

# The Effects and Consequences of Migration and Immigration on the Lebanese Economy and Tourism Sector



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Edited by

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# INTRODUCTION

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Lebanon is constantly influenced by regional instability, from the seemingly endless conflicts in Syria to the disorder in its neighbours. The issues remain: Will Lebanon persevere in this perpetual unstable situation? How will Lebanon avoid the violence that has overwhelmed its neighbours? Political unsteadiness is guaranteed to have strong hostile effects on the country's economic situation. While major efforts have been made to gauge the financial cost of war, Lebanon is still experiencing tremendous downturns.

The political territorial precariousness has resulted in a massive exodus from the Arab nations, particularly Syria, and the falling oil costs in the Gulf nations has caused many migrants to return to their nation of origin, despite the negligible chances of finding employment. Characterized by a moderate financial development, high joblessness rates and uncontrolled levels of immigration, the Lebanese economy is unable to produce solid action plans to deal with the dramatic situation.

As indicated by the IFM (2017), the Lebanese response at the beginning of the Syrian emergency, stirred by compassion, was to maintain an open approach toward the exiles. But the Syrian crisis has extended over several years to our present time, and with shy international support and a national failure to handle its costs, poverty among the Lebanese has increased and income variation has broadened.

Subsequently, 200,000 Lebanese have been added to the already one million poor. An estimated 250,000 to 300,000 Lebanese nationals are unemployed; the majority of them under the age of 25. By the end of 2016, the IMF expected the Lebanese economic growth rate to slow down to 1%, and gross public debt was predicted to reach \$75.3b. For the country's economy, which relies mainly on the service sector (60% of its GDP), the negative impact of the Syrian war has spread to diverse sectors. The tourism sector has been especially affected, with a decrease in the number of tourist arrivals by 30% since 2010 (Moody's Investors Service, 2016). The number of qualified Lebanese leaving the country and looking for

better jobs is continuously increasing. The current period is the worst in decades.

What are the effects of emigration and immigration on the Lebanese economy and tourism sector? What can be done to reap the benefits of immigration and avoid the disadvantages?

The articles in this collection give unique perspectives on the Lebanese economic situation. The articles focus not only on the numbers and statistics but also on the human interventions controlling these numbers, trying to improve the overall situation. Each article discusses a specific topic in depth, and at the end, the reader will be able to provide a set of recommendations to multiple sectors in Lebanon.

The articles can be used as references or models with which to conduct further related research in different countries. Therefore, even though the studies are directed to the Lebanese situation, a benchmark can be created for similar settings.



# THE LEBANESE DIASPORA AND TOURISM IN LEBANON: MIGRATION AND ECONOMIC IMPACTS

ALI ABDALLAH AND FARID ABDALLAH

## Introduction

Lebanon, a diminutive Arabic country centrally located on the Mediterranean shore in the Middle East, has over the years attracted tourists from all over the world. Lebanon grants tourists a unique experience that can rarely be experienced anywhere else around the world. Geographically, the country's location makes Lebanon an easy destination for most tourists to visit as the country is located on the Mediterranean Sea, surrounded by countries such as Syria, Palestine and Jordan, which led some to dub it "the key to the Middle East" (Abdelnour, 1995). The scattered remains of Phoenician and Roman civilizations, including abandoned temples throughout various cities of Lebanon, attract history and culture enthusiasts. The climate is also an attraction, with blistering summers and freezing winters. Lebanon's high mountains preserve the snow from the blizzards in winter, providing tourists with the chance to ski on the mountains in the hot summers then visit the shores for a swim one-hour's drive away.

However, the image of such a historically unique destination has been destroyed by years of war, civil conflicts and political instabilities.

Lebanon's devastating civil war lasted for a long 15 years, killing thousands of citizens and destroying the entire economy, including tourism. The 15 years of violence brought the country's economy to the edge of collapse (Kanso, 2005: 139). However, Lebanon astonished most, especially its critics, with its rapid tourism recovery, from the war in 2006 and the civil unrest in 2008 to a "great success", as described by Page (2009). Middle East Tourism Marketing director Nicki Page (2009) hailed Lebanon as the "region's greatest success" as it has posted a 60% rise in tourist arrivals in 2009. After the civil unrest in 2008, the Lebanese government re-promoted Lebanon as a tourist destination to encourage

tourism (Akl, 2009). According to the Lebanese Daily Star (2009), the Lebanese and French governments worked closely to promote Lebanon as a preferred destination for French tourists. The government also launched book festivals and francophone games in 2009 and 2010 to encourage European tourists to visit Lebanon (Daily Star, 2009).

## **Understanding Lebanon's Tourist Figures**

Lebanon's tourism sector is one of the fastest-growing sectors in Lebanon, with an average of 9% annual growth over the last three years. Arrivals reached 1.51 million in 2015, a 12% increase over 2014. Lebanon's tourism sector directly contributes 8.1% of the country's GDP and indirectly around 22.1%. The sector is expected to grow by 5.3% in 2016 and an additional 6.8% per annum between 2016 and 2026 to reach \$19.97 billion by the end of 2026.

Furthermore, the tourism sector in Lebanon is one of the largest employers in the country as it generated 120,900 direct jobs in 2015 and a total of 326,800 direct and indirect jobs. Tourist-spending in Lebanon increased by 2% in 2015. Saudi tourists accounted for 15% of the total tourist expenditure in 2015, followed by tourists from the UAE and Kuwait, with 14% and 6%, respectively (Investinlebanon, 2017).

In 2016, statistics show signs of respite for the Lebanese tourism sector after six tough years. According to the Ministry of Tourism, in 2016, tourist arrivals hit their highest level since 2011 – 1.69 million tourists of all nationalities visited Lebanon in 2016. This is the closest Lebanon has been to the 2.17 million visitors mark reached back in 2010. Compared to 2011, the number of Arab tourists is still down. Statistics show that the number of visitors from Arab countries dropped by 10% compared to 2011 to reach 522,922 in 2016. The number of tourists with high purchasing power from Saudi Arabia, Kuwait and the UAE fell by 63.8%, 58.5% and 93.4%, from 111,701, 61,756 and 32,058 in 2011 to 40,391, 25,653 and 2,114 in 2016, respectively. Meanwhile, the number of travellers from Iraq and Egypt with relatively lower purchasing power rose from 129,294 and 62,825 in 2011 to 236,013 and 83,337 in 2016, respectively (Blominvestbank, 2017).

The figures clearly illustrate the importance of tourists from GCC and Arab neighbouring countries and significantly demonstrate the relationship between politics and tourism, as tourist numbers from Arab countries increase or decrease depending on the political relation between Lebanon and these countries. However, all the figures above represent half or even less than half of all tourist arrival numbers to the country. The figures

entirely exclude Lebanese nationals and tourists from Western, European and African countries.

Statistics are provided from countries with high purchasing powers but entirely exclude the highest purchasing individuals, which tend to be migrants of the country itself and the biggest long-term investors in the country and in the country's citizens. Lebanon, a country with one of the largest diasporas in the world, and the biggest migrant exporter compared to the number of local citizens, entirely excludes in its statistics the vast numbers of tourists and visitors to the country. Lebanese migration dates back to the early 1800s, long before Lebanon, the homeland for millions of Lebanese migrants scattered around every corner of the world, and who are the financial backbone and morale pillar of Lebanon, was established.

### **Commitment to the Homeland**

Hourani (2007) argues that it is almost an uncontested truth that every Lebanese household has been touched by migration, be it a family member, a relative or a friend. Hourani's (2007) argument is based on the fact that the number of Lebanese migrants living outside Lebanon is triple, or more than triple, the number of Lebanese nationals living in Lebanon. Hourani (2007) then suggests that, although the number of Lebanese emigrants may not be huge, their presence in the countries of migration was, and continues to be, visible, and their impact on the Lebanese political, economic and cultural life has been and continues to be significant. He thus suggests that Lebanese migrants are active in the host society and are contributing financially and morally supporting their homeland. Hourani (2007) further describes how the Lebanese government considers Lebanon as a phoenix with two wings – the resident and the migrant – and that the former cannot survive without the latter. Moreover, Hourani (2007) states that the Lebanese government also considers the Lebanese diaspora expansion to be an integral part of Lebanon as it supports Lebanon economically and financially. The spread of the diaspora across various regions and countries also strengthens the political ties between Lebanon and the diaspora hosts.

Likewise, Safran (1991) suggests that Lebanese migrants have maintained effective networks with each other and with their homeland due to commitments and memories. Safran (1991) explains that Lebanese migrants' memories of their homeland and their commitment to it drives them to maintain and nurture a continuing relationship with Lebanon.

Additionally, Sheffer (1997) recognizes that while living in various countries in North and South America, Australia, Africa, Europe and the

Gulf, Lebanese migrants have established migrant communities, some of whose migration history can be traced back nearly 150 years. Sheffer (1997) argues that whether individually or collectively, Lebanese migrants have always created solidarity with Lebanon and maintained it. This solidarity was and is “the main basis for the diaspora’s cultural, social, political and economic activities” (Sheffer, 1997: 4). Such solidarity is maintained via regular visits and long-distance financial support. Tabar (2010) and Hanfi (2000) explain that such support derives from the feelings of guilt for leaving the homeland and remaining distant from it.

Tabar (2010: 9) argues that, since its inception, Lebanon has been “a sending country”. This has largely been attributed to Lebanon’s perennial political instability and lopsided economic development (Tabar, 2010: 9). He (2010) describes how, since 1990, Lebanon has witnessed increased political instability, such as the 2006 confrontation with Israel in addition to various civil outbreaks such as the 2008 civil clashes and the regular ongoing political assassinations. Thus, Tabar (2010) argues that migration for Lebanon and Lebanese people has been, and still is, a major social, economic and political phenomenon. Tabar (2010) then explains how migration from Lebanon has created a Lebanese diasporic community that provides a main source of foreign currency and makes a global network available to the local community, allowing Lebanese citizens to be particularly mobile. Hanafi (2000: 17) suggests that diaspora giving, or what he called “migrant philanthropy”, may take different forms. It could be considered the amount of money given to family and friends during migrants’ visits, funds given directly to philanthropic projects or funds given to families to indirectly contribute to ongoing projects or fundraising events. Thus, diaspora giving can take different shapes and formats but leads to similar outcomes and derives from the same reasons.

Whether Lebanese migrants visit home (Lebanon) for tourism, pilgrimage, to visit family and friends or for any other reason, it is clear that the Lebanese diaspora played a major role in the development of Lebanon, be it in the form of direct finance, through investment, or via successful politicians and entrepreneurs. Mouawad (2009) argues that successful Lebanese migrants will often give back to their country by helping in the construction and/or reconstruction of their village infrastructure. The diaspora also contributes to the economy, sometimes through investments and often through remittances sent to their family, as well as through tourism visits to the homeland. While migrants cannot easily contribute directly to their family’s social or political circumstances, they are certainly able to contribute monetarily. In this manner, they return part of what they took away from their homeland; they replace cultural

traditions with economic investment. Indeed, generally speaking, the Lebanese diaspora has been exceptionally generous in their donations. In fact, the remittances account for a considerable portion of Lebanon's GDP.

Moreover, the Lebanese civil war, which lasted from the 1970s to the 1980s, acts as a boundary between two separate and distinct periods of Lebanese migration. Pre-civil war migrants sought a better lifestyle abroad and searched for investment whilst post-civil war migrants simply fled political turbulence, leading them to hunt for day-to-day employment as a means of survival. Pre-war migrants became investors while post-war migrants became employees. Despite their different circumstances, both groups shared the aim of establishing a stable and prosperous lifestyle. Pre-war migrants originated from wealthy and upper-class backgrounds. Most belonged to the Christian religion and had lived in the luxurious suburbs of Beirut (Tabar, 2009). They sought out investment in economically stable countries such as the UK, with London being a popular investment destination and business hub. Post-war migrants, meanwhile, typically derived from medium to low-income families and fled Lebanon in search of brighter futures.

Post-war migrants from wealthier backgrounds usually found employment in the hospitality industry and banking sectors. Hospitality acted as a means of SME (small to medium enterprises) investment in businesses that they were familiar with, and the banking sector promoted personal skill and knowledge development. This, in turn, promoted closer ties between the pre-war wealthy migrants, who had invested in restaurants, bars, bakeries and cafes in London, and the post-war migrants who gained reputable positions within the hospitality and banking sectors and could work with Lebanese investors in London. Joint business ventures led to greater wealth within the diaspora, and points to what Labaki (2006: 27) calls "the level of commitment shown by the Lebanese diaspora".

Besides the obvious differences in wealth, pre-war migration diaspora members typically did not intend to return to their homeland. They tend, also, to concentrate their wealth in their host country. In contrast, post-war migration Lebanese diaspora members aimed to invest in their home country and return as soon as it was possible to do so.

### **"Lebaneseness" in the Eyes of the West**

Lebanon is well known for its vast tourism industry and popular cuisine. Indeed, Abdulrahim (2009), Anthias (2010) and Appiah (2006) note that the Lebanese diaspora is globally associated with its cuisine and

hospitality, which have played a role in distinguishing the Lebanese migrant community from that of other ethnic minority groups. According to Abdelhady (2007), the discovery of a migrant Lebanese identity began in the tourism and hospitality sector. From this perspective, the tourism sector had rooted itself deeply in the culture, tradition and heritage of the Lebanese diaspora through the hospitality and catering industries. This reliance on Lebanese cuisine had two primary outcomes within the Lebanese diaspora. To begin with, Lebanese cuisine enabled members of the migrant community to make a living in their new country. Moreover, cooking their traditional food allowed Lebanese migrants to stay connected within their homeland by promoting their heritage and national identity in the Western world. In this manner, they could actively work against being generalized, within Western society, as Arabs or Islamists.

Lebanon is famous for its cuisine and for the hospitality provided to guests. The country surprisingly pulled through tough economic crises and outshone other Middle-Eastern countries in the tourism sector, even after the civil war (LebGuide, 2011). Tourists visited Lebanon for its many historical attractions, the hospitality it offers and its traditional cuisine. The evident connection between cuisine and culture has created a situation in which national identity can be utilized to enhance commercial well-being for Lebanese migrants in new communities across the globe. This can be explored through an examination of the Lebanese diaspora in London, especially through the hospitality provided by restaurants on Edgware Road.

As a result of shifting cultural identities, second and third-generation Lebanese diaspora members often have different opinions about the “traditional” versus “modern” divide within the Lebanese hospitality industry in London. As Humphreys (2005: 50) asserted, the chasm between the new and old Lebanese communities is one of the primary schisms across the Lebanese diaspora.

This struggle between old and new, tradition and innovation which is occurring within the Lebanese diaspora and is reflected in the cuisine options along Edgware Road, is an important process but one not necessarily obvious to a casual observer. Visitors might, instead, be struck by the manner in which Edgware Road imitates the Arab world, especially if the visitor is not familiar with Lebanon. Writing, signs, billboards and instructions are all in Arabic. The street is dotted with Lebanese restaurants using Arabic signs and offering services in Arabic, including newsagents, cafes and sweet shops, barbers, letting agencies, grocers and money transfer services. Further, the visitor might observe the constant references to Lebanon’s capital city, Beirut. The word Beirut can be seen

regularly on the road through the names of restaurants, such as Beirut Nights, Beirut Express and Beirut Restaurant. Souvenir shops sell Lebanese flags and items such as T-shirts, hats and keyrings with Beirut logos on them. Nearly all of the Lebanese restaurants on the street display pictures of old and modern Beirut. Consequently, an echo of Beirut is conveyed all along Edgware Road. Further to this, pictures of Lebanese politicians and slogans of Lebanese political parties are displayed on the street, representing diaspora members who follow each party in their homeland. This suggests that migrants not only carry cultural traditions to the UK but also that their cultural beliefs remain pertinent as they live out their time in the host country.

On a number of occasions, Lebanese diaspora members corroborated Anderson's (1998) description of migrants as "long-distance nationalists", particularly with regards to nurturing more extreme views while they are abroad. This includes, for instance, pro-Saddam Hussein literature available on Edgware Road in 2010. On Edgware Road, one will notice slogans supporting Hizbolla on a phone box and another slogan supporting the Lebanese Christian leader on a wall near one of the cafes. Thus, for the casual visitor, Edgware Road represents a mini Beirut in London, with the specialty shops and Arabic billboards, traditional restaurants and delicious cuisine. For members of the Lebanese diaspora, however, Edgware Road represents a complex cultural struggle, the negotiation and renegotiation of hybridity within the Lebanese hospitality industry, as well as reflecting current events in the homeland and political divisions within the diaspora.

Lebanese migrants have, for a long time, acted as a diplomatic bridge between Lebanon and host countries internationally. This has led to the sharp increase in Lebanese migrants partaking in global politics, and an example of this is the current American, Australian and Brazilian members of parliament with Lebanese ancestry. Lebanese migrants have encouraged political ties, encouraged tourists to visit their home country and encouraged other nationalities to participate in the consumption of their local culture, such as the Lebanese cuisine. Lebanese migrants acted as a motive and an example to other Arabic diasporas in the UK due to two key factors. The Lebanese diaspora is one of the first Arabic diasporas in the UK, and certainly the most successful in regard to the hospitality industry. It acted as a means of encouragement for other diasporas as the Lebanese cuisine was adopted and sold by other diasporas, such as the Syrian one, as a guaranteed source of business success. The Lebanese diaspora has also encouraged economic development in the home country due to return visits. This is a transnational diaspora transformation (Spitzer, 1999) which has assisted the Lebanese diaspora to build ties with other diasporas

(Lie, 1995) and helped sustain strong social and political ties (Kokila, 2011) with the homeland.

Furthermore, “Lebaneseness” is a form of mobility and migration in itself as Lebanese have migrated since before the creation of Lebanon in 1941 and can be traced back to the 1800s when Lebanon was part of the Ottoman Empire. Less developed countries, such as Lebanon, experience high levels of human mobility and migration due to the lack of economic stability and financial security (Cresswell and Merriman, 2013: 45). Lebanese communities have migrated in vast numbers to various parts of the world. Over time this mobility has transformed from a trend to a necessity as diaspora members commute back and forth from the host land to the homeland and are constantly mobile within their diasporas due to the nature of their businesses, many of which are hospitality based. Human mobility is seen as an integral part of human development (De Haas, 2009), and Lebanese constantly migrate for the sake of development. This could be to gain better career opportunities, enhance lifestyles or seek refuge in safer destinations such as the UK. Globalisation has further enhanced human mobility (Sørensen, 2007). Globalisation in its different formats, such as new technologies and faster transport methods, ease of purchases (tickets) and communication, has assisted the increase of mobility within the Lebanese diaspora. Diaspora members are constantly in touch with relatives in Lebanon and visit them on regular occasions. The Internet acts as a marketing tool for Lebanese businesses whereby other diaspora members can easily research which restaurants and cafes are available to them. Commuting is quicker and transport methods have developed (Schiller, 2012), which have contributed to a greater ease of mobility within the diaspora. Inter marriages and relationships between diaspora members and other non-Lebanese migrants have also increased human mobility. Shaw and Hesse (2010) refer to this as “transactional family relations networks” (pp. 120).

### **Tourism as a Lifestyle Rather Than an Industry**

The success of the Lebanese diaspora through its committed Lebanese migrants has portrayed a positive image of Lebanon for the Western world. This might go some way to encourage Western tourists to visit Lebanon but unfortunately Lebanon’s years of bloody battles has deeply rooted a negative image of Lebanon in the minds of westerners. Thus, westerners tend to visit the diaspora for a taste of Lebanon rather than the country itself. Feeling secure in the host land while consuming the traditional culture of a foreign country such as Lebanon is more desirable



for most westerners. Consequently, tourists visiting Lebanese diaspora hubs such as Edgware Road in London create an indirect tourist economy as diaspora members benefiting from such visits tend to invest deeply in their homeland by regularly funding investments or supporting family and friends.

Moreover, Lebanese diaspora members are both scattered and grouped. Scattered diaspora members can be referred to as “individualists” while grouped diaspora members tend to be “tribalists” and “sectarianists”. Individualists are the diaspora members that do not wish to be associated with the Lebanese diaspora and therefore remain isolated from other diaspora members. They wish to work on their own, away from the Lebanese diaspora, and tend to adopt host land culture quicker. Tribalists and sectarianists represent the tribes, religious and political groupings created in Lebanon. They are united through their groups as per their tribal, religious and political beliefs. Thus, diaspora members perceive one another as members that either belong to the same group or not, but not as members of a diaspora that migrated for similar causes. Hence, the bond with the homeland is extremely difficult to disregard. Such a bond creates a deep connection with Lebanon, encouraging visits, investments and fund transfers.

The strong relationship between diaspora members and the commitment to their homeland also encourage foreign investment as business partnerships between Lebanese migrants and non-Lebanese investors are created and developed. Partnerships begin within the diaspora itself and then spread to the homeland at later stages.

In addition, Lebanese cultural identity plays a key role in tourism. Lebanese cultural identity is shaped by the characteristics of migration but there is a large gap between different migrant generations. Humphrey (2005) explains that second, third and fourth-generation Lebanese migrants are set apart from the new arrivals from Lebanon. This is due to the factors of migration that occurred between various migrant generations and the different aims the individuals had when leaving their homeland. Some left voluntarily, seeking a change of culture and enhanced lifestyles, while others were forced to migrate due to the political instability and war(s) that took place over the decades, causing emotional insecurity and fear of the unknown. This also caused a gap between diaspora members and created barriers based on diaspora generations. Nonetheless, all diaspora generations – first, second, third and fourth – share the desire to stay close to Lebanon: to keep a strong grip on their cultural identity (first-generation migrants), get in touch with their cultural identity (second generation

migrants) or learn about ancestor cultural identity (third and fourth-generation Lebanese migrants).

Learning about and keeping in touch with cultural identity is essential for all Lebanese migrants. They ensure they connect to their roots and encourage their children and grandchildren to do so too. However, whether culturally connected or not, the majority of second- generation Lebanese migrants, and nearly all third and fourth-generation Lebanese migrants, tend to have the nationality of their host country and not of Lebanon. For local Lebanese authorities, gathering data regarding visitors and their nationalities has become impossible and provides an unreasonable reflection of visitors to the country. Second, third and fourth-generation Lebanese diaspora members are counted as foreign visitors rather than Lebanese migrant nationals.

Furthermore, according to Shaw and Hesse (2010: 120), the increase in transactional family relations networks is also attributable to the high rate of human mobility and migration. For example, intermarriage between people of different countries and regions of origin has led to increased human mobility and migration as spouses cross borders to live with each other. Increased integration among the global communities has resulted in increased intermarriage and cultural exchange (Zhang, 2013). To this end, the mobility of people from one nation to another has been shaped by the need to reunite with the families abroad in addition to leisure and tourism. Thus, intermarriages and relationships between Lebanese diaspora members and other non-Lebanese migrants have also encouraged foreigner visits to Lebanon as foreign spouses and their families come to meet the relatives of their spouses, the key reason for visiting, while indulging in touristic activities.

Consequently, the tourism industry in Lebanon derives from the nature of the country itself and the Lebanese population. Tourists to Lebanon are the migrants or diaspora visitors, their foreign friends and investors, their spouses and their families, and their children, grandchildren and great grandchildren, who are second, third and fourth-generation diaspora members. Thus, tourism in Lebanon is a lifestyle more than an industry; a lifestyle that is steadily increasing due to the steady increase of migration and the expansion of migrant families.

## **The Future of Tourism in Lebanon**

The tremendous growth in global tourism has brought about increased competition among nations (Adey, 2014). Tourism is no longer presented in terms of an array of destination places. Instead, nations are adopting

sophisticated branding and marketing techniques to present not only the beauty of the destination but also and, more importantly, to illustrate the experience associated by such practices (Paris, 2014). Modern tourism is presented as a brand, with unique features and values so as to connect with the emotions of the tourist. Nations are engaged in destination branding and tourism marketing by selling unique tourist experiences and adventures associated with such destinations. For a nation to remain relevant, they need to command a significant market share in the globally competitive tourism industry.

Since tourism is increasingly reliant on special events, tourism marketers need to adopt an experiential marketing approach by developing their destinations to offer tourist experiences. The creation of experiences involves the provision of emotional and relational values to a customer with the prospects of creating brand loyalty. To create loyalty in a tourism destination, one needs to create experiential relationships by creating an emotional attachment between the tourists and the destination/place rather than presenting images of landscapes and flora (Hannam, 2008). Such an emotional attachment is clear through the strong connections of Lebanese diaspora migrants with their traditional culture and homeland of Lebanon. Thus, diaspora tourism is the key tourism industry for Lebanon and the future of the country's economy. Scheyvens (2007) states that diaspora tourism occupies an intermediate space between international and domestic tourism and embraces two streams of tourists: one is made up of people who are more removed from the origin country and may not be able to call on friends and relatives for food and lodging; the second is composed of more recent emigrants who still have close family in the country of origin. The two streams of diaspora tourists are the heart of the Lebanese tourism industry, and while general tourists from various countries will play a role in the Lebanese tourism industry, it will remain minimal. According to the WTO (2007), diaspora tourism is set to be the future for economies as a modern form of tourism. This will certainly be the case for the Lebanese tourism industry.

Moreover, when tourist visitor numbers to Lebanon for the past twelve years are analysed, a clear portrait of Lebanon's future tourism industry can be predicted.

Figure 1 demonstrates the steady increase in tourist numbers between the years 1995 and 2011. Figure 1 demonstrates a steady increase over the years but a sharp incline in the years 2009 to 2011. The same figure demonstrates the rapid rise of tourists in the Middle East in general in the same years but further expands to 2012. However, starting from 2012, Lebanon witnessed a decline in tourist figures, as illustrated in figure 2 below.

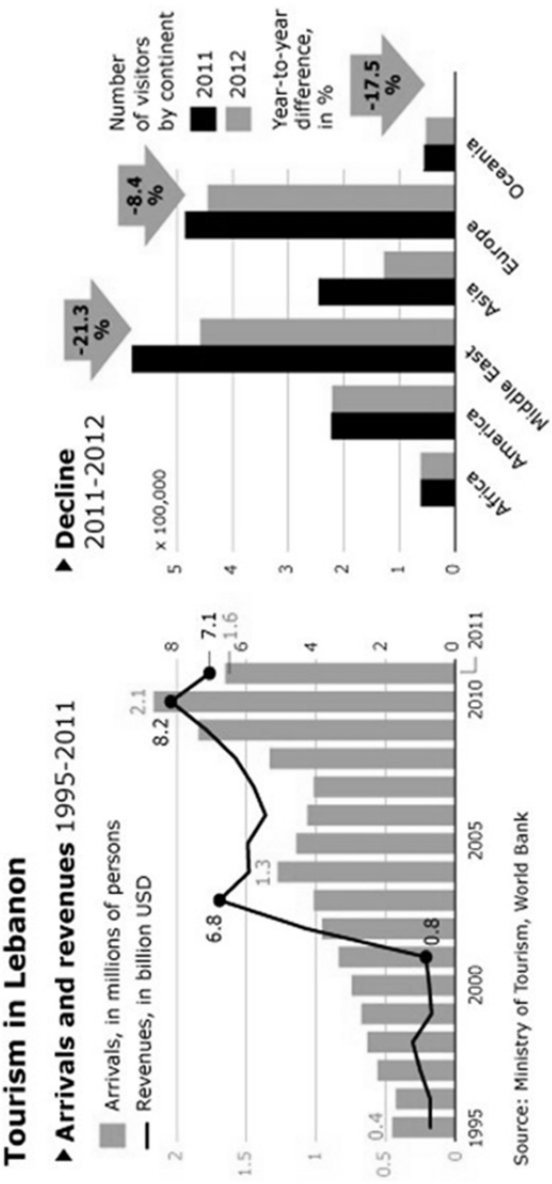


Figure 1: Tourist arrivals to Lebanon between 1995 and 2011 (Fanack Chronicle, 2017).

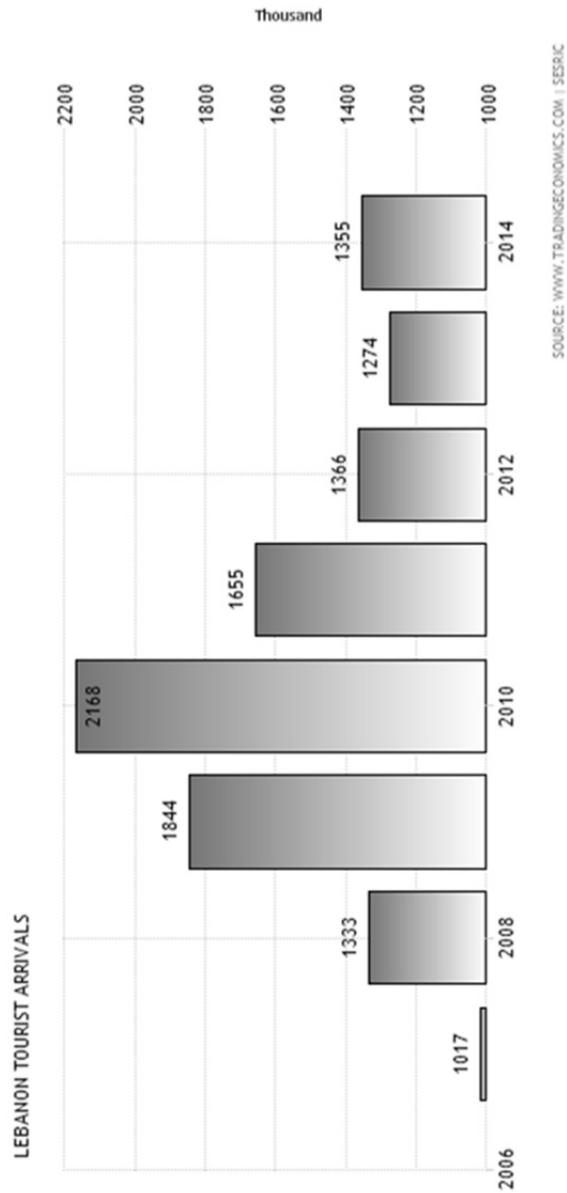


Figure 2: Tourist arrivals to Lebanon between 2006 and 2014 (Trading Economics, 2017).

Nonetheless, when disregarding the years 2010 and 2011, the same steady increase in tourist visitors is visible. Both figures 1 and 2 illustrate the steady increase in tourist numbers over the years, but with a sharp increase in tourist numbers in 2010 and 2011 and a sharp decline in the years 2006, 2007 and 2008. The sharp incline and decline are attributable to the unsteady political situation in Lebanon between 2006 and 2008. Diaspora migrants that could not visit Lebanon during these three years poured into Lebanon in the years 2010 and 2011. Starting from 2012, steady tourist figures emerged once again. Such figures suggest that tourism to Lebanon is based on Lebanese migrants and illustrates the importance of diaspora tourism to the fragile country. Diaspora tourism has been referred to by Ross (2008) as restless populations who travel back to their home countries to engage in the re-making and de-making of their identities. This new trend is the future of all tourism industries, as described by WTO (2007), and will no doubt be the major economic aid for a migrant-sending country such as Lebanon.

## Conclusions

The tourism economy in Lebanon is booming. Such words are not intended to sweeten the small Middle-Eastern Arabic country that witnesses regular outbreaks of civil unrest and political instabilities; they are instead a true reflection of the industry itself. Booming tourist economies only occur when a country witnesses a steady and sustainable increase in tourist numbers, and this is the case of tourism in Lebanon.

Lebanese migrants are the contributors to the Lebanese economy and the future of the tourism industry in Lebanon. Whether Lebanese migrants visit home for tourism, pilgrimage, visit family and friends or any other reason, it is clear that the Lebanese diaspora have played a major role in the development of Lebanon, be it in the form of direct finance through investment or via successful politicians and entrepreneurs. Mouawad (2009) argues that successful Lebanese migrants will often give back to their country by helping in the construction and/or reconstruction of their village infrastructure. The diaspora also contributes to the economy, sometimes through investments and often through remittances sent to their family, as well as through tourism visits to the homeland.

Within the diaspora, there is a communal desire for second and third-generation Lebanese migrants to remain in touch with their traditions and cultural values. This desire to remain in touch means that Lebanese migrants will travel back and forth between the homeland and host land when possible. The new dimension of Lebanese tourism is one that can be

referred to as “roots tourism” as it requires travel to nurture cultural identity. Roots tourism is defined by Legrand (2006) as a need for people to visit their homeland.

Roots tourism is the future of tourism in Lebanon. The country that has a large diaspora covering nearly every continent around the world benefits largely from such a diaspora via roots tourism and the cultural traditions diaspora members carry with them and invest in host countries, in the form of hospitality mostly, using their income to invest in Lebanon or support families and friends.

Consequently, the Lebanese government should not invest in the infrastructure of the tourism industry or the marketing plans of the industry directly but in the Lebanese migrants themselves, ensuring means of support and ease of legislations when required. Diaspora members are to be supported as they are the future of the tourism economy of Lebanon and the future of the country. The Lebanese government considers Lebanon as a phoenix with two wings – the resident and the migrant – and the former cannot survive without the latter. Moreover, the Lebanese government also considers the Lebanese diaspora expansion an integral part of Lebanon as it supports the country economically and financially. The spread of the diaspora across regions and countries also strengthens the political ties between Lebanon and the diaspora hosts, which in turn encourages tourism as legislative boundaries are abolished or eased. However, despite their numbers abroad, the Lebanese government has never had a formal policy to strengthen diaspora-homeland relations. This is essential for the future of tourism in Lebanon and for the moral support of diaspora members who will, in different forms and shapes, support the tourism sector in Lebanon directly or indirectly.

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# LEBANESE MONETARY POLICY PERSPECTIVE

JENNIFER CHALLITA

## **Introduction**

Central banking literature and monetary economics research used to consider a long-standing question concerning the effectiveness of monetary policy. The resulting perspectives on this question are considered monetary theory developments or monetary history interpretations. The neoclassical theory of aggregate supply asserts that output is always at the full-employment level and any unemployment is purely frictional. Thus, any changes in the price level will leave output and unemployment unchanged. As a result, a policy irrelevance will take place. As per the economist Robert Lucas, there is no room for monetary policy in a world of rational expectations and market clearing. So, the “policy ineffectiveness” proposition was the fruit of Lucas’s work. In fact, policies that try to manipulate the economy by inducing people into having false expectations will effectively introduce more “noise” into the economy, which will not improve the economy’s performance. This theoretical view is fundamentally different from a Keynesian perspective, where policy offers relief from unemployment and market failures.

Our aim is to study how aggregate activity in Lebanon since 1998 fluctuated with recurrent shocks, knowing that Lebanon adopted a fixed exchange rate regime. In doing so, we examine what role the central bank monetary policy played throughout that period, what was its effectiveness on different economic fundamentals. More specifically, in the following article we need to estimate the impact of multiple variables on the changes in LBP interest rates.

Since the Lebanese government adopted a fixed exchange rate regime effective 1998, the large fluctuations in the Lebanese interest rates merit more explanations and clarifications concerning the variables that affected most this volatility. As per the Mundell-Fleming Model, under a fixed exchange rate regime, monetary policy cannot be used to affect output; in other words, under fixed exchange rates and perfect capital mobility, a country cannot pursue an independent monetary policy. Any attempt to

develop an independent monetary policy leads to capital flows and a need to intervene until interest rates are back in line with those in the world market. From a policy outlook, it is important to figure out what causes changes in interest rates – if we were able to estimate the impact of each variable on changes in interest rates, financial institutions would be able to identify the likely path that an interest rate will take on a long-term basis and position their forecasts accordingly.

Hence, the construction of a model that helps to estimate the interest rate changes in Lebanon, a model that illustrates the impact of external and internal variables on changes on interest rates, is a necessity to resolve the complexity of this forecast and make it more efficient and reliable.

## **Monetary Policy Background**

### **A- Monetary Policy Perspective**

The monetary policy concept has been defined differently according to different academic researchers. But however it may appear, it is generally attributed to the management of the volume of money in circulation in order to achieve some combination of output and inflation stabilization (Richard Kent, 2005). The central bank has at hand instruments that are used to control the money mass and achieve its inflation target but another important action frequently adopted by central banks is changes in exchange rate, where an open market mechanism is used to ensure nominal exchange rate stability vis-à-vis the currency of an anchor country.

Two views compete to explain the monetary policy. The classical view is founded on the quantity theory of money (Irving Fisher, 1911), where any increase or decrease in the monetary mass causes a proportional increase or decrease in the price level. The Keynesian view believes that the economy operates below its full capacity (full utilization rate), therefore laying greater emphasis on the role of aggregate demand in overcoming a recession.

Also, Keynesian economists advocate the use of discretionary countercyclical policies when there is need to counteract the business cycle, when central banks try to keep a steady and consistent economic growth. In other words, countercyclical policies intervene to slow the economy during expansion and speed it up during recession or contraction.

## **B- Monetary Policy Literature**

In the last fifty years, the choice of an exchange rate regime has been key to determining economic policy in order to affect economic growth. The empirical research offers divergent results however. Some researchers, such as Gylfason (2000), De Grauwe and Schnabl (2004), Mundell (1995) and Dubas et al. (2005), found a considerably higher growth under generalized pegging while advocates of the floating exchange rate regime – Ghosh et al. (1997), Levy-Yeyati and Sturzenegger (2002) and Bleaney and Francisco (2007) – found higher growth under it. However, Friedman (1953) explains that flexible rates act as absorbers of external shocks.

Some inclusive results have also been found by researchers such as Ghosh et al. (1997), Garofalo (2005) and Collins (1996). In fact, they argue that a peg enhances investments but a float produces faster productivity growth.

Edwards (2011) acknowledged that “one size does not fit all”, and Guillermo, in his study “Fear of Floating” (2000), proved that when countries retain voluntary to international capital markets, the lack of credibility will lead to a fear of floating.

Another phenomenon studied in the monetary policy literature is dollarization. Calvo and Rodriguez (1977), Cuddington (1983), Thomas (1985) and Ize and Levy-Yeyati (1998) developed different models in order to explain the dollarization process in a country where economic agents determine currency substitution based on economic fundamentals.

Also, Levy-Yeyati (2004), Ize and Honohan (2003) and Domac and Bahmani-Oskooee (2002) found evidence that financial dollarization increases the solvency and liquidity risks of the banking sector. Moreover, Edwards (2001) and Chang and Andrés Velasco (2002) analysed the loss of independent monetary policy and argued that under dollarized countries, GDP growth and inflation are lower than under non-dollarized countries.

## **Lebanese Central Bank Monetary Policy, Variables Study**

In Lebanon, after a long civil war, limited investment and maintenance expenditure led to the erosion of the capital base. As a result, from 1975 to 1990, the aggregate national output steadily declined. In addition, confidence in, and the credibility of, the Lebanese pound and economic stability began to erode. The shift in authority from government to non-official entities gave rise to a parallel economy that severely hampered the

government's ability to collect revenues. This lack of government revenue and the growing expenditure on public services led to large and rapidly growing fiscal deficits. These negative developments, along with the prevailing political uncertainty, plunged the Lebanese economy into a vicious cycle of large fiscal deficits, leading to monetary expansion and inflation, which translated into the dollarization of the economy and capital outflows. This, in turn, led to a dramatic depreciation of the value of the Lebanese pound and further inflation.

The cycle of deficit financing, dollarization and capital outflows led to escalating inflation and exchange rate depreciation, with the value of the Lebanese pound reaching LL 2,420 per US dollar in September 1992; subsequently, the value increased again and since December 1997, the rate of the pound has been fixed at 1507.5 pounds per US\$.

### **A. The Federal Reserve Three-month Treasury Bills Interest Rates**

According to Mundell Flemming, a country that pegs its exchange rate has no autonomy to implement its own monetary policy. In other words, under fixed exchange rates and perfect capital mobility, a country cannot pursue an independent monetary policy. Hence, as there are no expected changes in the exchange rate, the Lebanese interest rate must always equal the interest rate in the United States (here the Federal Fund interest rate), adjusting for differences in risk and liquidity in the investment options. Therefore, the BDL tries its best to keep the Lebanese pound in line with the US dollar through permanent intervention in the capital market.