Performance of the Copyright Industries in Lebanon

FINAL DRAFT REPORT

By

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OUTLINE

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1. General trends and performance of firms

Lebanon was for more than fifty years the leader of the book industries in the Middle East and Arab countries, before the 1975-1990 civil war, with a well-established private publishing industry. It was the center for publishing and printing in the Middle East, ensuring around 75 per cent of editorial needs of the Arab countries, as well as the largest importer and distributor of foreign books and magazines in the region.

During and after the civil war, the overall economic performance of Lebanon has dramatically decreased and the book sector lost a lot of its advantages. The war has caused physical damages to the firms and a sharp decline in their propensity to invest. Sales decreased due to the fall of the purchasing power of the population, and the regression of exports. Many companies were not able to survive.

Despite these negative factors, Lebanon still hopes to recover a large part of its previous supremacy, with increasing efforts from the leading companies to remain technologically up to date, competitive at quality and price levels, and to expand in middle eastern and foreign markets.

Reading habits: The country has the highest literacy rate in the Arab world, around 85%. However, reading habits resemble to those in the Arab world in the sense that reading is not very popular among the Arabic speaking community, which represents more than 80% of the population. It is quite popular in French and English, within a small highly educated population cluster.

Most of the best sellers in Arabic are about religion, usually Islam. Politics, Lebanese history and culture, tourism, cooking, horoscope, health, and language learning are also very popular subjects. The books that sell the most in Lebanon are the essentials: school and university books, dictionaries and reference works. French and English literature is read only by a few who tend to concentrate on a handful of popular writers, while the classical authors are imposed within the schools and universities.

Reading languages in Lebanon - total adult population base

Reading language	Sept 1996	March 1998	Jan 2000
Arabic	83.7%	78.3%	82.5%
French	19.4%	21.5%	26.3%
English	6.5%	9.65%	12.5%

Source: Le Commerce du Levant, Stat IPSOS survey, Feb 2000.

Illiteracy rate by age in selected regions, 1997

Age	Beirut	North Lebanon	South Lebanon	Bekaa	Whole country
10 to 14	0.8	3.4	1	1.1	1.6
15 to 19	1.1	5.6	2.1	2.2	2.4
20 to 24	2.4	5.9	2.4	3.7	3.2
25 to 29	3.8	8.9	6.2	3.8	4.3
30 to 34	6.2	12.5	8.7	4.9	6
35 to 39	5.7	14.3	8.8	10.5	7.7
40 to 44	8.1	20.8	15.7	16.2	11.3
45 to 49	9	25.2	25.2	22.4	15.7
50 to 54	11.8	28.8	32.3	28.4	20.8
55 to 59	16.4	38.5	38.3	39.3	27.7
60 to 64	22.2	53	48.2	42	36
65 to 69	29.8	58	57.2	51.2	42.8
70 and over	29.6	59.7	63.1	58.4	48.5

Source: Central Administration for Statistics (CAS),
Conditions de vie des ménages en 1997

Schooling in Lebanon by age, 1997

Age	%
0 to 4 years	18.5
5 to 9	95.4
10 to 14	93.9
15 to 19	64.3
20 to 24	26.8
25 and over	1.6
Total	30.9

Source: CAS, 1997

Average annual spending of a household for selected items by revenue category, USD

	Annual revenue category (USD)		
	Less than 4000	from 9600 to 12800	from 19200 to 25600
School books	10	90	150
Books, magazines	19	65	171
Cinema and theater	5	101	118

Source: CAS, 1997.

According to the CAS figures, households spend on average LBP 113000 (USD 75) per year on reading; this budget tends to rise with an increase in revenue.

Average spending per household and per capita, 1977 (000 LBP)

	Average spending-household	**Average spending-per capita**	**Elasticity**
Books, magazines, newspapers, stationary	113.5	25.9	1.298
Newspapers	61.6	14.1	1.277
Magazines	33.7	7.7	1.610
Books reading and culture	17.8	4.1	
Stationary	.4	0.1	

Source: CSA, 1997

Performance of firms: The publishing profession in Lebanon is not organized in way responsibilities and roles are well defined. For example, editors and literary agents do not exist. The authors deal directly with the publishers, and feelings of suspicion and distrust sometimes prevail between them, especially on the number of copies sold. Authors often tend to hold publishing houses responsible for low sales. The author in Lebanon is in no way financially involved in the marketing of his book. On the other hand, links between publishers, writers, educational institutions and associations in the sector are weak.

Authors complain about the low income generated by their work. They always have an extra activity to supplement their revenue, generally teaching or consulting.

In literature (novels, essays, poetry), books in French sell better than books in Arabic indicating the preference of the majority of Lebanese readers. The expected yearly sales on the local market are from 800 to 1000 and can reach 2000 copies if the author is well known and the marketing properly done.

The figures are more pessimistic for books in Arabic; they vary between 200 and 400 copies for a new publication. People in the Middle East and Arab countries in general have a strong preference for magazines and specialized books that can be read in parts over a period of time. Publishers in western countries are astonished that an Arab publisher who acquires the right of translating a book prints- and expects to sell- a maximum of 2000 copies.

The market of school and cultural and practical books is by far more profitable. Publishers start with 5000 copies with frequent reprints. A few publishing houses produce high-quality luxury books with high margins sponsored by banks, insurance companies or private investors, to improve their performance. Feedback from our interviews suggest that dictionaries and schoolbooks represent more than 50% of the output of the 3 largest publishing houses in Lebanon.

According to the retailers interviewed, the total amount of sales in their retail stores remained constant during the last two years. They believe the tendency is the same for the majority of bookstores in the country. Profits are going down. The retailers that do not have at the same time a publishing activity are in general unsatisfied with the performance of their firms and of the industry as a whole.

The average standard growth of the Lebanese market for books has been estimated at 6 to 8% in the last five years. There is a growing market for school and university textbooks, but exports are threatened now that export countries like Syria and Egypt are more and more producing books for the traditional export market of the Lebanese publishers.

The printing industry seems to remain profitable for the large firms despite the problems of high overhead costs and competition. Magazines and advertising leaflets generate the major regular business of the printing houses. The printing industry has witnessed an overall deterioration of net margins in the last two years that has worried in the first place small operators.

2. Supply conditions

Major players

There are a number of official associations for the book and the press industry in Lebanon: the syndicate of authors, two syndicates of publishers (books and school books), the syndicate of printing houses, the syndicate of booksellers, the syndicate of book importers, the press syndicate. The main actors on the Lebanese publishing scene belong to these syndicates.

Authors: As in the whole Arab world, there is a shortage of great contemporary writers in Lebanon. The authors belonging to the syndicate of authors amount to 760. A minority of them writes in a foreign language.

The number of books registered at the ISBN department of the Ministry of Culture gives only a vague idea on the quantity of published titles; many authors do not know about the ISBN number or even they do not care taking a number.

The authors in Arabic language are numerous, but very few of them succeed. Most of the authors hardly survive: the general indifference towards culture and reading in Lebanon, the lack of new subjects of interest in the region, the low revenues expected from writing books, and the general economic crisis are the main limitations to their performance.

Historically there are around 150 Lebanese French language authors. Presently, the number of active authors is estimated to be around 20, who regularly write essays, novels and poetry. Around half of them publish their books in France, and the remaining in Lebanon by Lebanese publishing houses.

Publishing houses: There are 636 publishing houses on the records of the syndicate. The actual number of active publishing houses is estimated to be 400 as a lot were set up only for one book or one project and remained inactive since then, publishing 52000 titles in total.

There are distinct publishers depending on language (Arabic, English or French), such as different markets, publishers, distributors, and bookstores. The majority of active publishing houses produce books written in Arabic or translated from a foreign language into Arabic. Only around 50 publish in a foreign language, mainly English and French.

Lebanon has around 5 powerful private publishing houses, which control more than 50% of the market.

There is also a foreign aspect in book and magazine publishing. Imports originate mainly from France, the UK and the US. Imported books and magazines account for a significant portion of sales.

Printing houses: Lebanon's printing industry has always occupied a leading position in the Arab world, being the printing press of the region for more than a hundred years.

There are different estimations about the number of printing houses in Lebanon. They vary from 408 according to the Ministry of Industry, to 509 according to the National Employment Office (NOE) and to 700 according to the syndicate. Anyhow, only 25 of them are sizable operations with up-to-date technologies and an employee base of 25. The remaining are small printing shops with outdated machinery and fewer than 10 employees.

Distributors and bookstores: There are 250 book retailers registered in the union of booksellers in Lebanon, concentrated in Beirut and its suburbs. Actually, only around 50 sell only books, mostly schoolbooks.

A number of bookshops did not survive the economic crisis. They either closed down or added more profitable items such as stationary, fashion items, disc rental, etc.

The bookstores have to pay cash for most of publications. That is why most of them cannot afford to have a large variety of books. The bookstore owners think that a better collaboration with publishers (better and timely information on all published titles, books on consignment, more flexible payment conditions), would increase their performance.

Libraries: Among the 2719 schools in Lebanon, only around 250 have a library. Most primary public schools do not have a library. Beirut and its suburbs are the most favored regions, while North Lebanon and the Beqaa have the lowest concentration. Most universities have a library. It is estimated that the American University of Beirut library alone contains 1/3 of the total book collection of public and private universities.

Size and geographic concentration

The publishing and printing establishments are heavily concentrated in Beirut and its suburbs belonging to Mount Lebanon (83.3%).

Geographic distribution of publishing and printing industries, 1997

Region	%
Beirut	37.2
Mount Lebanon	46.1
North Lebanon	8.6
South Lebanon	4.6
Beqaa	3.5

Source: Central Administration of Statistics.

Most of the enterprises are family owned and employ less than 5 workers.

Size of enterprises

Number of workers	%
Less than 5 workers	64.4
5 to 9 workers	17
10 to 19 workers	6.6
Over 20 workers	6.3
Undetermined	5.7

Source: Syndicate of printing houses study.

Individuals own more than 60% of the businesses.

Juridical entity	%
Individually owned business	63.1
Partnerships	13.8
Corporations and limited liability companies	15.7

Source: Syndicate of printing houses study.

Employment and human resources

General: The estimated number of employees in the sector varies depending on sources. They are 10 000 according to the NOE, but experts tend to consider the figure of 7500 published by the Central Administration of Statistics as being more realistic.

Employment in publishing and printing is concentrated in Beirut and its suburbs.

Geographical distribution of labor force

Region	%
Beirut	49.4
Mount Lebanon	42.9
North Lebanon	3.4
South Lebanon	2.3
Beqaa	2

Source: Central Administration of Statistics.

Salaries: Incomes in the sector are low compared to other sectors that require comparable skills and responsibilities.

Average monthly base salary for selected sectors,1997

	000 LBP	USD
Directors and Senior staff	1813	1209
Intellectual professions	1050	700
Office Employees	643	429
Skilled workers	662	441
Non skilled workers	471	314

Source: CAS, 1997.

Education and skills: Statistics on education of workers are only available for printing. Most of employees in the sector did not complete secondary school. Only 20.6 per cent have a high school or a university diploma.

Education level	Percentage
Less than primary	13.6
Primary	32
Complementary	33.8
Secondary	16.7
University	3.9

Source: Syndicate of printing houses study.

The professional qualification of the workforce and its adaptability to the work requirements is far from being satisfactory. The shortage of skilled people affects new recruits as well as existing staff.

There are no formal education programs at post secondary institutions in Lebanon, except for librarians at the Lebanese University and very few workshops and seminars. A university diploma for the book and publishing professions is under study at the Saint Joseph University. There has not until now been a priority for training and development, and much of the training has been ad-hoc and on-the-job learning. There are currently no competency standards in the publishing industry for such occupations as editor, bookseller, librarian etc

Unionization: Unions and professional associations, which are supposed to help the publishing sectors, have a limited active role in dealing with industry concerns and problems, and in developing their profession. They do not even have statistics and data bases on companies and products, which could help in identifying the problems and the needs of the industry.

Publishers: The competence required in the publishing business is not only diplomas but also experience and on the job training. The firms require a lot of medium skilled labor that become more competent thanks to their experience and their motivation to learn. Not all decision makers recognize that training and professional development is an investment not an expense. Since the recession, many firms have reduced staff, and there is little expectation for growth in the foreseeable future for these firms.

Finance is not available in adequate terms. Conditions are unfavorable and discouraging. Interest rates are high. The company sources of finance are capital and overdrafts rather than medium term loans. The shortage of cheap financing stops the companies from consolidating their marketing structures in the export markets. It also limits the development of new products. One publisher pointed out the absence of an encyclopedia in Arabic, and mentioned that the project was not easy to realize because of unavailability of adequate financing.

Printing houses: The printing industry suffers from the high costs of electrical power, difficulties in securing financing, and the lack of qualified technicians keeping up with technological advances. Lebanon still has the best quality and the lowest cost in printing, but does not enjoy the lowest transportation costs anymore. Many other countries are importing modern equipment and machinery, and their production is becoming very competitive compared to Lebanese production.

Distributors: The sector requires medium to high skilled labor, hard to find since no specialized training is available for booksellers. Since the recession, many firms have reduced staff, indicating a tendency to reduce the cost of labor. Finance is from own capital and from commercial banks for companies already established. Financing is very difficult to obtain for new businesses, and very expensive.

Finance and capital investments

There are no foreign firms in the publishing sector. The capital and investments are purely Lebanese. According to estimates, the fixed capital of the sector was estimated to be around USD 250 million in 1997. The published estimate is probably below the actual figure, and investments in the sector have increased since that date. The printing industry has imported more than USS 50 million worth of machinery in the past three years to upgrade operations.

3. Demand conditions

Output and main types of products

The Lebanese market is a diversified market. Publications are found in Arabic, French and English, the three languages spoken and read in the country. Books and magazines in Arabic represent the largest share of total production.

Publishing houses promote the publishing of local and regional authors, the translation of contemporary well known writers. Most of the books published in Lebanon are specialized, and carry a utilitarian function. These could be on religion, history, politics, archeology, tourism, cooking, horoscope, or fast learning. The production of schoolbooks and the translation of para scholar publications for children is also a major activity of Lebanese publishers.

The printing industry has an output of around $200 million a year, which represents half of the printed output volume of the Arab World according to statistics of the Arab Distributors' Association. On average, 50% of the production is exported .

Lebanon prints more than half of periodicals and daily newspapers of the publications printed all over the Arab world, covering different topics such as politics, economics, culture, women, entertainment, tourism, etc.. A total of 110 political periodicals (7 French and 2 English) and 1571 non-political periodicals are listed at the press syndicate, of which 236 in foreign languages. Many of these titles however are not printed anymore, but their owners keep them registered in order not to lose the licenses.

Periodicals	

Political	110
Non political	1571
Total	1681

Source: Press Syndicate.

Copyright registration do not seem to be a priority for Lebanese publishers who neglect to register systematically their books at the copyright department of the Ministry of Economy. They consider that general text laws in case of problem cover them. Registrations of copyright do not reflect by any means trends in the publishing business. Statistics, available since 1999, show that the number of registrations has increased from a total of 53 in 1999 to 86 in 2001. These figures are far below the number of titles published by any of the major houses in the country in one year.

Registration of copyright, 1998-2001

	1998	**1999**	**2000**	**2001**
Art & literature		13	20	27
Literature	7	39	61	59
Other		1	2	
Total	7	53	83	86

Source: Ministry of Economy.

Publishing: The size of domestic demand is not sufficient in absorbing production. Major publishers export more than 50% of their output; otherwise they would not have survived. Publishers complain about the non-availability of data on consumer behaviors and preferences, knowing very little about the editorial tendencies, youth tastes, and art trends. Publishers are also limited to the topics well tolerated by the Islamic religion; they lack the courage to innovate fearing negative reactions and censorship. Customers are demanding when it comes to subjects they have already experienced.

Retailing: The targeted consumer has an average income or above. Customers are moderately demanding, and are influenced by ephemeral fashion trends conveyed by the medias. The Arabic speaking public is less up to date and less influenced by foreign trends than the francophone and Anglophone publics. Price and income are important. There are a lot of people in Lebanon who want to read but cannot buy books.

Imports

The imported books in foreign languages do not compete with the local production in Arabic since they are two completely different types of products, addressed to different categories of persons. Lebanon imports books mostly from France, the United States and the United Kingdom. Total book imports varied between 17 and 22 million USD in the last five years. Imports from the US and the UK are stable, while those from France declined by a yearly average of 10%. The trade balance for books remains negative over the last five years.

Imports of printed materials, 1997-2000 (000 USD)

	1997	1998	1999	2000
Printed books, brochures	24 358	22 051	21 814	18 334
Newspapers, journals and periodicals	5 664	4 813	5 240	5 497
Total	30 022	26 864	27 234	23 831

Source: Lebanese customs.

Imports of books from main countries, 1997-2001
(000 USD and %)

Country		**1997**	**1998**	**1999**	**2000**	**2001**
France		10,006	9,012	8,242	6,467	7,212
	%	*45*	*45*	*41*	*37*	*34*
United States		4,958	4,285	4,433	4,616	4,376
	%	*22*	*21*	*22*	*26*	*20*
United Kingdom		3,032	3,459	3,638	3,764	3,617
	%	*14*	*17*	*18*	*22*	*17*
Other countries		4,376	3,333	3,758	2,597	6,224
	%	*20*	*17*	*19*	*15*	*29*
Total 000 USD		**22,372**	**20,089**	**20,071**	**17,444**	**21,429**
	%	***100***	***100***	***100***	***100***	***100***

Source: Lebanese customs.

Trade balance for books, 1997-2001
(000 USD)

	1997	**1998**	**1999**	**2000**	**2001**
Total imports	22,372	20,089	20,071	17,444	21,429
Total exports	15,490	16,584	17,226	17,023	16,986
Trade balance	**-6,882**	**-3,505**	**-2,845**	**-421**	**-4,443**

Source: Lebanese customs.

On the other hand, 1 million French magazines (about 1000 titles) are imported yearly from France, against 400 000 (about 1800 titles) in English from various countries. On average, imports of French magazines about traditional subjects of actuality of have fallen by 20% in 2001, while those of magazines for the youth and television guides have risen significantly, probably owing to the increasing subscriptions to cable TVs.

Exports

The market for Lebanese books is evenly distributed among a few Arab countries (UAE, Saudi Arabia, Iran Jordan). Iraq was an important outlet that vanished due to market changes after the western embargo.

Exports of books and brochures remained stable from 1997 to 2000. The recorded increase in 2001 is not enough to indicate a reversal in the trend. The recession and the fall in the purchasing power in several Arab countries, both in the Middle East and in North Africa are adverse factors to the expansion of exports. Some book importers in these countries are becoming publishers themselves, having a strong competitive advantage towards the Lebanese exporters.

Exports of printed materials, 1997-2001
(000 USD)

	1997	1998	1999	2000	2001
Printed books, brochures	20 827	20 003	23 039	23 619	35 623
Newspapers, journals and periodicals	125	218	351	240	42
Total	20 952	20 221	23 391	23 859	35 666

Source: Lebanese customs.

Total exports of books, 1997-2001
(000 USD)

Selected countries	1997	1998	1999	2000	2001
United Arab Emirates	631	847	341	614	618
Saudi Arabia	2503	2744	2362	2417	584
Yemen	1090	1366	883	95	48
Iran	948	505	632	617	670
Jordan	465	248	155	108	515
Syria	76	84	83	87	98
Subtotal	*5713*	*5794*	*4456*	*3938*	*2533*
%	*37*	*35*	*26*	*23*	*15*
Egypt	500	1575	1670	1991	1481
Algeria	402	582	484	250	533

Tunisia	591	497	57	26	234
Morocco	1734	1837	633	319	726
Libya	233	669	1589	184	600
Subtotal	*3460*	*5160*	*4433*	*2770*	*3574*
%	*22*	*31*	*26*	*16*	*21*
France	888	517	329	440	278
Italy	2096	2049	4589	6184	6953
Great Britain	209	426	223	147	489
Unites States	134	191	589	279	311
Subtotal	*3327*	*3183*	*5730*	*7050*	*8031*
%	*21*	*19*	*33*	*41*	*47*
Other countries	2990	2447	2607	3265	2848
%	*19*	*15*	*15*	*19*	*17*
Total exports of books	**15490**	**16584**	**17226**	**17023**	**16986**
%	***100***	***100***	***100***	***100***	***100***

Source: Lebanese customs.

4. Related supporting industries

Firms have strong local suppliers, and specialized inputs are available at all levels of production. The latest equipment, the required raw materials, and all related services (technology support, maintenance, transport) are available in Lebanon. Firms consider that institutions in the fields of insurance and legal services provide little support, while many of them rely on banks to run their businesses.

In general, cultural industries receive no support from government, institutions, or universities. Schools and universities are customers, buying at their own conditions, rather than cultural allies. Delays in payments and long administrative procedures occur with the public sector. Payment conditions in private universities are acceptable.

Firms in the publishing sector do not rely on advertising and public relation companies in the marketing of their products, except when they participate in trade exhibitions.

All the persons interviewed complained about the lack of available data. The reader does not have an information center. The publishers themselves do not even have a database listing their own publications.

5. Market structures and firm strategies

Many firms operate in the market with few dominant. In the publishing sector four or five publishers generate more than 50 per cent of the output. Among bookstores, around 12 market leaders realize more than two thirds of the total sales volume. The market share of the large bookshops has been increasing in the last two years, to the disadvantage of small outlets.

Strategies are oriented towards diversification, more flexible pricing policies and lower margins to face intense competition and maintain or gain market shares. For some, door-to-door selling with credit facilities is producing good results. Market access is normal.

Competition is very intense between printing houses. The leaders, in the business for more than fifty years, have high technical expertise. Many large companies have invested millions of dollars in new technology, and are trying to increase their production volume by operating on a 24-hour basis. These are also investing in marketing and promotion and trying to be more customers oriented. Periodicals are a more lucrative market for printing houses.

Strengths: Lebanese publishers enjoy a good reputation. The strength of the publishing industry lies in the diversity and high quality of products in the three languages. Very well known international publishers are represented in Lebanon, with many brand name titles. On time delivery represents a major asset for printing houses.

Weaknesses: Competent professionals are hard to find, sources of information are defective. The obstacles to exports are high fixed costs- a minimum volume is to be ensured-, the censorship and restrictions imposed by religion in some Arab countries, and the existence of exclusive representations abroad. The slowdown of the economic activity in Lebanon affects negatively growth and investment in the publishing sector. Printing houses do not have budgets for marketing.

Exhibitions and fairs: Book fairs are extremely important for publishers. They are occasions for establishing contacts with other members of the profession –Lebanese and foreign-, as well as for reaching a large public. The Lebanese public is fund of book fairs. Several thousand visitors save their budget for these yearly events, hoping to benefit from special prices. Total sales have been quite stable in the last five years. They often exceed USD 1 million in a single event. The main events in Lebanon are the International Arab Book Fair (majority of Arabic books) and “Lire en Français et en Musique” organized together with the French cultural center (mainly French publications).

Participants in the International Arab Book Fair, 1997-2001

	1997	**1999**	**2000**	**2001**
Publishers-Lebanon	47	136	131	132
Publishers- Arab countries	41	30	21	19
Of which Syria	*15*	*11*	*7*	*7*
Egypt	*9*	*5*	*3*	*4*
Saudi Arabia	*5*	*4*	*3*	*1*
Kuwait	*2*	*1*	*1*	*2*
Jordan	*1*	*3*	*2*	*4*
Total	88	166	152	151

Source : IABF catalogues.

International Arab Book Fair Statistics, 1997-2001

	1997	**1998**	**2000**	**2001**
Total retail sales 000 USD	1125	1210	1000	1032
Visitors-Schools			230	355
Visitors-Students 000			30	53
Visitors-Public 000	347	413		

Source : IABF catalogues.

Piracy

Among the books published domestically, dictionaries, in particular bi-lingual editions, are the most exposed to piracy. The illegal copies are printed in Lebanon or outside, and mainly sold in the neighboring countries. The Lebanese publishers have difficulties in localizing and suing the offenders, because of their limited financial and logistic means, and also because the laws in most of the countries in the region do not prohibit copying and reproduction of cultural products. Lebanese novels and literature books are less exposed to piracy; cases regarding very popular authors were reported, but law actions were not effective, due to political interventions in favor of the lawbreakers.

Besides, several imported books, especially university and schoolbooks, are photocopied and sold to students at low prices. A number of books are translated without the authorization of their author. Another form of piracy consists of putting together different chapters from different university books and publishing them under a new title. It is very difficult in this case to locate the offenders and to collect the necessary proofs against them.

It seems however that for international publishers, the losses due to book piracy in Lebanon are not significant compared to those of other countries in the region like Turkey, explaining why they do not take effective action against it. One local publisher commented that he prefers compromise to court; he offers incentives to illegal users so that they sell originals rather than copies of his books. Losses due to book piracy represent, according to the IIPA, 15 to 17 per cent of total losses in the cultural sector

Books: Estimated trade losses due to piracy (millions of USD)

Industry	**2001**	**2000**	**1999**	**1998**
Books	2.0	2.0	2.5	2.5
Total*	**13.3**	**14.8**	**14.6**	**14.0**

Source: International Intellectual Property Alliance.
* Total of motion pictures, music,software and books.

Expectations

Most of the interviewees expected sales to remain constant, and agreed that profits will be falling in the next two years. They suggested that expansion to foreign markets could help many firms survive. The persons interviewed were very hesitant in predicting long-term trends. Some of them think that it will depend on the economic situation of the country, others do not know.

The market for children’s books and magazines seems to offer very high potentials in the future, but experts complain that schools are not encouraging children to read. Computer courses are given an increasing importance in schools and universities to the detriment of reading and literature.

Only the potential of Arab markets and some opportunities offered by the European markets can justify the investments made nowadays by large firms in the publishing and printing sectors. The Lebanese market has reached saturation, and will always be small. The reading potential and the cultural tastes of the Lebanese population are not expected to develop rapidly.

6. Government projects and policies

The government budget does not allow any funds for the support of the publishing industries. The Ministry of Culture is trying to encourage the sector in various other ways. On the production side, the Ministry is trying to convince certain countries to adopt Lebanese publishing houses and to establish international agreements in favor of the translation and publication of Lebanese books. On the distribution side, the Ministry encourages book fairs. Negotiations with the German government are under way for the organization of an Arabic book fair in Frankfurt in 2005.

On the cultural level the Ministry of Culture has used funds from the AIF (Agence Internationale pour la Francophonie) and opened 14 public libraries in all Lebanese regions to encourage reading. The project of re-opening the Lebanese national library has been delayed for years due to problems in finding appropriate premises.

On the fiscal level, government has encouraged the publishing sector by removing import taxes on books and paper, and by exempting books, magazines, and newspapers from VAT.

7. Conclusions - Policy recommendations

The large companies dominate the book sector in Lebanon, in publishing, printing and retailing. The small companies feel threatened as they suffer from the oligopolistic trends prevailing in the Lebanese market. The economic crisis, the lack of adequate financing, the absence of Government effective action in terms of promoting the book industry and protecting the intellectual property rights are serious obstacles to the survival of many firms.

The publishing sector in Lebanon is striving to maintain its outstanding reputation in the region. Investments are being made to constantly improve product quality, and to increase production. Exports are essential to cover investment and production costs, as the Lebanese market is too small to absorb all Lebanon can produce. The Gulf countries and North Africa are the most promising markets in the near future.

On the cultural level, there is a lot to do to improve the efficiency of the publishing sector, mainly.

- Revise the educational system; develop the taste for reading at early ages; encourage reading in Arabic; educate students to respect intellectual property.
- Create specialized programs in universities adapted to the different needs of the industry.

- Devote time and space on public medias for cultural programs.
- Develop a database available to all, listing all players and their publications, as well as education, training and professional programs.
- Improve and enforce rights legislation.

III. The Film Industry

1. General trends and performance of firms

Advertising films dominating the market characterize the film industry in Lebanon. Though, there is a growing market for home-produced music videos, and a tiny niche for short films and documentaries. Some 80 percent of the local films and video business is dedicated to producing TV commercials.

Making TV commercials is big business in Beirut for advertising agencies, production houses and a range of support companies. Nevertheless, one of the growing areas of local production has been recently music videos. The music video market started to pick up in 1994. On the other hand, the history of film making for movies in Lebanon has always been -and still is- that of individuals, adventurers who wanted to make movies.

While Lebanon's yearly film production output remains at only one or two full-length features, filmmakers such as the experimental Akram Zaatari and the award-winning Elie Khalife have been excelling in documentary and short film formats.

Moreover, Lebanon has now also established an impressive number of film schools and programs that constantly supply the market with new blood and resources. All this is at the advantage of Lebanon especially when some Arab countries have no institution to prepare the students in this field.

At the level of the imported foreign films, there are two distribution companies, Empire and Planete, which between them control 90% of the films on Lebanese screens and dominate the cinema sector.

Advertising Film Industry

With Lebanon still being the center for the advertising industry in the Middle East and with estimates that the annual turnover of the industry is some $20 million and employing a substantial number of labor from top management to low skilled persons between the production itself and all the related and supporting industries, this sector is considered as one of the good engines of the Lebanese economy.

During the past few years however, the sector has been stagnating due to several reasons:

1. A depressive economic situation which has a direct relation to consumption and consequently to advertisements;
2. The proliferating number of small production houses congesting the market;
3. Finally with the problem of liquidity the production houses are faced with a perpetual delay in payments.

Cinemas

In recent years the number of cinemas, especially those with multiple screens has gone up and nationally there are now close to 100. They fall into two categories- those with state of the art audio and visual equipment and which show the latest releases (90% of the market), and others that still depend on basic equipment and which show old movies. Additionally some cinemas are seasonal like that in mountain resorts, which operates only during the winter when the areas are crowded with skiers. Circuit Empire and Circuit Planète operate the majority of movie theaters. The rest are independent.

Selected 'A' screens in Lebanon, 2002

Empire	**Planete**	**Independent**
Dunes 4 screens	Planete Abraj 8 screens	Concorde 8 screens
Elite 4 screens	Plaza 3 screens	Freeway 6 screens
Sodeco 6 screens	Planete Tripoli 4 screens	Ambassades 5 screens
Sofil 2 screens	Stargate Zahle 3 screens	Kaslik 3 screens
Galaxy 6 screens	Planete Zouk 8 screens	Saida (Marrouf Saad) 1 screen
Mkalles 2001 6 screens		
St. Elie 3 screens		
Espace Zouk 5 screens		
Las Salinas 4 screens		
Empire Jezzine 1 screen		
Total Empire 41	**Total Planete 26**	**Total independent 23**

Source: Circuit Empire.

The industry earns about $12 millions a year at the box office, while food and beverage sales and other trappings boost revenues to around $24 millions.

This is a meager harvest at the end of the day. In 1999, there were 2.6 million admissions from a cinema-going public numbering just 250,000 (around 7% of the population). Only 20% of admissions take place outside greater Beirut, where around 40% of the population lives.

A classical credo says: ‘In a period of economic crisis, the cinema sector prospers the most as it remains the cheapest entertainment”. It is however the opposite that happened during the past four years in Lebanon. Sector sources claim a negative growth rate of around –5% to -7% per year for the past five years. The sales of movie tickets have decreased since 1997, from 3.4 million admissions to reach in the year 2000 a minimal number of 2.56 million entries.

2001 has however witnessed a small increase, the first since four years, with 2.6 million tickets sold. The results for 2001 remain thus bad, even if admissions have increased by 40,000 entries compared to the year 2000, since ticket prices were cut by more than 30 per cent.

Cinema admissions, 1997-2001 (millions)

Year	Admissions
1997	3.4
1998	2.8
1999	2.7
2000	2.56
2001	2.6

Source: Circuit Empire.

Facing this disaffection, a noticeable adjustment has taken place last year in terms of ticket prices. The price of the ticket has been reduced to 7,000LP (USD 4.66) for Empire and 6,000LP (USD 4) for Planete. The attractive formula of the Monday and Wednesday, where tickets were sold at 5,000LP did not work. The general rate of incomers did not in fact increase. On the contrary, Mondays witnessed a big number of entries and the rest of the week witnessed nearly empty theaters. This is why the average price of a ticket is 6,500LP.

Film Making

The production of films in Lebanon has been quite meager throughout its recent history. In fact, after experiencing its golden age from 1929 till 1957 with the production of 500 films, and then stabilizing its output to 7 or 8 films per year in the following years, the film making industry has been unable to turn out more than one or two films per year since 1990 .

Films produced locally, 1990-1998

Year	Total number of films	% of francophone films	% of co-production with francophone countries
1990	1	0%	100%
1991	4	0%	1 film i.e. 25%
1992	1	0%	100%
1993	4	1, i.e. 25%	1 film i.e. 25%
1994	6	1, i.e. 17%	2 films i.e. 33%
1995	1	1, i.e. 100%	0%
1996	1	1, i.e. 100%	0%
1997	1	0%	0%
1998	2	0%	2 films i.e. 100%

Source: Agence Universitaire de la Francophonie.

2. Supply conditions

Major Players

Advertising Films

The local market for producing TV commercials is dominated by a small number of companies. In fact, the industry is controlled by about six big firms and more than 50 smaller enterprises. The six major firms are: Talkies, Signature, Laser Films, Intaj, VIP Film and City Film. On the other hand, with the growing market of music videos, many local companies are looking at the clips as a way forward; every singer now produces a video to accompany a record released.

Producing TV commercials and music videos is very different. Most of the production houses tend to have 95% if not 100% of their product based on TV commercials leaving a tiny 5% for a one shot music clip. That is because the local budget for commercials is usually larger than for videos. Another main reason is that companies deal with professional advertising agencies for commercials, while they deal with the singer’s family for music videos.

Cinemas

American films are largely dominating the cinemas in Lebanon (95% of the market). US film studios distribute their films through local agents, who then make an agreement with a cinema operator to run the film. Sometimes, the cinema operator also has a business as a film distributor. Two distribution companies, Empire and Planète, dominate the cinema sector, as they control 90% of the films on Lebanese screens.

Empire: Circuit Empire is a sole proprietorship. The size and shape of Circuit Empire's operations have fluctuated over the years, but the business has essentially remained the same: distributing films and operating its own cinemas. While the war had a serious impact on business, the company has come back with a vengeance since it ended.

With only nine screens in 1990, Circuit Empire has expanded faster than any other firm, with its ten outlets totaling 41 screens and fitted out with high tech projectors and sound systems.

Added to its cinema operations, the company acts as the exclusive distributor for three major US studios: Columbia, Tri-Star and 20th Century Fox. It has also an agreement to distribute independent European cinema, in Circuit Empire's Cinema Six, a screen dedicated to non-Hollywood movies. After 75 years of market domination, Circuit Empire started facing a real challenge in 1995 represented by Circuit Planète.

Planète: Planète is an equal partnership between a businessman and a film distribution company. The partners own five multiplex Cinemas, with a total of 26 screens. Along with its own cinemas, Planète adds to its total revenue ticket sales from cinemas it does not operate or own (no investment required), but shares film distribution with, namely a network of 26 screens.

Circuit Planète, being an alliance of independent cinema operators and film distributors, has the advantage of proposing to its customers a greater variety of movies to choose from, and consequently, has a higher hit-to-failure ratio. The key to Circuit Planète's growing market share has been in creating alliances with other independent cinemas and distribution companies, which has given the company a wider selection of films to screen.

One of Planète partners distributes for United International Pictures, an umbrella organization for several of the largest US studios, such as MGM, United Artists, Universal and Paramount and Steven Spielberg's Dreamworks, representing, according to him, some 60% of total US studio production.

Film Making

"Lebanese producers are crazy people who want to make movies and who convince other mad individuals to make films with them". In fact, film making in Lebanon has been the result of few individuals struggling desperately to produce a film, in the absence of any governmental or technical support.

Employment and human resources

Advertising films

The local market entails the necessary know-how and qualified personnel to guarantee a good final product. Domestic universities and institutions prepare well their students and provide them with the background needed to be able to start off in the professional world. Nevertheless, sometimes a producer is brought from abroad to bring in a new spirit and add his expertise to the output.

Each of the major firms uses the services of about 20 permanent employees and a range of 30 to 60 persons on free-lance basis, depending on the complexity of the shooting. In this field, free lancers are part of the profession and moreover, certain firms prefer to deal with free lancers to be able to always introduce a new blood into their company. Across Beirut, there are estimated to be about 250 full-time workers in the industry and about 200 part-timers, including the actors and voiceover artists.

One of the biggest problems at the local level is a lack of professionalism, which can increase production costs. The market lacks proficient directors, directors of photography, effects directors and art directors. A good post-production professional and a good director could cut the costs by minimizing mistakes. Lack of professionalism exists also at the level of the actors and clients. Sometimes too many people interfere, which slows down the production. Thus, matching European or US companies in terms of specialization is something few local companies can afford. There is also a lack of people ready to take the less glamorous roles. There is a need for cameramen, assistant cameramen, assistant directors and editors.

As a matter of fact, graduates exist on the market having a good theoretical background but lacking the needed experience. This is why most of the companies bring in foreign professionals to train their local employees. The negative characteristic of the labor force in this field is that everybody wants to be director without having ever had any experience on the ground.

Cinemas

Each of the major players in the cinema industry employs about 150 persons, which means there should be about 300 persons employed by the duopoly and in total nearly 350 to 400 persons employed in the industry as a whole.

The profile of these employees is mainly low to medium skilled labor with only about 5% in medium to top management. This is why it is very easy to find employees on the local market as not much background is required and training is done in-house. Only the high skilled labor and the top management do sometimes follow a training provided by the American film companies.

Film Making Schools

Several universities (USJ, ALBA, LAU, USEK,…) teach audiovisual since several years. Graduates have been increasing gradually, in addition to the students who study abroad and return to make films in their homeland. Individual attempts are substantial. Those are trying to reanimate production through their short-films.

Film-making schools enjoy a good reputation in Lebanon. The academic level is recognized to be very good, and these institutes have established solid relations with foreign schools abroad, particularly in France. The Academie Libanaise des beaux Arts (ALBA), for example, has created in 1988 the first audio-visual program was created in 1988. At present, Alba graduates on average 10 students per year who are trained to be polyvalent, and are familiar with TV operations as well as advertising work and are capable to produce films. The students have to complete three projects before graduation: a TV commercial, a fiction short film and a documentary.

In 1995 the IESAV-ALBA-FEMIS project has been concretized by the production of four short films in 16mm. A decisive step for the formation of young Lebanese students in the film-making carrier with the contribution of French professionals. In 1996, PROFIL (Programme de Formation a la Fiction Longue) was created and provided by French professionals.

IESAV has also opened a masters in audiovisual (scenario, production, teaching…). In 1999, LAU's Beirut Institute for Media Arts was established to provide a dynamic forum for collaboration between academic and professional media communities.

For the first time in Lebanon, factors do exist for the training of professionals, and not only for students..

Graduates from these specialized universities, which are estimated to be between 65 and 85 annually, find jobs in the market mainly in the local televisions, in the advertising agencies and in the production houses and not principally as film producers.

Public utilities and services

Public utilities such as electricity, phones, cellular phones, Internet services, postal services, etc. are viewed as obstacles to the production houses' work flow, being either expensive (when on average 100,000 watts are used during a shooting it is more economical to use your own generator), or not efficient (parcels are preferably sent through DHL than through the normal postal service) etc. Consequently, public utilities affect negatively the film production industry by raising its costs.

Equipment

Investment in the latest equipment and software is a necessary part of the trade, as companies always have to buy new software and switch to new systems. This is usually only done by the bigger firms that have the resources for this modernization process.

Finance and capital investments

Advertising films

Most of the dominant companies are sole proprietorship that brought in their personal capital into the business. No financing is granted by the commercial banks for this field as such. Financing in this field is extremely difficult to obtain; when a credit is granted it is mainly thanks to the known background of the owner rather than the viability and profitability of the venture applying for a loan.

Cinemas

Financing for the sector exists in all forms, there is:

1. The personal capital being invested by the sole proprietor or the partner
2. The loans from banks, especially when the borrower is a well known name in the industry
3. The joint financing through joint ventures.

The immediate availability of the cash flow is a main advantage for cinema operators in Lebanon, especially that delays in payments and shortage of liquidity are major handicaps for the expansion of many other sectors of the Lebanese economy. Typically, the film industry requires the financing of total producing costs, long before generating any revenue.

Film Making Industry

It is clear that producing a film requires a substantial budget, which an individual does not necessarily own. To obtain financing for such an endeavor is nearly impossible in Lebanon. Furthermore the Lebanese government has other priorities than to support and encourage the filming industry.

Consequently, Lebanese producers have to resort mainly to European financers to be able to produce their film. This in its turn forces the Lebanese moviemaker to accept conditions imposed by the provider of funds.

When Ziad Doueiri, the producer of West Beirut tried initially to shop his script around in the Middle East, he came out empty-handed. So he turned to Europe and laded a contract with La Sept-Arte, a French production company. Furthermore, Doueiry says that the French did not ask him to make any concessions for West Beirut they only required that he hires French technicians to work on the set “They gave me the money because they believed in the project”.

What new filmmakers are doing these days to be able to execute their scenario is use the video instead of the traditional 16mm or 35mm film. This reduces the budget compared to the substantial amounts required for the real 16mm or 35mm film.

3. Demand Conditions

Output

Advertising films

TV commercials for a local company could range from an extravagant $380,000 to as low as $10,000. The $10,000 commercial would have a simple concept and not much post-production. Some commercials can be put together for a few thousand dollars, most cost a great deal more. If a client can be persuaded that an international director or director of photography, or even an entire crew is required from overseas, there is almost no limit to how much can be spent.

As a matter of fact, beyond the design and scripting, there are many factors, which determine the cost of making a commercial. These range from a fee for the director, right down to hiring actors, buying props and renting a location. The more days of ‘shooting’ required the higher the costs needed.

If the commercial has been made using 35mm film instead of video, the film may have to be processed overseas. Post-production may also take place overseas if the advertisement requires complicated special effects. Locations for this work include Amsterdam, Paris, London and sometimes Cairo. In other cases, post-production is completed overseas to use the skills of a foreign director.

Production costs depend on the type of film to be used, the number of actors, and stylists, location, props, as well as director and director of photography among others. A director’s fee can range between $2,000 and $10,000 per day. Actors cost between $300 and $1000. Extras- those people who play small parts like crowd scenes- generally receive about $50 a day. Equipment expenses range between $1,500 and $10,000 a day.

The costs of music video production range between $25,000 and $200,000, depending on the production. Once again the director’s fees strongly figure in the price. Demand is mainly based on price, quality and interpretation.

To avoid all the domestic problems a lot of houses seek foreign clients and try to avoid local ones. Some of the big firms have about 95% of their business volume generated from foreign clients compared to only 5% obtained from local clients.

Most of the clients that have a big enough budget to commission TV commercials are multinationals. The major clients are from the Gulf and with the growth of the satellite TV the market is still expanding.

On average a client spends between $20,000 and $30,000. According to the British creative director Michael Harrison who is a regular of the Middle East, most of his clients in Dubai wanted him to do their TV productions in Beirut. In fact, industry sources say 60% of all TV commercials produced in Lebanon are for clients in Saudi Arabia.

Cinema

The cinema market in Lebanon is not that vast. According to An IPSOS-Stat market study, it is the same 200,000 to 250,000 spectators who go regularly to watch movies.

This study shows also that students form 36% of cinemagoers, double the size of the next category, employees.

Cinemagoers by profession

Students	36%
Employees	18%
Professionals	15%
Self-employed	11%
Housewives	10%
Managers	7%
Unemployed	6%

Source: Ipsos-Stat.

Cinemagoers by age

Age	15-24	25-34	35-44	45+
Percentage	49%	28%	11%	12%

Source: Ipsos-Stat.

The study also shows that the most frequent audience is the age group between 15 to 24 years old. Moreover, cinema audiences increase in winter with monthly total audiences in January of around 325,000 up to four times higher than those in June, when outdoor activities like swimming and hiking replace watching movies. January audiences also have the added incentive of the highest number of new movie releases, traditionally released at this time.

Another reason for lower audiences in May and June according to an industry specialist is that students are taking their final exams at this time, not to mention the additional distraction in the past two years of the Lebanese Basketball Championship.

Film making industry

Local demand has never been sufficient to help the filmmaker cover the costs of producing his film. This is why only films the subject of which inspire and interest regional as well as international viewers could attract substantial spectators.

4. Related supporting industries

Advertising films

The related or supporting industries are everything connected to raw films, ink, chemicals, lighting equipment, film developing services, shooting studios, etc. At this level, there are no problems, everything exists and is available on the local market.

In terms of equipment everything exists on the domestic market even if it is sometimes controlled by a monopoly such as for the lighting or cameras. As for studios, most of the major production houses own their own studios, which facilitates a lot their job.

In terms of the film developing facilities, before November 2001, all the 16mm and 35mm films were taken abroad to Paris, London, Milan, Athens, etc. This process used to cost production houses substantial additional expenses, in addition to the time lost on traveling. Since that date, “the Gate” was created to develop the 16mm and 35mm films. This venture was established by shareholders in the filming industry of Lebanon and with 25% to 30% participation by Kodak.

The cost of developing a film at the “Gate” studio is however not yet cheaper than that incurred in Europe as the needed volume is still not attained. Nevertheless, there is the time factor that is at the advantage of the “Gate” studio, compared to having the film wait for being approved by the General Security Services on its way out of Lebanon, being developed abroad, returning to Lebanon, having to pass by the General Security Services again on its way back into the country.

This time advantage has made the “Gate” studio seize 80% to 90% of the Lebanese production houses’ development services. On the regional front, the Gate’s clients come from Dubai, Jordan, Kuwait and Egypt.

The Gate’s operations are divided into 70% TV commercials and 30% music video clips. Only on short-term basis, such as when Youssef Chahine or Borhan Alawieh were shooting a film in Lebanon, the Gate’s operations on feature films exceeded 40%.

Cinema

As the two major companies import their own films from abroad, the only relevant related industry is that of newspaper, journals, mass media, Internet services, billboards and promotional events. Those are well prevalent in the domestic market and support positively the industry by propagating their films and inducing spectators to go and watch a new release.

5. Market structures and firm strategies

Advertising films

There is a lot of competition, especially in the current economic conditions, because they are all fighting for a slice of a small pie. Competition is so tough that few companies are making money.

The major characteristic of the production houses' industry is that there are 10 clients for the entire market. As a matter of fact the major advertising companies operating in Lebanon are about 10, who shop around among the 6 major production houses for a better deal. Consequently, in the absence of a syndicate to protect their interests, this creates an extremely fierce competition based mainly on price-cutting.

There are no new entries, due to the existing fierce competition and due to the fact that the industry is mainly based on contacts and personal relations. The only new entries are sometimes Italian, South Africans, French or British companies who obtain punctual big contracts from the Lebanese market.

At the regional level, Cairo and Dubai are viewed as the real competition. Dubai has higher labor costs than Beirut, but it is better located to land some of the big jobs from multinationals, which have their regional offices in the Gulf. Mainly the big budget for car advertisements.

Dubai's Media City, following the special recommendation of the ruling Sheikh Maktoom, offers all the facilities needed by the production houses. It is however more expensive than Lebanon and it is hard to work there when it comes to human relations. Casting is not an easy process. No local is willing to appear in a commercial.

On the other hand however, it is hard to beat the low prices of Cairo. As a result of this price competition the Egyptian capital is the main threat. Their prices are lower because it is cheaper to rent cameras, lighting equipment and staff. However, in terms of quality, it is far behind that obtained in Lebanon.

Consequently, Lebanon is still considered as the best place to obtain a good price/quality ratio.

The local music video industry has a long way to go. It is getting a foothold in the industry but it is not as big as Egypt. But that may change with time. For many production houses and advertising agencies, Beirut is a natural home for a film production industry.

Cinemas and film distribution

Forming alliances has been one form of the fight for film distribution share. Moreover, partnerships are being fought for with the major American tenors of the cinema.

In 2001, the Circuit Empire group was the market leader of film distribution with a 55% market share, disputing with its major challenger, the Evolution Group (Planète).

Another strategy in the fight for film distribution share is marketing. The cinemas and theaters were in fact the bigger advertisers in terms of time on air in 2001.

The biggest advertisers, 2001

Rank	Sector
1	Cinemas and theaters
2	Banks
3	Cigarettes
4	Whisky
5	Cars
6	Coffee
7	Edition
8	Clothes
9	Social and civism
10	Hair care

Source: Ipsos-Stat.

Circuit Empire was the first Lebanese cinema with an Internet site and also has a movie magazine along with a fidelity card offering movie discounts. Circuit Empire is also the number one spender in newspaper, billboard and television advertising. Empire runs a $2million advertising bill each year with an average of $25,000 to $30,000 a movie.

Another way to fight for film shares is through the expansion of the market. Circuit Empire has the exclusive film rights for the United Arab Emirates, Kuwait, Oman, Jordan, Syria, Egypt and Ethiopia. The problem of distributing films in the Middle East, however is censorship.

Competition between the two groups is harsh but “loyal”. The two giants of the cinema distribution in Lebanon co-operate in fact by communicating to each other numbers and statistics without for that matter distorting the competition.

Film making industry

The eternal problems of film making in Lebanon have been lack of technicians, lack of infrastructure, lack of supporting funds and mainly lack of external outlets. The only factor that has improved is the presence of good technicians on the domestic market thanks to the serious university programs.

Moreover, the problems being faced by the new producers is the censorship that accepts the violence in the American films and their rude dialogue but becomes inflexible when it comes to the Lebanese film.

The market is small and the movie cannot be contented of the only distribution of its films on TV, when the cinemas are only interested in American “blockbusters and not in the independent films”. Then how could Lebanese filmmakers hope to make movies in Lebanon when the American movie is monopolizing the international market and even the European cinema is unable to fight its invasion?

On a different front, another major obstacle to the development of the Lebanese film making industry is the reluctance of the domestic movie theatres to give a chance to the national films. As a matter of fact, a cinema is ready to replay an American film in its low season but would not give a chance to a Lebanese film by giving it the screen for few days to see the reaction of the public.

Piracy

As seen previously, admissions in cinemas have been decreasing since 1997, in spite of the lower ticket prices. This is mainly related to piracy, considered as the major disease of the industry.

In fact, the illegal renting of DVD and the large-scale cable piracy affect considerably the cinematographic sector. They also threaten the existence of the national television channels.   However, professionals of the sector have different opinion. According to some, the major problem is illegal cable operators. About 50 channels could be obtained for $10 per month. It is estimated that illegal operators serve nearly 425,000 Lebanese households. There are an estimated 1,300 cable operators serving the Lebanese population. These operators retransmit domestic and foreign terrestrial and satellite programming without authorization to their subscribers.

Cable piracy in Lebanon seriously damages the legitimate theatrical, television and video markets in Lebanon. The new copyright law of March

1999 has never been properly implemented in this sector. Legitimate providers such as Orbit and Showtime, who charge several times the amount charged by the illegal cable providers, but whose service is clearer and more reliable, say claim that the existence of these pirate operations deprives them of revenue. Cable pirates also present a potential threat to local TV stations, which have lost viewers to the more glamorous and diverse foreign channels.

According to others it is the DVD film that is a major competitor to the cinema specially that it is illegally sold or rented only few weeks after its broadcast in the movie theater. Thus, the Lebanese is not much interested in going to the movie when he can watch the same film without censure on DVD after a short delay.

Films: Estimated trade losses due to piracy (millions of USD) and levels of piracy, 1996-2001

Industry	**2001**		**2000**		**1999**		**1998**	
	Loss	**Level**	**Loss**	**Level**	**Loss**	**Level**	**Loss**	**Level**
Motion Pictures	8.0	80%	8.0	60%	8.0	60%	8.0	80%
Totals*	**13.3**		**14.8**		**14.6**		**14.0**	

Source: International Intellectual Property Alliance.
* Total of motion pictures, music,software and books.

Expectations

Advertising films

Expectations for the coming years are of stagnation, especially with televisions that do not co-operate and prefer to have their own products. Also, there would be stagnation because TV is no more considered as a major advertising tool, but rather promotional events.

In fact, the advertisements outside the medias have been eating away the share of the traditional ads, and consequently reducing the production houses' workflow.

Despite these setbacks, Lebanon's western orientation and lack of censorship in terms of alcohol and cigarette advertising, combined with the return of well-educated Lebanese from universities in the United States and Europe all leave room for cautious optimism.

Cinemas

For one of the company owners, future trend is in favor of out-of-town complexes with many screens -“the theatre near you” concept, not forcing moviegoers into the city center to see a film. Now the standard is six screens in one location with about 70 to 80 seats for each screen.

The Lebanese cinema could witness a slight improvement in the next years. Analysts predict an increase in the number of tickets sold reaching 3 million entries in one or two years. Nevertheless, the only factor that could help the number of entries grow substantially is the application of intellectual property rights' protection laws. This would render DVDs and cable television less accessible to all income groups and consequently render once again the cinema the cheapest entertainment.

Film making industry

In spite of all the negative factors mentioned above there is however, progress being felt and this is due to the stubbornness and perseverance of the filmmakers and lovers. The Lebanon Cinema Foundation is under conception. Made out mainly of the private sector, few sponsors, universities, etc. this group's aim is to support, finance, develop the filming industry in Lebanon and try to replace the government where the latter has failed.

6. Government projects and policies

Advertising films

The government bureaucracy slows production and increases costs. By law, unprocessed films are required to be presented to the General Security Office to be stamped before leaving the country for post-production, and when arriving back into the country. This means loosing time for the TV commercial industry, and depriving Lebanon from one of its major comparative advantages compared to Europe or Arab countries.

Cinemas

According to a professional in the sector no cinema in Lebanon could be commercially viable as taxes imposed on them are illogical. To distinguish, the screens being only managed are generally profitable compared to those owned by the operators. This explains somehow why the year 2001 has not witnessed the opening of new screens. The total number of movie theaters has remained constant.

In Lebanon the government has increased the censorship tax on movies to 500,000LP per title. On the other hand in November 2000 the government cancelled the customs duties charged on each copy of imported films. This measure has benefited more to the film producers than to the local distributors.

Other problems are at the level of censorship, with the ignorance of the people in this service destroying sometimes an entire film by cutting it inadequately. Censorship is mainly directed against pornographic scenes and anything related to Israel.

Customs duties are rather expensive and obtaining permits for shooting in public places comes out to be rather expensive when commissions are paid to facilitate the process.

The government does not protect the production houses' intellectual property rights. A lot of work is pirated without any legal enforcement, which discourages production.

7. Conclusions - Policy recommendations

It is clear that Lebanon has substantial potentials at the level of the film industry in general. However, without any governmental planning or support prospects would remain bleak. Moreover, a governmental decision has to be taken to eradicate piracy and a strict implementation has to be done on the ground.

IV. The Music Industry

1. General trends and performance of firms

The music business has been alive in Lebanon for a good 50 years and has gone a long way since, witnessing new players modifying its shape. At the 58^{th} position in world ranking for the year 2000, according to IFPI (International Federation of Phonographic Information), Lebanon's music industry definitely has the potential to become one of the leading music industries in the world. Already people in the business are stretching out as far as they can with new virgin markets like Syria, Jordan, Tunisia, Morocco and Algeria being targeted.

At the beginning of the twenties, the emergence of a Lebanese satiric song was witnessed, favored by the arrival of the "Theatre des Chansonniers", which came to Beirut with the French forces. At the beginning of the fifties, a new generation of avant-garde authors-composers came in the musical scene. Among them were Assi and Mansour Rahbani with Feiruz.

Philemon Wehbe and Zaki Nassif were also part of this generation, which contributed in giving the Lebanese song a new evolution. One should not also forget the role played by the Lebanese big stars such as Wadih El Safi, Najah Salam or Sabah, neither that of the Baalbeck International Festival, which since its creation in 1955 has allowed the creation of the musicals that made the history of music in Lebanon.

In 1973 it was a television producer known for his music shows, Simon Asmar, who marked the start of a new phase in the Lebanese music, by creating the most popular talent show, Studio El Fan.

In the nineties, new players have entered the market, substantial music production companies with foreign, mainly Saudi capital, such as Rotana, Music Master and Aalam Al Fan.

All this has heated up the music business in Lebanon and has generated additional investments from abroad. One of the main reasons for this investment is technology: satellite TV, video productions and the Internet are all expanding the market and changing the rules of the local music business. For example, LBC-SAT Orbit and Arab Radio and Television (ART) rely on music to boost their programming.

Performance of the sector: As in any economic sector in Lebanon, obtaining accurate numbers and statistics is nearly an impossible task. However, the Arabic music industry in Lebanon is growing and is currently estimated by experts to be worth $50 million per year.

Moreover, according to a study performed by the IFPI, recorded music sales have been estimated at $10 million for the year 2000. This leaves about $40 million for concerts, festivals, distribution, and other products.

Regarding the sale of recorded music, the $10 million represents in unit terms around 2.4 million cassettes and 300,000 CDs sold in the year 2000. This is a regressing trend compared to $13.4 million sold in 1996. Most of the decline is attributed to piracy and to the economic crisis that the country is going through.

Sales of recorded music, 1996-2000 (millions)

Year	Number of Cassettes	Number of CDs	Sales USD	Real growth %
1996	3.5	0.5	13.4	
1997	2.7	0.4	10.5	-23.9
1998	2.5	0.5	12.9	21.6
1999	2.5	0.5	12.9	-2.1
2000	2.4	0.3	10.1	-24.2

Source: IFPI.

As a matter of fact, there has been a clear regression since 1996, peaking in the year 2000 with a negative growth of –24.2%.

Each of the five main international music companies: Sony Music, International, EMI, BMG, Warner Music and Universal Music, controls about 15 to 20% of the international music in Lebanon. Other smaller companies such as Byblos and La Voix de L'Orient do not represent more than 3 to 5% of the international music market.

2. Supply conditions

Major players

On a global level the industry as it stands today, comprises five main companies: Sony Music International, EMI, BMG, Warner Music and Universal Music. Most of them have already set up branches in Lebanon such as Sony that has ramped up its presence in the Middle East by opening a stand-alone operation in Lebanon, while others like Warner and Universal are represented by an agent. As other media sectors, the music industry in Lebanon is heating up, generating substantial investment from abroad.

Sony International and Music Master representing Warner and Universal in Lebanon are starting to sign in Lebanese, Egyptian and more generally Arab repertoires. There are also Arab enterprises that have their companies major operations being directed from their offices in Lebanon such as Rotana, who owns 80% of the Arabic repertoire.

In fact, two key investors in the Lebanese market are Saudi business tycoons Prince Al-Walid bin Talal and Sheikh Saleh Kamel, co-owners of Rotana and ART. Rotana, also known as Production Company, produces and sells audio-cassettes and compac discs. Present in Lebanon since 1994, it owns the publishing rights to the works of more than 45 well-known Arab and Lebanese artists. Lebanon's office has become the company's bigger operations, employing 28 out of the 80 staff in its five branches.

Some local production companies and distributors are fighting to maintain a small market share.

Besides the production companies, talent agents play an important role as well in the music industry. Simon Asmar, TV program director at LBC and owner of Studio al Fan, a music talent agency that has grown into a multimillion-dollar business, probably sits at the top of the heap. He has used the popularity of LBCI in the Arab world to promote his artists. His company signs a contract with young artists and will spend three to five years spending on them to develop their potential. The artist will have a choice of the term of the contract, which can be five, ten or fifteen years.

"During the first five years, we invest in our beginners, says Simon Asmar, we teach them music, we buy them cars, we rent them apartments, we create their look, we chose their songs and walk with them all the way trying to make sure they succeed'". In return, the company will collect 50% of the singer's revenues in the first five-year portion of the contract, 35% on the second portion of the contract and 25% on the third. Studio Al Fan had in 1999 contracts with almost 50 singers and revenues vary from one performer to the other. Some famous singers generate $400,000 a year for the company, when other performers pull in no more than $25,000 in yearly revenues.

Concerts on the other hand, are the big money spinners. A popular performer can charge up to $35,000 for a one-night performance in the Gulf, and

$20,000 in Lebanon. Neither the number of tickets sold for the event nor the operating costs of the concert broker will affect the figures charged, so the broker carries the risk not the talent agency nor the artist.

Finally, festivals constitute also an important part of the music sector in Lebanon. There are the country's two showcase events: Baalbeck and Beiteddine that attract Lebanese, Arab and foreign audiences. Beiteddine and Baalbeck may boast the most international and established names, but they are not the only festivals taking place in summer in Lebanon. Byblos and Tyre have their own festivals too, although they do not compete on the same scale, as well as Al Bustan Festival and Deir El Qamar.

There are in addition other events that happen all through the year as well as concerts organized by broker companies, such as Buzz Production or We Group and which have each their own adepts.

Finance and capital investments

It is of almost impossible to obtain funds from the commercial banks for the music sector. Financing in the music industry is all equity financing. Be it Arab funds, or Lebanese capital, it is all private funds that are invested in the market, as no loans are granted by the banks.

Schools

The Lebanese Conservatory is an autonomous governmental body that was created in 1928. The Ministry of Education finances it, with a budget close to 7 billion LBP in 2001. The budget has been constant for the past five years in spite of the increasing expenses and the growth witnessed by the Conservatory.

From 150 persons enrolled in 1972 in the different disciplines offered by the Conservatory, the number jumped to nearly 4,500 students at present. The disciplines that attract the most students are piano, violin and guitar. The Conservatory has 13 branches spread all over the country. Since the year 2000 there is even a branch in the prison of Roumieh. The Conservatory has 260 teachers.

The establishment of new branches is being frozen due to lack of funds. This problem has also forced the conservatory to pay its teachers 11 instead of 12 months salaries.

The Conservatory has three National Orchestras:

1. The National Symphonic Orchestra with 93 musicians and three conductors. This orchestra rehearses three to four hours daily and gives free concerts twice per month from September till June.
2. The Oriental Symphonic Orchestra with 40 musicians. This orchestra rehearses daily and produces free concerts once per month from September till June.
3. The Chamber Music Orchestra, the musicians of which come from the two above-mentioned orchestras.

The program of the conservatory is however perceived by students to be too long, stretching over ten years for a piano degree. Many students take their enrolment as a hobby not as the beginning of a career and do not study seriously and few continue beyond three years. It should be mentioned that the teaching level (technique and pedagogy) especially in the occidental section is far from being comparable to European levels.

3. Demand conditions

Output and main types of products

Lebanon has 3 to 4 cassette manufacturing plants of its own. Manufacturing of CDs for Arabic music is done either in Greece or in Egypt, with a preference for Egypt where costs of production and taxes are lower. Egypt is also closer to the regional markets than Greece. There is one manufacturing plant of CDs in Lebanon, “Skyline” and it is believed to be reproducing pirated CDs as the local demand for CDs does not justify its existence.

International vs. Arabic Music: The $10m in recorded music sales could be broken down to 40% international music sold and 60% Arabic music. The Arabic music was sold 80% in cassettes and 20% in CDs. For the international music the exact opposite is true.

International music is sold mostly in CD form. When a new release hits the market (a new Ricky Martin album for example), 70% of the total unit sales will be CDs and the other 30% will be cassettes. The opposite is true of Arabic production, with 70% recorded on cassettes and 30% on CDs. In general according to an IFPI report, it can be said that in Lebanon nearly 12% of the recorded music sales is done in CDs and 88% in cassettes compared to Dubai, where 24% of recorded music sales is done in CDs and 76% in cassettes.

Cassette and CD sales in selected countries

Country	*Cassettes sold (millions)*	*CDs sold (millions)*	*% of cassettes*	*% of CDs*
Dubai	4.6	1.4	76.66	23.33
Lebanon	2.4	0.3	88.88	11.11
Egypt	25	0.3	1.1	98.9

Source: IFPI.

Consumer habits and preferences and the lower cost of cassettes and recorders explain the predominance of the tape market in the country.

In theory, sales of albums should cover the costs of production and promotion, and generate profits for the publishers. In reality, however, music publishers admit to disappointing sales in Lebanon. Music Master was not able according to its managing director to sell more than 200,000 copies from one work, which he says is not enough. The reason for the lost revenues is piracy, which costs the market an estimated half of all potential sales.

A new release for a known singer costs about $100,000 according to Simon Asmar. It will not cover its costs if it is sold only on the Lebanese market.

The major markets targeted are Saudi Arabia and Cairo. In the former and in the Gulf in general, more CDs are sold, where as in Egypt cassettes are more demanded. Lebanese music is not always easily sold in Egypt even though things are starting to change, as Egyptians have a strong preference for their local music.

A major promotional campaign could cost as much as $1million given the fact that several markets have to be targeted. Such a campaign would include the production of two video clips each for $150,000, a promotional campaign in Lebanon including billboards for $50,000, advertising on radios and TVs for $50,000. Then a budget of $15,000 to cover Syria, $50,000 for Egypt, $30,000 for Jordan, $150,000 for the Gulf.

Exports

As far as exports are concerned Lebanon's lack of a CD manufacturing plant negates its homegrown involvement. Instead, Arabic music in the form of CDs are manufactured in Greece at Digital Press Hellas and then exported on to other countries, acting as a manufacturing plant as well as a distributor. Although Lebanon lacks a CD plant, the spread of Arabic music in the West is very encouraging and a major Lebanese producer thinks that this penetration should increase the export of Arabic music by about five percent every year from now on. Exports of his repertoire currently represent 30 to 40 percent of his annual turnover, where imports are double the volume of exports.

In terms of cassettes, most countries have their own manufacturing plant, so the subject of exports usually refers to the right to manufacture the product rather than its physical export.

One recent trend has seen Arabic music gain a higher profile in the rest of the world. The result is that music produced in Lebanon can now find buyers as widespread as the Far East. One of the Lebanese music producers for once exports to Japan; the quantity might be small, but it is by no means insignificant.

Imports

Imports of international music have grown substantially in the recent years, given the younger generation's wider taste in music. In the year 2000, 4.2 million imported compact discs and around half a million imported cassettes were sold, according to Sami Chahine managing director of Sony Music International- one of the main import companies, who brings in music from Holland, and who owns two major labels, Epic and Colombia.

The growing of imports can be attributed to several factors including the growing number of retail stores, the opening of the Virgin Megastore and the removal of the customs duties.

However this rise in imports is not necessarily matched by a parallel increase in sales. In fact, overall sales decreased from $12.9m in 1999 to $10.1m in the year 2000, according to a study by the International Federation of Phonographic Information (IFPI). "This decrease is due to piracy and the economic setback".

Pricing

Albums

The cost of producing an album is made out of three major components: the recording costs, the author, composer, producer costs and the artist's cost. An album may vary from $25,000 to $150,000 PAS PLUS? depending on those three components and mainly on the artist's fee.

Recording and music creation as such are charged by the hour and represent usually about 1/3 of total costs. The production alone of a six-song recording usually costs the publisher $16,000 to $54,000. Yet more has to be paid for the rights to a performer's voice, an amount that varies with the performer's popularity.

Artists charge usually lump sum fees for their voice, which varies with the importance of the star. While beginners usually give their voice for free, well-known artists might charge as much as $200,000 for a one album contract. Internationally, the singer takes a percentage as royalty on the sale of his music, however in the Arab world as royalties are hardly ever recuperated, the singer prefers to cash its dues without going into the selling process and the intellectual properties' uncertain path.

It should be mentioned that 99% of the Arab singers are performing artists, meaning that they only sing and do not either write nor compose their songs. Like any other product, the album has to be well marketed and an advertising campaign could cost as much as $100,000 per record, in addition to other operational expenses.

There is however another opinion on the music industry in Lebanon. It is believed by dominant figures in the market, that Rotana, co-owned by Prince Al Waleed Bin Talal and Sheikh Saleh Kamel, has somehow changed the rules of the music industry in in the country. According to them, Rotana has inflated prices and costs by giving a top singer the substantial amount of $500,000 to $600,000 for providing it with a new album. Consequently, the small Lebanese producers are out of work, defeated by the Arab giants.

In Rotana's way, the artist is the one who is finding the composer, the musicians, paying the promoters, etc. The artist comes back with the master record to Rotana for it to be printed and distributed. People in the business believe that Rotana does not make money as nothing justifies the exorbitant amounts being paid and no sales can cover these costs.

Video clips

An integral part of this bubbling industry has been video production. Last year, music publishers invested an estimated $2m in video-clip production. The clips are purely promotional: they are distributed free of charge and played on TV stations all over the Arab region and their popularity means that production budgets are rising.

In fact, music videos have become an indispensable promotional tool for new artists and new musical work. Once an album is in production, the music video is distributed all over the Arab world to local stations and to satellite TV stations to be broadcast simultaneously with the release of the album.

One music video can cost $5,000 or $200,000. However on average a video clip should not exceed $40,000. A 35mm film production - a cinema quality picture and far better than video- comes with prestige and a high price. The introduction of digital technology has also added to the visual quality of the clips.

Major satellite networks, like ART and Orbit, now have specialized music stations, which play only music clips. In addition, regular local stations would use them as programs fillers or build special music programs around what's available on those clips. A clip can be seen as a TV commercial for both the work and the artist at the same time.

However, it is believed that a video clip could make a record company loose money if it is not well used. Costing sometimes more than the album itself, when its price could reach $100,000, the sales the video clip could generate should be well calculated before producing the actual clip.

4. Related supporting industries

Artists

It should be mentioned that in terms of composers, songwriters, musicians, recording studios, etc. everything is available on the local market and at a professional level. However, as Mr. Al Masri, director of Aalam Al Fan said, if a singer prefers to use Egyptian musicians or studios, you cannot impose on him to choose a Lebanese counterpart. Consequently, an album could be recorded in Cairo in spite of the fact that extremely well equipped studios exist in Lebanon.

Festivals

There are the country's two showcase events: Baalbek and Beiteddine (with audience exceeding 5,000 per performance) that attract Lebanese, Arab and foreign audience.

Beiteddine Festival

This annual event is a success. Offering an eclectic mix of music, dance, and theater, the open air festival is firmly on the cultural map and has to date attracted a broad range of performers such as the late Cesaria Evora, and prima ballerina Marie-Claude Pietragalla from the Paris orchestra. The intricately carved and decorated palace, built in the nineteenth century by Emir Bashir El-Shihab, makes a breathtaking backdrop to the performances.

Baalbeck International Festival

Before 1975, the Baalbeck International Festival had gained the reputation of being one of the most prestigious cultural events on the international festival circuit with performances by world-renowned stars, including the legendary Rudolph Nureyev and Margot Fontaine, Ella Fitzgerald and the Bolshoi Ballet. After an absence of twenty-three years, the festival re-opened in 1997 with a repertoire that included classical and contemporary music, dance and theater. The ruins of the roman temples of Bacchus and Jupiter provide a most stunning backdrop to the open air stage and create a uniquely dramatic atmosphere - even the most hardened cynic cannot fail to be moved by the monumental surroundings steeped in thousands of years of history.

However, neither Baalbeck nor Beiteddine, which are non-profit making organizations, turns in a profit; both say it is hard to make ends meet. Without sponsorship and TV rights, the festivals might not run at all. Sponsorship is forthcoming largely from banks and insurance companies. Some public funds are also available, especially for the Baalbeck Festival.

Al Bustan Festival

A unique showcase for classical music, the Al Bustan Festival – a winter festival contrary to the precedent ones- has gained a fast reputation for its imaginative and intellectual program. The annual program of over thirty performances during a five-week period (usually in February and March) includes jazz, opera orchestral and choral concerts and solo concerts, as well as dance and theater, is sure to appeal to any classical music lover.

Other Events

Other less prestigious festivals are held during the summer (Estivales) in Jbail, Tripoli, Tyre, Deir El Kamar. They often address the local public, but can attract the general public when well-known interpreters are invited.

The Monuments en Musique Association organizes concerts in old monuments all over Lebanon to improve the awareness of the Lebanese on their patrimony and heritage, and to promote Lebanese performers.

The Casino du Liban hosts a number of musical events all over the year.

5. Market structures and firm strategies

Among the main factors that hold the music industry back, and stop it from reaching full bloom are the economic recession, censorship, and piracy. The Lebanese economy slowdown has prompted consumers to tighten belts where non-essentials items as CDs, cassettes or concerts are concerned.

Another thorny issue is censorship. Every imported CD or cassette is submitted for approval before it is allowed to go on sale. The process usually takes just 24 hours and any CD or cassette that are banned must be re-exported to the country of origin. Reasons for not allowing a particular CD into the country can vary from ‘unsuitable’ music such as that considered ‘satanic’, to music produced in Israel. Censorship takes place to such an extent that lifting the current law would boost the market by 10%.

Piracy

Piracy is another major factor having long been a parasite of the music industry. IFPI figures show that in the years 1999 and 2000 the amount of pirated units represented 25 to 50%.

Since its earliest days, sound recording piracy has adversely affected Lebanon’s music industry, but with the development of new technology (tapes, CDs, etc.) it has become a major problem. Record companies claim that they are loosing revenue in the Lebanese market because of piracy, which costs the market an estimated half of all potential sales.

Until recently, pirated audiocassettes and CDs were sold openly in the market. Although there are no statistics, this rate was very high. Many people are affected by music piracy. Consumers are affected negatively because they are buying recordings of inferior quality and often defective. Retailers and distributors lose sales to pirates because they cannot compete with the low prices, artists lose their share of royalties, which they depend on as income and finally the record companies lose out on their investment in talent, equipment and production.

The major problem is that music publishers do not have a grace period, as pirated CDs and cassettes appear on the market almost simultaneously with the new release.

Aalam Al Fan's director Ibrahim Al Masri estimates piracy to exceed 70% of total CDs and cassettes sales. He says that even though the Arab countries represent about 300 million persons, production houses focus on those countries who have signed the Berne Convention and who are capable of protecting property rights in addition to the substantial markets in terms of size.

Country	Population millions	Piracy level	Per capita sales in $ in 2000
Egypt	67.9	25-50%	0.7
Dubai	2.6	Less than 10%	13.5
Lebanon	3.5	25-50%	2.9

Source: IFPI.

A pirated CD is sold in Lebanon from $3 to $4 and a pirated cassette is sold for about $1.3. The major source of piracy is Syria, which has not signed the Berne Convention. It is then followed by Palestine and Israel and finally by Lebanon.

The new emerging technologies and particularly the Internet are amplifying the piracy problems for the music producers in Lebanon.

Music: Estimated trade losses due to piracy (millions of USD) and levels of piracy, 1996-2001

Industry	2001		2000		1999		1998	
	Loss	**Level**	**Loss**	**Level**	**Loss**	**Level**	**Loss**	**Level**
Sound recordings/ musical compositions	2.0	40%	2.0	45%	2.0	60%	2.0	40%
Totals*	**13.3**		**14.8**		**14.6**		**14.0**	

Source: International Intellectual Property Alliance.

* Total of motion pictures, music,software and books.

Expectations

As long as piracy is not seriously curbed, the real music industry will remain handicapped and output stagnant. Without the Arab companies that have inflated the market, the music industry would have been loosing money.

6. Government projects and policies

The introduction of the new Intellectual Property Rights (IPR) law in 1999 was probably a turning point for the local music industry, its reinforcement is however of major importance. Until now there has been little enforcement against copyright piracy in Lebanon, despite the passage of the new law. No effective measures have been taken in this direction except for few pirated products that were removed from the shelves.

With the new property rights law, songwriters, composers, and even publishers, should be upping their income projections. The "Société des Auteurs, Compositeurs, Editeurs de Musique", SACEM says that the law will allow these individuals to collect 8.8 cents on every dollar made on the song, including albums, live events, piped music at restaurants, etc.

The SACEM was established in Lebanon since 1937. During the war, it seized to operate efficiently as there were other problems for the people to cope with. At present the association entails 500 members. As a result of enforcing the IPR law, the association's income is expected to jump. In 1998 revenues equaled $40,000. In 1999 they rose up to $700,000.

SACEM says that it is difficult to preserve copyrights and fight piracy when your country is widely open to a neighboring country that did not sign the Berne Convention and where 90% of the Lebanese authors' rights are not protected. Locally, SACEM has about 50 lawsuits per year. Some are solved between both parties and some are taken to court.

In a regional survey on piracy done by the French Embassy in Lebanon according to SACEM, the major problems it faces are:

- Slow legal procedures
- Absence of firm fiscal and customs regulations
- Provenance of the pirated products from abroad
- Complexity of the sub-contracting and representation contracts

SACEM's performance is being however criticized, as rights are still not efficiently preserved. Some say that it should not take money when it cannot recuperate its members' rights. Others do not understand how the recuperated money is being distributed and on what basis.

The real return on the publishers' investments comes from their sales abroad given the growing popularity of Lebanese performers in other Arab countries, where IPR laws are effectively in place and the sales can be controlled. Other markets are Lebanese expatriates.

7. Conclusions - Policy recommendations

The music industry in Lebanon has acquired a certain structure that it did not possess previously. In fact, you can find at present broker companies that help the artist market his talent and do for him all the impresario work; point of sales are now insuring the electronic sale of tickets as well as the delivery of the tickets to the buyer; Arab as well as international production houses are interested in local talents and signing Lebanese repertoires.

The major handicap however for a remarkable growth in the music industry remains piracy. The government should decide to stop the production, as well as the entry of pirated music. This will improve the industry's returns and would encourage it to increase and develop production. Moreover, the government should take action to encourage the music industry such as tax exemptions, credit facilities.

V. The Software Industry

1. General trends and performance of the sector

The high-tech industry in Lebanon emerged in the early eighties when new enterprises begun to manufacture and assemble electronic products such as computers and UPS units, and to develop software and other IT products and services. Only the software industry can be truly said to exist in Lebanon as the hardware sectors involve assembly only.

Despite the economic slowdown resulting from the war, the small size of the local market, and the intense competition from the cheaper imported products, Lebanon has a somewhat developed software sector with expected growth potential if favorable conditions are ensured. Many Lebanese software companies are in a favorable position not only because they offer good product and services, but also because they can operate in several cultural and linguistic environments.

The predominance of services in the Lebanese economy has been beneficial for the software industry. Since banking, finance, trade and tourism generate the largest part of total output, applications for management, accounting and finance, stock management, communication, and software for personal computers dominate the market, while software applications and development for industry and scientific research are quasi inexistent. Programming has evolved into an industry since the 1970's. Before, it was essentially performed in-house within banks and private institutions.

The leading users of software are large companies and small and medium-sized enterprises whose managers started to invest in software and hardware, perceiving the value added of software to their business. Almost all the banks use the essential software applications, the large hospitals, and an increasing number of companies in different fields (wholesale and retail trade, advertising, hotel management etc.). The degree of computerization varies from one firm to the other, from the sole PC with basic applications to the most sophisticated systems. According to a study, more than two thirds of active Lebanese enterprises are computerized, most of them concentrated in Beirut and its suburbs. The government consumption had also a significant impact on the growth of demand, since government has launched the reconstruction program, and adopted a policy towards modernizing public administration offices and structures. Government demand is estimated to be above 20 per cent of the total IT market.

PC and connectivity penetration in Lebanon, 2001

PSTN Lines	800,00	23%
Mobile subscribers	800,00	23%
Internet subscribers	85,000	2%
Internet users	260,000	7%
PC sold per year	60,000	
PC installed base	250,000	7%

Source: PCA.

In the last two years, some companies recorded an increase in turnover, while others complained about a fall in sales. The performance of firms in 1999 was reported to be good due to the bug of the year 2000.

There are two observable tendencies depending on the size of the firms. The large corporations that have many product lines (including hardware, software, and services), and that have a predominant position in the Lebanese market, report an increase in profits, market shares, and number of employees. Medium sized and small firms have more difficulties in maintaining their market shares and their margins constant. Cash flows are decreasing for almost all companies.

2. Supply conditions

Major players

There is no official survey of the IT companies in Lebanon, and we only obtained rough estimates from people working in the field. According to them, the computer industry in Lebanon consists of approximately 400 companies, about 200 of them being software companies. Like in all developing countries, there is a small number of large companies, few medium to large, and many small entities operating independently. The large firms could have as many as 200 employees; the majority however employs less than 10 people. The quality of services varies considerably from one firm to another, some have excellent quality standards, but a lot lack of expertise and are below standards established by the majors of the profession and the Professional Computer Association (PCA). Many firms fail within the first years of existence. Software firms are concentrated in Beirut and its suburbs.

Employment and human resources

Number of employees: The IT sector in Lebanon employs 2500 people (PCA estimate) According to experts, the software companies employ less than half, -computer engineers, programmers, technicians, marketing staff and administrative employees. The working force in the software is quite young, a majority of males (60%).

Number of IT employees in the private sector, 2001

Technical employees	1104	45%
Certified	491	20%
Others	859	35%
Total	**2454**	**100%**

Source: PCA.

IT Human resources by gender, 2001

Male	1472	60%
Female	982	40%
Total	2454	100%

Source: PCA.

Employee mobility is quite high. The workers and fresh graduates change jobs frequently; they do not have access to proper career orientation and guidance as to the position that best fits their qualifications and work expectations. On the other hand, the large discrepancies among companies especially as to the remuneration they offer create insecurity and dissatisfaction among those who earn lower salaries.

Salaries: To the foolish boom of the last two decades, where a professional could double his salary every two years by changing his position, succeeded a period of consolidation and rigor. The salaries in the computer sector though remain higher than the average national level.

Average salaries in the computer sector, 2002, USD

Qualification	Monthly Salary	Yearly Salary
Training (before diploma)	300-400	3600-4800
Fresh graduate	400-800	4800-9600
1 year experience	600-1000	7200-12000
2 years experience	800-1200	9600-14400
4 years experience	1000-1600	12000-19200
5 to 6 years experience	1800-3000	21600-36000
Managers	2500-4000	30000-48000

Source: Survey estimates.

Unions and associations: IT workers are not unionized, and there is no official syndicate for the IT or software industries in Lebanon.

The Professional Computer Association (PCA): An Information and Communication Technology Industry cluster was established in 1996, when the Professional Computer Association (PCA) was created. The PCA counts presently 56 member companies. Some of its main goals are quoted below:

- "Transform Lebanon into knowledge enabled economy, modernize legislation, and spread IT education…,
- Encourage international IT companies to expand presence and activities in Lebanon…,
- Build, maintain, and publish statistics and information database covering various aspects of the ICT sector in Lebanon."

The PCA is currently working on collaborating with the Investment Development Authority in Lebanon (IDAL) to invest in the IT field and promote the IT sector. It has as well launched an initiative allowing people in rural areas to communicate trough the Internet. Also, the PCA tries to follow up the law projects and applications in the sector such as the law on electronic signatures, and the protection against hackers. The association is an organizing partner of GITEX, an international professional exhibition, held in Lebanon.

The Business Software Alliance (BSA): The Business Software Alliance has a representative in Lebanon who is also a Microsoft company member, since Microsoft is the only BSA member to have an office in Lebanon, other members having agents or representatives. The BSA is trying to achieve two objectives, awareness and law enforcement.

Some of the BSA activities are the visits to business associations, sometimes the mediation between them and the copyright owners and the organization of information sessions for the Chamber of Commerce on the hazards of intellectual property infringements, and legal liabilities for using illegal software. A simplified copy of the law is discussed and explained to syndicates, schools, universities, etc.

The BSA has organized several training sessions, financed by its members, to help the police, the customs, the IP protection department at the Ministry of Economy, and other concerned public sector employees identify pirated software. The efficiency of such sessions has not been proven, as public sector employees are not always motivated, and as they are often changed positions.

Certified public accountants are as well an audience; they can advise their clients on the legal liabilities resulting from law violation.

The BSA is after piracy in companies. Businesses are estimated to embody 15% of piracy (against 85% for homes users). Piracy is estimated to be very low in large corporate firms, and widely spread in small and medium enterprises.

Other bodies: The Association of the Lebanese Software Industry (ALSI) is a very recent body founded by five major software producers, and open to other software firms, with the following mission:

- Improving the competitiveness of the sector
- Building, promoting and advancing the Lebanese software industry
- Advocating the issues and concerns of its members
- Facilitating Exchange of information and interaction
- Creating an international network

Education

Software development requires high skilled and semi skilled personnel. Qualified computer engineers and technicians are available on the Lebanese market, although a large number of fresh graduates leave the country for postgraduate studies or for jobs abroad. It is believed that more than half of the fresh graduates leave the country to work abroad, hoping to achieve a better career and earn higher salaries; roughly 10% do not work in the field of their qualification, and 20% leave the country within the following 2 years of their graduation.

Universities and technical schools: Lebanon enjoys a well-recognized education system in the IT field. About 400 students from universities and 600 from technical schools graduate each year. There are around 20 establishments (universities and technical schools) offering computer diplomas. The best-rated establishments are the American University of Beirut (AUB), the Balamand University, the Lebanese American University (LAU), the public Lebanese University (UL), the Notre Dame University (NDU), and the Saint Joseph University (USJ). Technical schools do not all enjoy the same reputation; the quality of their education programs is in fact very difficult to assess.

The Software Institute*:* The LAU has recently established with the help of the PCA the Software Institute (SI) that is meant to sponsor and support the software industry. Its objectives are:

- "To promote and disseminate modern software engineering (SE) practices and recent software technology.
- To support the Lebanese software industry
- To provide advanced and continuing education
- To support research and development on software engineering and innovative applications."

Among the SI main functions and activities:

- Provide training on modern SE practices, programming, methodologies, and software technology.
- Facilitate software know-how/technology transfer
- Encourage and support university-software industry cooperation
- Serve as data bank and resource center for subjects and activities pertaining to the software industry.

Training institutes: There are several training centers in Lebanon, two of them, Formatec and New Horizon, enjoy a very good reputation and have a Microsoft certification. Some professionals question the value of training at the software institutes, and of the educational system as a whole, as they argue that universities and training institutes offer borrowed Western curricula, that they do not adapt their programs to market requirements. An expert pointed out that graduates are often overqualified with regard to the actual local demand, and that many of them travel to countries that offer better carriers and continuous advancement.

Skills: The largest demand is for software experts with two or three years experience. Employers consider the acquired on the job skills as equally important as the university diplomas. They encourage students to enroll in field training so that they start their career with a minimum practical knowledge. New recruits require two to three months training before they are fully operational.

The survey shows that in-house training is the most common. Seminars and external training are reserved to selected employees. Training abroad is very onerous and remains marginal in the software sector.

There seem to be a shortage of qualified software professionals for the newly hired, explained by the competition from other technological industries such as telecommunications, and by the external brain drain, mainly students who go abroad for their studies and do not come back.

Finance and capital investments

The main sources of finance are individuals' or partners' own funds and bank loans. The cost of borrowing is however very high, and banks are selective in granting credit. Companies complain about the general economic slowdown that results in payment delays. Cash flows have been decreasing in the last two years, which had a negative effect on business.

Some companies though have benefited from a government-subsidized loan under a program called 'Kafalat', whereby applicants are entitled to a maximum of LBP200 millions (USD 133000) at a rate of 1.5% repayable in seven years with one-year grace period.

Although software development has a high added value, and does not require intensive capital investment, the associated costs of marketing and promotion are very high, making it very difficult for small entities in Lebanon to succeed on a large scale. New entries are limited by the high cost of financing and by intense competition. The prevalence of piracy discourages some software developers, who cannot afford to invest in a product and see unauthorized copies sold on the parallel market within weeks.

Rental of premises, social charges, telephones, electricity and shipment (for importers) costs are the items that were found to be expensive, which negatively affect business.

Foreign investors are not interested in joint ventures with Lebanese developers. Some foreign firms, which can sell ready-made software, continue to believe in the Lebanese market. Microsoft has just inaugurated it offices in the prestigious downtown of Beirut. The high rate of piracy shows that there is a potential for legal products if appropriate marketing and pricing strategies are applied. Other foreign companies have agents in Lebanon.

3. Demand Conditions

Output

The market size of the IT sector in Lebanon is estimated by the PCA to be USD 246 million for the year 2001, software representing 14% of the total or USD 34 million. Services amount to USD 68 million; these include maintenance, support, training, outsourcing, consultancy, implementation, etc.

The IT industry experienced above average growth, in comparison to other industries in general, with an average growth rate of 23% for the last five years (PCA), showing that the market is still immature and that there still is a demand to meet.

IT Market size by sector, 2001 (millions USD)

Software	34	14%
Services	68	28%
Hardware and infrastructure	144	58%
Total	246	100%

Source: PCA.

The PC installed base is around 250 000. Only around one third of computers are branded machines, the remaining being assembled locally.

The size of the domestic demand is estimated to be insufficient to absorb domestic output, and many Lebanese firms operate below their potential. Consumers have different profiles; income is a relevant criterion for individuals and households; type of activity and financial situation determine companies' ability to purchase software. Customers can be very demanding, but the majority of them are viewed as not being sophisticated enough to anticipate foreign needs and demand. Very few companies export software and services: for those who sell abroad, exports generally do not exceed 5% of total sales.

Main types of products

Operating systems: The main operating systems used in Lebanon are Windows (for IBM and compatible systems), UNIX , LINUX, SOLARIS, and OS for Mac.

Windows in terms of number of units used is certainly the most popular operating system, used by the majority of the PC owners. The imported brand name PCs have usually original versions of the operating systems already installed. Their cost is included in the selling price of the machine, making it very difficult to determine the number of software units sold. On the other hand, PCs assembled in Lebanon (around two thirds of the PCs) are equipped locally, and there is no way of checking the origin of the OS installed.

Applications and solutions: Applications for the need of users in the fields of accounting, stock management, and budgeting represent the largest share of the business and employment. Consultancy and advisory work have witnessed a significant expansion mainly in the field of security of systems and networks, as well as assistance to users that followed the increase of the number of private and professional computers.

Some applications and solutions are ready made foreign brand-name imported software packages, and others are developed in Lebanon. The latter could be: standard package solutions (accounting, personnel, stock management, etc.) to be sold to a wide range of customers, or tailor made vertical solutions (e.g. banking, insurance) fully customized for specific market niches sold to individual clients. Usually, large size enterprises have a mixture of both. There are also the software teams within the large companies or institutions (banks, large distributors, universities), which produce a significant portion of the software made in Lebanon.

There are around 5 agents of well-known foreign software packages, which provide support, training and backup for their products. The local developers sell a mix of standard imported packages modified according to specific needs, and fully customized packages. Besides, the Internet supporting software has begun to grow significantly in the last five years. Software development is accompanied by corollary services such as installation, configuration and integration of software on the end user' s site and maintenance of software.

Imports

The regional potential is promising, and the demand is high but remains very sensitive to price. Imports of computer equipment and software has diminished by nearly 17% between 1998 (83 mn 4) and 1999 (70.6mn)

Exports

Customs statistics show that Lebanon exports 9% of its IT output, which is around USD 23 million (PCA). Exports are considered to be low. A few major companies in Lebanon export products and services to the Gulf or to Eastern Europe, sometimes in association with the European Union or with other foreign software companies. Targeted markets are the Gulf, countries of Eastern Europe (via international associations), and some African countries.

4. Related supporting industries

IT firms do have strong local suppliers who equip many firms in the industry, and specialized input is available. The contribution of other firms in related and supporting industries seems to be important (they provide development tools for example). Professionals consider the contribution of institutions in the field of insurance, legal services, and universities as being limited, as there is no differentiation or specialized treatment of software companies from their part. Many firms do not have the expected support from the banking sector. The Telecom sector offers improved services, but communications are considered to be expensive. The contribution of associations collecting and making available data and of specialized publications and medias is non-existent.

Firms in the IT sector do not depend on advertising and public relation companies in the marketing of their products, they rather rely on their proper marketing channels.

The participation in local and international IT fairs was reported to be important for selling to the public rather than marketing specialized software packages to businesses.

5. Market structures and firm strategies

Lebanon is a small country, where many software companies operate, with a few dominant. Experts estimate that the five leading companies cover more than 50% of the market.

In Lebanon, the major customers in the various sectors of activity are a small number of well-identified companies. The large software developers remain in intense competition to supply these companies. Competition is described as very intense not only between the large firms, but among the medium and small firms as well. The local market is not large enough to allow specialization, so firms compete by trying to service the complete needs of their customers. Market access is normal, and there are no restrictions on foreign firms' entry. Foreign firms (except Microsoft which has a regional office in Beirut) are not particularly interested in the Lebanese market.

The Lebanese entrepreneurs are aware of the increasing world competition, but many of them remain confident that they would increase their market share. Usually large companies have an explicit written business strategy made by the owner(s) or by the corporate team.

Strategies vary a lot from one firm to another. Some developers specialize in a particular niche (hospitals for example), increasing their chances to become the leaders in that sector, and to export a sophisticated product. The economic crisis forced most of the companies to engage in flexible pricing policies to keep their clients. A number of leading companies offer much cheaper academic software licenses to encourage student purchases (around $100 for a Microsoft office package instead of $600). Strategies adopted by firms imply mainly that these companies try to survive in a difficult environment.

Microsoft's strategy in Lebanon aims as increasing the use of Microsoft technologies by IT professionals. The company is trying to build and develop the skills of local partners so that developers are encouraged to use Microsoft technologies.

Strengths*:* The Lebanese market is more and more appreciating the value of computer technologies. Schools, universities, private companies and public administrations are investing in new equipment to keep up with international trends. Taxes on IT products have decreased, and special prices and payment facilities on hardware and software are now available. Telecommunications, despite their high price, are more and more reliable.

There are many software companies in Lebanon that provide very high quality software and service. Customers fully appreciate the service of well-rated firms, but they always like to complain to get more for less money. Abroad, especially in the Gulf, the Lebanese face competition from Indian and far eastern agents, but they still have a positive external image because they are able to differentiate their product by language skills, cultural affinity and knowledge of the Arab market.

Weaknesses: Several constrains affect the software industry in Lebanon. The cost of developing and marketing software applications -and consequently their price- is high compared to other countries in the region, and to the prices of products made in the Far East.

On the other hand, the Lebanese firms cannot provide evidence to the international markets that they have excellent products, because the internationally recognized quality ratings, such as the CMM (Capability Maturity Model) method and the ISO9001/2000 system, are not available in Lebanon (ISO is available for the administrative part of the firms but not for the software). These systems are very costly to implement in terms of money and time. The majority of the Lebanese customers is not willing to pay any premiums for quality controls, and is always in a hurry to get the final product.

Local software firms mention that some large companies in Lebanon prefer to buy an imported package that could cost up to USD 200 000, rather than purchase a local product just because they are biased against what is “made in Lebanon”. Some Lebanese firms have overestimated the Lebanese market, by considering it capable of appreciating and paying for high quality products.

The prevailing piracy results in an under evaluation of the Lebanese output, and discourages local investors, especially those with limited financial means, as well as foreign companies.

Piracy

Piracy rate: The spreading out of piracy in Lebanon, made easier by technological advances, means that the contribution of the software sector to national output is not as important as it could be. The software piracy rate in Lebanon is very high, 78% in 2001 (IIPA), placing the country among the top 10 countries in the world generating or using pirated products. The Lebanese have not acquired the habit of paying software and services at market price, preferring to buy cheap illegal products. The slow economic activity and the decreasing purchasing power of the population confirm this tendency. Losses due to software piracy represent, according to the IIPA, around 10 per cent of total losses in the cultural sector

Software: Estimated trade losses due to piracy (millions USD and levels of piracy, 1996-2001

Industry	**2001**		**2000**		**1999**		**1998**	
	Loss	**Level**	**Loss**	**Level**	**Loss**	**Level**	**Loss**	**Level**
Business software	1.3	78%	1.3	83%	1.6	88%	0.9	93%
Entertainment software	Na	Na	1.5	96%	0.5	70%	0.6	70%
Totals*	**13.3**		**14.8**		**14.6**		**14.0**	

Source: International Intellectual Property Alliance.
* Total of motion pictures, music, software and books.

Before the intellectual property law update in 1999 (Appendix 2), many people copied official software programs and sold them for as little as $3, in addition to illegal copies imported from Eastern Europe and the Far East. A whole Microsoft package worth $4 000 could then be found for $10. The immediate consequence of the law approval was that, for around one year, every illegal producer or retailer removed all illegal copies in circulation, anticipating a powerful action from the government, and fearing court sentences. Unfortunately, the authorities did not enforce the law effectively, and piracy has continued to prevail in a perceptible manner (79% in 2001).

Forms of piracy: There are various forms of piracy in Lebanon. Some purchase the first copy of the pirate product from abroad, probably from the country of origin, where the code is broken, and reproduce it in hundreds to be sold on the local market. Others purchase the original software in Lebanon and replicate it after breaking the code. More often, pirated software is imported from the Far East or other countries of the region (Turkey, Syria).

According to experts, although Lebanon has the necessary skills to break codes and to reproduce any program, the costs are high, compared to the small size of the market. Professionals think that the main source of pirated software is the Far East, where illegal software is produced on an industrial scale. Internally reproduced packages are also quite important. We have heard about a CD pressing plant in the Beirut suburb (near the airport), which reproduces music, games, and software CDs.

Around 30 cases of piracy were taken to court since 1977, a mixture of criminal and civil cases. Some of the court decisions were not satisfactory, and others were acceptable, according to an eminent Lebanese lawyer who became an expert in piracy cases. For the first time, a verdict of one month in jail was decided this year by court.

The application of copyright laws remains though very timid, and the professionals do not really feel its effects. They assert that the above cases served more at developing the awareness of the public to the illegal use of software rather than punishing the offenders. Sometimes the compensation imposed by the criminal court is so low compared to the gains from piracy, that offenders frequently persist and recidivate.

However, banks, financial institutions, and large companies are so often concerned about their reputation that they would very unlikely consider using illegal software, although the high cost of programs may render illegal copying more tempting for some. In any case, the programs are so complicated and require so much support that it is very difficult for them to be pirated.

Application of copyright law: According to the law experst we interviewed, the lack of political wills remains the main reason copyright laws are not enforced. There is a strong feeling that government authorities have not decided to implement the law in a tough manner after its adoption in 1999, for reasons that remain unknown.

Assuming the government decides to apply the law, information and training to all people involved in the law protection process are vital in order to increase the effectiveness of the legal system. Judges, detectives, members of the police, custom agents, and most importantly members of the copyright department at the Ministry of Economy have to improve and update their knowledge for a better cooperation with the lawyers in charge of piracy cases.

Expectations

Some software companies continue to have high expectations, while others anticipate business conditions to deteriorate, and predict that many companies will not survive in the long term. Main concerns include increased domestic and international competition, local and export market opportunities, trade facilities, and availability of domestic financing.

6. Government projects and policies

Projects: The modernization of the public sector through the current administrative reform makes the government the largest potential customer for software and computer products. In partnership with the UNDP and the World Bank, the Ministry of State for Administrative reform began the internal computerization of various institutions and government bodies. This project was funded by grants and donations the World Bank, the Gulf countries, and the European Union.

Despite the various positive reforms implemented, the lack of coordination between decision makers, governmental bodies and institutions, has negative effects on the whole project. Therefore, administrative procedures for bidding are complicated, payments are delayed, and inefficiencies in the political system do not offer equal chances to all companies who apply for public projects. Many firms do not even consider working with the government for the above reasons.

Policies: In December 2000 the taxes on a large number of products have been substantially decreased. The computer equipment and software are for the majority exempted from custom duties since then. The government's intentions were to develop the IT market in Lebanon, and to stop the unauthorized parallel imports that were harming accredited companies.

The software firms consider that there is a lack of vision and policy support from the Government who often fails to recognize the industry's importance. They say "nothing tangible is happening", that there is no national plan creating a positive environment in favor of the IT industry in general, despite the promises. They need measures to encourage imports and exports, credit facilities to develop investment, a free zone, and flexible and simple regulations.

7. Conclusions - Policy recommendations

The software sector is an important sector in the Lebanese economy. The Lebanese are known to have the necessary know-how, professionalism, and high quality products and services. But the software industry is suffering from economic slowdown, market narrowness, intense local and regional competition, brain drain, lack of a coherent IT policy and incentives from the Government, and a high piracy rate.

The future outlook of the software industry in Lebanon primarily depends on the economic recovery of the country, on a clearly defined government policy in its favor, on a continuous training and education program, and on the potential of Lebanese companies to export.

The government speak often about creating an e.city in Beirut, but in fact do not show a political determination to encourage investment and provide with funds to finance R&D and long-term projects. This support could be in the form of grants, incentives, tax breaks, more lenient labor laws, soft loans, etc. the government should also ensure the proper implementation of the 1999 copyright law in order to protect the interest of computer firms, increase their performance, and to restore the losses in production and market shares.

Finally, Lebanon needs urgently a modern and reliable data bank for researchers and investors.

VI. Conclusions and prospects

Selected Macroeconomic Indicators (1995-2000)

(Million of USD)

	1995	1996	1997	1998	1999	2000	2001
GDP	11,122	12,996	14,867	16,167	16,462	16,462	
Real growth rate	6.5%	4.0%	4.0%	3.0%	1.0%	0.0%	0.0%
Inflation rate	10.6%	8.9%	7.8%	4.5%	0.2%	0.3%	0.0%
Dollarization rate	62.3%	56.5%	63.8%	65.5%	61.6%	66.8%	0.0%
Balance of Trade and Balance of Payment (mn USD)							
Exports	654	734	644	716	678	718	
Imports	7,303	7,559	7,456	7,060	6,206	6,228	
Balance of trade	-6,649	-6,825	-6,812	-6,344	-5,528	-5,510	
Current account	-4,587	-4,507	-4,153	-5,863	-5,626	-5,630	
Capital account	4,843	5,293	4,573	5,375	5,887	5,341	
Overall balance	256	786	4202	-487 [2&3]	261 [2&3]	-289	
Public Finance							
State revenues	1,871	2,249	2,439	2,935	3,229	3,000	
State expenditures [4]	3,613	4,599	5,996	5,215	5,608	6,915	
Overall deficit	-1,742	-2,350	-3,558	-2,280	-2,379	-3,915	
Public Debt							
Net domestic public debt	5,729	8,503	11,944	12,892	14,181	16,272	
Public external debt [5] (mn USD)	1,353	1,908	2,432	4,177	5,538	6,967	
Total debt	7,082	10,411	14,376	17,069	19,719	23,239	

Source: Central Bank, Ministry of Finance

1 - Annual average exchange rate;

2 - Includes a USD 500mn deposit from Saudi National Bank (1997)

3 - Includes a USD 100mn deposit from the Kuwaiti Investment Authority (1998)

4 - Not including expenditures by the Council for Development and Reconstruction (financed foreign funds)

5 - Calculated at the end of period exchange rate starting 1998.

Appendix 2: The Legal Environment

Background

Lebanon is a member of the Paris convention of 1883 for the protection of industrial property, and joined the Berne convention of 1886 for the protection of literary and artistic works. It participated as well to the arrangement of Madrid in 1958, the convention of Geneva in 1952 and the convention of Rome in 1961.

Until recently, the law that has regulated trademarks is that of 1924. Some of the above conventions have been integrated in the Lebanese Penal Code by decree no 152 dated July 1939.

The Lebanese legislation was updated and amended by the parliament on 13/4/1999 with law number 75. The new law aims at improving and strengthening the protection of intellectual property through fighting the illegal use or reproduction of literary and artistic works and software. It was also an attempt to bring Lebanon into compliance with international copyright laws. The new law has gone some way to meeting the industry's demands for the protection of publishers and authors. However sources within the trade say that its provisions do not go far enough to allow the complete elimination of piracy.

The clauses of the law are similar to copyright laws in other countries, with the exceptions stated in chapter 6 clauses 25 to 34. Clause number 25 in particular, allows educational and non-profit institutions such as colleges and public libraries to make copies of a software program or any other copyright material, (on condition of having purchased at least one copy of the product) for learning purposes only. Students are entitled too to make one copy of a software program for their own use. A yearly ministerial decree issued by the Ministry of Education and Higher learning mentions the institutions and the programs that can be duplicated.

The law protects all Lebanese citizens, non-Lebanese citizens living in Lebanon or in any country that joined the Berne convention, and citizens of countries of the Arab League.

Although this law has contributed significantly in reducing the number of trademark and copyright infringements, a lot of illegal products remain in circulation in the different property rights fields.

The registration of trademarks is made at the Ministry of Trade, in a special department, the Intellectual Property Rights Department. The ministry's role is currently quite passive; it consists of recording the trademarks and providing written notification to the court in case of infringement, upon request. According to a specialized lawyer, the ministry could be by far more dynamic, for example by taking the initiative of sending inspectors on the field to identify possible illegal sellers or users of copyright products.

Copyright infringement is liable to fines ranging from LBP 100 000 to LBP 50 million ($ 33 000). First offenders receive a suspended jail sentence ranging from 3 months to 3 years. Other sentences include the payment of compensations, the destruction of illegal products, the seizing of equipment used for illegal copying, the close-down of businesses illegally copying or selling software, and the non-eligibility to chambers of commerce and other associations.

The Business Software Alliance Middle East (BSA-ME) is a body representing software manufacturers and distributors. It has been leading the path to pass the new copyright law, and is keen to bring those who violate the law to the authorities. They are sometimes encouraging the people engaged into illegal activities to voluntarily return the pirated products and buy legal software instead.

Legislation Texts

Laws

1- Law Governing Commercial and Industrial Property (Excluding Copyright & Patent Provisions). Issued by Resolution No. 2385/LR of January 17, 1924. Amended by the Law issued on December 31, 1946

2- The authorization to ratify the Nice Agreement concerning the international classification of goods and services for purposes of the registration of marks. Law Issued on December 14, 1959.

3- The increase of duties and fees due to the protection of commercial, industrial, literary, artistic and musical property. Law No. 4/80 Issued on April 7, 1980.

4- Duties and fees due for the publication of trademarks and patents in the official gazette. Law No. 14/87 Issued on May 4, 1987.

5- Duties and fees due to the publication of industrial designs, patents, literary and artistic property in the official gazette. Law No. 89 Issued on September 7, 1991.

6- Criminal code. Law No.340 of March 1, 1943.

7- Protection of Literary and Artistic property (Copyrights Law). Law No. 75/99 Issued on April 13, 1999.

8- Patent Law. Law No.240 on August 7, 2000.

Resolutions

1- The application of the Berne convention Agreement to Eastern countries under the French mandated authority. Resolution No. 141/LR Issued on June 28, 1924.

2- The exemption from legalization of proxies, required for registration under resolution No. 2385/1924. Resolution No. 24/LR Issued on January 27, 1936.

3- Determination of tariff of fees, tolls and revenues of the bureau of protection of commercial industrial properties. Resolution No.170 Issued on December 6, 1937.

4- The application of the Paris convention for the protection of Industrial Property and the Madrid Agreement for the repression of false or deception indications of source on goods. Resolution No. 152/LR Issued on July 19, 1937.

5-The increase of duties and fees due to the Bureau of Protection of Commercial and Industrial Property provided for in resolution No. 70. Resolution No.177 Issued on March 23, 1942.

6- The conditions required to establish a Lebanese industry or business having a Foreign marks registered in Lebanon. Resolution No. 83 Issued on January 29, 1960.

7- Marks of products sold in Lebanon. Resolution No. 292 Issued on July 7, 1960.

Decrees : The code of Commerce (The registration of marks and patents in the register of commerce). Decree No. 304 Dated December 24, 1942.

Criminal Law :The imitation of marks and labels of identification in industry and trade. Criminal Law No. 340 Issued on March 1, 1943.

Source : Ministry of Economy, www.economy.gov.lb

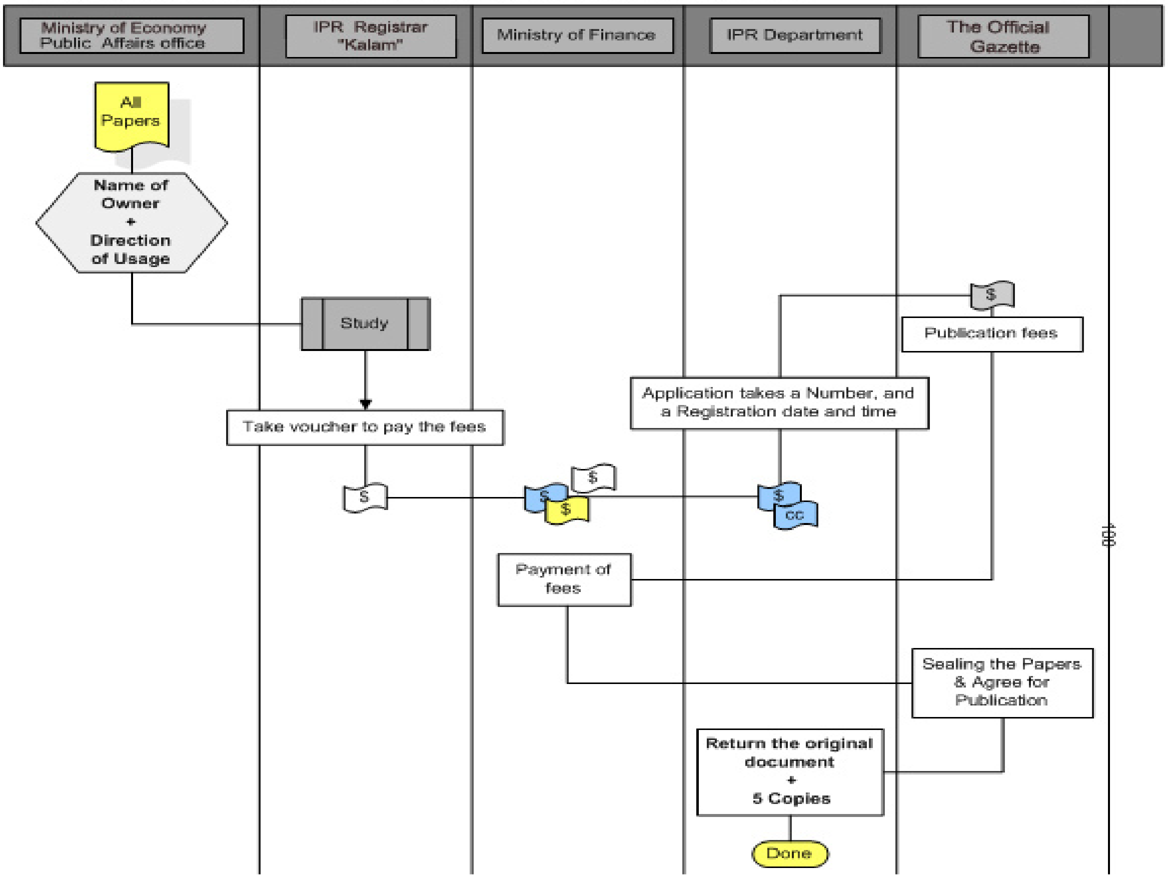
Appendix 3: Steps for Registering an Artistic, Literary, Musical or Cinematographic Issue

- Hand in Requirements
- Register the application form
- Receive the application number for future referral
- Pay voucher
- Receive the yellow and the blue copies, both sealed
- Hand in the blue copy + copy of the voucher
- Take a declaration statement of the registration form with 2 copies to the Official Gazette
- Receive the sealed certificate of the statement for publication
- Receive the original copy of the certificate for the registered Design or Model
- Receive a copy of the Registered Issue

Requirements for Registering an Artistic, Literary, Musical or Cinematographic Issue

Form Type	Conditions and Requirements	Reference
Application form	• Signed by the applicant • Subject, "*Registering an Artistic, Literary…Issue*"	Ministry of Economy
Copy of the Issue	3 copies	Applicant
Commercial Register	If the applicant is a Lebanese company or corporation	Commercial Register
Commercial Circular	If the applicant is a Lebanese company	Commercial Register
Proxy / Power of Attorney	• If application is not handed by owner • No need to be a certified copy	Applicant

Chart for Registering an Art., Lit., Music. or Cinema. Issue



Appendix 4: Sample Selection

The firms selected for the interviews were selected to cover the different stages of production in the selected cultural industries, from the producer to the final consumer.

We have interviewed some of the major players in the four selected copyright industries: authors, publishers, owners of printing houses, books and magazine distributors, software importers and producers, professional and legal experts, university teachers, film distributors, cinema owners, music performers, music producers and distributors.

Summary of interviews

	Publishing	Films	Music	Software
Firms	12	4	3	8
Experts	3	4	3	4
Lawyers	2			2
Performers		3	2	
Distributors	4	2	2	3
Authors	3		2	
Government officials	1			2
Union representatives	3	1		
Bankers				2
Total	28	14	12	21

Despite the prevailing climate of confidence, the majority of persons interviewed did not wish to disclose figures related to total sales and profits, worrying about confidential information reaching their competitors, or apprehending the tax authorities. The lack of statistics was a major obstacle to checking with figures the issues discussed during discussions.

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Appendix 6: Abbreviations

AIF: Agence Internationale pour la Francophonie
BSA: Business Software Alliance
CMM: Capability Maturity Model
IABF: International Arab Book Fair
AIF: Agence Internationale pour la Francophonie
ALBA: Académie Libanaise des Beaux-Arts
ALSI: Association of the Lebanese Software Industry
ART: Arab Radio and Television
AS: Central Administration of Statistics
IABF: International Arab Book Fair
IDAL: Investment Development Agency for Lebanon
IESAV: Institut d'Enseignement Supérieur de l'Audio Visuel
IFPI: International Federation of Phonographic Information
IIPA: International Intellectual Property Alliance
IPR: Intellectual Property Rights
IT: Information Technologies
LAU: Lebanese American University
LBCI: Lebanese Broadcasting Corporation International
NDU: Notre Dame University
PCA: Professional Computer Association
PROFIL: Programme de Formation a la Fiction Longue
SACEM: Société des Auteurs, compositeurs, éditeurs de musique
SI: Software Institute
UL: Université Libanaise
USEK: Université Saint Esprit Kaslik
USJ: Université Saint Joseph