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Consortia**

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**COUNTRY PAPER LEBANON**

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## A. INFORMATION ON THE COUNTRY'S EXPERIENCE

The Lebanese industrial sector accounts for 17.3% of GDP and employs no less than 140,000 people, about 25% of the labour force. Except for cigarette manufacturing, manufacturing in Lebanon is totally in private hands. Exports have grown strongly since 2000: from 714 million US\$ to 1,747 million US\$. In 2004 industrial exports represented about 94% of all Lebanese exports.

*Table 1: Main exports, 2004*

<b>Sector</b>	<b>Exports, US\$ million</b>	<b>% of total exports</b>
Pearls, precious and semi-precious stones (processed)	287	16
Basic metals	228	13
Machinery and mechanical appliances	274	16
Chemical products	149	9
Food products	148	8
Mineral products	108	6
Paper and paper board	100	6
Textiles	78	4
Plastics	59	3
Articles of stone	55	3
<i>Total manufacturing</i>	<i>1486</i>	<i>85</i>
Others	261	15
<b>Total</b>	<b>1747</b>	<b>100</b>

### A. 1 Country policy to promote exports

In the past, governments have seen export promotion as a pure private sector responsibility. Apart from signing free trade agreements and implementing incidental support measures the Government did not involve itself in exports. Systematic approaches to export promotion are a recent phenomenon. In 2002, a support programme for agricultural exports was launched. After several years of lobbying by the private sector, a National Export Promotion Council is being established. This is a joint initiative of the Ministry of Economy and Trade, the Association of Lebanese Industrialists and the Union of Chambers of Commerce, Industry and Agriculture of Lebanon. The main tasks of the Council are:

- Creation of an economic and social environment conducive to export culture and export promotion;
- Establishing an advisory platform for trade negotiations for the Government;
- Provision of special promotion services, such as participation in trade fairs and preparation of export promotion campaigns;
- Creation of an information network for actual and potential exporters;
- Assisting in the rehabilitation of business enterprises, especially SMEs, with the purpose of preparing them for a role in export markets;
- Establishing promotion offices outside Lebanon;
- Acting as a liaison office with regional and international organizations concerned with foreign trade.

The Council is an autonomous public agency under the Council of Ministers, with a mixed public-private sector Board of Directors

The leader of private sector efforts to promote exports is the Association of Lebanese Industrialists (ALI), representing about 84% of industrial investment in Lebanon, has been the leader of the private sector in promoting exports. The Association has undertaken missions all over the world to promote Lebanese products and participated in industry fairs in Arab, European and other countries. ALI and the Federation of Lebanese Chambers of Commerce, Industry and Agriculture cooperate with the Ministry of Economy and Trade in creating the above-mentioned export promotion council.

In 2001, the Association opened an Export Centre in Beirut with an area of 9000 m<sup>2</sup> which includes a permanent exhibition of Lebanese products since 2002. The purpose of this export centre is to help Lebanese manufacturers attain milestones in export-led development by rendering various export services, such as match-making with foreign buyers, providing information to members, providing quick and cost-effective access to Lebanese products through a number of informational and organizational facilities, and encouraging an 'export culture' in SMEs. The centre is also dedicated to helping Lebanese manufacturers by assisting in export training and export promotion.

#### **Principal aims of the Export Centre**

- To be the main Lebanese Export Trade Centre.
- To be the window on local and foreign markets, especially for industries located outside the capital Beirut.
- To introduce all products 'Made in Lebanon' to local consumers and foreign delegations.
- To coordinate information visits to foreign markets.
- To facilitate contact between industrialists and consumers and between industrialists and foreign commercial and economic delegations.
- To help industrialists in accessing export facilities and export market data.
- To reduce the representation and marketing costs of industries.

Government institutions collaborate with the private sector in different areas. The Association of Lebanese Industrialists, the Chambers of Commerce, Industry and Agriculture and other private sector Associations and syndicates are consulted by government agencies on issues such as trade agreements, but also on many other issues that may have an impact on exports, such as macro-economic policy, new laws and product quality requirements. Representatives of the different private sector associations are on the steering committees of relevant programmes.

A general obstacle to export growth is the difficulty of obtaining credit for industrial expansion. Specific obstacles to increasing exports are listed by major industrial sub-sector in Table 2.

*Table 2: Obstacles to increasing exports*

<b>Industry</b>	<b>Situation</b>	<b>Obstacles</b>
Textiles and clothing	From 2001: strong competition due to trade liberalization (a.o. a decrease of custom duties from	- Competition from Far East - High cost of production - High interest rates, among others leading

	35% to 5%) resulting in a decrease in the number of factories and workers.	to: - Lack of working capital
Food processing	The largest sector in Lebanese Industry. It has a very wide range of products. Certain activities are seasonal.	- High cost of production - Insufficient quantities of some products - Quality, standards and lack of certified testing for exports - Product innovation and packaging.
Chemical products	Diversified sector. Is improving the quality of products but faces fierce competition from imported products.	- Low R&D expenditure - Weak environmental performance - Standards and norms - High energy prices - Large number of small firms that need upgrading
Paper and paperboard, plastics and packaging, glass	Industries with high production costs.	- High cost of energy - High cost of recycling

## ***A. 2 Towards the creation of export consortia***

The Export Centre can be seen as a first step towards cooperation among exporters: different kinds of manufacturing firms share the same place, exhibiting and promoting their products together, exchanging information and jointly participating in trade fairs.

While there are no export consortia in Lebanon yet, the time seems ripe. To be able to compete in global markets, SMEs in particular need support to be able to deal with the complexities of standards, quality control, packaging etc., and many industrialists realize that export costs can be brought down through cooperation. The Association of Lebanese Industrialists has had meetings with UNIDO officials and Federexport officials in Rome to discuss methods of creating an environment which will stimulate Lebanese manufacturers to participate in the different types of export consortia. There are plans for consortia in the textile and food processing industries.

As part of the attempts to create consortia, it is essential to make Lebanese industrialists, especially SMEs, aware of its benefits. The main problem is that most SMEs can only see their competitors as adversaries. The idea that competitors can cooperate in some areas for mutual benefit is as yet unknown. This problem can be avoided by exploring the possibilities of single-sector consortia or a multiple-sector consortia with complementary or heterogeneous activities.