

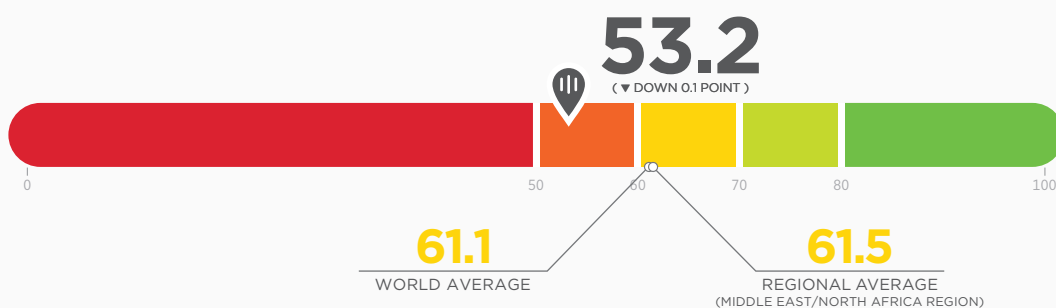
LEBANON

Lebanon's economic freedom score is 53.2, making its economy the 140th freest in the 2018 *Index*. Its overall score has decreased by 0.1 point, with declines in **labor freedom**, **property rights**, and **government integrity** outweighing improvements in **judicial effectiveness**, **monetary freedom**, and **government spending**. Lebanon is ranked 12th among 14 countries in the Middle East and North Africa region, and its overall score is below the regional and world averages.

Lebanon has a free-market tradition and a strong history of private commercial activity. Notwithstanding stark divisions within government and the vested interests of different confessional groups, there has been some progress in reforming the tax code. Legislation on improving the tax and regulatory environment for hydrocarbons development to attract foreign investment and on public-private partnerships to address serious infrastructure shortcomings also has been approved. Nevertheless, the economy performs weakly because of ongoing fiscal and current-account deficits.

WORLD RANK: **140** REGIONAL RANK: **12**
ECONOMIC FREEDOM STATUS: **MOSTLY UNFREE**

ECONOMIC FREEDOM SCORE

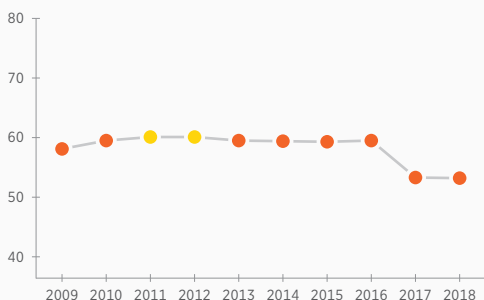


NOTABLE SUCCESSES:
Trade Freedom and
Monetary Stability

CONCERNS:
Rule of Law, Labor Freedom, and
Business Freedom

**OVERALL SCORE CHANGE
SINCE 2014:**
-6.2

FREEDOM TREND



QUICK FACTS

POPULATION:
4.6 million

GDP (PPP):
\$85.2 billion
1.0% growth in 2016
5-year compound
annual growth 1.9%
\$18,525 per capita

UNEMPLOYMENT:
6.8%

INFLATION (CPI):
-0.8%

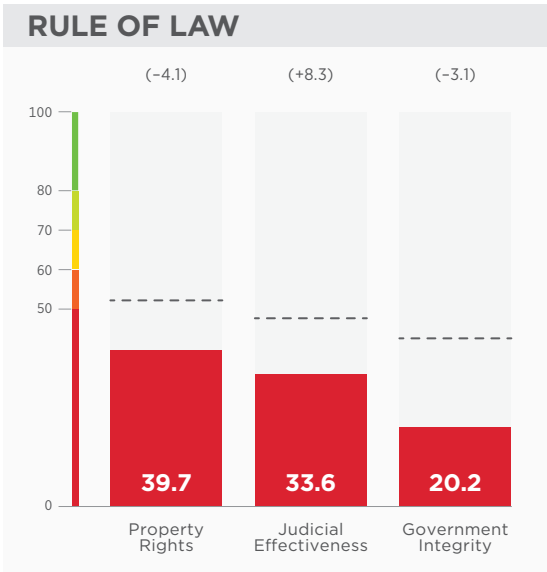
FDI INFLOW:
\$2.6 billion

PUBLIC DEBT:
143.4% of GDP

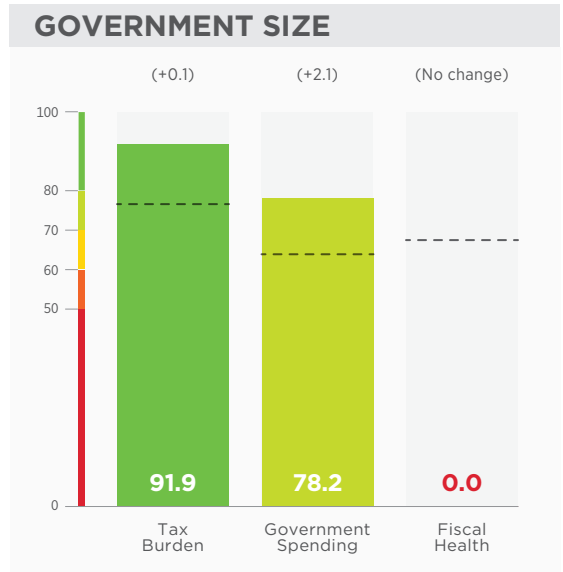
2016 data unless otherwise noted. Data compiled as of September 2017

BACKGROUND: Prosperity built on Lebanon's position as a regional center for finance and trade has been punctuated by political turmoil. Since 1975, the country has been destabilized by civil war, Syrian occupation, and clashes between Israel and Hezbollah, the powerful Iran-backed Shia Islamist group. Syria's army withdrew in 2005 after its government was implicated in Lebanese Prime Minister Rafiq al-Hariri's assassination. Sectarian tensions have hindered political cooperation. The Sunni-dominated Future Movement, led by al-Hariri's son Saad, blocked the parliament's election of Michel Aoun, a Hezbollah-backed former army general and Maronite Christian, as president until late October 2016. Saad al-Hariri was made prime minister in a compromise that broke that political deadlock, but the political turmoil was continuing in late 2017.

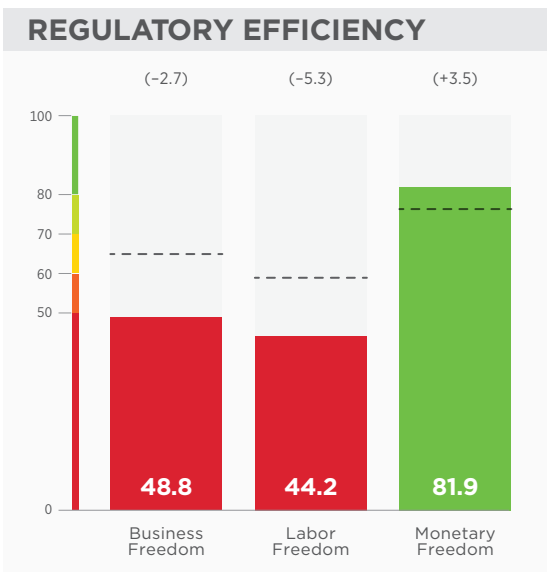
12 ECONOMIC FREEDOMS | LEBANON



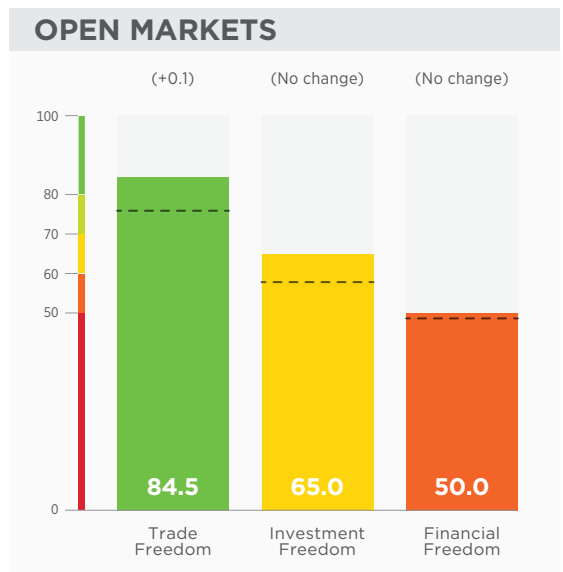
The right of private ownership is respected in Lebanon, and property registration procedures have been simplified. Political forces hold sway over an officially independent judiciary. Corruption reportedly is pervasive in government contracts, primarily in procurement and public works, and in taxation and real estate registration. Bribes customarily accompany bureaucratic transactions.



The top personal income tax rate is 20 percent, and the top corporate tax rate is 15 percent. The overall tax burden equals 13.5 percent of total domestic income. Over the past three years, government spending has amounted to 26.9 percent of total output (GDP), and budget deficits have averaged 7.2 percent of GDP. Public debt is equivalent to 143.4 percent of GDP.



Obstacles to business freedom in Lebanon include overregulation, arbitrary licensing, outdated laws, and high fees. The influx of Syrian refugees has contributed to a high level of unemployment. Lower oil prices enabled the government to reduce the amount it transferred to the loss-making, state-owned power utility, Electricite du Liban (EdL), in 2017.



Trade is extremely important to Lebanon's economy; the combined value of exports and imports equals 121 percent of GDP. The average applied tariff rate is 2.8 percent. Nontariff barriers impede some trade. Government openness to foreign investment is above average. Regional unrest deters investment. The financial sector is relatively well developed for the region. The state retains no ownership in any commercial bank.