



LEBANON
INVESTMENT CLIMATE STATEMENT
2015

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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. According to the most recent Transparency International Corruption Perception Index, Lebanon is one of the 50 most corrupt countries in the world, and ranks 14 out of 19 countries in the Middle East North Africa region. Other issues that continue to cause frustration among local and foreign businesses include red tape, arbitrary licensing decisions, outdated legislation, an ineffectual judicial system, high taxes and fees, unreliable interpretation of the law, and weak enforcement of intellectual property rights.

The ongoing presidential vacancy since May 2014 and the political divisions behind the delay in electing a new president have hampered the effectiveness of an already divided cabinet, where major decisions have been stalled waiting for elusive political consensus. However, the negative impact of the political stalemate on the economy has been somewhat compensated for by several Central Bank stimulus packages implemented since January 2013 that, combined, injected approximately USD 4 billion into the economy. That stimulus, in addition to increased domestic consumption of goods and services (in part from the presence of an estimated 1.5 million Syrians seeking refuge in Lebanon), helped Lebanon achieve GDP growth of two percent in 2014 (IMF).

In 2015, political risk perceptions remain high, given the negative impact on the Lebanese economy of the continuing turmoil in Syria and the region, compounded by uncertainty over the vacant presidency and the country's security, which was tested by extremist attacks in 2014 and 2015. As a result, many investors have maintained a wait-and-see attitude. Although the public deficit dropped by 27 percent in 2014, it remains an issue of concern for investors, but given the high liquidity in the domestic banking sector and continued growth in deposits in private banks, the Government of Lebanon (GoL) should not face difficulties in financing its deficit and rolling over sovereign maturities coming due in 2015.

The Central Bank continues to publicly assert that it will maintain monetary and financial stability – reassuring investors that there will be no debt defaults and no currency depreciation. In April 2015, the rating agency Standard & Poor's affirmed Lebanon's "stable" rating.

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 until a positive resolution in Syria. In addition to political divisions, elite satisfaction with the status quo has blocked structural reforms and legislation to stimulate growth, encourage private sector development, and create jobs. The World Bank currently rates Lebanon 104 out of 189 in the ranking category- Ease of Doing Business. While the World Economic Forum's 2015 Global Competitiveness Index, ranked Lebanon 113 out of 144 worldwide.

Lebanon is keen to attract U.S. investment because of its state-of-art technology, know-how, and competitiveness. Significant potential opportunities for U.S. companies exist in the energy sector, namely oil and gas exploration and power production. However, the first bid round for

offshore oil and gas exploration has been delayed due to political differences and as of May 2015, no new date has been set. By 2020, Lebanon intends to be in a position to rely on renewable energy for at least 12 percent of its energy needs, a good investment opportunity for U.S. companies. Other investment opportunities can be found in the information and communication technology, health, and agribusiness sectors.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Traditionally, Lebanon has remained open to foreign direct investment (FDI). Over the last ten years, GoL had passed several laws and decrees to encourage FDI, however as of recently little progress has been made. 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 called Agri-Plus. This program provides financial incentives and different promotional and marketing resources to qualified exporters. IDAL is currently working to promote investment opportunities in Business Process Outsourcing sector, specifically as it relates to 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 sectorial studies to support potential investors. In 2014, IDAL processed 12 investment projects that applied for incentives and business support services. Half of these projects received approval to benefit from IDAL's incentives granted by Investment Law No. 360, while the rest were still in the pipeline as of March 2015. The approved projects are valued at USD 77.8 million and are expected to generate more than 437 jobs when implemented. Updated information on IDAL and its incentives can be found on their website: <http://www.investinlebanon.gov.lb>.

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. The Ministry of Economy and Trade (MoET) has revitalized efforts to support micro- and medium-sized enterprises and start-up firms. It also introduced e-registration for copyright and trademarks. Nevertheless some of these efforts have slowed down. For example, the Ministry of Economy and Trade's (MoET) amendments to the Code of Commerce seeking to streamline business and intellectual property legislation are still pending parliamentary approval.

Other Investment Policy Reviews

Lebanon is not a member of either the Organization for Economic Co-operation and Development (OECD) or the World Trade Organization (WTO). The United Nations Conference on Trade and Development (UNCTAD) last performed an investment policy review in 2003. The Investment Development Authority of Lebanon (IDAL) produces its own reports on key sectors. Those reports are available online on http://investinlebanon.gov.lb/en/sectors_in_focus

Laws/Regulations of Foreign Direct Investment

A foreigner can establish a business under the same conditions to those of 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 within Lebanon must apply for an employer work permit and a residency permit. The employer work permits stipulate that a foreign investor's capital contribution cannot be less than USD 67,000, and the investor is also required to hire three Lebanese and register them at the National Social Security Fund (NSSF) within the first six months of employment.

Companies established in Lebanon must abide by the Lebanese Commercial Code, and are required to retain the services of a lawyer to serve as a corporate agent. The local courts are in charge of enforcing contracts. There are no sector-specific laws on acquisitions, mergers, or takeovers, with exception of bank mergers.

Lebanese law does not differentiate between local and foreign investors, except in land acquisition (see "Real Property" section). 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.

Under Lebanese law, the establishment of joint-stock corporations, limited liability, and offshore and holding companies are allowed. However, offshore and holding companies must be joint-stock corporations (Société Anonyme Libanaise - SAL). These are governed in separate chapters under the Lebanese Commercial Code.

As a one-stop-shop for investors, IDAL has a website that provides updated information on investment legislation, regulations and starting a business. For more information, please visit <http://investinlebanon.gov.lb/>. IDAL's proposed changes to laws and regulations on foreign direct investment, including amending requirements for IT companies to benefit from IDAL incentives, are still pending government approval.

Industrial Promotion

IDAL is currently focusing on promoting investments in the following sectors: agriculture, agro industry, industry, information technology, media, technology, telecommunications, and tourism. Information on sectors in focus and incentives provided are available on IDAL's website, and are provided through conferences and meetings with stakeholders, including an annual meeting with the Association of Industrialists.

Limits on Foreign Control

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 (Société à Responsabilité Limitée - SARL) is governed by Legislative Decree No. 35, dated August 5, 1967. It can be 100 percent owned and managed by a 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 (around 32,000 square feet) of real estate without a permit, as acquiring more than this 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 ten 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.

Privatization Program

Lebanon is currently focusing on the implementation Law No 431 on telecommunications privatization, which includes the corporatization of Liban Telecom and its eventual privatization. In 2014, the Higher Council for Privatization (HCP) – at the request of the Minister of Telecommunications – started preparing for the implementation of the corporatization of Liban Telecom. Starting in early 2015, the Minister has been meeting with the HCP and the Telecom Regulatory Authority (TRA) to prepare for the creation of Liban Telecom, a state-owned corporation that would provide fixed, mobile, and data services.

In April 2014, Parliament passed a law authorizing the cabinet to issue Independent Power Producers (IPP) licenses to investors, but no action has been taken by the cabinet so far.

A revised Public-Private Partnership (PPP) Law is being discussed in the Budget and Finance parliamentary committee, but official sources believe it could take at least several months to

pass. In anticipation of the passage of the PPP Bill, the Higher Council for Privatization in February 2014 issued guidelines for PPP, posted on its website: <http://www.hcp.gov.lb>. Ratification of the PPP legislation could open new opportunities for local and international private sector investment in Lebanon.

Screening of FDI

There are no mechanisms in place to screen FDI in Lebanon.

Competition Law

Lebanon has not enacted a law that governs competition. Local courts review transactions for competition-related claims.

Investment Trends

As a result of the regional turmoil and the Syrian crisis, investors for the last four years have kept a wait-and-see attitude. Investment decisions are being delayed. Foreign direct investment has been on a declining trend since 2011. However, domestic investment has been aided by the sustained loan growth in the banking sector, in part as a result of successive stimulus packages from the Central Bank.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	136 of 174	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	104 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	77 of 143	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	USD 9,870	data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Foreign Exchange

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. Lebanon's Central Bank, the Banque du Liban (BdL), posts a daily local currency-exchange rate on its website: <http://www.bdl.gov.lb/>. On average, the local currency (the Lebanese Lira, or Pound, LBP) has been pegged to the USD at LBP

1,507.5 per USD 1 since 1988; however, the dollar continues to trade in the local economy at LBP 1,500. The BdL has repeatedly expressed its commitment to maintaining a stable currency. Lebanon has one of the most heavily dollarized economies in the world, and businesses commonly accept payment (and return change) in a combination of LBP and USD.

Remittance Policies

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.

Lebanon is a founding member of the Middle East and North Africa Financial Action Task Force (MENAFATF). Its most recent mutual evaluation can be found at:

<http://www.menafatf.org/MER/MutualEvaluationReportoftheLebaneseRepublic-English.pdf/>.

At the MENAFATF 20th Plenary on November 18-20, 2014, in Bahrain, Lebanon had its fourth follow-up review that resulted in “enhanced follow-up” review status. The fifth follow up review will take place at the MENAFATF 21st Plenary in April, 2015, in Muscat. Efforts are underway in order to get back to “regular follow up” review status.

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, specifies that expropriation must be for the public utility and calls for fair and adequate compensation. Compensation is paid at the time of expropriation, but is often perceived as below fair market value. The government does not discriminate against foreign investors, companies, or their representatives when dealing with expropriations.

The government, with the agreement of the parliament, established in the mid-1990s three real estate companies to encourage reconstruction and development in Greater Beirut: private corporation Solidere, for Beirut’s downtown commercial center; private corporation Linord, for northern Beirut; and public institution Elyssar, for the southwest suburbs of Beirut.. However, Linord has been dormant for years, and Elyssar’s projects have stalled since 2007. These three companies have been granted the authority to expropriate certain lands for development as per the Law on Expropriation, although in doing so, they have faced serious legal challenges from landowners and squatters. Several court cases are still pending against Solidere after 19 years of litigation.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

Lebanon has a civil (Roman and Codified Law) legal system. Ownership of property is enforced by registering the deed in the property registry. Lebanon has a written commercial law and contractual law. Lebanon has commercial, civil and penal courts, but no specialized courts to hear intellectual property (IP) claims. However, the Lebanese judicial system is slowly becoming familiar with IP issues, and IP claims are being handled by civil and/or penal courts.

In general, the current judicial process to address IP cases is competent and reliable on a procedural basis; however, compensation sometimes is perceived not to be fair.

Lebanon has an administrative court, the State Council, which handles all kinds of disputes involving the state.

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. 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. In addition, politicians and powerful lobbying groups sometimes interfere in the court system.

Bankruptcy

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 Pounds 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.

Investment Disputes

In the past, the government has faced some challenges related to previously-awarded contracts. In order to resolve disputes they have resorted to international arbitration. To post's knowledge, there are no known new cases. In 2005, the International Chamber of Commerce (ICC) issued an award in favor of two cellular networks, Cellis (which was two-thirds owned by France Telecom) and Libancell, whose contracts were terminated by the government in 2001. The government subsequently negotiated a settlement for compensation. In 2010, the government settled a dispute with a Chinese contracting company working to expand the northern port of Tripoli.

International Arbitration

International arbitration is accepted as a means for settling investment disputes between private parties. The Lebanese Centre for Arbitration was created in 1995 by local economic organizations, including the Lebanese chambers of commerce, industry, and agriculture. The Centre role is to resolve domestic and international conflicts related to trade and investment. Its statutes are similar to those of the International Chamber of Commerce (ICC) in Paris, and its conciliation and arbitration rules are modeled on those of the Paris ICC.

The government accepts international arbitration related to investment disputes. In cases involving concessions or State projects, the government does not accept binding international arbitration unless the contract includes an arbitration clause that was obtained through prior approval by cabinet decree. However, there is an exception for investors of countries that have a

signed and ratified investment protection agreement with Lebanon that stipulates international arbitration in case of dispute.

ICSID Convention and New York Convention

Lebanon is a member of the International Center for the Settlement of Investment Disputes (ICSID Convention). In 2007 Lebanon ratified the 1958 Recognition and Enforcement of Foreign Arbitral Awards (New York Convention). Lebanese law is in conformity with both conventions.

Duration of Dispute Resolution

Cases in Lebanese courts are not resolved quickly due to inefficiency; shortage of judges, inadequate administrative staff and technology, and poor case management. Commercial litigation in Lebanese courts on average can take between eight to ten 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.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

Lebanon does not have World Trade Organization (WTO) membership, but has held observer status since 1999.

Investment Incentives

Lebanese legislation does not impose 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 Central Bank’s (BdL) approval for transfer of ownership of shares in most cases (BdL circulars are posted on <http://www.bdl.gov.lb>).

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 investment 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.

More information can be found on IDAL’s website:
http://investinlebanon.gov.lb/en/doing_business/investment_incentives

The government reduces the tax dividend to five percent for companies listed on the Beirut Stock Exchange (BSE). It also reduces the tax dividend to five percent for companies that open up 20 percent of their capital to Arab companies listed on their country’s stock exchange or for foreign companies listed on the stock exchange of OECD countries, and for 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, for amounts up to USD ten million per project (with a ceiling of USD 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. This program has been extended until the end of 2015. 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 Central Bank (BdL) to stimulate economic activity. Since January 2013, the BdL has launched a total of approximately USD four billion in several stimulus packages available to commercial banks to stimulate lending to the private sector at a reduced cost for housing loans, investment in productive sectors, energy-saving and renewable energy projects, and to finance new projects or develop existing ones. Moreover, in August 2013, the BdL issued circular No. 331 authorizing banks to directly invest in technology start-ups up to two to three percent of equity by providing banks, with interest-free facilities over a maximum period of seven years. It also issued a

circular indicating that, in cooperation with the EU, the Central Bank will start to subsidize loans of USD five million or less that are extended to finance environmentally-friendly energy projects.

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.

Research and Development

U.S. and foreign firms are able to participate in government authority-financed and/or subsidized research and development programs.

Performance Requirements

The government mandates local employment, and the Ministry of Labor issues yearly a list of jobs restricted to Lebanese. Foreign and local participation in the board of directors is specified in the status of the companies, according to Lebanese commercial law.

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 works 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.

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 USD 67,000, and that the investor pledge to hire three Lebanese and register them at the National Social Security Fund (NSSF) within six months.

Data Storage

Lebanon does not follow any "forced localization" policy, nor have foreign IT providers been required to turn over source code or provide access to surveillance. Lebanon's Central Bank requires all banks to keep data backups in Lebanon, while service providers are required to do the same.

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

Real Property

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.

Intellectual Property Rights

Although Lebanon is not a member of the World Trade Organization, (WTO), Lebanon's intellectual property rights (IPR) legislation is generally compliant with Trade-Related Intellectual Property Rights (TRIPS). However, enforcement of IPR is weak. The Ministry of Economy and Trade's (MoET)'s Intellectual Property Protection Office (IPPO) has spearheaded efforts to improve the IPR regime, though it suffers from limited financial and human resources, and insufficient political will within the GoL to improve IPR. Lebanon's Internal Security Forces (ISF) and Customs also play a role in enforcement. The understanding of IPR within the Lebanese judiciary has improved somewhat in recent years. However, much more is left to be done to improve awareness of the economic repercussions of IPR violations, and better judicial prosecution of IPR cases and strong court decisions with punishments prohibitive enough to prevent other infringements are needed. The MoET's amendments to the Code of Commerce to improve the IPR environment by further streamlining business and intellectual property legislation are pending parliamentary approval.

Existing IPR 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. However, 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. 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, since this would also require amendments to the copyright law.

Similarly, drafts of new industrial design, trademark, and geographical indications laws have also been pending in parliament since 2007. The MoET has clearly indicated its willingness to push for all the pending legislation to pass. In January 2013, the MoET launched an online registration service for copyrights and trademarks. The MoET's online registration service can be found at <https://portal.economy.gov.lb/>. The service has simplified the process of registration

and has proven to be a great success. Lebanon still adopts a deposit system, rather than an objection system, for trademarks.

A modern and TRIPS-compatible Patent Law, approved in 2000, provides general protection for semiconductor chip layout designs and plant varieties. Data protection and undisclosed information fall under Article 47 of the Patent Law, but current provisions, as they apply to pharmaceutical registration, are subject to interpretation. In Lebanon, generic manufacturers are not prohibited from using original data (e.g., data published on the U.S. Food and Drug Administration website) to register competing products that are identical to original products. Decree No. 571 on the conditions of registering, importing, marketing, and classifying pharmaceuticals, which should have improved the process of drug registration and reduced the number of copycat drugs being registered, still leaves some room for interpretation. There are no current plans to amend the Patent Law to reduce counterfeit drugs found in the market. 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 ISF's Cybercrime and IP Unit tracks seizures of counterfeit goods; however, this information is not publically available. The U.S. Trade Representative's Special 301 annual review of intellectual property protection worldwide has kept Lebanon on its watch list since 2008. Given insecurity, political instability, and the spillovers from the Syrian crisis that continued in 2014, the GoL has stressed the great difficulty it has faced in enforcing IPR.

The MoET's IPPO enforces IPR by acting upon the requests of rights holders or in an ex officio capacity. The ISF cannot act in an ex officio capacity and still needs a criminal complaint to be filed with the prosecutor's office in order for it to take action. The sale and distribution of pirated, counterfeit, and copycat products continued across Lebanon, in commercial establishments and through street vendors. This included leather goods, apparel and luxury items, fast-moving consumer goods (FMCGs), software, optical media, and pharmaceuticals.

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/>.

Resources for Rights Holders

Mr. Timothy Forsyth (until summer 2015) / Mr. Robert Palmer (from July 2015)
Economic Officer
+961-4-542600/543600
Beirutembassyinvestment@state.gov

The embassy's list of lawyers can be found at <http://lebanon.usembassy.gov/attorneys.html>.

8. Transparency of the 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 2015 report, it takes entrepreneurs only nine days to start a business in Lebanon, compared to the average of 19 days in the MENA region. The report may be accessed at <http://www.doingbusiness.org>.

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, but there have been no new regulations since the TRA board expired in February 2012. 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's Lebanon chapter, the Lebanese Transparency Association (LTA), several ministries took initiatives to promote transparency in 2013, although the Lebanese Parliament failed to enact new transparency-related legislation in 2013 or 2014. In 2008, the Tax Procedures Code was ratified, unifying tax procedures, specifying deadlines for tax transactions and defining taxpayers' rights and obligations. Moreover, the Ministry of Finance (MoF) portal, launched in 2010, provides 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. Since 2012, the MoF's website has included 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, in addition to having online access to their previous tax returns. The new tax inquiry section also allows citizens to identify the amount of tax on their properties without visiting the tax departments, also made available via a "Tax Inquiry" mobile application. In 2013, the MoF launched its electronic payment system whereby citizens and companies are able to file and pay their taxes online 24/7, either through the ministry's website or through the websites of Lebanese commercial banks. Starting 2014, value added tax registrants could also file their tax returns online. The MoET continues to publish its consumer protection newsletter, inaugurated in 2010.

The MoF also 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” has been published since February 2011. The 2010 Citizen Budget, which is drafted 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, but updated reports have not been published since then. 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 have been awaiting parliamentary ratification since 2009 and 2010, respectively. In the meantime, the MoF continued 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. In 2014, LABN published two handbooks: “Access to Information: Benefit to the Private Sector,” and “Administrative Corruption in Lebanon,” to help identify obstacles and challenges related to greater transparency and corruption in public administration, respectively. Under LABN, the LTA also 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 USD 7.7 billion for 2014, or 16.5 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 USD 1,700 in 2014, 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 USD 300 million in credit line guarantees through Citibank to select Lebanese banks for private sector lending, including to SMEs.

The Beirut Stock Exchange (BSE) quotes six commercial banks, 24 sovereign Eurobond issues (22 in U.S. dollars, one in euros, and one in Lebanese Pounds), and four companies, including Solidere, one of the largest publicly held companies in the region. Trading is a combination of auction and continuous trading. The BSE authorized e-trading in 2008. Legislation allows the listing of tradable stocks or papers on the BSE. In 2011, Parliament endorsed both the Insider Trading Law and the Capital Markets Law to regulate and supervise capital market activity. However, the BSE suffers from a lack of liquidity and low trading volumes in the absence of significant institutional and foreign investors, and had an annual trading volume of only 5.9 percent of market capitalization in 2014. Trading is more active in listed banks' instruments. The weak market turnover discourages investors from committing funds to the market and discourages issuers from seeking listings on the BSE. 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.

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 and 2014 to regulate disclosure policy of joint stocks and mutual funds as well as to encourage investment in start-up companies. In 2014, the CMA started receiving technical assistance from the World Bank to prepare regulations for the development of capital markets. More information can be found on: www.cma.gov.lb/. 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, as of March 2015 no serious action had 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). The Central Bank issued in 2014 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. Law No. 705 dated December 9, 2005, provides access to the private and public sectors to secure asset-backed financing; while some private companies have benefitted from this law, the GoL has not engaged in any such transaction to date. There are no restrictions on portfolio investment, and foreign investors can invest in Lebanese equities and fixed income paper.

Money and Banking System, Hostile Takeovers

The banking system enjoys a high financial standing, with a capital adequacy ratio of 14 percent as of June 2014 (higher than Basel III requirements), sound liquidity, and with a foreign currency prime liquidity ratio exceeding 42 percent of foreign currency deposits. The Central Bank and the BCC have established a steering committee to follow up on the new Basel III Accord, and are issuing circulars for the full implementation of the three Pillars of Basel III, including the new

liquidity ratios, by end 2015. Lebanese banks are compliant with the Foreign Account Tax Compliance Act (FATCA).

The total domestic assets of Lebanon's five largest commercial banks reached about USD 98 billion as of the end of 2014 (or about 52.3 percent of total banking assets), according to BdL data. Meanwhile, the total consolidated assets of Lebanon's five largest commercial banks reached about USD 123.4 billion in 2014. About 3.6 percent of total loans were estimated as non-performing by end-February 2015. Banks maintained around 70.5 percent of provisions against non-performing loans as of February 2015, while the remaining 29.5 percent were covered by adequate collateral.

There are no restrictions in Lebanon on a foreigner or non-resident's ability to open a bank account whether in local currency or foreign currencies; however, banks have adopted stringent inquiry mechanisms to ensure compliance with international and domestic regulations. They implement Lebanon's anti-money laundering law as well as Know-Your-Customer requirements, inquiring about the purpose of opening a new account, about the source of funds to be placed into an account, and other relevant information. There is also an increased focus by banks to combat tax evasion.

There are no specific rules on hostile takeovers; there has never been a hostile takeover on either the Beirut Stock Exchange or in the banking sector. By regulation, any investor should inform the BSE when her/his portfolio of shares in any of the listed companies reaches ten percent. Moreover, any shareholder with more than five percent of a bank's share capital needs prior approval from the Central Bank to acquire additional shares in that bank, and when selling shares from his portfolio, he/she needs to inform the Central Bank.

10. Competition from State-Owned Enterprises

The GoL has a monopoly in the utility sector (Ogero for telecom landlines and two mobile companies; Electricité 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 Régie 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 real estate development institution Elyssar. 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.

There is no uniform definition of State-Owned Enterprises (SOEs). Decree 4517 (dated 1972) establishes two types of SOEs, one administrative that involves management of a public enterprise, such as the Lebanese University, while the other has a commercial aspect, such as EdL and La Régie, among others. The Ministry of Finance has a list of SOEs, but it is not published. SOEs may purchase or supply goods or services from private sector/foreign firms. Procurement is governed under the same terms and conditions as for procurement by the public administration. SOEs benefit from tax exemptions and other tax benefits.

While, by law, electricity production is restricted to EdL, there are numerous private investors operating generators across the country who sell electricity to citizens at much higher prices than EdL during the country's frequent 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. In April 2014, the parliament granted the cabinet for a period of two years the authority to license private companies to generate electricity. Since 2012, three private companies contracted by EdL have been handling bill collection, maintenance, and power distribution services. The GoL also 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 as well as by the Ministry of Finance. Public institutions need the approval of concerned ministries for major business decisions. SOEs have independence in preparing their budgets, which need to be approved by their board of directors and then by Parliament. The SOEs and public institutions are required by law to publish an annual report, and to submit their books for independent audits as well as to 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.

OECD Guidelines on Corporate Governance of SOEs

SOEs and public institutions have independent boards staffed primarily by politically-affiliated individuals, appointed by the cabinet for public institutions, and by shareholders for SOEs. SOEs do not currently adhere to the Organization for Economic and Cooperative Development (OECD) Corporate Governance Guidelines.

Sovereign Wealth Funds

There are no sovereign wealth funds in Lebanon. Lebanon's Hydrocarbon Law mentions that proceeds generated from oil and gas exploration would be deposited in a Sovereign Wealth Fund; a separate law would set the process for creating this Fund, but it has not been drafted. Lebanon currently has no proceeds from natural resources that could flow into a sovereign wealth fund.

11. Corporate Social Responsibility

Lebanese firms have become increasingly aware of corporate social responsibility (CSR) in recent years, including regarding environmental, social, and governance issues. This includes the banking sector as well as companies in the telecoms, real estate, and industrial sectors, which are slowly operating through sustainable supply chains or seek to enhance their sustainability and CSR performance. Firms who pursue CSR are viewed favorably by consumers. The Lebanese Government encourages corporate engagement in solving national economic, social, and environmental problems. The Lebanese Standards Institution (LIBNOR), part of the Ministry of

Industry, has taken the lead in encouraging the use of the ISO 26000 standard on Social Responsibility (SR) in Lebanon, one of the eight pilot countries in the Middle East. The project is funded by the Swedish International Development Cooperation Agency (Sida).

The Central Bank of Lebanon has been working closely with banks to direct their financial resources into more rewarding projects for the society and environment. This includes issuing circulars aiming to enable favorable conditions in regards to environmental and educational loans, to encourage entrepreneurship through private equity investments, and to ensure a higher level of governance through customer protection.

While several codes relating to business ethics and corporate governance exist, such as the business association ‘Rassemblement de Dirigeants et Chefs d’Entreprises Libanais’ (RDCL, or the Group of Lebanese Business Owners) “Code of Business Ethics,” and the Lebanese Code of Corporate Governance (CG), written under the auspices of the Lebanese Transparency Association (LTA), these are still voluntary for businesses, with no incentives or enforcement by the government to encourage adoption.

The Lebanese Transparency Association reports that more companies are approaching it for corporate governance assessments and its corporate governance guidelines and toolkits for family-owned enterprises and listed companies. CSR Lebanon, a Beirut-based company established in 2010, is dedicated to raising awareness and providing the necessary tools to promote CSR in Lebanon and the Middle East.

OECD Guidelines for Multinational Enterprises

Lebanon is seeking to implement a number of international codes and standards that would increase transparency and governance at the government or corporate levels. The Association of Banks in Lebanon has adopted the Corporate Governance Guidelines for Banks Operating in Lebanon (in January 2011). CSR Lebanon has been advocating the principles of the United Nations Global Compact and was the first to introduce them to the private sector.

12. Political Violence

Political violence continued in 2014 due to spillover effects from the Syrian conflict. In April 2014, the situation stabilized somewhat with the implementation of a security plan by the Lebanese government in Tripoli and in villages in the Bekaa Valley along the Syrian border. On June 20, a suicide bomber from the Salafist Islamic group, “Free Sunnis of Baalbek Brigades,” attacked an ISF checkpoint in Dahr el Baidar in the Bekaa; on June 23, another suicide bomber attacked an army checkpoint at Tayyouneh roundabout at the entrance of the Beirut southern suburbs; and on June 25, a suicide bomber detonated himself during a security raid in the Duroy Hotel in Raouche, Beirut. The bomber was a Saudi Arabian citizen, and authorities arrested another potential bomber, also a Saudi citizen. On August 2, clashes erupted in the northeastern border town of Aarsal between Lebanese Army (LAF) personnel and Islamic militants aligned with the Islamic State of Iraq and the Levant (ISIL) and al-Nusra Front. Nineteen LAF members and 40 to 45 Syrians and Lebanese citizens died; 90 to 100 individuals were wounded. Islamic militants took 29 LAF and Internal Security Forces members hostage; four were subsequently executed and six have been released. On October 24, following the arrest of Ahmed Salim

Mikati, a local extremist leader, fighting broke out between the army and extremist elements in Tripoli, and after four days of clashes, the army re-asserted control over the city. On January 10, 2015, two suicide bombers attacked a café in the predominantly Alawite neighborhood of Jabal Mohsen in Tripoli. Following this attack, which was masterminded by Islamic militants held in Roumieh Central Prison, the Internal Security Forces raided the cellblock in Roumieh where these inmates were held and dismantled the communication room set up by them. Several similar suicide bomber attacks followed the January attack.

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. Hizballah continued to accelerate its engagement in the fighting in Syria on behalf of the Syrian regime, and some Lebanese Sunni individuals and groups have supported the Syrian opposition.

In December 2014, Hizballah and the Sunni-dominated Future Movement began a “political dialogue” to try to alleviate tensions between the Sunni and Shia communities. As a result, security measures were carried out by the security authorities in various areas of Lebanon, including removing politically provocative posters and banners.

By early 2015, there were over 1.2 million Syrian refugees in Lebanon officially registered with the UN High Commissioner for Refugees, severely straining local resources and services.

The U.S. government considers the potential threat to American Embassy personnel assigned to Beirut sufficiently serious to require them to live and work under security restrictions. These limitations occasionally prevent the movement of American 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

Lebanon has laws and regulations to combat corruption, but these laws are not effectively enforced. In accordance with Lebanese law, it is considered 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.

There is rampant corruption when dealing with the Lebanese public sector. According to the 2014 Transparency International’s (TI) Corruption Perception Index (CPI), Lebanon ranked 136 out of 175 countries worldwide, and 14 out of 19 Middle East North Africa (MENA) countries. Based on its currently ranking, Lebanon has remained among the 50 most corrupt countries in the world. 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. TI noted that the 2014 CPI showed that economic growth is undermined and efforts to

stop corruption fade when leaders and high level officials abuse power to appropriate public funds for personal gain.

Corruption is more pervasive in government contracts (primarily in procurement and public works), taxation, and real estate registration, than in private sector deals. The law provides criminal penalties for official corruption; however, the law has not been implemented effectively,. Government security officials, agencies, and police were subject to laws against bribery and extortion.

In 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. 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 (Automated System for Customs Data) WORLD software 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.

In 2015, Lebanese Customs started to implement the first phase of paperless declarations that would eventually lead to a Single Window system. Moreover, in March 2015, Lebanese Customs started to enforce physical inspections, with few exceptions, on all incoming shipments, in order to combat fraud, counterfeit goods, and customs evasion. Members of the business community have started complaining about such procedures, which cause 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 hopes will help combat corruption, but the process has been delayed. Amendments for a new and updated Customs Law are in the works to cover electronic Customs' procedures.

The year 2014 witnessed an unprecedented anti-corruption campaign by some government ministries. Although generally satisfied, many people have adopted a wait-and-see attitude to see how far the campaign will go. For example, the Ministry of Public Health (MoPH) launched a widespread campaign to name and shame restaurants, supermarkets, private water suppliers, hospitals and cosmetic surgery clinics that did not comply with health and safety standards. The MoPH also released a mobile application and a hotline (1214) allowing citizens to report fraudulent actions to the ministry. The Ministry of Economy and Trade (MoET) launched the "Consumer Protection Lebanon" mobile application in 2014, adding to the already established consumer protection hotline (1739). The application aims at enhancing communication between the ministry and local consumers. It allows users to send and follow complaints and provide them with prompt notifications about ministry decisions and other MoET news. Also in 2014, the Ministry of Finance (MoF) launched an anti-corruption campaign aimed at fighting corruption in the customs and real estate departments. Several civil servants were investigated for illegal appropriation of public property and embezzlement in the real estate sector, while port and

airport inspections were intensified. The ministry also launched a hotline for citizens' complaints on misconduct by ministry employees.

The Lebanese Transparency Association established the Lebanese Advocacy and Legal Advice Center (LALAC) 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. In 2014, LTA launched two new branches of LALAC in the North and the Bekaa to facilitate citizen's access to make complaints directly to an independent body.

The local NGO Sakker el Dekkene was established in 2013 to raise awareness against corruption through its innovative and interactive advertisement campaigns. It also encourages citizens to report and talk about their own experiences with corruption. For more information, please go to <https://www.sakker.com>.

U.S. firms have identified corruption as an obstacle to FDI, including in government procurement, award of contracts, dispute settlement, customs and taxation.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

The UN Anticorruption Convention entered into force on December 14, 2005, and is the first global comprehensive international anticorruption agreement. Lebanon ratified the UN Anticorruption Convention in April 2009. The UN Convention requires countries to establish criminal and other offences to cover a wide range of acts of corruption. The UN Convention goes beyond previous anticorruption instruments, covering a broad range of issues ranging from basic forms of corruption such as bribery and solicitation, embezzlement, trading in influence to the concealment and laundering of the proceeds of corruption. The convention contains transnational business bribery provisions that are functionally similar to those in the OECD Antibribery Convention and contains provisions on private sector auditing and books and records requirements. Other provisions address matters such as prevention, international cooperation, and asset recovery.

The OECD Antibribery Convention entered into force in February 1999. The convention obligates the parties to criminalize bribery of foreign public officials in the conduct of international business. Lebanon is not a signatory to the OECD Antibribery Convention.

Resources to Report Corruption

There is no government agency responsible for combating corruption; however, in 2014 and early 2015 efforts were made by the government to combat corruption across several ministries. The Lebanese Transparency Association monitors corruption.

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14. Bilateral Investment Agreements

In 2006, the United States 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 a 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 ten 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 (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, Korea (South), Kuwait, Malaysia, Mauritania, Morocco, Netherlands, OPEC Fund, Pakistan, Qatar, Romania, Russia, Slovak Republic, Spain, Sudan, Sultanate of Oman, Sweden, Switzerland, Syria, Tunisia, Turkey, United Arab Emirates, Ukraine, United Kingdom, and Yemen.

Bilateral Taxation Treaties

Lebanon does not have a bilateral taxation treaty with the United States.

15. OPIC and Other Investment Insurance Programs

In 1981, Lebanon and the United States signed an Overseas Private Investment Corporation (OPIC) agreement. OPIC did not start to operate 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. To date, OPIC has provided USD 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 USD value of the local currency has been pegged by the Central Bank (BdL) at Lebanese Pounds (LBP) 1,507.5 to the dollar since 1998; however, the dollar continues to trade in the business market at LBP 1,500. The BdL has repeatedly expressed its commitment to maintaining a stable currency. With record high foreign assets (excluding gold) of USD 38 billion as of end-March 2015, the BdL has the ability to maintain a stable USD/LBP rate for some time. Lebanon has one of most heavily dollarized economies in the world; as of end-February 2015, 65.4 percent of bank deposits were dollarized. Businesses commonly accept payment (and return change) in a combination of LBP and USD.

16. Labor

The 1946 Labor Law provides for written and oral contracts and specifies a maximum workweek of 48 hours (with several exceptions, notably agriculture corporations and domestic workers). The law recognizes international labor rights and 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. The government mandates local employment, and the Ministry of Labor issues yearly a list of jobs restricted to Lebanese. In January 2015, the Ministry of Labor set the limit of foreigners to be employed by NGOs and International NGOs at 10 percent of the total.

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 IMF estimated the population at 4.55 million in April, 2015. The World Bank estimates Lebanese unemployment will have doubled to 20 percent between 2012 and 2014, in large part due to the Syria crisis; domestic unemployment was 11 percent in 2011, according to the Bank. As of March 2015, the official number of Syrian refugees in Lebanon, based on those registered with the UN High Commissioner for Refugees (UNHCR) reached 1.2 million. However, unofficial figures estimate the number of refugees to be much higher. 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.

The law provides for the right of private sector workers to form and join trade unions, strike, and bargain collectively, although the law places a number of restrictions on these rights. Protection against anti-union discrimination is also provided, but enforcement is weak, and anecdotal evidence suggests anti-union discrimination was widespread. 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 strong political bias, the CGTL has been sometimes accused of working for its political interests and of being ineffective in fighting for workers' rights. In recent years, it has been overshadowed by other labor groupings, most notably the Union Coordination Committees, which continues to lobby the GoL to pass an increase in the salary scale for public sector workers. Strikes and demonstrations are not uncommon, and have been usually aimed at pressuring the government for better employment conditions. This never has, however, posed a major risk to investment. The law requires businesses to adhere to safety standards, but it is poorly enforced.

17. Foreign Trade Zones/Free Ports/Trade Facilitation

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. On April 9, 2015, the cabinet appointed the TSEZ Authority. To actually develop the zone, the GoL still must amend some laws and decrees, and then implement them.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

Economic Data	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$B USD)	2013	47.2	2014	49.9	IMF World Economic Outlook database, April 2015
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2013	n/a	2013	193	
Host country's FDI in the United States (\$M USD, stock positions)	2013	n/a	2013	n/a	http://bea.gov/international/factsheet/factsheet.cfm?Area=507
Total inbound stock of FDI as % host GDP	2014	n/a	2014	6.4%	IMF

*The Central Administration of Statistics (CAS)

Table 3: Sources and Destination of FDI

IMF Coordinated Direct Investment Survey data are not available for Lebanon. According to the IMF's Beirut Office, total inward direct investment is USD 3.2 billion, and total outward direct investment is USD 499 million.

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	6,275	100%	All Countries	2,774	100%	All Countries	3,500	100%
United States	1,866	30%	United States	1,440	52%	United Kingdom	577	16.5%
United Kingdom	699	11%	Bahrain	260	9.4%	France	454	13%
France	593	9.5%	Luxembourg	155	5.6%	United States	427	12.2%
Bahrain	385	6%	France	139	5%	United Arab Emirates	302	8.6%
United Arab Emirates	365	5.8%	Jordan	133	4.8%	Qatar	162	4.6%

Source: IMF Coordinated Portfolio Investment Survey

19. Contact for More Information

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