the passage of the PPP Bill, the Higher Council for Privatization issued in February 2014 guidelines for PPP posted on its website: www.hcp.gov.lb/. Ratification of the PPP legislation could open new opportunities for local and international private sector investment in Lebanon. In 2013, 55 foreign companies, including three U.S. companies, opened offices or branches in Lebanon, according to statistics from the MoET.

Lebanon received mixed results in the World Bank's 2012 World Governance Indicators. The results showed minor improvements but still reflected a weak level of governance in Lebanon. Regarding individual indicators used in the survey, Lebanon's ranking improved in terms of voice and accountability, political stability, and control of corruption, and regressed in terms of government effectiveness, regulatory quality, and rule of law. Meanwhile, the World Economic Forum's 2013-2014 Global Competitiveness Index ranked Lebanon 103 out of 148 countries worldwide in terms of the level and quality of institutions, policies, and factors that determine the productivity of a country. According to the report, Lebanon continues to rank poorly in terms of infrastructure, macroeconomic stability, the supporting institutional environment, and innovation.

The government's priority is to maintain stability, given regional turmoil. However, it recorded progress on some sectoral fronts in 2013: continued work to upgrade and expand telecommunications services; the Ministry of Energy and Water (MoEW) contracted tenders to increase electricity production by 700 megawatts (MW), and also contracted two barges to provide 270 MW of additional power; and the Petroleum Authority (PA) Board launched the first offshore licensing round for oil exploration on April 30, 2013. These projects offer opportunities for U.S. technology and investors.

Lebanon is consistently rated near the bottom of the world in terms of internet download speeds, but speed has improved in recent years, including in 2013. Lebanon's connection to the submarine IMEWE (India-Middle East-Western Europe) ultra-high capacity fiber optic submarine cable, and its recent purchase of 25% of Cyprus' Alexandros cable have gradually resulted in higher internet speeds across the country. Lebanon and Cyprus signed an MoU for the construction of the EUROPA high-capacity submarine cable to link both countries, which is expected to be ready by 2015. The Ministry of Telecommunications (MoT) commissioned international consultancy firm Booz & Co. to "validate, complement and extend" its study on restructuring the IT sector. The plan includes amendments to Law 431 (on the privatization of telecommunications, endorsed in 2002), taking into consideration new developments in the information technology (IT) sector such as mobile virtual network operators, liberalization of services, content providers, and other issues. The ministry's new plan for the sector appears to represent a retreat, however, from the scope of earlier privatization commitments it made under previous governments. It keeps ownership of underlying infrastructure and control over telecommunications revenues firmly in the ministry's hands. The plan awaits cabinet approval before it can be implemented, while the amendments to Law 431 will require parliamentary ratification.

Meanwhile, the MoT continued its expansion plan for mobile networks. The MoT is implementing projects to improve landline and mobile network infrastructure, to enhance coverage and quality of service, and to expand internet bandwidth. The MoT's broadband expansion connecting local telephone centers with fiber optic networks should be completed in 2014. In the mobile sector, the MoT launched 3G services in October 2011 available across the country. Limited 4G data services were launched in May 2013 and will gradually expand in scope and geographical coverage. International cell phones and Blackberries don't necessarily work in Lebanon without a local SIM card. Lebanon is also outside some major telecom companies' global data plans (e.g. TMobile). In September 2012, Beirut Digital District, a pilot project for a state-of-the art business incubator and accelerator, was launched, while the MoT hopes to set up additional hubs outside the capital. Meanwhile, the GoL continues to contract the management of the two government-owned cellular companies to private operators, whose management contract was extended in March 2014 for three months, and the GoL is expected to launch a new tender when this latest extension expires. The Telecommunications Regulatory Authority (TRA) Board's term in office expired in February 2012 and the cabinet has not appointed a new board since that time. According to Law 431, the TRA Board cannot be renewed; however, the acting TRA Chairman remained in place and the TRA continues to operate under the oversight and approval of the Minster of Telecommunications.

As for the power sector, in 2012, the MoEW contracted three projects to increase power production by an additional 700 megawatts (MW) for a total cost of $850 million, based on Law 181 from September 2011. Work started in 2013 on two new power plants (by the same contractor) using reciprocating engines for Jieh (south of Beirut) and Zouk (north of Beirut), together providing a total of around 280 MW. The MoEW also contracted the construction of a 550 MW power plant in Deir Ammar (north Lebanon) in the first quarter of 2013, and site mobilization started in March 2014. When ultimately completed, these projects will add about 800 MW in new capacity. These projects are part of the MoEW policy paper for the power sector endorsed by the cabinet in June 2010, which aims to reach gradually 4000 MW of generation capacity by 2014; however, delays in project implementation, in part due to payment issues, will thwart efforts to reach the target date.

Lebanon is open for offshore oil exploration. On April 18, 2013, the MoEW prequalified 46 international oil companies (IOCs), including four U.S. firms, (out of 52 participants from 25 countries), to participate in Lebanon's first offshore licensing round on April 30, 2013, but has had to postpone the bid deadline four times since November 2013; the latest deadline is August 14, 2014, assuming that the cabinet endorses two decrees - one a model Production Sharing Agreement and the other the delineation of the ten offshore blocks - required for the licensing round to proceed. The cabinet's approval was still pending as of mid-May 2014. If the cabinet approves the two decrees in May 2014, then the contract award could occur by the end of 2014 or first quarter of 2015, and drilling could start at the end of 2015 or the beginning of 2016. Moreover, in January 2014, the MoEW signed a contract with U.S. company Neos Geosystems to perform an airborne onshore survey of the subsurface of the northern part of Lebanon, to help better understand hydrocarbon prospects onshore. Meanwhile, the Petroleum Administration (PA) has completed a draft onshore exploration law as well as a draft petroleum tax law, although both bills need to be approved by the Cabinet and then by Parliament. Information and documents are available on the PA website: http://www.lpa.gov.lb.

The maritime dispute with Israel over the extent of each nation's claims on the area of the Exclusive Economic Zone (EEZ) creates additional uncertainty for IOCs that might otherwise be interested in prospects for exploration activities in the blocks that include the disputed waters. In addition, Lebanon's regulatory framework and capacity in the hydrocarbons sector is still being developed and is largely untested when it comes to dealings with international companies.

The MoEW is keen to attract private sector participation in water and wastewater projects. In March 2012, the cabinet approved the national water sector strategy that included construction of dams, hill lakes, transmission and distribution networks, storage tanks and consumer meters. In October 2012, the cabinet passed the national strategy for the wastewater sector. If implemented, both plans offer good opportunities for U.S. technology.

Other infrastructure projects also offer opportunities to foreign investors. The Council for Development and Reconstruction (CDR) is responsible for tendering and procuring funding for government physical infrastructure projects (electricity, telecommunications, roads, and public transport); social infrastructure (education, public health, social and economic development, land use, and environment); basic services (water supply, wastewater, and solid waste management); and productive sectors (agriculture, irrigation, ports, airports, tourism, and government buildings). Public infrastructure opportunities lie primarily in roads and highways, ports, electricity, education, solid waste management, wastewater, and water supply. As of the end of 2013, the CDR possessed a total of $1.4 billion in loans and agreements ratified by parliament but not yet disbursed.

A foreigner can establish a business under the same conditions that apply to a Lebanese national, provided that the business is registered in the Commercial Registry. Foreign investors who do not manage their business from Lebanon do not need to apply for a work permit. However, foreign investors who own and manage their business from Lebanon must apply for an employer work permit and a residency permit. The employer work permit stipulates that the investor's share in the capital be not less than $67,000 and that the investor pledge to hire three Lebanese and register them at the National Social Security Fund (NSSF) within six months. All companies established in Lebanon must abide by the Lebanese Commercial Code and regulations, and are required to retain the services of a lawyer. The judiciary upholds the sanctity of contracts. There are no sector-specific laws on acquisitions, mergers, or takeovers, except for bank mergers. Bidding criteria are clear and non-discriminatory but the evaluation process is often opaque.

Lebanese law does not differentiate between local and foreign investors, except in land acquisition (see property section below). Foreign investors can generally establish a Lebanese company, participate in a joint venture, or establish a local branch or subsidiary of their company without difficulty. Specific requirements apply for holding and offshore companies, real estate, insurance, media (television and newspapers), and banking.

The establishment of joint-stock corporations, limited liability, and offshore and holding companies is allowed under Lebanese law. A joint-stock corporation (Societe Anonyme Libanaise - SAL) is governed by Legislative Decree No. 304, dated January 24, 1942, under the Commercial Code. Limitations related to foreign participation include a general limitation on management participation (Article 144 stipulates that the majority of the board of directors should be Lebanese); indirect limitation with regard to acquisition of capital shares (Article 147); limitation on capital shares with regard to public utilities (Article 78); and limitation on capital shares and management with regard to exclusive commercial representation (Legislative Decree No. 34/67, dated August 5, 1967). In the financial sector, most establishments, including those in banking and insurance, must take the form of a joint-stock company.

A limited liability company (Societe a Responsabilite Limitee - SARL) is governed by Legislative Decree No. 35, dated August 5, 1967. It can be fully owned by non-Lebanese, and the management of the company can be controlled by non-Lebanese.

Holding and offshore companies follow the legal form of a joint-stock corporation and are governed by Legislative Decree No. 45 (on holdings) and Legislative Decree No. 46 (on offshore companies), both dated June 24, 1983, and amended by Law No. 19, dated September 5, 2008. A foreign non-resident chairman/general manager of a holding or an offshore company is exempt from the obligation of holding work and residency permits. Law No. 772, dated November 2006, exempts holding companies from the obligation of having two Lebanese persons or legal entities on their board of directors. All offshore companies must register with the Beirut Commercial Registry. Offshore banking, trust, and insurance companies are not permitted in Lebanon.

Law No. 296, dated April 3, 2001, which amended the 1969 Law No. 11614, governs foreign acquisition of property. The 2001 law eased legal limits on foreign ownership of property to encourage investment in Lebanon, especially in industry and tourism; abolished discrimination for property ownership between Arab and non-Arab nationals; and lowered real estate registration fees from six percent for Lebanese and 16 percent for foreigners to five percent for both Lebanese and foreign investors. The law permits foreigners to acquire up to 3,000 square meters of real estate without a permit, as acquiring more than 3,000 square meters requires cabinet approval. Cumulative real estate acquisition by foreigners may not exceed three percent of total land in each district. Cumulative real estate acquisition by foreigners in the Beirut region may not exceed 10 percent of the total land area. The law prohibits acquisition of property by individuals not holding an internationally recognized nationality. This restriction is primarily aimed at preventing Palestinian refugees residing in Lebanon from permanently settling in the country.

Measure	Year	Index/Ranking
TI Corruption Index	2013	127 of 177
Heritage Economic Freedom	2014	96 of 178
World Bank Doing Business	2014	111 of 189
Global Innovation Index	2013	75 of 142
World Bank GNI per capita	2012	$ 9,190

2. Conversion and Transfer Policies

There are no restrictions on the movement of capital, capital gains, remittances, dividends, or the inflow and outflow of funds. The conversion of foreign currencies or precious metals is unfettered. Foreign currencies are widely available and can be purchased from commercial banks or money dealers at market rates. There are no delays in remitting investment returns except for the normal time required by the banks to carry out transactions. There are no surrender requirements for profits earned overseas.

3. Expropriation and Compensation

Land expropriation in Lebanon is relatively rare. The Law on Expropriation (Law No. 58, dated May 29, 1991, Article One), as well as Article 15 of the Constitution, clearly specifies that expropriation must be “for the public utility” and calls for fair and adequate compensation. Compensation is paid at the time of expropriation and is often perceived as below market value. The government does not discriminate against U.S. investors, companies, or their representatives in expropriation.

The government, with the agreement of the parliament, established three real estate companies to encourage reconstruction and development in Greater Beirut: private corporation Solidere for Beirut’s downtown commercial center; public company Elyssar for the southwest suburbs of Beirut; and public company Linord for northern Beirut. Linord has been dormant for years and Elyssar’s projects have stalled since 2007. These companies have been granted the authority to expropriate certain lands for development; although in doing so, they have faced serious legal challenges from landowners and squatters. Several court cases are still pending against Solidere after 18 years of litigation.

4. Dispute Settlement

Over the last few years, the government has faced problems with previously-awarded contracts and resorted to international arbitration to resolve them. In 2005, the International Chamber of Commerce’s Arbitration Court issued rulings favorable to the two private operators of the cellular network, Cellis (which was two-thirds owned by France Telecom) and Libancell, whose contracts were terminated by the government in 2001. The government negotiated a settlement and paid them compensation. The government has also settled a dispute with a Chinese contracting company working to expand the northern port of Tripoli.

Cases in Lebanese courts are not settled rapidly because of archaic procedures, a shortage of judges, inadequate support structures, and a traditional slowness in the handling of cases. Commercial litigation in Lebanese courts takes, on average, eight to 10 years. Politicians and powerful lobbying groups sometimes interfere in the court system. Local courts accept investment agreements drafted subject to foreign jurisdiction, if they do not contradict Lebanese law. Judgments of foreign courts are enforced subject to the “exequatur” obtained.

The Commercial Code (Book No. 5, Articles 459-668) and the Penal Code govern insolvency and bankruptcy. By law, a secured creditor has a right to share in the assets of a bankrupt party. Verdicts involving monetary values in contract cases are made according to the currency of the contract or its equivalent in Lebanese Lira at the official conversion rate on the day of the payment. Workers can resort to the Labor court and the National Social Security Fund to recover pay and benefits from local and foreign firms in bankruptcy.

International arbitration is accepted as a means for settling investment disputes between private parties. The Lebanese Center for Arbitration was created by local economic organizations, including the four Lebanese chambers of commerce, industry, and agriculture. The Center acts as an arbitrator in solving domestic and international conflicts related to trade and investment. Its statutes are similar to those of the International Chamber of Commerce in Paris.

Lebanon has an administrative judicial system that handles all kinds of disputes involving the state. The government accepts binding international arbitration of investment disputes related to contracts between foreign investors and the state. In the case of a concession or a project granted by contract by the state, the government does not accept binding international arbitration unless the contract includes an arbitration clause that obtained prior approval by cabinet decree. However, there is an exception for investors of countries that have achieved a signed and ratified investment protection agreement with Lebanon that stipulates international arbitration in case of dispute. Lebanon is a member of the International Center for the Settlement of Investment Disputes (ICSID - Washington Convention). In 2007 Lebanon ratified the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards. Lebanese law is in conformity with both conventions.

5. Performance Requirements and Investment Incentives

The law imposes no performance requirements on investments. There are no requirements on foreign investors regarding geographic location, amount of local content, import substitution, export expansion, technology transfer, offset requirements, or source of financing. Investors are not required to disclose proprietary information as part of the regulatory approval process, except in the case of banks, which must obtain the Banque du Liban’s (BdL, Lebanon’s central bank.) approval for transfer of ownership of shares in most cases (BdL circulars are posted on http://www.bdl.gov.lb).

Foreign investors enjoy the same incentives as local investors. Foreigners doing business in Lebanon through a company, factory, or office must have work and residency permits. There are no discriminatory or excessively onerous visas, residence, or work permit requirements. Registration with a chamber of commerce is required for the import and handling of a limited number of products that are subject to control requirements for safety reasons, but products with special import requirements constitute less than one percent of total tradable goods. Registration at the chambers of commerce is required for ensuring that established facilities meet safety, handling, and storage requirements.

The Investment Law divides Lebanon into three investment zones, with different incentives provided in each zone, and it encourages investments in the fields of technology, information, telecommunications and media, tourism, industry, and agriculture and agro-industry. Incentives include facilitating issuance of permits for foreign labor, tax incentives ranging from a 50 percent tax reduction for five years on income tax and tax on the distribution of dividends to total exemption of these taxes for 10 years starting from the date of operation (tied to the issuance of the first invoice), and exempting companies that list 40 percent of their shares on the Beirut Stock Exchange from income tax for two years. The Investment Law also allows for the introduction of tailor-made incentives through package deals for large investments projects, regardless of the project's location, including tax exemptions for up to 10 years, reductions on construction and work permit fees, and a total exemption on land registration fees. IDAL may exempt joint-stock companies that benefit from package deal incentives from the obligation of having a majority of their board of directors be Lebanese (Law No. 771, dated November 2006). Investors who seek to benefit from facilities in the issuance of work permits under "package deals" must hire two Lebanese for every foreigner and register them with the NSSF. Amendments to the Investment Law that would increase incentives provided to companies and increase the pool of start-ups operating in the ICT sector that could benefit from the incentives await parliamentary approval.

Other laws and legislative decrees provide tax incentives and exemptions depending on the type of investment and its geographical location. Industrial investments in rural areas benefit from tax exemptions of six or 10 years, depending on specific criteria (Law No. 27, dated July 19, 1980, Law No. 282, dated December 30, 1993, and Decree No. 127, dated September 16, 1983). Exemptions are also available for investments in south Lebanon, Nabatiyeh, and the Bekaa Valley (Decree No. 3361, dated July, 2, 2000). For example, new industrial establishments manufacturing new products will benefit from a 10-year income tax exemption. Factories currently based on the coast that relocate to rural areas or areas in south Lebanon, Nabatiyeh, and the Bekaa Valley benefit from a six-year income tax exemption. In April 2014, parliament enacted a law to reduce income tax on industrial exports by 50 percent.

The government reduces to five percent the tax on dividends for companies listed on the Beirut Stock Exchange (BSE), companies that open up 20 percent of their capital to Arab companies listed on their country's stock exchange or foreign companies listed on the stock exchange of OECD countries, and companies that issue Global Depository Receipts (GDRs) amounting to a minimum value of 20 percent of their shares listed on the BSE.

Domestic and foreign investors may benefit from a 4.5 percent subsidy on interest on new loans granted after 1/1/2012 amounting to up to $10 million per project (with a ceiling of $40 million) provided by banks, financial institutions, and leasing companies to industrial, agricultural, tourism, and information technology establishments. The subsidy extends for a maximum of seven years, with a grace period of two years. Investors can also benefit from loan guarantees from Kafalat, a semi-private financial institution that assists small- and medium-sized enterprises (SMEs) in accessing subsidized commercial bank loans, with a grace period of two years.

Domestic and foreign investors may also benefit from regulations issued by the BdL to stimulate economic activity. The BdL launched in January 2013 a financial package of approximately $1.47 billion available to commercial banks to boost economic growth; this program of incentives aims to stimulate lending at a reduced cost for housing loans, investment in productive sectors, and energy-saving and renewable energy projects for lending within a one-year term. In November 2013, the BdL expanded the stimulus package by an additional $332 million in Lebanese Lira loans to be earmarked to finance new projects or develop existing ones. Moreover, in August 2013, the BdL issued a circular authorizing banks to directly invest in technology start-ups up to 2-3% of equity by providing banks with interest-free facilities over a maximum period of 7 years. It also issued a circular indicating that the BdL will start, in cooperation with the EU, to subsidize loans of $5 million or less that are extended to finance environmentally-friendly energy projects. In addition, in mid-November 2013 the BdL Governor announced an $800 million financial package to stimulate lending in 2014 to contain inflation and preserve the stability of the currency and interest rates.

Customs exemptions are granted to industrial warehouses for export purposes. Companies located in the Beirut Port or the Tripoli Port Free Zone benefit from customs exemptions and are exempt from the value-added tax (VAT) for export purposes. They are also not required to register their employees with the NSSF if they provide equal or better benefits.

6. Right to Private Ownership and Establishment

The right to private ownership is respected in Lebanon. Foreign private entities can establish, acquire, and dispose of interests in business enterprises and can engage in all kinds of remunerative activities.

7. Protection of Property Rights

The concept of a mortgage exists, and secured interests in property, both movable and real, are recognized and enforced. Such security interests must be recorded in the Commercial Registry and the Real Estate Registry. The Real Estate Law governs acquisition and disposition of all property rights by Lebanese nationals, while Law No. 296, dated April 3, 2001, governs real estate acquisition by non-Lebanese.

Lebanon’s legislation generally aims to provide Trade-Related Intellectual Property Rights (TRIPS) intellectual property rights (IPR) protection, but enforcement of intellectual property rights is weak. Lebanon is not a member of the World Trade Organization (WTO). The Ministry of Economy and Trade’s (MoET) amendments to the Code of Commerce to improve the IPR environment by further streamlining business and intellectual property legislation are still pending parliamentary approval, but increased political will and additional resources are needed. In collaboration with World Intellectual Property Organization (WIPO), MoET's Intellectual Property Protection Office's (IPPO) conducted several public and in-house seminars in 2013, focusing on raising awareness and improving technical capabilities. The MoET officially launched online copyright and trademark registration in January 2013 as part of its overall efforts to enhance its online services portal.

In 2011, the GoL and the U.S. government began work on developing an action plan and setting a bilateral IPR working group to foster communication and sharing of best practices on IPR issues. The U.S. Trade Representative's Special 301 annual review of intellectual property protection worldwide has kept Lebanon on its watch list since 2008. The establishment of the Cyber Crime and Intellectual Property Unit at the Internal Security Forces (ISF) in 2006 has led to moderate progress in IPR enforcement. During 2013, the government raided a number of shops and warehouses and seized counterfeit material. Although cable television piracy persists, following a series of lawsuits from major cable TV operators, illegal cable providers are now paying a fee to the respective right holders. The International Intellectual Property Alliance has noted that copyright protection in recent years has not witnessed major improvements, highlighting the need for better enforcement of the law to deter infringers. A study conducted by the MoET in collaboration with WIPO on the economic contribution of the software industry in Lebanon estimated that the industry continued to suffer from a weak legal framework, with software piracy rates reaching levels as high as 71% in 2013. Unauthorized copies of internationally patented pharmaceuticals continue to be approved by the Ministry of Public Health, although Decree No. 571 issued in 2008 contains requirements on the treatment of undisclosed information in registration applications. There has been no progress in inter-ministerial efforts towards amending the Patent Law to define what relates to undisclosed information (Article 47).

Existing intellectual property rights laws cover copyright, patent, trademarks, and geographical elements.

Lebanon's 1999 Copyright Law largely complies with WTO regulations and needs only minor amendments to become fully compatible. Amendments to the current law have been stalled in parliament since 2007. Registration of copyrights in Lebanon is not mandatory, and copyright protection is granted without the need for any registration.

A modern and TRIPS-compatible Patent Law, approved in 2000, provides general protection for semiconductor chip layout designs and plant varieties, but no adequate coverage is provided for trade secrets. Amendments to the Patent Law, regarding undisclosed information, are still being studied by the relevant ministries. The Lebanese legal regime does not require examination, prior to registration, of patents for novelty, utility, and innovation. Simple patent deposit is required at the MoET, where the application is examined only for conformity with general laws and ethics.

The Council of Ministers approved the draft of a new industrial design and trademark law in October 2007 and a geographical indications law in May 2007, and both still await parliamentary ratification. While the 1924 Law on Industrial Property does not require examination of trademarks and calls for simple deposit, partial examination of trademarks prior to registration became the norm starting in 2001. Registration of industrial and commercial trademarks takes about two weeks.

Lebanon signed the Singapore Treaty on Trademarks in December 2006; the treaty is awaiting parliamentary ratification.
Lebanon's parliament ratified the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty (WPPT) in February 2010. Ratification documents have not yet been deposited with WIPO, however, because implementation of these treaties requires an amendment to Lebanon's Copyright Law that has been submitted and is awaiting parliament's ratification.
Lebanon signed a Trade and Investment Framework Agreement (TIFA) with the United States in November 2006.

Lebanon began pursuing WTO accession in 1999, but has done little in recent years to advance this process. A U.S. Agency for International Development (USAID)-funded technical assistance project staffed by consultants from Pricewaterhouse Coopers and Booz Allen Hamilton worked with the GoL from May 2000 to October 2007 (and with U.S. government Middle East Partnership Initiative funding from November 2007 to September 2009) to revise, update, and draft appropriate laws to facilitate WTO accession. In December 2009, USAID renewed this project, contracting Booz Allen Hamilton to continue providing support for Lebanon's WTO accession for the next three years, with an emphasis on bolstering the private sector’s capacity to hold the government accountable for needed trade reforms. The project officially ended in October 2012.

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO’s country profiles at http://www.wipo.int/directory/en/.

Embassy point of contact: Tim Forsyth EmbassyBeirutInvestment.gov

Local lawyers list: http://lebanon.usembassy.gov/attorneys.html

8. Transparency of Regulatory System

Private sector companies should be wary when bidding for public projects, given lack of transparency, clear regulations, and fair consideration of bids. There is no one specific law regulating all aspects of government procurement in Lebanon. Government administrations often award contracts by mutual agreement, without calling for a tender, and the government does not always establish clear procedures for the process.

In Lebanon, the procedures necessary for business entry, operation, and exit are not streamlined. However, the process does not discriminate against foreign investors.

Red tape plagues bureaucratic procedures. International companies are faced with an unpredictable, opaque operating environment and often encounter unanticipated obstacles or costs late in the process. Even so, according to the World Bank’s Doing Business 2014 report, it takes entrepreneurs only five steps to start a business in Lebanon, compared to the global average of seven steps and average of eight procedures in Arab countries. The report may be accessed at http://www.doingbusiness.org.

The MoET launched in December 2011 a project to assess and redesign the overall business processes of the ministry. The purpose is to improve the quality of the services offered to citizens, reduce the number of complaints, and automate value-added processes. Currently, IPR trademark registration, economic and trade indicators, and market surveillance reports are available online at http://www.economy.gov.lb.

The government does not publish proposed laws and regulations in draft for public comment. The normal practice when preparing legislation is to form a drafting committee composed of both public and private sector stakeholders. However, Telecom Law No. 431 requires the Telecommunication Regulatory Authority (TRA) to issue regulations in draft for public consultation in an effort to ensure full transparency and enable the general public to play a role in shaping future regulations. In general, legal, regulatory, and accounting systems are consistent with international norms.

Lebanon still lacks an access to information law that aims at promoting transparency at both the private and public sector levels. According to Transparency International (TI)'s Lebanon chapter, the Lebanese Transparency Association (LTA), several ministries took initiatives to promote transparency in 2013, while the Lebanese Parliament failed to enact new legislation. In 2012, the Ministry of Finance (MoF) updated its website to include a section on e-taxation, allowing citizens to acquire an electronic tax ID to assist them in facilitating tax declarations. Citizens with a tax ID are no longer obliged to physically visit the tax departments to declare their taxes. The new tax inquiry section also allows citizens to identify the amount of tax on their properties without visiting the tax departments. In September 2013, the MoF launched its electronic payment system whereby citizens and companies would be able to file and pay their taxes online 24/7, either through the ministry's website or through the websites of Lebanese commercial banks. The Ministry of Tourism in 2013 inaugurated the first one-stop shop to process licensing requests from private developers of touristic facilities. Initiated in collaboration with the Minister of State for Administrative Reform, the office is expected to be operational sometime in 2014. The MoET continued publishing its consumer protection newsletter, inaugurated in 2010.

The MoF continues to publish reports on public finance, debt, foreign trade, and foreign aid, in addition to thematic reports and annual budget brief notes, all available online. The monthly report "Salaries, Wages and Related Benefits" was launched in February 2011. The "Citizen Budget 2010," developed in collaboration with the LTA to facilitate the ordinary citizen's understanding of the government budget revenues and spending was also published and disseminated in 2011. Reports are available at: http://finance.gov.lb/.

As part of the National Network for Access to Information, the LTA, MoF and other stakeholders helped draft laws on access to information and whistleblower protection, both which still await parliamentary ratification since 2009. As one of the members of the National

Network for Access to Information, the MoF continues to organize workshops, raise awareness, and build capacity of civil servants on access to information and whistleblower protection.

The LTA, in partnership and cooperation with the Center for International Private Enterprise (CIPE), established in 2008 the Lebanon Anti-Bribery Network (LABN), which was re-launched in 2013, for the specific purpose of combating bribery in the country. LABN invited MoF to become a member of this network and requested its involvement in LABN's activities in June 2013.

Under its Lebanon Anti-Bribery Network, the LTA launched the Code of Ethics and Whistleblower Protection for small and medium enterprises (SMEs) and provided a workshop for owners and directors of companies on the importance of ethics and on ways of applying the code. LTA is also preparing a handbook and workshop series on "Know Your Rights: A Guidebook for Dealing with the Public Administration," which aims to empower Lebanese citizens to fight bribery by educating them on their related rights.

9. Efficient Capital Markets and Portfolio Investment

Lebanon places no restrictions on the movement of capital in or out of the country for investment or other purposes. The government permits the free exchange of currencies, precious metals, and monetary instruments, both domestically and internationally. There are no restrictions on payments and transfers for current international transactions. According to the World Bank's latest estimates, remittance inflows to Lebanon remained almost constant at $7.2 billion for 2013, or 16.1 percent of total remittances to the MENA region. Lebanon is considered by the World Bank to be one of the top global recipients of remittances relative to the size of its economy. Remittances as a share of GDP reached on average 20 percent over the past 20 years, representing one of the highest ratios worldwide. According to the World Bank, remittances per capita reached $2000 in 2013, the second highest ratio worldwide.

Credit is allocated on market terms, and foreign investors can get credit facilities on the local market. The private sector has access to overdrafts and discounted treasury bills, in addition to a variety of credit instruments, such as housing, consumer, or personal loans, and loans to SMEs. The International Finance Corporation (IFC) and the European Investment Bank (EIB) have been separately extending financial facilities through the Lebanese banking sector to help SMEs in specific productive sectors, such as high-tech, industry, and tourism. Since 2007, the Overseas Private Investment Corporation (OPIC) has extended $300 million in credit line guarantees through Citibank to select Lebanese banks for private sector lending.

The Beirut Stock Exchange (BSE) quotes six commercial banks, 25 sovereign Eurobond issues (23 in U.S. dollars, one in Euros, and one in Lebanese Lira), and four companies, including Solidere, one of the largest publicly held companies in the region. Trading is a combination of auction and continuous trading. In spring 2008, the BSE authorized e-trading. Legislation allows the listing of tradable stocks or papers on the BSE. On August 4, 2011, the Parliament endorsed both the Insider Trading Law and the Capital Markets Law to regulate and supervise capital market activity. The BSE suffers from lack of liquidity, with low trading volumes, in the absence of significant institutional and foreign investors, and had an annual trading volume of only 3.6 percent of market capitalization in 2013. The weak market turnover discourages investors from committing funds to the market and discourages issuers from seeking listings on the BSE. To stimulate market activity, the Capital Markets Authority (CMA) in Lebanon, which acts similarly to the U.S. Securities and Exchange Commission, issued several circulars in 2013 to regulate disclosure policy of joint stocks and mutual funds as well as to encourage investment in start-up companies. The Capital Markets Law calls for the corporatization and then privatization of the BSE within a two-year period from the date the CMA is appointed; however, by May 2014 no serious action has been taken to corporatize the BSE. Lebanon hosts the headquarters of the Arab Stock Exchange Union.

The banking regulatory system is transparent and consistent with international norms. Banks conform to Bank for International Settlement (BIS) standards and International Accounting Standards (IAS). In 2011, the BdL issued three circulars for corporate governance in the banking sector, and in January 2013, it issued a comprehensive circular with more stringent regulations on compliance in banks and financial institutions. In 2014, the Banking Control Commission (BCC, the banks' regulatory body) created a new unit in charge of the full implementation of "Consumer Protection" based on the circulars issued by the BdL (in 2010) and by the BCC (in 2012).

Lebanon has legislation regulating issuance of and trading in bank equities. Law No. 308 on unification of bank shares allows banks to increase their capitalization and shareholder base, as well as to optimize trading of bank shares on the BSE. Parliament has ratified a law on asset securitization. There are no restrictions on portfolio investment, and foreign investors can invest in Lebanese equities and fixed income paper.

The banking system enjoys a high financial standing with a capital adequacy ratio of 12.2 percent as of June 2013 (compared to eight percent as set by Basel II) and sound liquidity, with a foreign currency prime liquidity ratio exceeding 45 percent of foreign currency deposits. The Lebanese banking sector has complied with Pillars I and II of the Basel II Accord (new capital adequacy ratio and supervisory review process on economic capital of banks respectively). The BdL and the BCC will continue issuing new circulars requiring banks to comply with Pillar III (transparency and market discipline) of Basel II. The BdL and the BCC have established a steering committee to follow up on the new Basel III Accord. In December 2011, the BdL issued a circular that sets an agenda for the implementation of Pillar I of Basel III with more conservative rules, such as raising total equity capital adequacy ratio (including Capital Conservation Buffer of 2.5 percent) to reach progressively 12 percent in 2015 (compared to the eight percent required by Basel III). Lebanese banks are preparing to be Foreign Account Tax Compliance Act (FATCA) compliant.

International banks established in Lebanon, such as Standard Chartered Bank, Emirates Lebanon Bank, HSBC, Citibank, and Qatar National Bank remain active. Many sectors are dominated by traditional businesses held by commercially powerful families. The government is trying to improve the transparency of such firms in order to help solidify an emerging capital market for company shares.

The total domestic assets of Lebanon's five largest commercial banks reached about $90 billion in 2013 (or about 52.4 percent of total banking assets), according to BdL data. Meanwhile, the total consolidated assets of Lebanon's five largest commercial banks reached about $111.5 billion in 2013. About 3.98 percent of total loans were estimated as non-performing by end-February 2014. Banks maintained around 55.3 percent of specific provisions against non-performing loans as of February 2014, while the remaining 44.7 percent were covered by collective provisions and adequate collateral.

Lebanon is a member of the Middle East and North Africa Financial Action Task Force (MENAFATF) and received its first MENAFATF Mutual Evaluation during the Tenth Plenary held November 9-11, 2009, in Beirut. Lebanon was upgraded from "partially compliant" to "largely compliant" on several core recommendations, including timely feedback by Lebanon's financial intelligence unit (FIU). As a result of this improvement, Lebanon was subject to only a normal review, and presented its first Follow Up report highlighting progress achieved during the 14th MENAFATF Plenary in September 2011, with a second follow up report submitted during the 17th MENAFATF Plenary in April 2013. The next follow up report will be submitted to the 19th MENAFATF Plenary initially planned in the first half of 2014, but the date has not yet been set.

10. Competition from State-Owned Enterprises

The GoL has a monopoly in the utility sector (Ogero for telecom landlines, and two mobile companies; Electricite du Liban-EDL for electricity production and transmission; and four water authorities); a casino (Casino du Liban, a mixed public-private enterprise); tobacco procurement, manufacturing, and sales (La Regie des Tabacs et Tombacs); as well as the national airline (Middle East Airlines-MEA), whose monopoly ends in 2024. Other major state-owned enterprises or public institutions include the Beirut, Tripoli, Sidon, and Tyre ports; the Rashid Karami International Fair (in northern Lebanon); the Sport City Center; and two real estate development entities, ELYSSAR and LINORD. The GoL also owns shares in Intra Investment Co., a mixed public-private investment company, and the latter owns 96.62 percent of Finance Bank – a Lebanese commercial bank.

While, by law, electricity production is restricted to EDL, there are numerous private investors operating generators across the country that sell electricity to citizens at much higher prices than EDL during power cuts. This sector remains unregulated. EDL has awarded a few concessions to privately-owned companies for power distribution in specific regions, and these companies have expressed interest in producing electricity to meet customer demand. On April 10, 2014, the parliament granted the cabinet for a period of two years the authority to license private companies to generate electricity. In mid-2012, three private companies contracted by EDL began handling bill collection, maintenance, and power distribution services. Moreover, the GoL continues to contract the management of the two cellular companies to two private operators.

The SOEs and public institutions are subject to oversight by the concerned ministries. Public institutions need the approval of concerned ministries for major business decisions. They have independent boards staffed primarily by politically-affiliated individuals appointed by the cabinet in public institutions and by shareholders in SOEs. The SOEs and public institutions are required by law to publish an annual report and submit their books for independent audits as well as send their books to the Court of Audit.

The GoL currently has no plans to privatize SOEs or public institutions. MEA has put on hold its plans to list 25 percent of its shares on the BSE as a first step toward privatization pending an improvement in investor confidence, in order to ensure that its shares will not be undervalued when traded on the BSE.

11. Corporate Social Responsibility

In the last four years, Lebanese firms and member firms of the American-Lebanese Chamber of Commerce have become increasingly aware of corporate social responsibility (CSR), good governance, and the value of providing information to customers. Firms who pursue CSR are viewed favorably. The LTA reports that more companies are approaching CSR for corporate governance assessments and its corporate governance guidelines and toolkits for family-owned enterprises and listed companies.

12. Political Violence

Political violence continued in 2013 due to spillover effects from the Syrian conflict. In April 2014, the situation slightly stabilized with the implementation of a security plan by the Lebanese government in Tripoli and villages in the Bekaa Valley along the Syrian border. By early 2014, there were over one million officially registered Syrian refugees with the UN High Commissioner for Refugees, severely straining local resources and services. The massive car bomb explosion in Beirut that killed former minister Mohammad Chatah on December 27, 2013 along with seven others represented one of the largest and deadliest attacks against a public official since the 2005 assassination of former Prime Minister Rafiq Hariri. Sporadic clashes continued across the country, especially in Tripoli, where supporters and opponents of the Syrian regime sometimes employed heavy weaponry in upsurges of violence with severe clashes during the year, including two bombs that exploded simultaneously on August 23 in front of al-Taqwa and al-Salam mosques, killing 47 and injuring 600 persons. Lebanon also suffered from multiple suicide and car bomb attacks, in Tripoli, the southern suburbs of Beirut, and the Bekaa Valley.

There have been numerous instances of incursions by Syrian forces across the border into Lebanese territory (much of the border is non-demarcated, contributing to further instability on the border). Cross-border shelling against towns in the north and in the Bekaa Valley happens almost daily. In August 2012, the United States designated as a terrorist organization Hezbollah for its ongoing support to Syrian President Bashar al-Assad and its fighting in support of the Assad regime. Hezbollah continued to accelerate its engagement in the fighting in Syria on behalf of the regime and some Lebanese Sunni individuals and groups have supported the Syrian opposition.

On February 1, 2013, armed clashes between an army patrol and gunmen on the outskirts of Arsal village in the Bekaa resulted in the death of an officer, a soldier, and one suspect. According to a press statement issued by the army, “the army patrol was chasing someone suspected by the courts of several terrorist operations in the outskirts of the town of Arsal when the patrol fell into an armed ambush." Three more soldiers were killed in an ambush on their position on the outskirts of Arsal in May 2013 and similar incidents occurred in Sidon and the Bekaa Valley.

During 2013, numerous incidents of kidnapping for ransom were reported. Lebanon is one of several countries for which the U.S. Department of State has issued Travel Warnings because of long-term, protracted conditions that make the country dangerous or unstable. U.S. companies and visitors are advised to assess carefully the situation in Lebanon by consulting the Department's Travel Warning and its Country Specific Information at http://travel.state.gov. These documents contain essential security and safety information on travel to Lebanon.

The U.S. government considers the potential threat to U.S. Embassy personnel assigned to Beirut sufficiently serious to require them to live and work under significant security restrictions. These practices limit, and may occasionally prevent, the movement of U.S. Embassy officials and the provision of consular services in certain areas of the country. U.S. citizen visitors are encouraged to contact the Embassy's Consular Section for the most recent safety and security information concerning travel to Lebanon.

13. Corruption

There is rampant corruption when dealing with the Lebanese public sector. According to Transparency International's (TI) 2013 Corruption Perception Index (CPI), Lebanon ranked 127 out of 177 countries worldwide and 13 out of 19 MENA countries. Based on its score, Lebanon remained in the top 50 most corrupt countries in the world. TI noted that the country's "deeply entrenched nepotism networks" made civil society efforts against corruption very difficult, while anti-corruption legislation exists but is not properly enforced. The LTA blames political paralysis for preventing the passage of various legal reforms (including draft laws against illicit enrichment, access to information, and whistle blower protection) with which the organization has been closely involved to combat corruption. The index measures the perception of corruption by public officials and politicians and focuses on corruption in the public sector, defined as an abuse of official power for private interests. LTA's website: http://www.transparency-lebanon.org.

The International Finance Corporation (IFC) and the LTA signed an MOU on October 11, 2007, to establish the Institute of Directors (IoD) on Corporate Governance in Lebanon, which became operational in 2010. The IFC provided a $250,000 grant for the institute, which provides training courses on corporate governance, offers consultancy services, carries out research and educational activities, and organizes awareness-raising private sector events in Lebanon and the MENA region. In 2011, the IoD launched a guidebook focused on Corporate Governance stories and solutions in the MENA region.

LTA established the Lebanese Advocacy and Legal Advice Center (LALAC) program to inform citizens of their rights and to encourage victims and witnesses to take action against cases of corruption. LALAC operates a hotline for victims and witnesses to call and report cases of corruption and receive free legal advice and assistance with their case. The program is currently funded by the European Union, the Lebanese Renaissance Foundation, and the Center for

International Private Enterprise (CIPE). In March 2013, LTA launched a one-year project entitled “Corruption Investigator,” funded by the United States Agency for International Development (USAID). The project aimed at facilitating citizens’ access to information throughout various media outlets to promote transparency and accountability and to advocate for a democratic community.

The Ministry of Tourism launched the Lebanese Observatory for Transparency in December 2012, which is aimed at fighting corruption, raising the level of transparency, and identifying achievements and practices in transparency that would constitute a role model for the community. The observatory hopes to attract Lebanon’s youth to discuss and debate methods and policies that would help fight corruption and, therefore, raise confidence in the county’s institutions and values.

Lebanon has laws and regulations to combat corruption, but these laws are not always enforced. According to Lebanese law, it is a criminal act to give or accept a bribe. The penalty for accepting a bribe is imprisonment for up to three years, with hard labor in some cases, and a fine equal to at least three times the value of the bribe. Bribing a government official is also a criminal act. The Central Inspection Directorate is responsible for combating corruption in the public sector, while the public prosecutor is responsible for combating corruption in the private sector. In April 2009, Lebanon ratified the UN Convention against Corruption. Lebanon is not a signatory to the OECD Convention on Combating Bribery.

Corruption is more pervasive in government contracts (primarily in procurement and public works), taxation, and real estate registration than in private sector deals. It is widely believed that investors routinely pay bribes to win government contracts, which are often awarded to companies close to powerful politicians and businessmen. The law provides criminal penalties for official corruption; however, the government did not implement the law effectively, and officials often engaged in corrupt practices with impunity and on a wide scale. Government security officials, agencies, and police were subject to laws against bribery and extortion. In practical terms the lack of strong enforcement limited the laws’ effectiveness. The MoF has implemented reforms aimed at enhancing transparency and fighting corruption including requiring taxpayers to file exclusively through mail and to pay through banks, privately-owned Liban Post, or OMT, a money-transfer company. In 2007, an automated document tracking system for taxpayers’ inquiries was implemented and a 24/7 call center was launched, as well as a service enabling taxpayers to handle the Built Property Tax transactions through Liban Post. In 2008, the Tax Procedures Code was ratified, unifying tax procedures, specifying deadlines for tax transactions and defining taxpayers’ rights and obligations. The MoF launched a portal in 2010, providing access to economic, financial and fiscal information. The MoF also initiated the development and distribution of the tax calendar in order to increase taxpayers’ awareness of their rights and obligations. In 2011, the collection function was transferred to the regional tax offices. In August 2012, the MoF launched the Built Property Tax online service on its portal enabling inquiries for due Built Property Tax, and filing for built property tax online starting August 2013. Also, in September 2012, taxpayers were able to register for e-services through the MoF portal. Citizens can also file their VAT taxes online. These services are expected to decrease corruption in the tax sector.

On the customs front, and to ensure trade facilitation, transparency, and security, remote filing of manifests and declarations was introduced in 2011. A new version of the ASYCUDA WORLD software (Automated System for Customs Data) was implemented to fill the gaps of the previous version. Transit trade applications can also be now filled online. Work has begun for Lebanon's Industrial Research Institute to submit its certificate of conformity online to further facilitate trade procedures Customs also established an Intelligence Unit to detect counterfeiting and fraudulent operations. Nonetheless, there were press reports in 2013 of corruption and bribery in the operations of Lebanese Customs at major facilities such as the Port of Beirut. Members of the business community report that bribery was sometimes the only way to avoid lengthy and expensive delays in the processing of imported products at the ports. Lebanese Customs hopes to implement e-payment of customs operations, a step that many hope will help combat corruption, but the process has been delayed.

Within the context of the modernization and development of the Customs clearance process of goods, several modules were developed in 2013 inside ASYCUDA World in order to enhance transparency and trade facilitation, on the one hand, and improving the Customs security and controls, on the other. To enhance security, Lebanese Customs currently has cameras on all of the Port of Beirut gates along with their private fiber network in order to remotely monitor and store in- and out-goods transactions. Further, Lebanese Customs decided to implement and initiated the first phase of the Paperless, E-Government and Single Window projects. In addition, an MoU was also prepared to create a legal framework basis for the second phase of these three projects; the generic MoU will be adjusted according to the needs of each Lebanese administration agreeing to join the Lebanese Customs Single Window project.

14. Bilateral Investment Agreements

The U.S. has neither a bilateral investment treaty (BIT) with Lebanon, nor an agreement to prevent double taxation. Preliminary discussions for a BIT began in 2001 but have been pending ever since.

In November 2006, the United States Trade Representative (USTR) and the MoET signed a Trade and Investment Framework Agreement (TIFA). Apart from pledging to foster an environment conducive to mutual trade and investment, the TIFA requires both parties to set up a United States-Lebanon Council on Trade and Investment that would meet twice a year or more to consult on trade and investment impediments and any other issues of concern. The council, which has not yet been set up, will seek and consider the views of private sector representatives in both countries. Under the TIFA, the United States and Lebanon agreed to a consultation mechanism that may be activated by either party within 60 days in the event of a dispute or other development affecting trade relations.

Lebanon signed the Euro-Mediterranean Partnership (ENP) agreement in 2002, and the interim agreement entered into force in March 2003. The final agreement came into force in April 2006 and the tariff reductions on imported products from the EU started in 2008. In 2012, Lebanon and the EU reviewed the ENP action plan and agreed on a new plan covering 2013-2015. Lebanon is considering signing the PAN EUROMED Regional Convention on Rules of Origin and preparing for the negotiation of the Agadir agreement.

In 2004, Lebanon and the European Free Trade Association (EFTA) signed an FTA. In November 2010, Lebanon and Turkey signed an association agreement establishing a free trade area that will reduce barriers to the free movement of goods, services, capital, and people between the two countries over the next 10 years. The agreement has yet to be ratified. Lebanon has also signed the Greater Arab Free Trade Agreement, which gradually replaced the bilateral FTAs signed with Arab countries including Tunisia, Morocco, Egypt, Iraq, Jordan, Syria, Sudan and the Gulf Cooperation Council states. A regional Economic and Trade Association Council between Lebanon, Syria, Jordan, and Turkey was announced in July 2010.

Lebanon has signed bilateral investment agreements with the following countries (in alphabetical order): Armenia, Austria, Azerbaijan, Bahrain, Belarus, Belgium/Luxemburg, Benin, Bulgaria, Canada, Chad, Chile, China, Cuba, Cyprus, Czech Republic, Egypt, Finland, France, Gabon, Germany, Greece, Guinea, Hungary, Iceland, Iran, Italy, Jordan, Kuwait, Malaysia, Mauritania, Morocco, Netherlands, OPEC Fund, Pakistan, Qatar, Romania, Russia, Slovakia, South Korea, Spain, Sudan, Sultanate of Oman, Sweden, Switzerland, Syria, Tunisia, Turkey, Ukraine, the United Arab Emirates, the United Kingdom, and Yemen.

Lebanon has signed bilateral tax conventions with 32 countries, but not with the United States.

15. OPIC and Other Investment Insurance Programs

On February 10, 1981, Lebanon and the United States signed an OPIC agreement in Beirut, but no investment using OPIC insurance coverage was undertaken until 1996. OPIC is currently engaged with Lebanon in three areas: insurance, financing, and investment. Since 2006, OPIC has worked with Citibank on a program that offers loans to the private sector (SMEs, retail, and housing) through selected Lebanese commercial banks. This program began in January 2007, and to date, OPIC has provided $300 million in credit line guarantees.

The Lebanese government’s National Investments Guarantee Corporation (NIGC) continues to insure new investments against political risks, riots, losses due to non-convertibility of currencies, and transfer of profits. Other major trade/investment insurance programs operating in Lebanon include COFACE (France), ECGD (UK), HERMES (Germany), SACE (Italian), and IAIGC (Arab Consortium). Lebanon has been a member of the Multilateral Investment Guarantee Agency (MIGA), part of the World Bank, since 1994.

The average U.S. dollar value of the local currency has been pegged by the BdL at Lebanese Lira (LL) 1,507.5 to the dollar for the last 17 years; however, the dollar continues to trade in the business market at LL 1,500. The GoL has repeatedly expressed its commitment to maintaining a stable currency. With record high foreign assets (excluding gold) of $36.35 billion as of mid-April 2014, covering 79 percent of LL money supply, the BdL has the ability to maintain a stable $/LL rate for some time. Lebanon has one of most heavily dollarized economies in the world; as of February 2014, 66 percent of bank deposits were dollarized, and businesses commonly accept payment (and return change) in a combination of LL and U.S. dollars.

16. Labor

The 1946 Labor Law provides for written and oral contracts and specifies a maximum workweek of 48 hours (with several exceptions, notably in agriculture corporations). The law provides for the right of association and the right to organize and bargain collectively. Lebanon is a member of the International Labor Organization (ILO) Convention.

Lebanon's working population (aged 15 and above) totals 1.2 million, including foreign residents but excluding the seasonal work force, according to CAS's 2011 Labor Market in Lebanon report. The Central Administration of Statistics (CAS) estimated Lebanon's population in 2007 at 3.75 million (their most recent estimate), excluding Palestinians in the refugee camps, seasonal workers, and now Syrian refugees. The IMF estimated the population at 4.467 million in 2013. According to CAS, unemployment (aged 15-64) reached 6.4 percent in 2009, and rates were higher among women (10 percent) than men (five percent). The World Bank estimates unemployment will double to 20 percent between 2012 and 2014, in large part due to the Syria crisis. As of April 2014, Lebanon had over one million Syrian refugees registered with the UN High Commissioner for Refugees (UNHCR). The unemployment rate is somewhat attenuated because large numbers of Lebanese citizens seek work outside Lebanon, including in Arab countries and the Gulf.

Local unskilled labor is in short supply. Arab (mainly Syrians, Egyptians, and Palestinian), Asian, Indian, and African laborers are hired to work in construction, agriculture, industry, and households.

Lebanon has a General Labor Confederation (CGTL), recognized by the government, whose membership is limited exclusively to Lebanese workers. The CGTL's activities are mainly limited to demanding cost-of-living increases and other social benefits for workers. The general labor-management relationship remains difficult and the Labor Law is not always properly enforced. Given its own political bias, the CGTL has been sometimes accused of working for its political interests and of being ineffective in fighting for workers' rights. Recently, it has been overshadowed by other labor groupings, most notably the Union Coordination Committees, lobbying in May 2014 the GoL to pass an increase in the salary scale for public sector workers.

17. Foreign Trade Zones/Free Ports

Foreign-owned firms have the same investment opportunities as Lebanese firms. Lebanon has two free zones in operation, the Beirut Port and the Tripoli Port. The WTO-compatible Customs Law issued by Decree No. 4461 fosters the development of free zones. The GoL also passed Law No. 18, dated September 5, 2008, to set up a Special Economic Zone (SEZ) in Tripoli to attract investment in trade, industry, services, storage, and other services which granted investors tax exemptions and other privileges. USAID provided technical assistance to the GoL for preparing a feasibility study for Tripoli SEZ (TSEZ) in 2011. The next steps for the GoL include appointing the TSEZ Authority, amending some laws and decrees, and implementing them to develop the zone, but by May 2014 no progress has been achieved.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

There are no recent official statistics available on foreign direct investment (FDI). According to the United Nations Conference on Trade and Development (UNCTAD) inflows reached around $3.78 billion in 2012, but were expected to drop by as much as 20 percent. Banking sources estimated that construction and real estate account for the largest part of foreign investment.

The Institute of International Finance noted that FDI in Lebanon totaled $1.1 billion in 2012, constituting a decline of 68 percent from 2011 or 2.68 percent of GDP.

European and Asian companies have won most of the government contracts in the fields of electricity, water, telecommunications, transportation, and infrastructure. This could be attributed to the unstable political and security situation in Lebanon that discouraged U.S. companies from bidding on projects, bilateral financial protocols signed between Lebanon and some European countries that provide grants and soft-term loans, or corruption and/or undue influence in bidding and contracting processes. However, U.S. companies have won contracts in solid waste treatment and landfill and some contracts in the energy, telecommunications, and transportation sectors.

The U.S. Embassy in Beirut tracks U.S. companies' activities in the Lebanese market. The Embassy actively lobbies to support U.S. companies bidding on projects, providing equal support to all U.S. bidders via letters and direct meetings with senior Lebanese government officials and demanding fair consideration of U.S. companies that are bidding on business opportunities in Lebanon. In some cases, the Embassy and the U.S. Department of Commerce have provided higher-level advocacy from Washington. The Embassy encourages U.S. companies bidding on projects to contact the Embassy's Economic/Commercial Section for assistance and advocacy.

	Host Country Statistical source*		USG or international statistical source		USG or international Source of data (Source of Data: BEA; IMF; Eurostat; UNCTAD, Other)
Economic Data	Year	Amount	Year	Amount	
Lebanon Gross Domestic Product (GDP) (*Millions U.S. Dollars)*	2012	$42.9	2012	$42.95	Lebanon's Central Administration of Statistics; World Bank

The rest of the requested data is not available.

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