

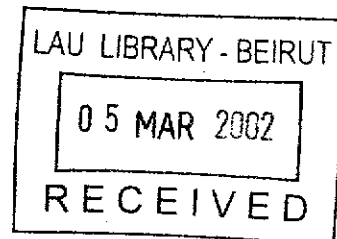
RT
288

THE EFFECT OF UNOFFICIAL (NON-GOVERNMENT)
PRIVATE HARBORS ON THE LEBANESE ECONOMY

A Research Topic
Presented to Business Division
Beirut University College

In Partial Fulfillment
of the Requirements for the Degree
of Masters of Science in Business
Management

By
Jamil Ramadan
September, 1985



BEIRUT UNIVERSITY COLLEGE

P.O. BOX 98 13-5053

BEIRUT, LEBANON

APPROVAL OF RESEARCH TOPIC

CANDIDATE Jamil Ramadan DATE Sept., 1985

DEGREE M.S. in Business Management ADVISOR Dr. M. Singh

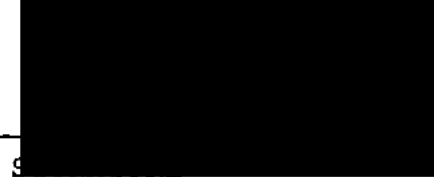
TITLE OF RESEARCH TOPIC The Effect of Unofficial (Non-Government) Private Harbors on the Lebanese Economy

The following professor nominated to serve as the advisor of the above candidate has approved his research work.

ADVISOR

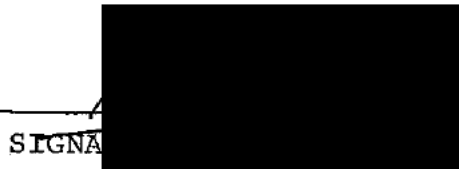
Dr. M. Singh

NAME



Dr. H. Ali

NAME



SIGNATURE

TABLE OF CONTENTS

	<u>Page</u>
LIST OF TABLES	iv
LIST OF ILLUSTRATIONS	v
 Chapter	
1 INTRODUCTION	1
STATEMENT OF THE PROBLEM	2
STATEMENT OF THE PURPOSE	3
DEFINITION OF TERMS	4
ORGANISATION OF THE STUDY	5
2 PRESENTATION AND ANALYSIS OF RESULTS	7
A. LEBANON'S OFFICIAL HARBORS: Historical Background and Import Activities to 1984	7
(i) Beirut Port	7
(ii) Other Legal Ports	22
a. Tripoli Port	23
b. Jounieh Port	28
c. Sidon Port	30
B. ILLEGAL PORTS IN LEBANON: Historical Background and Import Activities to 1984	35
C. THE EFFECTS OF ILLEGAL HARBORS ON GOVERNMENT REVENUE	41
3 CONCLUSION, RECOMMENDATIONS AND SUMMARY	60
CONCLUSION	60
RECOMMENDATIONS	62
SUMMARY	64
BIBLIOGRAPHY	65

LIST OF TABLES

	<u>Page</u>
1. Beirut Port Equipment in 1979.	10
2. Estimates of Damage to Beirut Port Equipment . .	12
3. Ordinary Traffic, Cargo and Passenger Movements, Beirut Port 1968-1974	15
4. Ordinary Traffic, Cargo and Passenger Movements, Beirut Port 1975-1984	16
5. Container Traffic at the Beirut Port in 1980 . .	20
6. Tripoli Port Activities 1970-1982.	26
7. Jounieh Port Activities 1976-1981.	31
8. Port of Sidon Activities 1975-1983	33
9. Container Activity of Selected Illegal Harbors in Lebanon	42
10. Customs Receipts as Percentage of Total Imports.	48
11. Average Total Imports to Lebanon 1977-1983 . . .	49
12. Percentage of Customs Receipts to Imports through Beirut Port 1967-1973.	50
13. Percentage of Imports to Total Imports at Beirut Port 1967-1973.	51
14. Estimated Imports Entering Lebanon Illegally 1977-1983.	52
15. Estimated Lost Imports at Beirut Port 1974-1983.	54
16. Actual and Estimated Total Customs Receipts in Lebanon 1975-1983	58
17. Currency Rates Applied in Customs for the Month of January, 1985 and the Fixed Rates Set on January 15, 1985.	61

LIST OF ILLUSTRATIONS

Graph	Page
1. Unloaded Cargo at Beirut Port 1975-1984.	17
2. Imports at Tripoli Port 1970-1982.	27
3. Total actual and estimated customs receipts 1975-1983.	59

Chapter 1

INTRODUCTION

In the past, Lebanon's official ports, specifically Beirut and Tripoli, have enabled her to maintain a position as a leading world trade center without the development of foreign or domestic trade fleets, even though this position is, to a considerable extent, dependent upon foreign trade. In Lebanon the emphasis has been placed on trade encouragement through the easing of trade restrictions and the establishment of free ports.

The great decline in traffic through Lebanon's official ports over the past decade is mainly a product of the events of 1975-76, which results in the following conditions:

1. Sea piracy operations along the Lebanese coast.
2. The spread of illegal ports all over the Lebanese coast, plus smuggling operations.
3. Many neighboring countries have taken advantage of the Lebanese war to modernize and develop their own ports in the hope of taking over the role that Beirut Port was playing in the area.
4. The closure of Beirut Port, by far Lebanon's most important port in terms of volume of cargo handled, for long periods of time due to the deterioration of

the security situation, direct bombing or battles taking place on the premises.

Other conditions, unrelated to the Lebanese civil war, have also contributed to a downturn in the activities of Lebanon's official ports. These include :

1. The reopening of the Suez Canal for sea navigation.
2. High customs duties imposed by the Lebanese government on foreign products, which has motivated importers to deal with illegal ports.
3. High fees and tariffs (as claimed by shipping companies) imposed by the Compagnie de Gestion et d'Exploitation du Port de Beyrouth (CGEPB) on ships using Beirut Port.

STATEMENT OF THE PROBLEM

Since 1975--the beginning of the civil war in Lebanon-- a number of non-government (private) harbors have been established in Lebanon.

The reasons have included the necessity to continue importing goods into Lebanon (some basic, some not) and the opportunity for economic profits which provided funding for private groups, including political and military organizations.

Despite the reopening of Beirut Port in July, 1984, after a prolonged period of closure, and government measures to curb their activities, a number of private (non-government) harbors continue to operate and their negative effect on the Lebanese economy is reflected in the

national import statistics, thereby representing a loss of revenue to the government in the form of customs receipts.

STATEMENT OF THE PURPOSE

The purpose of this research is not to investigate the political reasons behind the establishment of non-government harbors in Lebanon, but to document and analyze the revenue which has been lost by the Lebanese government in the form of import taxes.

PERFORMANCE OBJECTIVE

It is the objective of the researcher to examine, through this study, that the effect of unofficial (non government) private harbors on the Lebanese economy from 1975 to 1984 has been very harmful in terms of the decrease in customs receipts received by the Lebanese government.

In addition, the owners of the private harbors have flourished as influential, private entrepreneurs, and have thus committed themselves to their respective factions for protection of their interests, making the revival of government harbors very difficult. The current unstable political situation also continues to contribute to the existence of these private harbors.

This research will clearly show that unless the government can reestablish its authority in its harbors, the

economy will deteriorate further.

DEFINITION OF TERMS

Government harbors: Those harbors which are officially recognized to be part of the legitimate government of Lebanon, and under the direct supervision and full control of the government administration of Lebanon. The government harbors examined in this research are Beirut, Tripoli, Jounieh and Sidon.

Non-government harbors: Those harbors not recognized by the government, but are under the direct supervision and full control of private individuals or groups, e.g., Beirut 5th Basin, Dbayeh, Menyeh (Tripoli).

Revenue: Revenue is described in terms of import taxes levied on goods imported by sea only (as opposed to land or air), and measured in Lebanese pounds.

Closure: The time interval corresponding to the non-operation of any of the harbors being examined.

Time Intervals: The intervals included in this research are:

1968-1974	Pre Civil War period
1975-1984	Civil War period

The Lebanese Customs: A governmental enterprise whose job it is to ascertain arrival of goods that coincide with vessels' manifests at Lebanon's official ports. It also supervises storage and withdrawal of goods after payment of relative customs duties. It works in collaboration with

the Compagnie de Gestion et d'Exploitation du Port de Beyrouth (CGEPB) and the shipping companies.

The CGEPB: It is a Lebanese corporation that handles all work related to the portage, storage, preservation and delivery of goods at Beirut Port. For these purposes it owns equipment, quays, open storage yards and warehouses. The CGEPB operates the port under a governmental franchise whereby the government pays the CGEPB in the form of royalties and a percentage of the profits. The royalty is regressive--5% of revenues up to L.P. 22 million, and 3% of the additional L.P. 2,150,000 million. For revenues over L.P. 24,150 million, the CGEPB and the Lebanese government split profits 40-60%, respectively.

ORGANISATION OF THE STUDY

This research first examines the historical background and import activities of Lebanon's main official ports, comparing volumes before and after the events of 1975-76. Plans for expansion of facilities are also included.

Illegal ports in Lebanon are then surveyed, with an examination of their historical background and activities in the period 1975-1984.

This is followed by a comparison between the government revenue from official ports prior to the establishment of illegal ports in Lebanon, and the present day situation with the decline of import activities at the official harbors.

The research also reveals the consequences of the imports through the various illegal harbors from an economic point of view rather than a political one.

Measures for stopping this trend and attempts for closing down the illegal ports are discussed; the failure of several attempts is merely due to the unstable political and military situation.

Conclusions are drawn and recommendations are made to increase the import activity at government harbors, thereby increasing government revenue from customs receipts. Finally, there is a summary presented of the current situation.

Chapter 2

PRESENTATION AND ANALYSIS OF RESULTS

A. LEBANON'S OFFICIAL HARBORS: Historical Background and Import Activities to 1984

(i) Beirut Port

Beirut, the capital of Lebanon and a key communications center, was one of the most important merchant cities of the Middle East.

Beirut, or Berytus, was a flourishing Levantine port and trading station in the fifteenth century, but it first became pre-eminent a couple of centuries later in the time of Fakhr-al-Din (1595-1634) and his successors. For many years Beirut connected Lebanon, Syria, Jordan, Iraq, Iran, and south of Turkey and the north of what was formerly Palestine to the commerce and travellers of Europe, Africa and the other overseas lands with trade and interests in the Near and Middle East.

The more recent history of Beirut Port can be traced as follows:

- In 1888, a group of French shareholders in the Compagnie Ottomane de la Route Beyrouth-Damas founded, with the help of several banks, the Compagnie Ottomane du Port des Quais et Entrepôts de Beyrouth. Under French direction and supervision,

port construction was started in 1889 and completed in 1894.

- In 1912, the port had its first warehouse.
- From 1914 to 1919, the port was used only for war purposes due to the breakout of the First World War.
- In 1925, the Ottoman Company acquired a French nationality and became known as the Compagnie du Port, des Quais et des Entrepôts de Beyrouth.
- In 1933, the Free Zone was established.
- In 1939, an agreement was reached for enlarging the port and constructing the second basin.
- In 1951, the port of Beirut was given under a concession to and operated by the Compagnie Française du Port, des Quais et Entrepôts de Beyrouth which exploited the following:
 - a) the bonded warehouses, for the benefit of the Lebanese Customs,
 - b) general warehouses,
 - c) Free Zone,
 - d) harbor station,
 - e) workshops and maintenance facilities,
 - f) lighterage.

Various services were independent of the port company, and were either state or private concerns. These were:

- a) the Office of the Port Captain, b) piloting, c) quarantine,
- d) beacons, e) port police, f) customs.

- In 1960, and by a special governmental decree, the

company operating Beirut Port became Lebanese, investing, managing and exploiting the port for the account of the State but under the supervision of the latter. The company came to be known as "Compagnie de Gestion et d'Exploitation du Port de Beyrouth (CGEPB)."

- In 1962, there was an international tender offer for constructing the third basin and reconstructing the quay in the first basin.

- In 1967, the breakout of the Arab-Israeli war and the closure of the Suez Canal led to sudden changes in the port's diverse vessel and cargo movements, especially transit cargo and tourist groups to the Holy Land.

- In 1974, a committee was founded to modernize the port and to lay down plans for constructing a fourth basin. A well-known British company was recruited for this purpose. In this same year, the last one before the outbreak of the civil war, the port's main facilities were: 3 basins, 3,520 meters of quays, 53 covered warehouses with a total area of 192,800 square meters, 30 open warehouses with a total area of 170,000 square meters and 57,700 square meters of storage space in the Free Zone warehouses. The Port's equipment consisted of 5 floating cranes, 162 forklifts, 666 vehicles, 11 container handling installations and 30 other service vehicles ¹ (Table 1).

¹Iskandar M, and Baroudy E, The Lebanese Economy in 1980, Beirut, MEEC, p. 31.

TABLE 1
Beirut Port Equipment in 1979
(With comparative figures for 1974)

Basins (area in hectares)	1974	1979	
First Basin	12.36	12.36	
Second Basin	20.00	20.00	
Third Basin	33.80	33.80	
Fourth Basin	Under construction		
 Total	 66.00	 66.00	
 Quays	 3,520m	 3,784m	
 Warehouses			
Open Storage Yards			
Number	53	12	
Area (in sq.m.)	192,800	40,400	
Warehouses			
Number	30	7	
Area (in sq.m.)	170,000	24,400	
Free Zone Warehouses			
Number	150	-	
Area (in sq.m.)	57,700	-	
 Floating Cranes and Tug-boats	5	6	(2 for repair)
Electro-propelled Cranes	31	6	(6 for repair)
Mobile Cranes	29	12	
Forklifts	162	68	(23 for repair)
Vehicles	666	196	
Container Handling Equipment	11	8	(2 for repair)
Other Service Equipment	30	14	

Source: Compagnie de Gestion et d'Exploitation du Port de Beyrouth, 1980.

- In 1975, and despite the tension, the port took advantage of the lengthy truces and recaptured 80% of its 1974 activity.²
- Between September 1975 and March 1976, the port was virtually closed because fighting grew in intensity and dockers refused to work under such conditions.
- Between March and December 1976, the port's area was transformed into a battle ground. Most of the cargo was stolen and many of the warehouses and facilities were burnt down. Total war damages were estimated at L.P.57,-600,000, for the period 1975-1976. Total value of merchandise destroyed was L.P.2,100,000,000 (Table 2).
- In 1977, and after a partial clean up, the port was reopened but unfortunately experienced a marked drop in its various activities.
- In 1978, it operated only for six months and experienced a further drop in its activities. Estimated damages for this year were L.P.8,600,000, and the value of merchandise destroyed was L.P.30,000,000. (See table 2).
- In 1979, it experienced a slight increase in its activities measured in terms of cargo loaded-unloaded and transit. The port's main facilities consisted of three basins (the fourth basin was still under construction), 3,784 meters of quays, 12 open storage yards with

²Iskandar M, & Baroudy E, The Lebanese Economy in 1980, Beirut, MEEC, p. 31.

TABLE 2
 Estimates of Damage to Beirut
 Port Equipment

	1975 -76	1978
	L L	L L
Damage to Installations	28,400,000	5,100,000
Damage to Equipment	26,600,000	2,600,000
Clean-up and Removal of Debris	2,600,000	900,000
	57,600,000	8,600,000
 Total	 LL 66,200,000	

Merchandise Burnt or Plundered

In 1975-76	2,100,000,000
In 1978	30,000,000
 Total	 2,130,000,000

Source: Compagnie de Gestion et d'Exploitation du Port de
 Beyrouth, 1979.

a total area of 40,400 square meters, and 7 warehouses with a total area of 24,400 square meters. The port's operative equipment consisted of 4 floating cranes and tugboats, 12 mobile handling installations and 14 other service vehicles. (see table 1).

- In 1981, the port witnessed 20% decrease in shipped goods and 4% in container movement as compared to the previous year, and was closed for around 26 days.³

- In 1982, the port witnessed very serious events for it became a major target for bombardment due to the security turbulances (election and assassination of Sheikh Bashir Gemayel followed by the election of his brother Amin Gemayel). The port was either totally or partially closed. Many shipping agencies stopped dealing with it, declaring neighbouring ports as final destination for Lebanese cargo. More important was the fact that some of the Lebanese cargo was imported through Haifa (Israel) and illegal ports were spreading all over the Lebanese coast.

- 1983, the port was able to restore some of 1974's activities. The government closed all illegal ports. The port witnessed an increase of 54.3% in the vessel traffic, as compared to the previous year, which amounted to 81.6% of that of 1974.

³Iskandar M, & Baroudy E, The Lebanese Economy in 1982-1983, MEEC, 1984, p. 127.

At present, the port comprises three basins sheltered by a 2,100 meter breakwater.

In addition to the above mentioned basins there is the fourth basin (erroneously referred to as the fifth basin) which has been under construction since 1974. The 12th, 13th and 14th quays surround it.

Beirut Port's main activities have consisted of transit, loaded and unloaded cargo, and the movements of passengers and vessels. For the purposes of this research, and although in the past they have been important, figures for transit activities are, in the main, excluded for they are not relevant in terms of income for the Lebanese government. Basically we are interested in the figure for unloaded cargo (expressed in tons) which are goods imported for local consumption. Loaded cargo (expressed in tons), on the other hand, are goods exported by Lebanon to the outside world.

To make a comparison of the port's vessel-cargo activities, the time span 1968-1984 is divided as follows:

1. The period before the civil war extending from 1968-1974 (see table 3).
2. The period after the civil war extending from 1975-1984 (see table 4).

TABLE 3
 Ordinary Traffic, Cargo and Passenger Movements
 Beirut Port
 1968-1974

Year	No. of Vessels	Loaded Cargo (000 tons)	Unloaded Cargo (000 tons)	Passengers
1968	2879	654	1915	95661
1969	3126	700	1993	86482
1970	3128	728	2289	81246
1971	3320	626	2456	117982
1972	3594	677	2666	143569
1973	3514	717	2819	128246
1974	3612	668	3412	146427

Source: CGEPB, Trafic Maritime du Port de Beyrouth:
Statistiques Diverses, 1974.

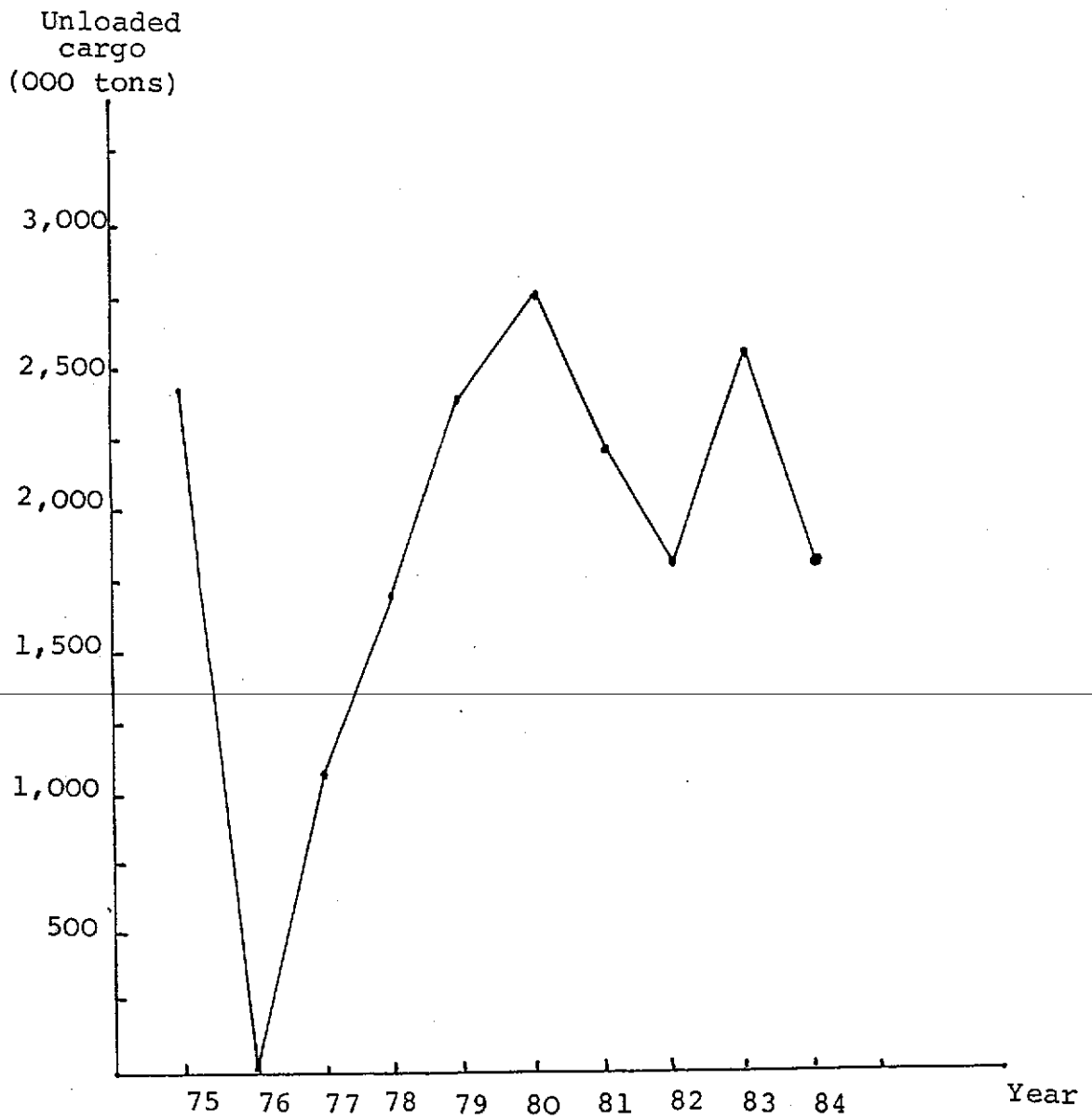
TABLE 4
 Ordinary Traffic, Cargo and Passenger Movements
 Beirut Port
 1975-1984

Year	No. of Vessels	Loaded Cargo (000 tons)	Unloaded Cargo (000 tons)	Passengers
1975	2859	395	2434	88587
1976	-	-	-	-
1977	2783	140	1047	17569
1978	1852	137	1664	8906
1979	2257	126	2374	4428
1980	2732	248	2732	1532
1981	2095	287	2195	880
1982	1911	97	1789	1350
1983	2949	106	2546	60128
1984	1248	96	1789	1111

Source: CGEPB,

Trafic Maritime du Port de Beyrouth:
Statistiques Diverses, 1984.

Graph 1. Unloaded Cargo at Beirut Port 1975-1984.



In 1974, the last year before the outbreak of civil war, 3,612 vessels entered Beirut Port carrying 4,079 million tons of cargo.

In 1975, before fighting spread to Beirut's commercial center, total cargo handled at the Port reached 2,829 million tons (80 per cent of the 1974 level) because the Port had taken advantage of lengthy truces to resume normal activity.

Between September 17, 1975 and March 11, 1976, fighting grew in intensity around the Port area and dockers refused to resume work until the long truce from February to March 1976. Except for occasional activity, the Beirut Port was virtually closed for most of this period.

Between March 12, 1976 and December 15 of the same year the Port area was transformed into a battleground. Most of the cargo stranded in the storage area was looted and many of the warehouses and facilities went up in flames.

War damage to the Port was estimated by the Assistant Director for Technical Affairs at the Compagnie de Gestion et d'Exploitation du Port de Beyrouth CGEPB, Engineer Joseph el-Khazen, at L.L.66.2 million, covering losses sustained in 1975-76 and later in the second half of 1978.⁴

Reopening for business early in 1977, after a partial

⁴Iskandar M, & Baroudy E, The Lebanese Economy 1981-1982, Beirut, MEEC. p. 152.

clean-up of the rubble and debris, the Beirut Port received 2,783 vessels. Transit activity had seen a marked drop mainly due to the shift by Iraq to the use of Basrah and other Gulf sea ports, and the Jordanian decision to rely on the Aqaba export terminal.

During a mere six months of operation in 1978, the Port received 1,786 vessels while in 1979, vessel traffic rose to 81 percent of the 1977 level but was still only 62.4 percent of 1974. Cargo volumes were also 64 percent of their 1974 level at 2,599 million.

1980 marked an improvement in traffic at the Beirut Port. Vessel activity rose by 21 percent to 2,732 while cargo traffic rose 14.6 percent to 2,979 million tons.

Container activity also improved markedly in 1980 (table 5): 786 vessels unloaded 30,388 containers holding 299,061 tons during the year. Traders have favored containers as a mode of cargo transport since 1975-76, partly for convenience, and partly for the speed and safety that pellet shipments fail to provide.

While work was in progress for its expansion and upgrading in 1981, Beirut Port registered a drop in traffic and in the volume of cargo loaded, unloaded and transited. This was largely the result of the renewed clashes in April which led to a lengthy interruption of activity at the port, and a corresponding increase in traffic at il-

TABLE 5

Container Traffic at the Beirut Port
in 1980

	Quarter				Total
	I	II	III	IV	
Number of Ships	175	204	197	210	786
Number of Containers	6,880	7,742	7,476	8,290	30,388
Weight in Tonnes	67,765	75,931	73,186	82,179	299,061
Unloaded for Exit from the Port	958	1,163	1,199	992	4,312
Unloaded at the Port Warehouses	591	540	506	576	2,213
Carried Out of the Port for					
Delivery of Consignments	3,136	3,939	5,355	6,629	19,059
Transited	-	-	2	2	4
Loaded	5,773	7,349	7,441	7,233	27,796

Source: Compagnie de Gestion et d'Exploitation du Port de
Beyrouth, 1981.

legal ports and at the ports of Tripoli and Jounieh. In this year, Beirut Port received 2,095 vessels cargo unloaded amounted to 2,195 tons, a 19 percent drop from the 1980 level of 2,731 million tons. This, however, does not reflect an equal drop in the volume of Lebanese imports during the year since a large proportion of these imports was brought in through illegal ports, or through the section of Beirut Port controlled by the rightwing Lebanese Forces.

In comparison with previous years, activity at Beirut Port had not only fallen below the 1980 level but was in many respects inferior to the level attained in 1979. Total vessel traffic was 7 percent less than the 2,157 vessels received by the port in 1979, and cargo unloaded was 11 percent short of the level of 2,374 tons registered in 1979.

Cargo loaded, on the other hand registered a growth over the 1979 level. These figures underline the erratic pattern of Beirut Port traffic, which is highly sensitive not only to the general security situation in Lebanon but also in the port area, which is one crossing point between the eastern and western parts of the capital.

The year 1981 also witnessed a drop in container traffic at Beirut Port, from 30,388 containers in 1980 to 16,965 in 1981, a 44 percent decrease. Volume per contain-

ner, however, increased from 9,841 tons in 1980 to 10,760 tons in 1981. There was also a corresponding drop in the number of containers unloaded for exit from the port from 4,312 containers in 1980 to 2,179 containers in 1981. The number of containers unloaded in the port warehouses dropped from 2,213 containers in 1980 to 1,238 containers in 1981. The number of containers taken out of the port for delivery of consignments was 13,432 containers, compared with 19,059 containers in 1980.⁵

(ii) Other Legal Ports

In addition to Beirut Port, there are three more legal ports in Lebanon: Tripoli, Jounieh and Sidon. Despite the fact that these three ports witnessed high cargo activities historically, their share of total Lebanese cargo movement is considerably lower than that of Beirut Port. In fact, the volume of cargo handled at these three ports and their capacity, including equipment and installation, are far inferior to those at Beirut Port. Another important observation is that none of these three ports can currently replace Beirut Port. In spite of this, these ports have been playing a very important role in the importation of cargo for the last decade. Their importance became obvious during the periods of closure of Beirut Port, and this can be easily deducted by observing the high an-

⁵Iskandar M, & Baroudy E, The Lebanese Economy 1981-1982, Beirut, MEEC, p. 160.

nual fluctuations in their various activities (mainly movement of cargo and vessels). Each port is discussed below in some detail.

a. Tripoli Port.

There has been no significant improvement or expansion in the port's cargo handling facilities since 1958. The port consists of a single 20,000 square meter basin with an average depth of 7 meters. The basin is situated within a protected area of 420,000 square meter. The port's six berths can accommodate six normal-sized vessels but with cargos not exceeding 600 tons. Other installations include 65,000 square meter of warehouses and 78,000 square meter of open-storage space.⁶ Most of the unloading equipment at the port is owned by private groups and maritime transport agencies. In 1981, the number of fixed and mobile cranes and forklifts employed at the port was increased, with a resultant rise in efficiency. An estimated L.L.100 million was also invested by the private sector during the year to expand the fleet of trucks handling cargo deliveries to and from the port.⁷ The main types of cargo handled by the port of Tripoli include wood and wood products.

⁶Ibid., p. 162.

⁷Ibid.

An expansion plan, prepared for the Tripoli Port Authority in 1974 by Peat, Marwick and Mitchell, proposes the upgrading of the port to handle cargo volumes projected for the 1980s. The plan envisages building a second basin, 90 hectares in area and 11 meters deep, and the dredging of the present basin. The plan also provides for an expansion of storage space by 350,000 square meter, an increase in the capacity of the port's grain silos, and an expansion of cargo handling capacity to 3.58 million tons annually. The total cost of the plan was estimated at L.L.169 million, at 1975 prices.⁸

Tripoli Port is ranked next to Beirut Port in terms of size and volume of cargo handled. For example, in the late seventies, its share, out of the total cargo traffic through Lebanese Ports, was 40%, and the volume of cargo loaded and unloaded was 39% of that at Beirut Port.⁹ Moreover, it was among the few public establishments that survived destruction during the past years and operated under full capacity, even in the worst security conditions. The port witnessed, and still does witness active traffic movement because of the following reasons:

1. The unpredictable operation of Beirut Port.
2. The Gulf war and the rise in the volume of cargo

⁸Ibid., p. 161.

⁹Ibid.

transited to Iraq, which accounted for 51% of total cargo traffic during 1982.¹⁰ This rise is mostly attributed to the operation of the Free Zone at Tripoli Port since 1948.

Table 6 summarizes the port's main activities for the years 1970 through 1982.

It can be observed that the port has served as a partial substitute for the port of Beirut since 1976, demonstrated by the fact that the total volume of cargo handled at Tripoli Port rose steadily from 1975 to 1979 to reach around 1 million tons in 1979. However, ever since 1979, the total cargo activity at Tripoli Port has fallen because of the resumption of the activities at Beirut Port and the existence of the illegal ports. The fall was also due to the ever-increasing restriction on transit trade to Iraq (Syrian-Iraqi conflict), and the fall of Iraqi imports due to the Gulf war. Consequently, total volume of cargo handled at this port dropped in 1981 and 1982 to be back to its 1974 level (total cargo unloaded in 1974 and 1982 were 587 and 591 tons respectively).

Although Tripoli Port is considered the second most important in the country, its operation is not well managed. For example, there is a sharp discrepancy between official reported figures and the actual volume of cargo

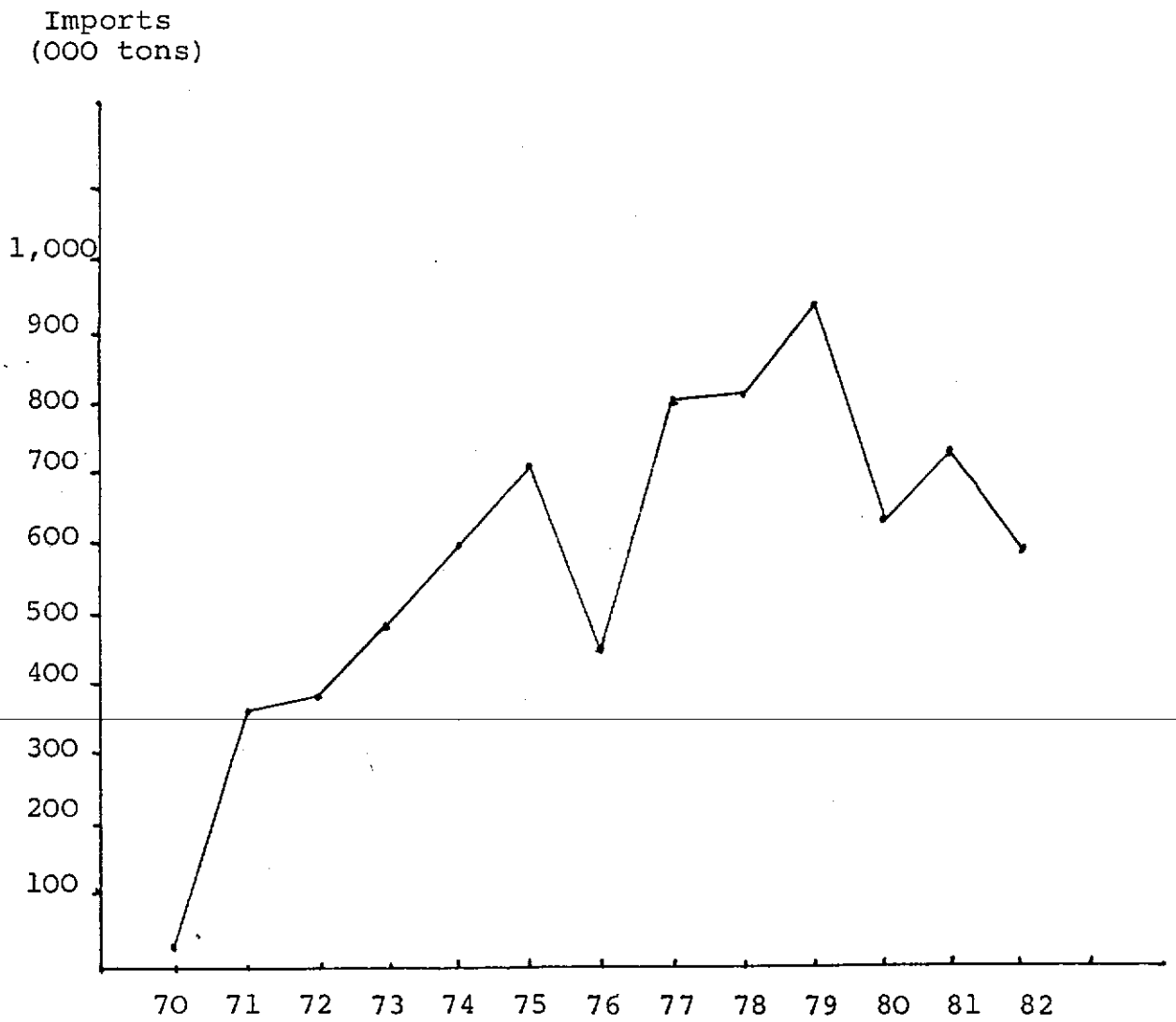
¹⁰Iskandar M, & Baroudy E, The Lebanese Economy in 1982-1983, Beirut: MEEC, p. 136.

TABLE 6
 Tripoli Port Activities
 1970-1982

Year	No. of Vessels	Imports (000 tons)	Exports (000 tons)
1970	416	28	359
1971	438	359	325
1972	478	372	384
1973	558	472	289
1974	668	587	249
1975	814	704	145
1976	606	443	52
1977	765	796	361
1978	880	811	76
1979	851	925	79
1980	947	625	62
1981	1057	722	50
1982	838	591	58

Source: Chamber of Commerce and Industry, Beirut, 1983.

Graph 2. Imports at Tripoli Port 1970-1982



going through the port due to the laxity of security measures and the absence of state control.

There has also been lately much controversy as to the presence of illegal ports near it and the high degree of underbilling and illicit entry of cargo through the port itself.

b. Jounieh Port.

By virtue of its geographical location, the bay of Jounieh emerged historically as a natural port for the movement of vessels and cargo. It enjoyed prosperity until 1307 when it was destroyed by the Mamalik. As a result, it became a neglected bay used by fishing and sailing boats. Its situation improved with the reign of Prince Fakhereddine Al-Maani, the second, who revived old trade agreements with Europe.

Then, in 1908, the port was closed by Franco Pasha who declared that the Port of Beirut was the only legal port. Jounieh Port did not resume its activities again until 1912 when Austria, Germany, Russia, France and England intervened for its reopening.

There were many attempts from 1873 to 1958 to make Jounieh Port similar to Beirut Port in order to handle a large number of vessels, but none was successful. In 1958, Fuad Shehab was elected as the Lebanese President.

Born in Jounieh, his dream was to turn the port into the largest in the Middle East. His dream was partially fulfilled by the construction of the present port, which is sometimes referred to as the "Fuad Shehab Port." This port is divided into three sections: fishing, navigation and sailing.

Jounieh Port, at present, has the capacity for receiving two to three boats in normal circumstances, and nine in warring conditions. There are offices, military barracks, and custom offices on its premises. Its equipment, however, is predominantly outdated and large vessels cannot enter the port, especially those carrying more than 1,000 tons. Two vessels can be discharged simultaneously during normal circumstances, and six during warring conditions. It has four quays in commercial use.

The administrative staff consists of a limited number of employees whose job is to guide ships for berthing and to accomplish administrative work.

The traffic movement at the Port comes from Cyprus and other neighboring countries.

In 1976, the port played an important commercial role due to the closure of Beirut Port, and it was controlled then by a Christian group who secured services such as imports, exports, mail and travelling. Indeed it was considered, throughout the years of war, as the sole connec-

ting link with the outside world and, for this, it was turned into a commercial port by a special governmental decree in 1976.

For the period between 1976-1981, Table 7 summarizes the port's vessel and cargo activities.

c. Sidon Port.

The port of Sidon was among the first ports that connected the West with the Arab World. However, its importance began to fade with the beginning of the 19th century. Among the reasons for its downturn were the earthquake of 1837, the opening of Beirut-Damascus road in 1860, and the fact that the port was directly bombed by the English and the Austrian fleets during the Second World War. Later on, its activity was almost wiped out by a special governmental decree stipulating that any cargo with customs duties above L.P.500 must not be discharged at Sidon Port. Its activities were thereby transferred to Beirut Port.

But with the 1975-76 civil war and the closure of Beirut Port, Sidon Port restored some of its previous activities; large vessels with hundreds of tons of cargo, food, cattle and cans were unloaded at this port, their entry being facilitated by the existence of a small island near the port, and the fact that the necessary equipment were provided by the private sector.

TABLE 7
Jounieh Port Activities
1976-1981

Year	No. of Vessels	Unloaded Cargo (000 tons)	Loaded Cargo (000 tons)
1976	1627	180	40
1977	450	74	8
1978	500	100	11
1979	205	39	10
1980	380	-	-
1981	720	-	-

Source: Chamber of Commerce and Industry, Beirut, 1982.

Table 8 summarizes the port's vessel and cargo activities for the years 1975 through 1983. As can be seen, only 32 vessels called at the port of Sidon in 1981, and unloaded 20,094 tons of cargo, as compared with 69 vessels in 1980 which unloaded 73,405 tons of cargo. This means that cargo unloaded at the port declined by nearly 73 percent during 1981. The volume of loaded cargo, on the other hand, was insignificant.

Activity at the port was brisk during the month of April 1981, when Beirut Port was closed. Ten vessels called at Sidon and unloaded 6,200 tons of cargo, or nearly 31 percent of the total cargo unloaded for the whole of 1981.¹¹ One can conclude that year to year fluctuations in cargo and vessel traffic at this port are best explained by the pattern of cargo activity at Beirut Port. Ever since 1975, Sidon Port has been one of the stand-by harbours, especially for the southerners who were several times cut off from the capital. However, most of the time, the cargo handled at this port is negligible due to its limited capacity, indicating a need for its expansion and development.

In 1977-78, U.K. consultants Peat, Marwick, Mitchell & Company and consulting engineers Coode and Partners prepared a study for the Council for Development & Reconstruction (CDR) on the future development of the

¹¹Middle East Reporter, Mar 11, 1982.

TABLE 8
 Port of Sidon Activities
 1975-1983

Year	No. of vessels	Cargo Loaded (000 tons)	Cargo Unloaded (000 tons)
1975	13	-	16
1976	170	-	467
1977	95	-	86
1978	251	-	188
1979	105	-	78
1980	69	-	20
1981	32	-	-
1982	N/A	-	-
1983	151	-	106

Source: Chamber of Commerce and Industry, Beirut, 1984

Lebanese coastline. The study concluded that, assuming a politically unified Lebanon, only two major ports were needed, namely the ports of Beirut and Tripoli. It was pointed out that Sidon, being only 30 kilometers from Beirut, could be supplied through Beirut Port, provided that the road link between the capital and Sidon is upgraded. The study further argued that if a port is to be developed in South Lebanon, this should be the port of Tyre rather than Sidon.

Undeterred by these recommendations, Hariri, commissioned a feasibility study for the development of the port of Sidon from France's Port Autonome de Marseille. This was completed in November 1978. Subsequently, the CDR asked the U.K. and French consultants to prepare another joint study for the development of the port of Sidon which was completed in 1979.

The consultants considered two possible sites for the expanded port, one north and one south of Sidon. The northern site would have been considerably cheaper. There is an island there which would provide protection and a natural breakwater. Less dredging would also be needed. However, developing the northern site would have ruined Sidon's ancient ruins. The consultants, therefore, recommended that the port be built in the south, despite the extra expenses, particularly because

it would be nearer to the Sidon industrial zone and would give easier access to towns further south.

Among other things, it was envisaged that 850 meters of quays, with a depth of up to 12 meters, be built by 1985, and 1,400 meters by 1990.¹²

In January 1981, the CDR submitted a report to the Lebanese government which recommended that a 30-year concession for the operation of the Port of Sidon be granted to a Sidon-born businessman, Rafic Hariri. One of the conditions of the proposed concession was that the concessionaire should set up a joint company with the CDR in which the latter would have a 50 percent stake. To date, the government has not yet taken a final decision on this recommendation. The concessionaire is also required to finance a development scheme capitalized at L.L. 250 million for the port.¹³

B. ILLEGAL PORTS IN LEBANON: Historical Background and Import Activities to 1984

Even though the illegal entry of goods into Lebanon through the coast was not widely practised until 1975, one can deduce its existence even earlier. It was, however, res-

¹² Middle East Reporter, Feb 7, 1981.

¹³ Ibid.

stricted to cigarettes, liquor and small items, and was handled with a lot of discretion and secrecy.

It is to be mentioned here that besides the legal ports which Lebanon had during that period, there were semi-private ports such as Chaka (for cement), Salaata (for loading chemical manure), Zahrani (for oil), Dora and Lecogar. In addition to these ports, there were also fishing ports such as Tyre, Guyah, Jubeil, Kaferaida, Batroun, Zama and Sabra. Some of these ports witnessed illegal activities later on.

But with the events of March 11, 1976, the situation changed dramatically. The warehouses at Beirut Port were burnt and the port itself closed. The security situation was deteriorating all over Lebanon; villages and towns were isolated from each other and the channels of distribution were blocked. The government, therefore, resorted to turning Jounieh Port, then used for tourism and military purposes, into a commercial port in the hope of taking over, temporarily, the place of Beirut Port. But soon Lebanon witnessed the spread of small ports all along the coast, starting from north of the capital, which were able to receive vessels with cargo of less than 500 tons. The vessels would berth in the open sea while their cargo would then be transported by means of fishing boats. Initially these ports were used for smuggling foreign cigarettes and liquor but, as soon as the local market was

saturated with such commodities, they were used for the smuggling of all kinds of goods.

Importing through these ports soon accounted for almost 80% of goods imported to the eastern side of Beirut.¹⁴ Fewer vessels arrived at Jounieh Port and the Treasury suffered from a tremendous reduction in its customs receipts. Furthermore, owners of these illegal ports started establishing offices at the Greek and the Cypriot ports in order to tempt Lebanese traders to import goods through their ports, which soon witnessed growing traffic movements.

The smuggling of goods and the existence of illegal ports continued until the "Arab Deterrent Forces" entered Lebanon at the end of 1978. Even then, however, smuggling did not disappear entirely.

On March 15, 1978, with Israel invading the south and the "Arab Deterrent Forces" evacuating the eastern side, smugglers resumed their activities, working day and night at the illegal ports. By July 1979, smuggling reached its heights and there were five main illegal ports.¹⁵ Traders were attracted to deal with these ports because they were able to obtain possession of their goods by paying only half of the customs duties which they had to pay through a legal port.

¹⁴ Iskandar and Baroudy, The Lebanese Economy in 1980, p. 165.

¹⁵ Middle East Reporter, July 19, 1979.

The movement of cargo through illegal ports persisted to varying degrees during 1980, 1981 and 1982, mainly through two ports: Dbayeh Port and the Fifth Basin.

Dbayeh Port, which was a small port for yachts, was turned into a commercial port. Mr. Joseph Abboud, owner of this port, summarized the port's history as follows. When the civil war broke out in 1975, causing an economic blockade, the thought of constructing a commercial port at Dbayeh was brought up. He asked the government to grant him permission, which he was subsequently granted. Construction of the port started in 1976. At the outset, and due to the absence of any quays or basins, vessels used to berth far out to sea and their cargo would then be unloaded by means of small boats. Later on, they were discharged by means of barges. At the same time, construction and development of the port were taking place and the port was soon able to receive vessels carrying 10,000 tons. The port operated until 1978, when the Syrians entered Lebanon and closed the illegal ports existing then. However, the development of the port did not stop and it was reopened only one year later.¹⁶

The Fifth Basin, on the other hand, was take over by Christian forces when still under construction and preparation by the CGEPB to receive large vessels. Construction of this basin and the equipping of Dock No. 14

¹⁶ Ibid.

had started before 1975, and it was planned to be used as a container terminal. Situated at the eastern end of the port, its completion was due by mid-1983 but, unfortunately, it was never completed.

At the beginning of 1983--precisely in March--the government took over all illegal ports in the Greater Beirut area and prevented any smuggling through the legal ones. This put an end to roughly 90% of illegal activities.¹⁷ However, this was not for long--by July the same year, goods were smuggled through the Israeli port of Haifa. Israel offered its Haifa port to be at the service of Lebanese importers, and encouraged them by opening its borders with Lebanon. It succeeded because it offered the Lebanese traders special facilities and conditions aside from those offered at Dbayeh and the Fifth Basin. Thus, Haifa Port became a new competitor to the illegal ports. The offers granted by the Israeli state were: 1) forcing the owners of Israeli vessels to grant special discounts, reaching 25%, for goods imported through Haifa port in transit to Lebanon, 2) specifying the custom percentage of 2% of invoice amount, and 3) specifying charges for transporting containers from Haifa port to Tyre as US \$2,700 per container.¹⁸

The ports of Sidon and Tyre soon also witnessed illegal

¹⁷ Iskandar & Baroudy, The Lebanese Economy in 1982-1983, p. 128.

¹⁸ Ibid.

activities, and many other ports appeared, especially in Miniyeh and Northern Tripoli. Moreover, fighting was growing in intensity in Tripoli, and its port was abandoned by importers.

By the end of October 1984, the government declared that all illegal ports were to cease operating as of November 3rd, and took all the necessary measures to enforce such a decision. But what was the situation like when the government made its decision?

There was much controversy about the number of illegal ports and their locations. In fact, they were scattered all along the Lebanese coast, succeeding each other and separated only by a few kilometers. They varied in importance, size, equipment and the volume of transactions handled. Some of them had modern equipment and were able to receive moderate-sized vessels.

In some newspapers, the number of operating illegal ports was determined as thirteen, distributed as follows: North (4), Northern-Eastern Beirut coast (3), Eastern Beirut-Naama (3), South (3). Other newspapers gave a figure of five: Dbayeh, the Fifth Basin and three others in Tripoli. Moreover, in an article dated 15/10/84 in An-Nahar, the illegal ports were enumerated as follows: North - three (1 in Al Munia, 1 at the southern side of Tripoli, and 1 at Nahr Abou Ali), one at Mina-Salaata, Chaka, Dbayeh, the Fifth

Basin, Bain Militaire, Khaldeh, Damour and Guyah. Still other newspapers added to the list of illegal ports Abda, Kafarabiada and Aquamarina. These ports were all crowded by dozens of ships waiting several days for the discharge of their cargo, which not only consisted of commercial goods but arms and weapons for the militias in Lebanon. Table 9 lists the activities of the main illegal ports of Lebanon for which data is available from unofficial sources.

The levies and fees charged at these ports differed substantially among them. In all, there were two kinds of levies. The first was a fixed amount on any container, whatever its contents, and the second was a certain percentage of the value of goods.

Despite the fact that the government intended the illegal harbors to close in November, 1984, they are currently (mid-1985) continuing their operations unchecked, and more unofficial harbors are opening. Moreover, even the official ports themselves, specifically Beirut and Tripoli Ports, witness illicit entry of goods and illegal activities such as re-exportation and hors manifest.

C. THE EFFECTS OF ILLEGAL HARBORS ON GOVERNMENT REVENUE

Customs receipts, under normal trade conditions, represent for the Lebanese government between one-quarter

Container Activity of Selected Illegal Harbors in Lebanon

Owner	Date Established	Container Turnover	No. of Vessels per day	Type of Goods
By Leb. Gov't				
Belrut	Lebanese	in 1975. Taken		
5th Basin	Forces	over in 1982.	150-200	3 to 4 Assorted
Dbayeh	Joseph Abboud	1981	40-75	1 to 2 Household, electrical appliances, food.
Miniyeh	Khair Family	1982	45-60	1 to 2 Finished garments, electrical appliances, food.
<u>N. Tripoli</u>	The Tawheed	1984	40-60	1 Assorted
Tawheed	Movement			
Tlass	Tlass family	1984	30-40	1 Assorted
Fakhriddine	Tarek Fakhriddine	1984	30-60	1 Assorted

and one half of the budget,¹⁹ and Beirut Port alone assures approximately 80% of the total customs receipts of the Lebanese state.

However, since the events of 1975-76, illegitimate ports have been used to bring in merchandise with the importers paying levies to the private armies instead of paying customs duties to the Lebanese government. This exercise has deprived the Treasury of huge funds, reflected in the adverse effect on the economy and the value of the Lebanese pound.

Although the war has effectively resulted in the creation of illegal ports, one might wonder why Lebanese importers should prefer to deal with them.

Because of Beirut Port's predominance in terms of volume of trade activity, the situation at this port will be discussed in detail.

There is a debate between the Lebanese Customs and the CGEBP as to who is to blame for the port's loss of some 5,000 containers monthly,²⁰ and herein lies a part of the answer.

Generally, traders and importers argue that official customs duties and tariffs at Beirut Port are exorbitantly high, being much more so than those of illegal ports. The customs authorities respond by asserting that the custom taxes are reasonable, there being only a few, except for some

¹⁹ An-Nahar, March 19, 1984.

²⁰ CGEBP, Statistiques Diverses, 1984.

luxury products, that pay 40%. In general, the range of custom taxes is 8, 10 and 20%. Exceptionally, and to protect the local industry, furniture pays 50%, whereas the taxes on food products are minimal. The custom authorities conclude that the blame should instead be on the storage and warehousing tariffs of the CGEPB that have gone up.

For its part, the CGEPB responds by asserting that its duty is to manage and exploit the port, the subsequent revenues being made available for the development of the port. It also asserts that the port's tariffs are the lowest when compared to other Mediterranean ports, except for Lattakia. It also points out that the storage tariffs are purposely high because the CGEPB does not want the port's warehouses to be piled with traders' goods since this adds to the CGEPB's responsibility.

Despite this debate, importing through illegal ports does in fact save at least 50% on customs duties.

There are two types of levy charged at illegal ports. One is a fixed amount per container, the main ports charging 4,000 per container for a 20' container and double for a 40' container. The second levy is a certain percentage of the value of goods. For example, 5-10% of the value would have to be paid on goods imported in boxes, parcels or bags. However, by the end of 1984, the levies were fixed on containers depending on the type of goods.

The savings on customs duties can be illustrated by the

following example. A 20' container of cassette-recorders and radio cassettes, having a value of US \$82,200, would have cost the importer in September 1984 as follows:

<u>At Beirut Port</u>	L.L.
Customs Duty (35% of invoice value)	181,127.29
Reconstruction Duty (4% of Customs Duty)	7,245.09
Municipal Fee (3.5% of invoice value)	18,113.40
Special fee on radio cassettes (7.11% of invoice value)	33,626.54
Stamps (2% of invoice value)	1,035.01
Port's fees (0.6 L.L./kg for cassette recorders and 0.04 L.L./kg for radio cassettes)	2,267.23
Miscellaneous expenses	1,500.00
Total	244,912.89

At the Fifth Basin

Fixed Amount	20,000.00
Miscellaneous expenses	1,500.00
Total	21,500.00

The saving on customs duties in this example amounted to 88%.

Another factor contributing to importers preferring to deal with illegal harbors is the high discharging fees the shipping companies impose, which are nonexistent at the illegal ports. Consequently, importers and international

shipping companies prefer to avoid Beirut Port. Importers further argue that delivery of goods at Beirut Port is both complicated and expensive in terms of money and time.

From the shipping companies' point of view, they argue that the CGEPB charges them more than they are charged at other neighboring or illegal ports. Thus, they also prefer illegal ports in spite of the very long waiting and discharging period. Moreover, shipping sources have also stated that only ships carrying goods on which there is one percent duty or less use Beirut Port. Their consignments therefore include mainly livestock, grains and bulk chemicals. Illegal ports, on the other hand, receive consumer goods such as video sets, washing machines, generators and clothing.

The main disadvantage, however, to illegal ports is the high insurance surcharges on vessels entering them, and thus a large proportion of the consignments are not properly insured. In addition, commercial banks in Lebanon do not object to the final destination for goods being declared as an illegal port as long as the customer settles his letter of credit promptly, and the letter of credit terms read Beirut Port as the destination of goods.

The implications of the activities of illegal ports on the Lebanese economy, and Beirut Port in particular, are tremendous. Henry Pharaon, President of the CGEPB, had already declared in 1980 that these ports must be stopped

from operating because they reflect negatively on the various economic sectors, especially the commerce, industrial and services sectors. According to Mr. Pharaon, they have provoked a decrease in the standard of living and aggravated the monetary inflation in the country.²¹

The value of goods imported illegally to Lebanon can be, at best, only approximated because of lack of any statistical record. To arrive at such figures for the years 1977 through 1983 the following issues are taken into consideration:

1. The percentage of customs receipts to total imports into Lebanon for the years 1968-1974 averaged 11% (see Table 10).
2. Three sources--the International Monetary Fund (IMF), the Lebanese Chamber of Commerce and Industry, and the Board of Foreign and Economic Relations (BOFER)--are used to arrive at the average total imports for the years 1977-1983 (Table 11).
3. Customs receipts at Beirut Port represent around 80% of total customs receipts.
4. The percentage of customs receipts to imports through Beirut Port for the years 1968-1982 averaged 9% (Table 12).
5. The percentage of imports at Beirut Port to total imports for the years 1968-1973 averaged 81% (Table 13).

Guided by issues 1 and 2 above, Table 14 can be constructed. The figures in columns (1) and (2) are those

TABLE 10

Customs Receipts as Percentage of Total Imports
to Lebanon

1968 -1983

(millions of Lebanese pounds)

Year	(1) Total Imports	(2) Customs Receipts	(3) (1) / (2) %
1968	1572	178	11.30
1969	1718	192	11.20
1970	1840	192	11.20
1971	2175	205	9.40
1972	2688	305	11.30
1973	3618	361	9.90
1974	4200	477	11.30
1975	3850	294	7.6
1976	1800	65	3.6
1977	4500	481	10.7
1978	5067	541	10.7
1979	7608	682	8.9
1980	10868	683	6.2
1981	13098	436	3.3
1982	13699	403	2.9
1983	13811	1277	9.3

Source: Chamber of Commerce and Industry, and Lebanese Customs, Beirut, 1984.

TABLE 11
Average Total Imports to Lebanon
1977-1983
(millions of L.P)

Year	I.M.F.	Chamber of Commerce & Industry, Beirut	B.O.F.E.R.*	Average
1977	4373	4500	4238	4500
1978	5261	5100	4842	5067
1979	8107	7500	7216	7608
1980	11614	10000	10992	10868
1981	13977	12500	12817	13098
1982	14895	13100	13087	13694
1983	15260	15500	10673	13811

* Board for Foreign Economic Relations.

Source: Chamber of Commerce and Industry, Beirut, 1984.

TABLE 12
 Percentage of Custom Receipts to Imports
 through Beirut Port
 1968-1972

Year	(1) Customs Receipts Beirut Port (L.P. millions)	(2) Imports Beirut Port (L.P. millions)	(3) (1)/(2) %
1968	139	1515	9.2
1969	150	1606	9.3
1970	150	1869	7.9
1971	160	2064	7.7
1972	238	2917	9.9

Source: Chamber of Commerce and Industry, Beirut, 1973.

TABLE 13
 Percentage of Imports to Total Imports
 at Beirut Port
 1967-1973

Year	(1) Imports Beirut Port (L.P. millions)	(2) Total Imports (L.P. millions)	(3) (2)/(1) %
1967	1445	1770	82
1968	1515	1865	81
1969	1606	2006	80
1970	1869	2252	83
1971	2064	2452	84
1972	2417	2902	83
1973	2921	3787	77

Source: Lebanese Chamber of Commerce and Industry, Beirut, 1974.

TABLE 14

Estimated Imports Lebanon Entering Illegally
1977 - 1983
(millions of Lebanese pounds)

<u>Year</u>	(1) <u>Estimated Total Imports</u>	(2) <u>Actual Customs Receipts</u>	(3) <u>Actual Total Imports</u>	(4) <u>Value of Illegal Imports</u> (1) - (3)	(5) <u>Illegal Imports as % of total</u> (4) ÷ (1)
1977	4500	481	4372	128	2.8
1978	5067	541	4918	149	2.9
1979	7608	682	6200	1408	18.5
1980	10868	683	6209	4659	43.0
1981	13098	436	3963	9138	70.0
1982	13694	403	3663	10031	73.3
1983	13811	1277	11609	2202	16.0

presented in Table 10. The figures in column (3) can be calculated using actual customs receipts as 11% of actual total imports. These figures represent, then, actual total imports. By subtracting them from those figures in column (1), one can arrive at the value and the percentage of total imports entering illegally into Lebanon.

Moreover, approximated figures for the lost imports at Beirut Port can be likewise calculated. Guided by issues 3, 4 and 5 above, Table 15 can be constructed. The figures in column (2) are estimated (as they are not available) by treating customs receipts at Beirut Port as 9% of total imports at that port. To calculate what percentage of the total imports was received by Beirut Port from 1977-1983, the figures in column (2) are divided by those in column (3). Since imports received through Beirut Port have historically constituted around 81% of total imports annually (Table 13), the differences between 81% and the figures in column (4) are the percentages of lost imports at Beirut Port column (5).

Another point to note is the inverse relationship between the figures in column (5) in Table 14, and those in column (4) of Table 15. This is in fact expected; as illegal ports become more active, Beirut Port becomes less so.

By March of 1983, it was reported in An-Nahar newspaper that the losses in customs duties to the state could be estimated at L.L. 5 billion. In the previous year only L.L. 400 million had been collected by the government instead

TABLE 15
 Estimated Lost Imports at Beirut Port
 1974 - 1983
 (millions of Lebanese pounds)

Year	(1) Customs Receipts	(2) Estimated Imports Beirut Port	(3) Total Imports	(4) % of total im- ports received at Beirut Port	(5) Lost Imports at Beirut Port 81% - (4) % of total
1977	320	3555	4500	79.0	2.0
1978	280	3111	5067	61.0	20.0
1979	331	3678	7608	48.0	33.0
1980	436	4844	10868	44.6	36.4
1981	236	2622	13098	20.0	61.0
1982	225	2500	13699	18.0	63.0
1983	955	10611	13811	77.0	4.0

of the target of L.L. 2 billion.²²

In an interview in January, 1984, with Mr. Toufic Yamout of Sealine Shipping Company, a Lebanese ship-owning concern, it was stated that economic stagnation and illegal ports had reduced traffic at Beirut Port by 30% of its 1981 volume. It was further stated that imports coming into Beirut Port reflected barely one-fifth the needs of the Lebanese market.²³

In March of 1984, An-Nahar reported that customs duties had been reduced to encourage the use of the Port of Beirut and to attract the clientele that had drifted away to use the more efficient private ports where customs rates were very competitive (specifically the Fifth Basin).²⁴ However, at this time Beirut Port was undergoing a prolonged period of closure and conditions in Lebanon did not help to effectively direct port traffic to other official harbors such as Tripoli and Jounieh. Tripoli Port, for instance, was registering an average monthly income well below its usual average (due principally to the security situation), while Jounieh had recorded an average monthly income of L.L. 5.8 million which was just L.L. 900,000 above its normal revenue. Tariffs collected at Sidon were also below average.²⁵

The slowing down of import activity into Lebanon was

²²An-Nahar, March 7, 1983.

²³Albert Nasr, "Bootleg Harbors and Backward Facilities Mean Bad Business for Beirut's Port," The Daily Star, Jan 28/29, 1984

²⁴An-Nahar, March 19, 1984.

²⁵Ibid.

accompanied by an abstention on the part of local banks to open letters of credit except in very rare cases. This resulted in an inflexible consumer market and paved the way for a resurgence of private and illegal harbors, despite the Army's attempt at clamping down on illegal harbors in March, 1983.

In June of 1984, Dr. Issam Haidar, Head of the High Council of Customs, was quoted as saying that revenue through Beirut Port, despite an unstable situation, had amounted to L.L. 157 million in May of 1983, but at the same time in 1984 had dwindled to only L.L. 20 million,²⁶ i.e., in comparing the first five months of 1983 with the first five months of 1984 it is obvious that only one-fifth of the income was being obtained through port customs.

In the first week of October 1984, official figures were published in the press and it was indicated that customs revenue had dropped by 72.5% during the preceding nine months compared with the same period in 1983.²⁷

Again, in November 1984, the Army attempted to stop the activities of illegal harbors. This attempt failed and the trend continues with further illegal harbors developing, this time specifically south of Beirut, e.g., Khaldy.

²⁶ Al-Amal, June 25, 1984.

²⁷ Middle East Reporter, Oct 3, 1984.

The actual and estimated customs receipts for the period 1975-1983 are presented in Table 16. The estimated loss for the state was L.L. 3,067 million for the same period.

It can be concluded from this table, and the associated graph, that customs receipts were affected by the operation of the illegal ports and illegal entry of goods which reached its height in 1981 and 1982, dropping in 1983 when the government closed all illegal ports. Customs receipts then increased three-fold in 1983, as compared to 1981 and 1982. Furthermore, customs receipts used to constitute approximately 11% of total imports throughout the period 1968-1974, but they dropped to an average of 7.5% annually for the years 1975-1983.

TABLE 16

Actual and Estimated Total Customs Receipts in Lebanon

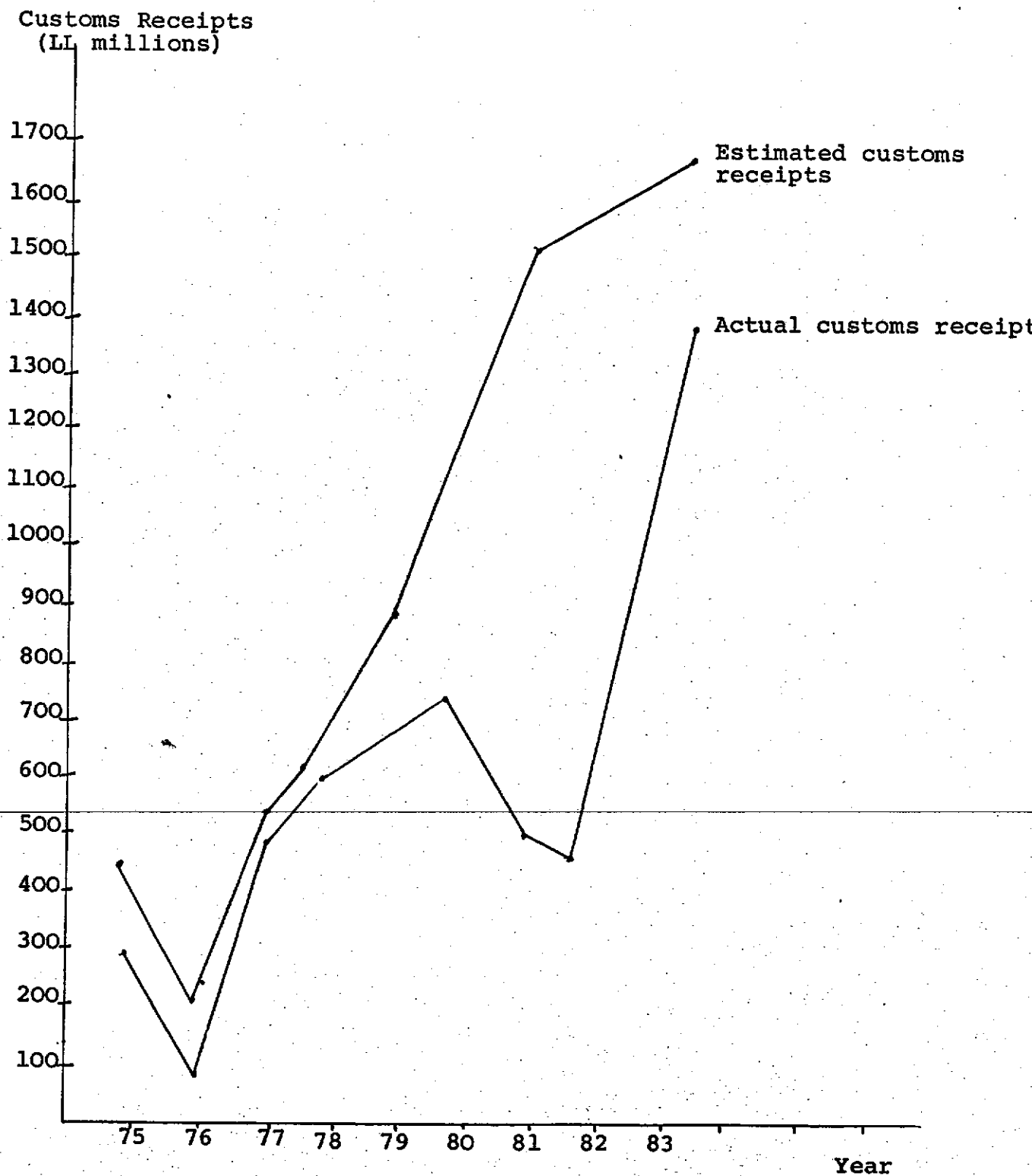
1975-1983

(millions of L.P)

Year	(1) Actual Customs Receipts	(2) Estimated Customs Receipts	Estimated Loss (2) - (1)
1975	294	424	-130
1976	65	198	-133
1977	481	495	-014
1978	541	557	-016
1979	682	837	-155
1980	683	1195	-512
1981	436	1440	-1004
1982	403	1506	-1103

Source: Chamber of Commerce and Industry, and Lebanese
Customs, Beirut

Graph 3. Total actual and estimated customs receipts.
1975-1983.



Chapter 3

CONCLUSION, RECOMMENDATIONS AND SUMMARY

Conclusion

The importation of goods through illegal harbors is now viewed by the Lebanese merchants as being normal, most of them doing so because they claim that the Lebanese government is imposing high customs tariffs on their imports. Accordingly, this has resulted in increased costs on their imports. Moreover, the fees in all of the illegal ports are significantly lower than those imposed by the government.

This does not necessarily imply that the latter should lower its customs, and in January 1985 a decree was issued by the government setting fixed currency rates to be applied in customs operations instead of the monthly rates applied beforehand. Previously these currency rates had been raised monthly due to the accelerated devaluation of the Lebanese pound, especially in late-1984.

A small table (Table 17) is introduced to show the difference in these rates for some of the basic currencies dealt with frequently before and after the decision was taken.

Even though the government has taken this decision early in 1985, now--in mid-1985--all of the illegal harbors

Table 17

Currency Rates Applied in Customs for the Month of Jan. 1985,
and the Fixed Rates Set on Jan. 15, 1985.

Country	Currency	January Rate	Fixed Rate	% Decrease for Jan.
G.F.D.R.	D.M.	272	190	30.1
U.K.	£	1003	680	32.2
Italy	It. L.	441 (/1000)	309 (/1000)	29.9
Belgium	B.F.	1352 (/1000)	957 (/1000)	29.2
Switzerland	S.F.	330	227	31.2
France	F.F.	89	62	30.3
U.S.A.	U.S. \$	841	600	28.6
Japan	Yen	340 (/100)	236 (/100)	30.6
Spain	Pesetas	490	342	30.2
Canada	Canadian \$	637	454	28.7
Average decrease				30.1

Source: Customs Official Publication. Published in the
local newspapers at the end of each month, 31/12/1984.

have resumed their activities and are taking advantage of the unstable political situation, leaving the legal ports with insignificant figures of imports amounting to barely 10% of the actual imports of the country. This observation is based on the personal experience of the researcher in the field dealing as an intermediary agent between the merchants and the ports' authorities, whether official or private ones.

Another observation is the inaccuracy of the actual import values for the last decade, e.g., 1983's figure (L.P. 18,811 million) for imports shows barely a 1% increase in comparison to 1982's figure (L.P.13,694 million) (refer to Table 11) while, in reality, the local market in 1983 has faced an increased demand for almost all types of goods. This was due especially to the influence from the Bekaa area where a huge market has been established due to the lower prices of commodities in comparison to neighboring countries. This applies mainly to Syria whose troops are still in Lebanon since their entry in 1976 as the "Arab Deterrent Forces."

Furthermore, unofficial sources indicate that the losses up to March, 1983 in customs receipts amount to about L.P. 5 billion due to imports through illegal harbors. Still, exact loss figures in import taxes cannot be reached since the value of goods imported through the illegal harbors is not controllable as most of the fees charged are set on a container basis according to the types of the goods, rather than to their values.

Recommendations

The alternatives that the Lebanese government has at its disposal to put an end to this tragic situation are many.

1. In the short-run the Lebanese government should lower its customs duties from its actual average rate of 20% to an average rate of 10%, or even less, encouraging by this

the merchants to import their goods through official ports. This would consequently lure the merchants away from the illegal ports which do not have any other source of income apart from the fees collected. By taking this action the Lebanese government would lose some of its revenues in relative terms but in absolute terms it wouldn't. Furthermore, to make up for this loss the government should investigate removing the subsidization on some of the basic commodities such as gasoline, flour, rice, sugar, etc. This is costing the government a considerable amount of money and is still not helping the Lebanese citizen who is paying a lot more money for other essential or basic commodities.

2. In the long-run, the Lebanese government should support the Lebanese industrialists and manufacturers in order to facilitate their production and help them stand on their own feet again, thereby encouraging exports. There would be a subsequent demand for the Lebanese pound and its value would also rise.

3. Another alternative, but unlikely to be realized, would be to give these illegal ports a legal quality and to decentralize the customs authorities. This is in view of the fact that presently the structure of the country is completely disintegrated, and in reality the legal ports themselves are controlled by the local dominating group according to its geographical location.

Summary

The purpose of this research has been to show that the establishment of illegal ports in Lebanon has harmed, and continues to harm the economic condition of the country in terms of income lost in customs duties levies on imported goods. The spread of illegal ports has, of course, been the result of the lack of authority and efficiency of the Lebanese government this past ten years. Additionally, the geographical location of Beirut Port, by far the country's most important facility, between the east and west sectors of the capital has meant its frequent cessation of operations due to the unstable political and military situation. These factors together have contributed towards increasing the activities of illegal harbors along the Lebanese coast because of the necessity to continue importing goods into the Lebanese market, activities which have deprived the Treasury of a considerable portion of projected revenues from customs receipts between 1975 and 1984.

BIBLIOGRAPHY

B.O.F.E.R. Lebanon's Foreign Trade Evaluation Based on
Data from the United Nations 1971-1983.

CGEPB. Trafic Maritime du Port de Beyrouth: Statistiques
Diverses 1974, 1979, 1980, 1981, 1983, 1984.

Iskandar, M. and I. Baroudy. The Lebanese Economy in 1980.
Beirut: MEEC, 1981.

_____. The Lebanese Economy 1981-1982. Beirut: MEEC, 1983.

_____. The Lebanese Economy 1982-1983. Beirut: MEEC, 1984.

Lebanese Chamber of Commerce and Industry, Annual Statistics.

Newspapers:

Al-Amal, June 25, 1984. (Arabic)

An-Nahar, March 7, 1983, and March 19, 1984. (Arabic)

Al-Anwar, April 1984. (Arabic)

Al-Bayân, Sept., Nov., 1983 and July, Nov., 1984. (Arabic)

Nasr, Albert. "Bootleg Harbors and Backward Facilities Mean
Bad Business for Beirut's Port," The Daily Star,
Jan 28,29, 1984.

Middle East Reporter, Jul 1979, Feb 1981, Oct 1984.

Magazines:

Al-Ikhtisadi, Jan.2, 1982, and Feb.2, 1984. (Arabic)

An-nahar al-arabi w'al-duwali, Nov. 2, 1982. (Arabic)