Globalization and its Effects on Lebanon

by

Marie Helen Khoury

Submitted to the Faculty of Political Science, Public Administration and Diplomacy

In Partial Fulfillment of the Requirements for the Degree of Master Arts in International Affairs and Diplomacy

Notre Dame University- Lebanon
2002

Approved by: Advisor: ....

First Reader: Nadim Salloum ....

Second Reader: Dr. Edward Sayah ....

Table of Contents

Tables

Acknowledgements

I would like to thank all those who supported me and helped me make this thesis possible. I would like to send special thanks to my parents, Joseph and Mimi, without whom this thesis could not have been done. They always believed in me and this was the greatest support of all. Many thanks go to Lorraine and Joey, my sister and brother, who put up with me during the most anxious days of my life. I would like to acknowledge those who guided me through this long process: Dr. Akl Keyrouz, Dr. Naim Salem, and Dr. Edward Sayah for their help, patience, and inspiration.

Finally, I would like to thank my fiancé for being my partner and giving me support from abroad, in the USA, and for waiting patiently for me to conclude this thesis. I hope this thesis will add a modest contribution to my future M.A. colleagues, as well as to my field of study.

Abstract

Globalization and its Effects on Lebanon

by

Marie Helen Khoury

This thesis critically evaluates the impact of globalization on different issue areas in the world. It is intended to present a picture of the outcome of the globalization process from the perspectives of the developed and developing countries. It starts with a historical background on globalization, a definition of globalization, and a discussion of its main features and aspects. These aspects are: economic, financial, and environmental.

One major focus of this study is on the latest financial turmoil that hit East Asia in the 1990s. The effects of volatile capital flows and the negative consequences entailed by them are evaluated along with how the IMF and other institutions function to help in such financial situations. The impact of the WTO regulations and their rulings are also discussed, and so are the environmental friendly claims, which maybe, in reality, harmful to consumers.

Lebanon is taken as a case study where its economy is linked to globalization. I concentrate on presenting and analyzing the challenges and the opportunities that could facilitate or hinder Lebanon's embracement of globalization. The thesis ends by offering recommendations that would enhance Lebanon's position in this new global era.

Chapter I

Introduction

This thesis sheds light on the effects of the spread of globalization all over the world. Some see this process as a rather messy and rapid one, while others see it as the best thing that could happen in terms of a new world order.

This study begins by explaining the unfolding process of globalization which will eventually lead to defining the main mechanisms and features of globalization. The research focuses on the implications of globalization on three major aspects: economic, financial and environmental. It will shed light on these economic, financial and environmental differences among different countries and explains why some have joined the ride towards globalization and others have not yet.

One must be able to comprehend that this new global system has changed the position of many countries in areas of trade, communication, technology, environmental issues and so forth.

The driving force behind globalization has been the expansion of trade in goods and services internationally. Globalization has its own set of rules and logic and deals with technological breakthroughs. Globalization works on a system of integration among nations of the world. Countries, companies and people seem to function in a "global village". The world is becoming interwoven, whether you are a company or a country your opportunities and constraints of either succeeding or failing in this new global order are derived from each actor's own position and with whom that actor is connected.

Lebanon is chosen in this thesis as a case study on how its economy is linked to globalization. It concentrates on analyzing the challenges and opportunities that could facilitate or draw back Lebanon's embracement of globalization. This thesis ends in offering recommendations as to enhance Lebanon's integration in this new trend.

A. Purpose of the project

Globalization is not simply a trend but it is an international system. Globalization is the international system that has replaced the Cold War era. This new era redesigned the globe's political and economic status. It created for the 1990s what the Industrial Revolution created for the late 1800s. New ideas and heavy competition are proliferating on a global scale. There are changes in the ways people think and react to world issues. It seems to many people that any problem, even if it is thousands of miles away, may be of concern to them or that they may be affected by it.

Hence, these deep and daring changes have not been well debated and studied. According to Thomas Friedman in his book *The Lexus and the Olive Tree,* many writers have attempted to define this post-Cold War world, but they did non really capture the post-Cold War world in any holistic way. He names authors such as Paul Kennedy, Francis Fukuyama, Robert Kaplan and Samuel Huntington as important writers with important truths in their works and he praises their ways of tracing the truth and history of events, but he criticizes their ideas of the post-Cold War era. For instance, Kaplan and Huntington's book *The Clash of Civilizations and the Remarking of World Order* sees that only tribalism could follow the Cold War and nothing else. Friedman also praised Kennedy's book *The Rise and Fall of the Great Powers,* especially the trace of the decline of the Spanish, French and British empires, but Kennedy then concluded by suggesting that the American empire would be the next to fall because of its own imperial overreach. To refute this Friedman explained that under the pressure of globalization America would "slash its defense budget, shrink its government and shift more powers to the free market in a way to prolong its status as a Great Power and not diminish it" (Friedman, 21). Inspite of the changes that globalization has affected, it seems that only few educational institutions or mass media made a small effort to describe or explain what is occurring in our world today (Friedman, 22).

Some scholars like Friedman believe that globalization is the solution to all our economic, social, financial and environmental problems. This connotation usually comes from those corporate leaders or high-level bureaucrats who tend to leave a positive image of globalization in their followers' minds. While others, for example Paul Kennedy, believe that globalization is an era that is only making the rich countries richer and the poor countries poorer (Friedman, 18)

After I reviewed the literature and found how and when did globalization proliferate I can say that this study will provide an in-depth analysis of this new world order known as globalization. It will pinpoint the reasons behind the shift in the perception of globalization. I am not in a position to put down or compliment the concept of globalization, but to highlight its positive and negative aspects on Lebanon and to explain how Lebanon can best deal with this new trend.

B. Scope of project

This thesis is organized into seven chapters. The first is an introductory chapter that explains the purpose and the direction of this study. Chapter II provides a historical background of globalization. It also introduces the definition, the main mechanisms and elaborates on globalization's features in the economic, political and financial fields. Chapter III reveals the economic implications of globalization. It focuses on uncovering the differences between and within countries. The second half of this chapter examines the rising inequalities that are witnessed around the globe.

Chapter IV focuses on the financial turmoil that rocked East Asia in 1997, focusing on the threat of unpredictable capital flows. Also this chapter explains the advantages and disadvantages of international financial institutions and their response to such a crisis and how Lebanon might react to similar situations.

Chapter V highlights the many environmental problems that have increased during the globalization process and explains how Muliti-National corporations have a great deal to answer to. It is revealed that the MNCs sometimes mislead their consumers into buying their products that are claimed to be environmentally friendly. Also discussed in this chapter are the World Trade Organization's regulations towards environmental protection.

Chapter VI studies the impact of globalization on the Lebanese economy. A background on the Lebanese economy is provided plus a study to show the opportunities and threats facing Lebanon if it does or does not embrace globalization. Examples are given to show what the government is doing to interweave in this new world order. The final chapter includes recommendations and conclusions.

C. Methodology and Data collection

The methodology I chose to write this thesis is a narrative descriptive one which has an analytical approach concerning the chapter on Lebanon. The research guide used as to format is that of Kate Turabian. Information and data are documented through either historical, economic and social factors, or through reports and statements from economists, analysts, and academics.

The material used is mainly from books and journal articles, as well as from newspapers and magazines. Also a great deal of information was found through the Internet. The issue of globalization is quite controversial and considerable information on this subject can be found through the Internet.

Chapter II

The Globalization Process

A. A Definition of Globalization

The term globalization comes in many versions. A common definition would be "a process in which geographic distance becomes less a factor in the creation and the sustenance of border crossing, long distance economic, political and socio-cultural relations"(Lubbers and Koorevaar 1998). It refers to the shift towards a more integral and interdependent world economy where people are linked together economically and socially by trade, investments and governance. Globalization has two main components: the globalization of markets and the globalization of production.

The globalization of markets refers to the fusion of historically distinct and separate national markets into one huge global marketplace. Corporations like McDonalds, Coca Cola and Levi - Strauss are active in this field. They are offering a standardized product worldwide, which is helping in creating a global market. As a result the globalization of production allows firms to source goods and services from locations around the globe to take advantage of national differences in the cost and quality of factors of production (Lubbers and Koorevaar 1998).

A simple definition would be: Globalization is the integration and democratization of the world's culture, economy, and infrastructure through transnational investment, rapid proliferation of communication and information technologies, and the impacts of free-market forces on local, regional and national economies (Schaeffer, 2002; 16).

Another definition would be: Globalization is the stabilization of property rights, the worldwide expansion of the market economy, the unhindered flow of capital, now enhanced and accelerated by the new electronic, information technology that would put the entire world solidly on the track to peace and prosperity (Krain, 2000; 23).

Another definition given by Thomas Friedman, in his book the *Lexus and the Olive Tree*:

> "the inexorable integration of markets, nation-states and technologies to a degree never witnessed before, in a way that is enabling individuals, corporations and nation-states to reach the world faster, farther,

deeper and cheaper than ever before...the spread of free market capitalism to virtually every country in the world" (Friedman 2000, 7-8).

B. Historical Background

What is globalization and when did it start? These questions may not have a definite or clear answer to begin with. The origin of globalization may lie far in the past. It has been claimed by some scholars that the beginning of globalization dates back to the period between 300 and 800 A.D., after the major religions were established, and it has eversince spread on a large scale (Foreman-Peck 1998, 8-9).

The first clear evidence of globalization, on a truly global scale, can be pinpointed around five hundred years ago, when Christopher Colombus and Vasco da Gama undertook their voyages of exploration in the late 1400s and early 1500s. Their discoveries led to the colonization of the globe, the development of contacts across the oceans, the discovery of new types of foods and goods, the competition for raw materials and markets, and the introduction of trade and investments on a global scale. Therefore, these colonial powers were mercantilist and, moreover, operated their own state monopoly corporations, which explored the globe in search for the bases for their colonial operations: human and natural resources from the indigenous lands (Verzola 1998).

The period between the mid-1850s and 1914 was an important period; it highlighted the concept of globalization. In the span of 64 years, world trade doubled, investments flowed from Europe and the United States to other continents, and there was a mass migration of labor from small countries to the United States and Europe. New means of transportation and communication appeared --the steamship, railroads, and the telegram-- which linked the world together. Imperialism marked that time where the use of military power by national states for the protection of their national interests became a new force in the process of capital accumulation and the expansion of enterprise. Some writers claim that the economic globalization was as evident as it is today in terms of volume of trade and foreign investment in relation to the gross national product (Foreman-Peck 1998, 27).

This 64-year period of investments and trade did not last forever; it ended in economic crisis and war. The post WWI period generated the Great Depression, trade and investment shrank, and the process of internationalization was reversed as tight restrictions on capital movement and strong trade protectionism built up in the United States and Europe.

The period between 1945 and the early 1970s is a different era, one that is called the golden age of capitalism. Even though trade increased once again, it took place within the framework of the strong-nation state. Capital controls on investment and loans were maintained according to Bretton Woods agreement of 1944 that sentenced exchange rates to be fixed. The Bretton woods was established as the major capitalist powers initiated a program of national regulation aimed at containing the contradictions of the world economy and preventing the development of socialist revolution (Beams, August 2001). However, the Americans and Europeans agreed that a reduction in trade barriers was to be vital for the recovery from the Great depression. Upon that, the General Agreement on Tariffs and Trade (GATT) was set to open negotiations in the aim of reducing tariffs (GATT was later replaced by the World Trade Organization (WTO) in 1995). International trade then boomed. In the early 1970s, the Bretton woods system collapsed and countries were at liberty to allow their currencies to fluctuate. This signaled the rebirth of the global capital market (Lindsey, 1997, 57-59). The collapse of the Bretton Woods system was an initial expression of the deepening contradiction between the inherent tendency of the productive forces to develop on a global scale, on the one hand, and the protective nature of the nation-state system, on the other hand (Beams, August 2001).

During the past 25 years or so, the ideology of economic neo-liberalism dominated the international market. In fact, the fall of the Berlin Wall and the final collapse of the Soviet empire in 1989 released millions of people from the grip of a centrally closed economic system and signaled the beginning of the new world order "market plus democracy" as declared by George Bush. This new era was dominated by a sole economic and military power: the United States (Lubbers and Koorevaar 1999). Economists like Lubbers and Koorevaar noted the rapid economic advances: the expansion of trade between countries, increased investments, privatization of former state enterprises, and the liberation of capital flows. This means that the overall market mechanism was being embraced on a worldwide scale and the nations became steadily more integrated than ever before. This process affected almost all countries. For instance, a low-income country may account for a small part of world trade, but some changes in demand or prices of its export commodities can have a major economic or social effect on it. This country may have a minor role in world trade, but world trade greatly influences its welfare, sometimes with far greater effects than those borne by some of the developed countries (Lubbers and Koorevaar 1999).

C. Prime Mover and the Mechanisms of Globalization

To be able to describe the prime movers of globalization, one must differentiate between three main causes of this phenomenon. The first is globalization as a consequence of rapid technological innovation. This covers mainly information and communication technology (ICT), which greatly intensifies the power and ease of communication simultaneously at a much lower cost. Technology was able to reduce the barriers of time and space that have for so long separated national markets. The cost of a three-minute telephone call between New York and London dropped from $300 in 1930 to $1 today. The cost of computer processing power has been decreased by an average of 30% a year over the past couple of decades (Lindsey, The Economist, 1997, 57).

The second prime mover of globalization is an ideology that fosters market liberalization, economic deregulation and the privatization of state firms. Thus, economic actors, with the service of technological innovations, were able to benefit from the possibilities opened up in the free market. Production, sales and purchasing were less restricted to actual geographic markets and production locations as never before. Debt, investment and speculation became worldwide activities (Lindsey, The Economist, 1997, 57).

Finally, the third force resided in the Cold War's ending and the collapse of the communist empire. This represented the long anticipated triumph of the Western team. Although, the process of liberalization and the deregulation was already underway, it acquired a greater dimension after the fall of the communist empire (Lindsey 1997, 58).

Therefore, these three factors: the neo-liberal ideology that urged almost all countries to remove market barriers, the loss of communism that accelerated the process and the technological revolution that allowed goods, symbols and people to cross border faster and cheaper, all together forced the world into globalization (Lindsey 1997, 59).

D. The Liberalization of Trade, Finance and Investment

The external liberalization of national economies involves the breaking down of national barriers for economic activities, resulting in greater openness and integration of countries in the world markets. In most countries, national barriers are being removed in the area of finance and financial markets, trade and direct foreign investment.

Of the three aspects of liberalization, the process of financial liberalization has been most pronounced. There has been progressive and extensive liberalization of controls on financial flows and markets. The downfall of the Bretton Woods system in 1972-1973 opened up an international trade in foreign exchange that has expanded at spectacular rates (Friedman 2000, 43-47). The volume traded in world foreign exchange market has grown from an average of $15 billion in 1973 to over $ 1.2 trillion in 1995 and now far exceeds it (Lindsey 1997, 59). Most of these transactions are speculative in nature, as it is estimated that only a small portion of the foreign exchange traded is used for trade payments. Due to the interconnected nature of financial markets and the vast amounts of financial flows, there is a general and increasing concern about the fragility and the vulnerability of the system, and the risk of breakdown in the system can create widespread economic consequences. Moreover, the concerns about a possible global financial crisis have been reinforced by the East Asian financial crisis that began in the second half of 1997 and which spread to Russia, Brazil and other countries, causing the worst financial chaos and economic recession in the post WWII period (International Labor Organization November 1999).

Trade liberalization has also gradually increased. World exports in 1996 accounted for almost 15% of world GDP, amounting $5.1 trillion. The share of world exports in the world GDP rose from about 7% in 1950 to about 12% in 1973 and 16% in 1996 (Cavanagh 1999). The increased role of trade has been accompanied by the reduction of tariff barriers generally in both developed and developing countries. However, high tariffs persist in developed countries, in sectors such as agriculture and textiles, and for selected manufactured products in which developed countries have a comparative advantage. Moreover, there has been an increased use of non-tariff barriers, which have affected the access of developing countries to the markets of developed countries (Cavanagh 1999).

E. Transnationalism

A major feature of globalization is transnationalism, which "is the growing concentration and monopolization of economic resources and power by transnational corporations and by global financial firms and funds" (Foreman-Peck 1998, 52). Transnational companies are gaining a large proportion of world economic resources, production and market shares. Where a multinational corporation used to dominate the market of a single product, a transnational company now produces or trades in an increasing amount of products and services. The top 200 global corporations' share of global economic activity has been increasing rapidly over the past decade. In 1982, the top 200 firms' sales were equivalent to 24 percent of world GDP that year. By 1995 their sales had reached the equivalent value of 28.3 percent of world GDP. This means that the combined sales of these top 200 corporations exceed the combined economies of 182 countries (Falk 1999, 17-39).

Furthermore, governments have always been recognized as having a strong positive role as promoters of the common good, but the globalizing marketplace of today has soothed the significance of political boundaries and has posed a new challenge for humanity. Despite many failures, governments have demonstrated their power to pursue the common good effectively. With globalization, governments appear to be losing their ability to check corporate and financial power and regulate a national economy. "The pace of technological change, especially the speeding up of communication and the extent of international economic integration have together brought into question the effectiveness of many traditional national economic policy instruments" (Turning Point Project 1999).

It seems that the nation-state has surrendered a considerable portion of its sovereignty and started operating as an instrument on behalf of regional and global institutions and market forces, as controlled by transnational corporations, banks and financial traders (Corporate Watch 1999). Transnational corporations have no national loyalty: they can be located in any place and can operate effectively at any distance. Transnational corporations exert a considerable influence over the domestic and foreign policies of the governments that host them. In fact, there is a certain strong link between the quest of transnational corporations and the interests of the Northern governments that represent them (Hahnel December 1998). It is through a chain of intergovernmental trade and investment agreements that corporations and their powerful governments are reshaping world economic structures to their interests.

Chapter III

Economic and Financial Aspects of Globalization

A. Economic Aspects

On the question of the economic aspects of globalization, "the past three decades have seen more people rise out of absolute poverty than in any comparable period in the world's history. The countries that have succeeded best at helping their citizens escape from poverty have been those with effective governments that largely embraced freer markets, freer trade, and technological change" (Moose, 2001). This is the opinion of one scholar, but what about the rest of the nations who do not have such effective governments, free market, free trade and technological advances. It is quite obvious that the northern and southern parts of this world had a huge gap between them.

1. Gap between North and South

The last two decades have seen the rise and spread of a new economic paradigm, which underlines macroeconomic stability, the liberalization of national markets, privatization and the removal of barriers of international trade. This paradigm aims at the creation of a global market, which is highly competitive, and with very limited government intervention. Policymaking has also been influenced by this paradigm in both developing and developed countries. Many scholars have faith that this paradigm will enhance competition and efficiency, present better opportunities for growth of developing countries and reduce the occurrence of poverty worldwide (Moose, 2001).

Nevertheless, and unlike what was predicted, the benefits of global liberalization during the 1980s and 1990s were not as they were planned to be. To make things clearer, the World Bank 1997 Development report listed that the "world economy grew 3 percent a year in the 1980s and 2 percent in the first half of the 1990s", and that "low and middle income economies grew rapidly, averaging 3.4 percent growth in 1980s and 5 percent in the 1990s. The argument that rises here is that the growth of world output was more evident and rapid in the period before deregulation and globalization. Moreover, "form 1980 to 1995 world GDP grew at an annual rate of 2.5 percent at the same time as the growth of 1.6 percent per year of the world population, leaving less than 1 percent increase in per capita GDP over that period. GDP calculations overestimated the benefits from economic activity, they disregard the depreciation of natural and produced goods as well as the environmental degradation which take account of, will decrease the average welfare per year seemingly enjoying the past two decades" (UNDP Report, 1999).

Thus, the evidence suggests that for most countries, the last two decades have brought along slow growth and rising inequalities (UNDP Report, 1999). The 5 percent growth rate of world economy that marked the Golden Age of 1950-1973 diminished through time. Only few East and South East Asian economies were able to grow fast enough to narrow the per capita income gap with the industrialized countries. For the majority of the developing economies, the North-South and East-West income gap is bigger in the late 1990s than it was in the 1980s or 1960s.

Even though globalization is an uneven process, with unequal distribution of benefits and losses. This imbalance leads to division between the few countries and groups that gain from it and the many countries and groups in society that lose out. Globalization and wealth concentration are linked through the same process. In this process, investment resources, growth and modern technology are focused on a few countries mainly in North America, Europe, and Japan. Many developing countries are excluded form the process. Some are participating in a marginal way that is often harmful to their interests; for instance, import liberalization may harm their domestic producers.

Growth is found in the few leading countries, which have seized the opportunities of the new global era. For example, moderate and fluctuating growth is found in countries such as the newly industrializing East Asian tigers joined by Chile, the Dominican Republic, India, Turkey and others. Other countries like the Russian Federation, Venezuela and others are experiencing marginalization or deterioration. They are unable to get out of severe problems such as low commodity prices and debts, unable to cope with liberalization and unable to benefit from export opportunities in the sense that their growth in diversified exports is negligible. Thus, these countries were not able to draw foreign investment flows into their lands (UNDP Report, 1999).

The uneven and unequal nature of the present globalization is manifested in the fast growing gap between the world's rich and poor peoples and between developed and developing countries; and by large differences among nations in the distribution of profit and losses.

If we observe the North and South situation, as defined in the UNDP's Human Development report of 1999, the gap between the richest 20 percent and the poorest 20 percent has increased from 30:1 in 1960 to 60:1 in 1990 up to 74:1 in 1997. It has also been shown that the richest 20 percent people living in the highest income countries had recently 86 percent of world GDP compared to 1 percent for the 20 percent for the poorest people.

Thus, globalization appears as polarization. Not counting South Africa, Norway for instance has 11 partner countries in Africa counting for almost 180 million people whose total GNP according to the World Bank is one fourth of the GNP for the population of 4.5 million Norwegians. It seems that globalization does not embrace all countries with its benefits. Resources are allocated in a certain way that presents the global process as a global apartheid (Danzigner and Reed 1999, 16). The past decade has reflected a growing concentration of income, resources and wealth among a certain category of people, corporations and countries. The OECD countries (Organization for Economic Cooperation and Development), which consist of 30 members from Europe, USA and Australia, have 71 percent of global trade in goods and services, 58 percent of foreign investment and 91 percent of all Internet users although they occupied by only 19 percent of the world's population (Danzigner and Reed 1999, 16).

Although the new paradigm of globalization contributes in a great dimension to the growing inequality; it cannot be blamed solely. It is appropriate to attribute a fundamental part of this disparity to the failure of the developing countries in acquiring well-shaped economic fundamentals. The problem resides in the rapid implementation of growth strategies based on a free market, when at the same time their economies are insufficiently capitalist as well as stable and not adjusted yet to absorb the broad changes brought about by globalization.

2. Unfair Local Distribution of Income

The growing polarization among countries has been accompanied by a surge in inequality within countries. It has been suggested through a number of countries and regional studies that in the period of the last 15-20 years, income concentration has increased in many nations of Latin America, Eastern European the former Soviet Union, China, a few African and South-East Asian economies and since the early 1980s almost two-third of the OECD countries. In the majority of countries inequality rose in the 1980s and 1990s - among developed countries, inequality rose in 15 and fell in only 1 during this period; among countries in transition, inequality rose sharply in every one; in Latin America it rose in 8 out of 13 countries, falling in just 3; and in Asia it rose 7 out of 10 cases. Only in Africa, where the data are incomplete, did the falls in inequality match the rises. This rather uniform movement towards greater inequality is perfectly consistent that the rate of growth does not affect income distribution: the rise in inequality in recent years has affected high and low growth countries equally. The surge of inequality in the past 20 years cannot possibly be explained by the traditional causes of inequality since there are more relevant factors and changes that materialized recently on the global level. These two relevant factors would be technology and trade liberalization.

a. *Technology*

The rapid pace of technological change generates demand for skilled labor leading to an increase in income differences among workers in both developed and developing countries. This effect is most likely to influence developed countries oriented towards the specialization in technology. Advance in information technology not only reduces the cost of controlling the performance of unskilled labor but also cuts the laborers initial wage.

Global competition has increased worldwide demand for the goods and services produced by skilled workers in high-tech industries and financial services such as the banking sector. Lower skilled workers increasingly compete with low-wage production workers in developing countries. There is an increase in the size of the low-wage workforce and a growing competition for low-skilled jobs as a consequence of immigration. In the U.S., economists realized that the growing inequality was mainly due to a growing value of the so-called "Knowledge workers", the skilled and educated labor. "During 1979-1998, real wages increased for 8 percent for male collage graduates but fell 18 percent for high school graduates. For women, the weekly wage gap between college and high school graduates increased from 43 percent in 1979 to 79 percent in 1998"(Monsod 2000, 6-15). As long as there is a greater weight on "knowledge workers" than on low-skilled, and labor-intensive workers, income inequality will continue to rise. This means that the "knowledge workers" will be chosen to do the job because they will do it faster and it will turn out to be of better quality than being done by a low-skilled worker. This will cause a decrease in employment rate in developing countries.

b. Trade Development

The gap between and within countries seems to be related to changes in economic policies and ideology which reflect a move towards liberalization and globalization. The emergence of free-trading blocks, the rise in the influence of transactional corporations, as well as the globalization of unfair trade, investment, and economic rules and regulations by such global institutions as the World Bank, IMF and WTO-- all exacerbate global inequalities (Monsod 2000, 6-15). Globalization in the 1990s has been premised on the fact that national boundaries are either disappearing or becoming more vulnerable. One consequence of this is that investors, through their capital energy, natural resources and food industries, control only minimal or no barriers in their bid to penetrate juicy sectors of Third World economies. Hence, why are national boundaries not disappearing uniformly across the world at the same time?

Foreign investors who are eager to exploit Third World resources pressure multilateral institutions to facilitate their introduction into new markets while following a protectionist policy in their own economies. After centuries of monopoly of global capital and advanced technology by industrialized countries, the developing world of today has no option but to follow reluctantly the prescriptions given by the developed world, which controls international financial institutions and other multilateral agencies (Bishop 1999).

B. Financial Aspects

Globalization in the financial sector has been driven by several factors. The major ones are the decline of barriers to international capital flows by the developed and then by the developing countries in order to pursue a policy of financial deregulation and liberalization. The advances in technology, especially in the electronic communications fields allow faster and massive cross-border movement of funds. The emergence of new financial instruments, and the collapse of international instruments, and the collapse of international fixed exchange rate system of the Bretton Woods create the possibility for profit to be made from speculation on changes in the rates of currencies.

1. Financial liberalization

Financial liberalization is a relatively recent phenomenon, but it has contributed to severe financial turmoil and economic losses to several developing countries that have integrated into the global financial markets. Developing countries have been drawn into the process of financial liberalization partly due to advice given by international financial institutions and to the mainstream view that there were great benefits to be derived from opening up to inflows of international capital (Cavanagh, 1999). However, the risks of also opening up to volatility of short-term capital flows and to financial speculation and manipulation were not emphasized by the same advisors (Cavanagh, 1999). Many developing countries that underwent the process of financial liberalization did not take precautionary measures or adhere to guidelines to minimize the risks. Instead they moved to the opposite direction by deregulating, removing existing capital controls, allowing private banks and companies to take foreign-currency loans, and allowing the trading abroad of their local currency.

Having deregulated and liberalized their capital accounts, many developing countries were unable to defend themselves from huge flow of international funds whose volumes have expanded dramatically in the past two decades, and from the new financial instruments and institutions that have emerged in the field of financial speculation. In fact, between 1990 and 1996, the amount of private financial flows entering poorer nations soared from $44

Billion to $ 244 billion. Nearly half of this was long-term investment; most of the rest was free, moving form country to country with the lap of a computer keyboard (UNCTAD, 1998,53)

The East Asian experience is only one of many series of financial crises of the past two decades. That latest round of financial crises that hit emerging markets, starting with Thailand in mid-1997 and spreading rapidly to other East Asian countries before also affecting Russia and Brazil. These crises have dramatically exposed the negative effects caused by volatile short-term capital flows and the grave risks and dangers that accompany financial liberalization in developing countries (UNCTAD, 1998,70).

The Asian crisis followed a period of financial liberalization, which contributed to a build-up of vulnerability of countries to external financial forces. Large inflows of short-term capital in undated East Asia in the 1980s and 1990s; the region was profitable with growth rates that averaged 8-10% per year over a considerable period attracting global wealth (Francisco, 2000). In less than a year from mid-1997 the East Asian economies have shifted from being examples of amazing growth in our modern history to economic stagnation and recession. The Asian financial crisis began in April 1997 with the depreciation of the Thai bath. The Thai government was forced by currency speculators to allow its currency to float. This affected all Malaysian, Indonesian, Philippine and South Korean currencies. This influenced the region's economic growth, lowered incomes, caused inflation, unemployment and income inequality. The Asian crisis evolved into an international financial crisis where the extreme and uncontrolled volatility of short-term capital flows can generate acute insecurity and widespread misery (Weisbrot, 1999).

2. Asian Boom

As Thailand's currency the baht started to slide in 1997; investors were persuaded of its much further decline through time. Knowingly, when a country's currency depreciates and its future expectations are negative, then it is only natural to witness a high rate of investors selling that currency causing it to depreciate faster. The "panic selling" spread to other countries like South Korea, Malaysia, Indonesia and the Philippines. These currencies crashed, losing as much as 75 percent to 80 percent of their value within months. The main cause of the crisis was the international financial "liberalization" of the previous decade (UNCTAD, 1998, 70). This meant that banks, financial institutions and private sectors in South Korea, Indonesia and other parts of Asia were allowed to borrow large amounts of money in international markets at high interest rates. Furthermore, a large proportion of this debt was short-term debt. Asian banks bought local currency with dollar amounts borrowed in order to lend Asian businesses at higher interest rates. At that time, all parties benefited from the credit system: international lenders earned high yields on their dollar investments, Asian banks made a profit form the spread between the interest rate they charged Asian businesses and the interest rate they paid international investors, and Asian businesses were gaining growth in profits through the use of borrowed money in their projects (UNCTAD, 1998, 70).

Table 1 Lending by BIS Reporting Banks to Selected Asian Economies, by Sector, End June 1997

Economy	**All sectors ($ Million)**	**Banks (%)**	**Non-bank Private sector (%)**	**Public Sector (%)**
Hong Kong, China	222,289	64.8	33.9	0.5
Indonesia	58,726	21.1	67.9	11.1
Malaysia	28,820	36.4	57.1	6.4
Philippines	14,115	38.9	48.0	13.1
Republic of	103,432	65.1	30.6	4.2

Korea				
Singapore	211,192	82.8	16.6	0.5
Taiwan	25,163	61.6	36.8	1.6
Thailand	69,382	37.6	59.5	2.8

Source: UNCTAD, Trade and Development Report, 1998

As long as the local currency's exchange rate is stable vis a vis the dollar, which it would if export sales are high, loans repaid to banks in local currency are transformed into dollar amounts to pay off international investors' loans. But this situation did not last for long: tough competition drove export sales down and thus Asian businesses were unable to repay their high interest loans form banks. As export sales fell, the demand for local currencies decreased and this set off a panic: investors, both foreign and domestic, have reason to fear that they will not be able to convert their domestic currency into "hard" currency, so as everyone wants out, the government runs low on foreign exchange reserves. For all the above stated reasons, Asian banks couldn't repay international investors by selling local currencies instead they were obliged to borrow from other international investors in order to settle the due credit. The debt was big and short-term and Asian banks couldn't meet payment. This all led to a dead end in which Asian banks and businesses were smothered in bad debts.

3. Response to debt crisis and financial crises

The "structural adjustment" policies accompanying IMF-World Bank loans to heavily indebted developing countries have been criticized for depressing these developing countries economies through high interest rates and large budgetary cuts, and many of the countries concerned remained indebted.

The policy responses in the East Asian countries that also sought IMF assistance when the financial crisis broke in 1997 have also been widely acknowledged to be inappropriate. Once countries fell into crisis, the IMF's response made it worse. High interest rates proved to be unsuccessful in stopping the downward spiral in exchange rates. The policies implemented by the IMF were not highly influential in the sense that firms and banks carried on the sale of domestic currencies to pay off or hedge foreign debt while liquidating assets and reducing activity. The main problem that was encountered by the Asian economies was the reorganization and the refinancing of the accumulated debt (Khor, 1998).

In Asian crises, the world's largest banks and brokerage houses were both creditors and institutional speculators. They contributed to destabilizing national currencies, thereby boosting the volume of dollar denominated debts. They then reappeared as creditors in order to collect these debts. Finally, they were called in as "policy advisors" through which they are the ultimate beneficiaries. In Indonesia, for instance, key sectors of the Indonesian economy were privatized and assigned to eight of the world's largest merchant banks including Lehman Brothers, Credit Suisse, Goldman Sachs and UBS/SBC Warburg Dillon Read under the policies of the IMF (Bullard, Bello and Malhorts, 1998). The world's largest money managers set countries on fire and then are called in as firemen (under the IMF "rescue plan") to extinguish the blaze. They ultimately decide which enterprises are to be closed down and which are to be auctioned off to foreign investors at bargain prices. Meaning, some of the IMF's conditions are forcing the countries to give up their existing policies protecting domestic companies and local interests and instead to rapidly or fully open up their economies to foreign corporate ownership. These IMF actions were the result of US and other rich nations' manipulation for the purpose of gaining market access to the Asian countries in their weakest moments (Khor, 1998). Taking the example of South Korea, in a Reuters report (5 December 1997) on the IMF terms highlighted the fact that "foreign investment in the capital markets will be liberalized and direct foreign investment procedures will be simplified and made more transparent. Foreign entities will be allowed to buy 50 percent of the equity of a listed Korean company by the end of 1997 and 55 percent by year end 1998, paving the way for foreign takeover of Korean firms. Foreign banks could be allowed to form joint ventures and set up subsidiaries" (Reuters, 1997).

Another report by the Asian Wall Street Journal (Dec. 9, 1997), pointed at the pressure exerted by the IMF on South Korea for the purpose of lowering the restrictions on foreign entry into its domestic sector. The IMF supported the establishment of foreign subsidiaries and brokerage houses; moreover, it had a tendency to facilitate foreign access to domestic money, market instruments and corporate bond market. The long-term impacts of these measures are no other than the domination of the financial sector of Korea by USA (Khor 1998).

The vast amounts of money accorded under the rescue packages were intended to enable the Asian countries to meet their debt obligations with those same financial institutions that contributed to hastening the collapse of their national currencies in the first place. As a result of this vicious circle, a number of commercial banks and brokerage houses have benefited beyond limits in materialistic terms from this scheme; they have also increased their strong hold over governments and politicians around the world (Falk, 1999, 20).

Chapter IV

Globalization and the Environment

During the last twenty years, environmental issues have been the topic of people, schools, governments and corporations all over the world. An initial wave of concern was expressed in the 1970s when the Club of Rome, an international think tank, published its landmark report, "The Limits to Growth," which dramatically predicted the inevitable collapse of civilization unless economic growth was surveyed. This report was translated into nearly 30 languages and over 4 million copies sold, was part of the fledgling environmental movement. Since its publication in 1972, the Club of Rome has commissioned more than a dozen reports - among them "No Limits to Learning" - but none attracted attention so widespread as its first one did. People not familiar with the Club assumed it had ceased functioning, particularly after the death of its charismatic founder Aurelio Peccei in 1984. The Club of Rome has one hundred members and continues to commission reports on global issues. It holds annual meetings depending on what is the global issue and what part of the world is more concerned. The meetings are held according to invitations from governments (Botkin, 1997).

It was the first initiative to uncover the drastic environmental decay as a result of nation's independent economic growth in the industrial age and to oppose this continuous trend. With the rise of globalization the problem now occupies wider dimensions (Chossudovsky, 1999).

There is no doubt that production growth, rise in our consumption of material goods and increased transport make an impact on our vulnerable living environment, which is in danger of collapsing. It is possible to imagine an open global economy without limits, but our ecosystem is closed, it has limits, there are no other places to deposit our wastes. The environment cannot handle the spreading of fossil fuel consumption and production patterns in our part of the world. If all countries were to emit as much carbon dioxide per capita as Norway for example, we would need 5 to 6 planets (Chossudovsky, 1999). We are leaving various ecological footprints through our wanderings on Earth. Researchers found that the main causes of the global threats to the environment are consumption and production patterns in the North, while it is primarily the poorest people who foot the bill. From a micro-economic point of view, it makes sense to disperse productive activities globally in order to benefit form lower cost structure and higher quality. Many economic gains can be made as long as the real price of environmental deterioration is not entered in the corporate accounts, and then it does not help in the long run how efficient production will be.

A- Corporations and Environmental Crises

The radical chain of policies that has been applied to set up the global economy has resulted in the creation of new rules and dynamics that are incompatible with environmental protection. In particular, increasingly integrating national markets into a global environment for trade and investment has considerably increased the devastating impact of economic activity upon the Earth, draining the world's natural resource capital and ecological sustenance at such a rapid rate as to question the planet's ability to support the generations to come (Chossudovsky, 1999).

To cap it all, the new rules and dynamics of economic globalization have at the same time led to the elimination of regulations and taxes designed to protect the natural environment, at a time they are the most essential, in other words, mostly developing countries have lowered their environmental standards to lure direct investment especially foreign. The principal economic actors of today which are corporations, are increasingly able to operate free of constraints and will shift their facilities elsewhere in case the host country imposes some environmental regulations on them (Falk, 1999, 17). In today's global economy, corporations are doing more and more business in foreign locations, often at the expense of environmental and local communities. It is clear that the "probalistic scenarios of environmental decay imply oppressiveness, especially in the form of shifting as much of the burden of environmental decay form North to South" (Falk, 1999, 17).

As a result, investment capital transferred in developing countries through transnational corporations reached a trillion dollars in a 10-year period. World trade and investment has boomed without any regard to the ecological system. Manufacturing and transportation are important elements in world trade, however most means of transportation and production are driven by fossil fuels-when combusted discharge various harmful gazes into the air including greenhouse gazes (Corporate Watch, 1999). The rise in world trade accompanied by more frequent transportation led to increased air pollution and global climate change. According to the UN, various industries such as the oil industries, the automobile industry, most chlorofluorocarbon production and portions of electricity generation and use are responsible for 50% of all emissions of greenhouse gazes (Corporate Watch, 1999). Thus, the destruction of the ozone layer and global warning are mostly the result of corporations' indifference in the emission of chemicals and gazes. Transnational corporations that manage the chemical industry are the main dumpers of toxic waste for instance, the annual world production of synthetic organic chemicals rose form 63 million tons in 1970 to 500 million tons in 1990. This is without mentioning the nuclear industry in which giant contractors like Westinghouse and General Electric service military establishments and consequently contribute to the production of the most dangerous waste on the planet.

Moreover, the constant flow of products that corporations sell to their traditional home markets, and the increasing flow to the new consumer markets that are opened to them by trade liberalization require a constant and increasing flow of raw materials to be produced. Mineral and metal extraction generates vast quantities of pollution and waste and demolishes huge pieces of land. Global fish stock depletion and deforestation have reached high levels.

As stated before, globalization has allowed transnational corporations such as Shell of the oil industry, Rio Tinto zinc of the mining industry, Mitsubishi of the logging industry, Pescanora of the fishing industry, Vivendi SA of the water industry, and Cargill and Monsanto of the food industry to expand their operations around the world where any business with sufficient capital, technology and expertise can use as much natural resources as it wants. When the resources of one area have been thoroughly dwindled, they simply move to another. One might ask whether this is the corruption of the political system in the country or area in which these businesses are being situated or is it the corruption of the businesses. The answer is not so clear-cut. For instance most Arab countries like Saudi Arabia and Kuwait had enormous help in building their country from transnational corporations, especially in the oil industry. These corporations, which are mainly American, helped in creating a modern Saudi Arabia and a modern Kuwait. All infrastructures of road systems, schools, airports, dams and buildings are similar to that of the United States. So in the case of these countries in the Middle East one can say that the transnational corporations lead them to modernization.

On the other hand, investment liberalization allows northern-based corporations to move their ecologically harmful activities that incur heavy financial clean-up penalties or are illegal in most industrialized countries to other locations in the world distinguished by a laxity in environmental laws or their enforcement. This is quite debatable, but many cases have been documented in which particularly hazardous operations have relocated from the North to escape strict and costly environmental standards. They include producers of asbestos, benzidine dyes, ozone destroying CFC's, certain pesticides such as DDT, as well as lead and copper smelters, and some mineral processors (Retallack, 2000).

A recent example of environmental problems caused by multinational corporations is the drive to extract oil form Nigeria. The Niger Delta in Nigeria has been the attention of environmentalists, human rights activists and fair trade advocates around the world. The indigenous people of this area have engaged in non-violent protests against the corporations' exploitation. The activities of large oil corporations such as Mobil, Chevron, and Shell has raised many concerns and criticisms. Oil, which could have allowed

Nigeria to be one of the wealthiest counties in Africa, has instead led it to become one of the poorest. A series of repressive and corrupt governments in Nigeria have been supported and maintained by Western governments and Oil Corporations, which are benefiting form the fossil fuels that can be exploited. As people and transnational oil corporations have been fighting over this "dark nectar" in the delta region, immense poverty and environmental destruction (regular oil spills, dumping of industrial wastes and promises of development projects that remain promises) have resulted (Essential Actions and Global Exchange, 2000).

> "While the story told to the consumers of Nigerian crude in the US and the European Union via ad campaigns and other public relations efforts, is that oil companies are a positive force in Nigeria, providing much needed economic development resources, the reality that confronted our delegation was quite the opposite. Our delegates observed almost every large multinational oil company operating in the Niger Delta employing inadequate environmental standards, public health standards and relations with affected communities. These corporations act of charity and development are slaps in the face of those they claim to be helping. Far from being a positive force, these oil companies act as a destabilizing force, putting one community against another and acting as a catalyst; together with the military with whom they

work closely, to some of the violence racking the region today" (Essential Actions and Global Exchange, 2000).

In order to stop the ongoing slide towards the destruction of the planet, environmental regulations need to be strengthened fast. However, deregulation remains one of the main components of economic globalization. The new trade rules of the global economy processed by the global institutions principally the WTO and trade agreements are causing governments around the world to abstain from issuing legislative and fiscal measures designed to protect the natural environment. Restrictions on ecologically destructive corporate activity aiming at profit maximization are thus being removed at a time when they are most needed.

B. New Regulation

The WTO holds enormous power in the global market. It has issued rules and regulations mainly targeting the elimination of barriers of free trade. Because many national and international environmental laws and agreements often limit trade in some way, the "WTO has the power to overrule, undermine, remove or prevent them from being written" (Corporate Watch, 2001). Rules that favor restrictive" way to achieve the conservation or environmental goal it is seeking (Article 2.2 of WTO Agreement on Technical Barriers to Trade).

These conditions stated above illustrate the extent of subjective interpretation that the WTO dispute resolution can rely on to ensure the primacy of free trade over all environmental considerations (Pawelski, 2001). For the sole aim of conserving and protecting natural resources like forest, fish and water that are being exploited more in the process of freer trade, governments have frequently imposed export bans on raw materials. Those export controls implemented for environmental purposes are at risk. We can take for example, the Canadian ban on the export of logs and unprocessed fish to conserve their natural capital, which was found illegal under the GATT-WTO rules. The GATT-WTO rules also prevent the adoption of effective controls on imports, with serious implications for environmental laws and regulations. Two products that look alike cannot be differentiated even if their production methods differ. Since many goods and commodities are produced, grown, collected and extracted in ways that seriously damage the natural environment, removing the ability to discriminate against goods that are produced in such ways takes away an essential tool for achieving ecological sustainability. We thus have a lose-lose situation for environmental protection. If governments abide by the WTO rules their domestic producers will be at a disadvantage: local businesses manufacture at higher costs to meet high environmental standards while imports produced with no consideration to standards are taking on the market. Whereas if governments do not respond to WTO rulings, such behavior is considered in breach with the organization rules and is banned from it (Corporate Watch, 2001).

Another major concern is the global rising temperature. A report released in China in January 2001 by an international panel predicted global temperature could rise as much as 5.8 degrees Celsius over the next century, primarily because of pollution. Yet green house gas emissions continue to be discharged into the atmosphere at an increasing rate (Down to Earth, 1998). Today's globalized world has given rise not only to urgent environmental crises but also to the unprecedented economic and political domination of transnational corporations (TNCs). The global climate change negotiations are just one of the many arenas, which have been captured and are being controlled by the corporate sector. In fact the list of essential environmental laws struck down in the name of free trade is growing even longer.

Corporations are realizing the importance of the environment towards consumer behavior. Advertisements and product labels are being made to give an environmental friendly look for products. For example, "Fly Lufthansa for a better environment cries the German airline company, basing its claim on the fact that it used modern planes, which help get a cleaner air and better environment or Environment-friendly Suzuki boasts the Japanese car maker despite the fact that even the cleanest car will pollute the environment from the time the metal is made up from the mine until it ends up in the scrap heap" (Johnson, 2000).

Anything and everything is trying to become "environmentally friendly". From hair spray to household cleaners, consumers are sometimes being tricked by advertisements that claim that some products are environmentally friendly. The problem becomes severe because shoppers cannot tell whether a "product is truly ozone friendly or biodegradable in the same way they can check if laundry detergent removes stains better or if batteries last longer" (Down to Earth, 1998). In response to that confusion a number of countries have developed schemes in which a product that conforms to a set of criteria is granted a recognized seal of approval, better known as an eco-label.

> "Politicians and businessmen appear concerned about the environment. Their speeches are laced with expressions like 'sustainable development', 'ecology', and 'green values' but in fact they just mean profit when they talk about sustainability" says Steinar Lem, head of information at Future In Our Hands, one of Scandinavia's influential NGOs (Down to Earth, 1998).

Corporations have the financial and human resources to create, invest and produce and distribute new technologies and production processes. However, their political and economic interests in maintaining a status quo that is most profitable to them has muted such change. Under pressure, in recent years, leaders of some of the world's most powerful corporations have been calling for environmental change but their kind of change does not measure to the vision of a sustainable world. The pace and extent of the corporate reforms occurring today simply fall before the fundamental challenge of reversing the world's most pressing environmental and social problems.

Chapter V

The Case of Lebanon

A- The Economy

1. Overview

Prior to the 1975 civil war, Lebanon had one of the most developed economies in the region, dominated by a large services sector, a growing industrial sector, and a small agricultural sector. The country enjoyed high growth rates, low inflation rates, high balance of payment surpluses, and a freely floating strong domestic currency, the Lira. Lebanon mostly capitalized on the initiative of its people and its geographic location to compensate for the lack of natural and mineral resources. The ensuing civil war, the Israeli invasions, and the corrupt governments brought an end to this economic heyday.

In the period between 1975 and 1991, Lebanon's economic life lost its shine. The services sector interests were transferred overseas, and the industrial and agricultural infrastructure was devastated. The degree of destruction caused by the internal divisions and the poor involvement of the state in economic matters led to a drastic slide in economic growth involving a 50 percent drop in GDP (between 1975 and 1991), a severe increase in inflation with an average of 88.3 percent per year, a fall in the minimum monthly wage from US$ 200 to US$ 90 and the collapse of domestic currency (Sawabini 2001, 98). Consequently, most of the Lebanese experienced a decline in their living standards. Moreover, physical casualties were colossal and the infrastructure reconstruction required a considerable amount of money.

Since 1992, however, Lebanon's economy has made significant gains. Lebanon's GDP grew by about eight percent in 1994 and seven percent in 1995. In the period between 1992 and 1998, annual inflation dropped from 170 percent to six percent, and the foreign exchange reserves increased from $1.4 billion to close to $6 billion (Country Commercial Guide, 2001). Conversely, the flow of foreign direct investment by Lebanese expatriates, Arab and international corporations and individuals began to decline in the early stages of this period.

The financial sector in Lebanon was also being revived. The Lebanese stock market reopened in January 1996, and international banks and insurance companies have begun to return. Progress has also been made in rebuilding Lebanon's physical infrastructure. Prime Minister Hariri launched an $18 billon reconstruction program named Horizon 2002 in 1993. Solidere (The Lebanese Company for

Development and Reconstruction of Beirut Central District), a $2 billion Lebanese property firm, is focusing on broad-based reconstruction, from the development of public squares and parliament buildings to the installation of modern infrastructure, including roads, public utility spaces, and marine works. Solidere is also managing the reconstruction of Beirut's central business district.

However, in October 1998, the debt burden grew heavier. The government approved an austerity budget intended to diminish the deficit from around 18 percent of GDP in 1997 to about 12 percent by 1998 (Lebanon Economic Report, 2000). In April 1999 a draft budget sustained these policies, it increased corporate and income tax and raised custom duties on a range of consumer items, on the other hand, spending on wages and salaries increased. The government was trying to keep expenditures near the 1997 level of $5.6 billion. About 40 percent of the savings was intended to service debts, with the bulk allocated to domestic debts. Another option used by the cabinet was to finance the budget deficit through foreign borrowing. This was expected to raise $2 billion to be repaid over a period of 30 years; $1.6 billion will come from eurobonds and $400 million from foreign currency of local banks. For many years, the Lebanese government had concentrated on Lebanese pound treasury bills with high interest rates that ranged between 12.7 and 16.7 as the main source of funding the budget deficit. The switch to external financing is designed to enhance the liquidity in the economy and reduce the cost of servicing the debt (Lebanon Economic Report, 2000). Furthermore, an increased concern over fiscal policy as well as turmoil in the international money markets induced the Central Bank to intervene more frequently to support the Lebanese pound. Reserves with the exception of gold had plummeted from a high of about $7.4 billion at the end of June 1998, to $1.7 billion in the period between August and October of the same year. At the end of 1998, economic growth was around 3 percent, and the attention was centered on the construction and tourism industries that were the most encouraging to investments (Oxford Business Group, 2001: 34-35). But it is safe to say that the Lebanese tourism and construction industries were not much of a help to the economic growth as a result of the Israeli attacks in 1996.

2- Key Economic Indicators

The Lebanese economy has been characterized in 1999 and the first half of 2000 by a further slowdown in economic growth caused by a set of reasons ranging from the economic and political instability in the region, the recurring budget deficits, the size of national debt that continuously increases and the changing policies of the government regarding expenditures and investments (Oxford Business Group, 2001:45).

The new government faced a tough challenge in reviving the Lebanese economy without causing further deterioration in the public finances. According to the 2000 4th Quarter Report, issued by The Economic Analysis Unit at Bank Audi, the year 2000 was characterized by stagnation in real GDP. The public debt was approaching $23 billion by October 2000 and this is equivalent to 140 percent of GDP, one of the highest ratios in the world. Debt servicing costs are the single largest budget item accounting for 45 to 50 percent of spending (Habib, 2000:5).

The year 2000 was a crucial one for Lebanon. The Israeli withdrawal from the South, parliamentary elections, formation of a new government, and plans for an international donors conference for the reconstruction and development in the south all had important implications on Lebanon and its economic performance. The government faced the challenges of structural reform as it seeks to compete in an era of increasing globalization.

"There are lots of threats to standing still because the world is moving quickly towards globalization" said Peter Boone, a senior economist at the Stanford Research Institute, to the Lebanese Businessmen Association. Moreover, Boone asserted that globalization is like a runaway train that won't stop for you: Unless the country takes the initiative of modernizing its industry, increasing production and improving services, it would not be considered a trading partner (Habib, 2000:7-8). In an interview with the *Middle East Insight*, Prime Minister Rafic Hariri stressed on the efforts that the government is making to aid the productive sector in different ways, and preserve competitiveness through the reduction of taxes and the spread of laws that will make Lebanon an economic, commercial, and financial center, as well as a marketplace for the region (Nader, 2001: 28-30).

Lebanon's 2001 budget deficit dropped to 47.6 percent of expenditure, compared with 55.28 percent the year before with the government aiming to reduce the budget gap to 40 percent of spending in 2002, the finance ministry said in a statement. The ministry announced that

> "2001 expenditure was 8.878 billion Lebanese pounds (US$ 5.8 billion), including 4.311 billion pounds of debt service, against revenues of 4.649 billion pounds. It proclaimed that the revenue was 4.749

billion pounds and expenditure 10.621 billion pounds the year before. The government hopes to reduce the budget deficit to around 40 percent of spending in 2002 in a bid to control Lebanon's US$ 26 billion public debt, which is one of the world's most heavy and which is estimated at 165 percent of gross domestic product. External debt, much of it in euro and dollar-dominated bonds, rose to 841.5 billion pounds in 2001, from 625 billion pounds the year before, according to the ministry's figures" (Naharnet, 2002).

B- Society's Features

According to Minister Fouad Siniora, Lebanon enjoys special characteristics when compared to neighboring countries, and adapts to changes in the economic field. The minister explained,

> "Lebanon is a small open economy with liberal economic and financial policies and a long tradition of free trade. Moreover, Lebanon has traditionally had a long entrepreneurial spirit and has historically relied on its robust, dynamic, and creative private sector to lead the country's growth and development."

He also mentioned that Lebanon has a well-regulated and managed banking system, and highly skilled, multilingual, educated human capital, which constitutes an asset in the new knowledge economy. Since long ago, Lebanon depended mainly on its service sector and had a comparative advantage in the fields of telecommunications and technology, tourism, financial services, publishing and media, advertising, engineering, health, and education compared to the region (Siniora 2001, 12). It seems that some members of the government are quite optimistic in the sense that soon Lebanon will be back on its feet and again take its place in this new global era.

C- Challenges

On the other hand, the economy is encountering a number of economic and political challenges that need to be confronted if Lebanon is to take full advantage of the benefits of globalization.

The first challenge is the reorganization of both the private and public sectors for the purpose of strengthening Lebanon's ability to compete in the new world order. This task involves taking new measures to increase productivity and to foster a stable monetary and fiscal environment while enhancing sustainable growth. An economic expansion involves reinforcing the basis of competitive economy. It also requires the establishment of modern technological base built on human skills as well as scientific and technical research. However, there is a small contribution in research and development from the private sector, thereby, the government must encourage this sector into supporting the various educational institutions that accomplish scientific and technical studies.

Furthermore, Lebanon did not regain its predominant role as a successful financial marketplace. In fact, Beirut Stock Exchange represents the smallest, inefficient market in the Arab World. The size of financial transactions as well as the number of registered companies in this market is merely insignificant.

As I mentioned earlier, Lebanon faces a recession characterized by a high budget deficit and a continuously increased debt burden. Moreover, the investors' expectations are influenced not only by political developments but also by the financial condition of the country and the measures undertaken to handle it.

It is worth mentioning that the economic environment and the development strategy are highly influenced by the quality of governance. Therefore, transparency in negotiations and the resistance to corruption are highly promoted. And this is reflected in the performance of institutions, especially in the public sector, which is criticized on the basis of responsibility, competence, transparency and productivity (Oxford Business Group, 2001: 39).

Another challenge is the overcoming of the predispositions and classical concepts that were imbedded in the Lebanese mind. For instance, as the rest of the world was downsizing the role of the state in global economies, the Lebanese public sector was expanding in size but not in productivity. The evolution towards globalization was delayed by a number of factors such as "the laxity in performance and in efficiency, which have decreased the economy's productivity and competitiveness, the resistance from traditionalist political groups to the introduction of reforms and change" (Makdasi, 2002). It is clear that Lebanon has lost some of its positive characteristics, such as the many fresh graduates who immigrated, during the past two decades while most of the world was developing and flourishing. Thus, the government realized that it is time to "introduce a number of changes in order to become part of this new world order and therefore to further prepare Lebanon to enter the global world" (Makdasi, 2002).

Chapter VI

New Economic Policies in Lebanon or Recently Modified Ones

In his point of view, Dr. Basil Fuleihan, Minster of Economy and Trade, declared that the major concern of the current government is to further liberalize and open up the economy and to methodically take apart the several economic, commercial and legislative impediment that are obstructing private investment. It would be harmful for Lebanon to observe carelessly the multitude of changes that are shaping the global economy. The government has chosen to implement a growth-oriented strategy addressing the problems of budget deficits and debt burden (Oxford Business Group, 2001: 45). Up till now these ideas seem many years away and not much has been done to improve trade or encourage foreign investors to invest in Lebanon.

A. Regional Economic Integration

One of the main initiatives in this reform focuses on concluding bilateral free trade arrangements that will promote the integration of Lebanon in the global system.

From the ESCWA members, Bahrain, Egypt, Jordan, Qatar and the United Arab Emirates have already joined the WTO. Oman and Saudi Arabia are expected to join shortly, while Lebanon and Yemen have only recently submitted membership applications.

1. Accession to WTO

Lebanon is now in the process of accession to the World Trade Organization and had acquired observer status in April 1999. Accordingly, a Working Group on the Negotiations for Accession was established with the mandate of conducting the necessary actions and procedures that should lead to the full-fledged membership of Lebanon. WTO membership will provide Lebanon:

- Control over unfair treatment of Lebanese products and services in the markets of WTO countries.
- Control over unjustifiable export restrictions in other countries on export destined to Lebanon.
- Secure, stable, open and non-discriminatory access for Lebanese exports in the markets of 162 -- and soon-to-be 170-- WTO members.

Lebanon should speed up its accession to the WTO for the following reasons:

- While Lebanon is out of the WTO system, the industries of WTO member countries (e.g. Jordan, Egypt and the UAE) are finding their niches in international markets and grabbing market share. It will be extremely difficult for Lebanese producers to compete at a later stage with well-established channels by competitors from other countries. Considering that the WTO members already have their products well established and they produce them up to the standards set by the WTO.
- Other countries are gaining more experience in trading under WTO rules that will allow them to safeguard more effectively their producers and trading rights.
- Other countries have the opportunity to participate in shaping future WTO rules in such a way to safeguard their trade interests. In theory, the WTO decision-making process is based on a general agreement of members. By delaying its accession, Lebanon is jeopardizing its ability to find the right place for itself in the international economy through active

participation in multilateral negotiations rounds.

- Last but not least, the necessity of complying with WTO agreements will serve as a catalyst for pushing further the administrative and institutional reform and modernization efforts that remain until now embryonic in Lebanon.

In an effort to eliminate trade barriers and speed up Arab cooperation, Lebanon acceded in 1997 to the Arab League's Arab Free Trade Area agreement (effective 1998) and has since signed bilateral free trade agreements with Syria (effective 1999), Egypt (effective 1999), Kuwait (effective 2000), and UAE (effective 2001). The Arab FTA calls for 10 percent annual mutual decrease in tariffs (over 10 years), whereas the bilateral FTAs call for 25 percent annual mutual tariffs (over 4 years) (Oxford Business Group, 2001: 45). The Arab integration will benefit the member countries from more open economy and thus grant them opportunity to improve their efficiency in production and technology. Moreover, it will allow the Arabs to unite economically and benefit from each other in order to enhance sustainable economic growth facing the industrial countries (Country Commercial Guide, 2001). Of course on condition that they are able to modernize their political systems and stand united instead of fighting each other.

2. Lebanon and EU Partnership Agreement

Moreover, Lebanon has long standing trade ties with the EU, its major import partner. Lebanon signed in 1977 a trade agreement with the EU by which Lebanese industrial products have preferential customs rate. Lebanon and the EU have close trade ties that should be further strengthened with the signature of the Euro-Med partnership agreement that is currently under negotiation (Makdisi, 2002). In 1996, over 35 percent of Lebanon's imports originated in EU countries and about 10 percent of its exports were destined to EU countries (Shehade, 2000). Just as important is the political support that Lebanon receives from the EU and its member states. Lebanon's cultural opening to the countries of the Mediterranean has also never wavered. Lebanon owes its constitutional and foreign policy foundations in the 1920s to Michel Chiha, an influential Lebanese politician, banker, and thinker, whose "pensée méditerranéene" preceded the European Mediterranean initiative by seven decades (Shehade, 2000). Lebanon and the EU are at a crossroads. They have been negotiating an agreement to eliminate trade barriers and to institutionalize political, social, and cultural exchanges. Negotiations have stalled since the summer of 1996. There are serious stumbling blocks to the negotiations. The most important of these are the length of the allowed grace period before Lebanese tariffs have to be lowered, the size of the financial assistance package, the thorny problem of trade in agricultural goods, and issues related to the repatriation of illegal immigrants.

> "The success or failure of Lebanon's Euro-Med ambitions is contingent on five factors. First, it depends on the ability of the Lebanese Government to reform the public sector administratively, financially, and politically. Second, it depends on the bargaining power of the Lebanese Government and its ability to extract an aid package commensurate with the adjustment process required. Third, it depends on Lebanon's will to push for greater trade liberalization and the generalization of the proposed tariff reductions beyond Europe. This will reduce the net welfare loss resulting from trade diversion. Fourth, it depends on the success of the Lebanese in negotiating lower barriers to Lebanese imports to Arab countries and the creation of an Arab free trade area encompassing at first all the signatories of the Euro-Mediterranean partnership agreement. Finally, it depends on the adaptability and creativity of the private sector" (Shehade, 2000).

On June 20, 2002, the Lebanese government and the EU representative announced that the partnership agreement will be ratified soon. Europe is Lebanon's main trading partner and an important donor to Lebanon's program of economic and social modernization (Prodi, 2002). The partnership aims at creating a continuous political interchange among members, collaboration on the economic and financial levels, and an enrichment of the social, cultural and human aspects and most importantly this agreement will establish progressively a free trade zone among countries by 2010. The partnership will also lay an important foundation for economic liberalization in Lebanon, says the EU representative. It commits Lebanon to introducing modern legislation on competition and protection of intellectual property as well as providing for early discussions on the opening of markets to services, such as banking, transport, insurance, and tourism (Prodi, 2002).

The aim of opening Arab, European and world markets is to encourage local exports, facilitate technological transfers and expertise exchange between establishments and individuals in these countries, a matter which could help in backing the Lebanese production sector (Country Commercial Guide, 2001).

B. Regulatory Framework

The government is in the process of reintroducing a legislative and regulatory environment favorable to private sector activity and that renders its interaction with the Arab and global economies smooth, rapid and less costly. This is an essential requirement since Lebanon in the past enjoyed a comparative advantage that is founded on its open economy, free exchange and trade regimes. Thus, the government launched a campaign to reassess and renovate the economic regulatory framework and to inhibit the public sector from slowing down the private sector activity. Several laws are being suggested and slowly implemented in the field of customs, public accounting, investment, procurement, anti-trust, antidumping, foreign trade, social security, property ownership and financial assets.

1. Port and Customs Administration

The new customs' law was implemented on April 23rd 2001, after 4 months from its approval. The early tests were convincing except from a few flaws in the application due to the unaccustomed human resources to the new computerized system. Simplification, computerization, cost reduction and speed in concluding formalities are the foundation of the actual legislation. It is intended to facilitate the import and export of goods by reducing paperwork and streamlining procedures. Experts affirm that the new laws conform to the GATT principals, to WTO and the Euro Med partnership (Tarazi, 2001: 23-27).

2. Open Skies policy

After winning a vote of confidence in parliament, the first policy approved by the present cabinet was the open skies policy that removes restrictions on flights. This can result in an increase in traffic through the Beirut airport, thus reduce ticket prices and enhances tourism and trade (Mokbel, 2001: 10-11). But till now we have not witnessed any change especially in ticket prices and airport taxes.

3. Banking Secrecy

"Globalization touches banking secrecy because it seeks to enforce an international control of the movement of money in this country," as Melhem Karam, a famous journalist asserted. It has grown into a global saying "money handled under the veil of banking secrecy hides a very large money laundering operation," even if the country enjoys a clean reputation (Karam, 2001, 4).

The Financial Action Task Force (FATF) of the Group of Seven industrialized nations placed last June Lebanon, second on its "blacklist" of 15 countries refusing to cooperate against criminal money laundering. Lebanon's bank secrecy laws are considered to be among the strictest in the world. Later in its February plenary session the FATF pointed out that Lebanon has begun processes to change laws and regulations to cooperate in the fight against money laundering in line with internationally recognized regulations. At the conclusion of its plenary session in Hong Kong on June 14th, FATF dropped Lebanon from its black list of countries deemed uncooperative in the global war waged against money laundering. In its annual report, the FATF, reported that recent legislative safeguards put in place by the Lebanese government were sufficient enough to bring the country into line with FATF requirements.

During a meeting of the council of Banking Association on July 12, 2002 Lebanese Prime Minister Rafic Hariri commented that the FATF's decision to remove Lebanon from its black list is a sign that international confidence in the country is increasing, and is expected to have a positive impact on Lebanon's position as a financial center in the region (Oxford Business Group,2002:23)

4. Openness to Foreign Investment

Legislation is very liberal in Lebanon and does not differentiate between domestic and foreign investor. Investors suffer from the weight of bureaucracy and of outdated regulations in many areas that have not yet been modernized. Knowing this, the government has established the Investment Development Authority of Lebanon (IDAL) as the One-Stop Shop to provide assistance to investors in getting through the various administrative procedures required to complete an investment (Middle East News Online, 2001).

C. Tax System

The government is reforming the tax system with a view to simplify it and to shrink its load on economic activity and production.

1. Import Tariffs

In November 2000, the government announced immediate cuts in import tariffs. The law, which did not need parliamentary approval, eliminated the 3 percent tariff on all imported raw materials, terminated 6 percent duty on almost all imported semi-finished products that are not produced in the country, cut tariffs on imported goods that are competing with local production by 25 percent and reduced rates over 100 percent to 70 percent. Another category of finished goods witnessed a fall in their custom rates from 10-100 percent to 5-70 percent whereas all duties on computer hardware and software were eliminated (Sawabini, 2001, 98).

Moving towards a more liberalized economy, Lebanon has to stop looking at trade in terms of government revenue. The recent rate reductions go a long way towards fulfilling the WTO's requirements. Also, they help the country move towards the European Union. Lebanon is one of the 12 Mediterranean countries allied with the EU in an agreement, which began in 1977 and is now trying to join the new trade partnership (Barcelona Agreement) to promote economic cooperation through policies such as the elimination of import tariffs. Lebanon has yet to sign a full association agreement. But it is still on the horizon. Moreover, after bilateral agreements conducted between Arab countries, Lebanon is bound to participate in the creation of an Arab Free Trade Area that is scheduled for 2007.

Lebanon is known for its high import quantities like canned food, clothes, fruits, fuel and others that constitute 85 percent of its requirements, thus many Lebanese farmers worry that trade liberalization agreements will leave them in competition with low-cost producers from other countries. Lebanon is a small country that has a slight comparative advantage in the manufacturing industry; it has a large trade deficit due to its high tendency to import (Sawablini, 2001, 98). Moreover, encouraging foreign investment is not necessarily only done by decreasing tariffs. Foreigners favor a stable environment for investment which is characterized by high standards of living, low rates of unemployment, fair public figures and serious legal system. Besides, it is of radical importance to enhance first, local investment hindered by a regain in confidence in the country before attracting foreign investment (Oxford Business Group, 2001: 45).

2. Value Added Tax

The government was also committed to introducing a 10 percent value added tax. VAT is a form of indirect taxation levied on goods and services. Lebanon is adopting VAT as a compensatory measure for the loss of customs revenues, which will result from reductions in import taxes and it is expected to generate 3 to 4 percent of GDP (Oxford Business Group, 2001: 48). The tax is now a worldwide trend, an internationally known consumption tax that figures in almost all recent tax reforms, in addition, it is recommended over the sales tax which creates higher inflation than VAT, and has proven unbeneficial to intermediates constituting a main component of the Lebanese business (Habib, 2001:5). It is applied on almost 7,000 medium and large firms and institutions located in Lebanon. This measure will aid membership in the World Trade Organization and conclusion of the Euro Med trade agreement with the EU (Habib, 2001: 7-8)

D. Lebanon' Comparative Advantages

Globalization could be positive for the countries that are able to be competitive in certain fields, can be open and could adapt to economic and social changes, can be quick enough to follow the pace of other countries who also want to be a part of this global era, and to be able to deal with new trade agreements. At the present time, globalization is working for the benefit of the industrialized countries of the world, in particular the USA and Western Europe. The economies of the developed countries are productive and efficient that renders them very competitive in world markets. As far as the developing countries are concerned such as Lebanon, we need to formulate criteria in order for globalization to be beneficial to such countries.

First, we must be specialized in the production of certain products and services and develop modern methods of production to enable us to produce quality and variety of comparative advantage in trade with other nations. According to David Richards, the famous British economist who developed the theory of comparative advantage, he argues that for a country to enter into global trade and relations with other countries those countries must specialize or have a division of labor that provides them with knowledge and products to compete and benefit form this trade. For example, in relation to Lebanon, we must specialize in producing products and services that are available to us by resources and that we are able to produce in quantities quality better than our neighboring countries. Such products would be olive oil, apples, grapes, tourism, and knowledge. They give us the advantage over many other countries that are producing similar products and services. As a result these products and services that Lebanon specializes in producing could be sold in international markets at competitive prices, which will increase the revenue and employment to Lebanese businesses and labor. Another example is that of the grape industry. Lebanon is able to produce quality grapes, Arak, and wine because of the climate and soil that are suitable for mass-producing such products. Another criteria, the government must provide subsidies just like the US and Europe provide their domestic industries with subsidies in order to encourage and help the Lebanese farmer and business man and make it possible for them to produce such quality products.

Another fundamental requirement is that what trading nations impose on their businesses must be practiced and applied in Lebanon in order for our products to be competitive and acceptable by trading nations.

One must not forget to mention Lebanon's political system. It is not compatible with other countries especially those that we need to deal with. This makes it hard for domestic and foreign businessmen to function smoothly and effectively. Our political system must be more forward-looking.

Finally, the Lebanese economic and political policies must be upgraded and stable. This will get the trust and confidence of trading partners that we in Lebanon need to have in order to gain international recognition and trust. Privatization is a very positive step towards accomplishing national Lebanese goals. If such privatization is based on solid grounds where the government plays a constructive role in protecting the interest of Lebanon, its businesses and future trade with other countries, so globalization could be a positive step towards the economic development of Lebanon. And to prove that we are moving towards economic development, it has been recently announced, on Saturday June 15, 2002, that the Lebanese-French Bank and Audi Bank will merge (MTV Television, same date). By enlarging the size of the bank it will be able to operate as an MNC and it will have the power to compete and serve domestically and internationally. This is a very important step. Another thought would be to allow the tourism industry to grow and flourish so that it will help in the creation of foreign and domestic investments. The government must support tourism in Lebanon. Advertisements and promotions concerning activities that will be occurring in Lebanon during the tourist seasons must be placed on international networks such as CNN and AL Jazira for example. Newspaper and magazine advertising have a high feedback and catch the eye of many potential tourists. There are many ways to enhance the tourism industry in Lebanon; the approach should be more aggressive because the competition is intense. Better family packages should be provided. Tourists who come every year should be offered prizes or discounts. The tourism industry should treat the tourists on a more personalized level.

E. Importance of Lebanese Immigration

The Lebanese people are scattered in two places: one is in their homeland, Lebanon, and the other is the world at large. It is estimated that there are more than 18 million Lebanese all over the world: at home and abroad. Brazil alone is said to have 8 million people of Lebanese origin. There are many important and influential Lebanese people all over the world who have helped to spread the intellectual and cosmopolitan characteristics of our society. Migration seems to be in the blood of the Lebanese. The Phoenicians traveled the world to contribute to the growth of civilizations, and their descendants still do today. Because they integrate so well in the country they choose, the people who hear of them often have no idea that they are Lebanese in the first place (Phares, 2000). The list of renown Lebanese who live in all parts of the world, goes on and on, and these people have helped in the export of Lebanese culture, intellect and skilled labor all over the world. To name a few, one would start with Gibran Khalil Gibran, an artist, sculptor, poet and philosopher, who was also the original author of the words: "Ask not what your country can do for you, ask what you can do for your country". These famous words were particularly made so after they were used by President John F. Kennedy in his inauguration speech to set his new vision for America.

Another interesting person to mention would be Omar Sherif was launched to international celebrity status after his role in Lawrence of Arabia in 1962, which earned him an Academy Award nomination. He is well-known these days as a world-class bridge player and writes a column for *The London Observer* newspaper. Also in the entertainment business we have Gabriel Yared a composer and musician who is the author of the musical scores for movies such as "L'Amant", "The Talented Mr. Ripley" and "The English Patient," which earned him among other rewards an Oscar, an Academy Award, and a Golden Globe award. Also in the entertainment business there are many Lebanese actors like Dany Thomas, Salma Hayek, Tony Chalhoub and Amy Yazbeck. As for the music industry Paul Anka and Shakira top the list among the famous Lebanese artists.

In the world of business, Nicolas Hayek the creator of Swatch, Jacques Nasser, former CEO of Ford and Carlos Ghosn, CEO of Nissan and businessman of the year 2000, who is known as "the cost-killer". He is the first non-Japanese to ever head a Japanese company. In the fashion industry we can name Robert Abi Nader and Elie Saab who are the kings of Middle Eastern haute couture, and Fawaz Gruosi who is the king of the green diamond and president and creator of de Grisogono, a very prestigious jewelry chain. Ralph Nader the US consumer advocate, who ran for President during the 2000 elections in the US. As candidate for the Green Party, he secured about 3 per cent of the total votes, despite the modest financial resources at his disposal.

In recent times also, Lebanon was a founding member of the United Nations. It played a central role in the drafting of the Universal Declaration on Human Rights through its chief UN representative at the time, Dr. Charles Malek. Dr. Malek, in partnership with Mrs. Eleanor Roosevelt, was the prime force behind drafting the declaration and pushing it through the various UN committees that he chaired at that time, to final conclusion. In the UN also Premiere Rachid Karamé was president of the UN General Assembly in 1959, Fouad Sarrouf the former president of the executive Committee of UNESCO, Edouard Saouma the former CEO of the FAO in Rome. All three had very powerful positions. Other Lebanese made it in the United States Congress: Nick Joe Rahall II of West Virginia, Congresswoman Pat Danner of Missouri, Ray Lahoud of Illinois, John Baldacci of Maine, John E. Sununu of New Hampshire, Chris John of Louisiana, and many others. John Sununu became the White House Chief of Staff, and later a political commentator on CNN Television. At the White House also Ambassador Selwa Roosevelt, became America's longest-serving White House Chief of Protocol, Helen Thomas became Dean of the White House press corps, and Donna Shlela rose to secretary of Health and Human Services.

In the field of medicine we notice many significant people: for instance Dr. Joseph Badaoui who is the general secretary of the Faculty of Medecine at the University of Mexico; Dr. Michael Debaghi, the inventor of the heart pump and according to Reader's Digest, "the world's greatest heart surgeon"; Dr. Fouad Salameh Ashcar a specialist in diabetes and the inventor of the Mini Bell; Dr. Phillip Salem who was recently selected as one of America's top doctors in the premier edition of America's Top Doctors, a national guide to outstanding medical specialists throughout the United States. Less than one percent of physicians in the United States have been recognized by inclusion in this national Castle Connolly Guide. Salem was awarded the Ellis Island Medal of Honor by the National Ethnic Coalition Organization (NECO) for "exceptional humanitarian efforts, and outstanding contributions to America." He also received the Medal of Freedom award from the United States Congress. This was given to him for his contributions to science and medicine. Since September

1991, he has been Director of the Cancer Research Program at St. Luke's Episcopal Hospital. Danny Thomas, mentioned earlier among the great comedians and actors, is also the founder of St. Jude's Children's Research Hospital in Memphis. It is one of the leading cancer research institutions in the world and is probably the best cancer center for children. The list could go on and on, and it would be interesting to mention those Lebanese who have won international prizes for example Dr. Peter Medawar, Nobel Prize winner for his research on tissue implant, Dr. Elias Core, Nobel Prize for Chemistry in 1990 and writer-publisher Steven Naifeh, Pulitzer Prize for the biography of Jackson Pollack. Last but not least Amin Maalouf the novelist who won the prestigious "Prix Goncourt" in 1993 (World Famous Lebanese, 2002).

There are so many more names that could have been added to the list that helped in the spread of Lebanese thought, intellect, culture and skill. These people have worked in places all over the world from, the Gulf in the advertising and media industry to Australia and America in all types of fields and industries. To support this idea we quote again the words of Gibran Khalil Gibran: "I believe that you are contributors to this new civilization. You should be able to stand before the towers of New York, Washington, Chicago, and San Francisco saying in your heart, "I am the descendent of a people that built Damascus, Byblos, Tyre, Sidon, and Antioch, and now I am here to help build with you"(World Famous Lebanese, 2002). He contributed by focusing on what America mostly needed, the understanding of that part of man, which is neither visible nor measurable. Gibran spoke about the invisible component of man, where the greatness of man lies. There lies love, compassion, friendship, innocence, goodness and nobility. This is what he himself is remembered for.

Chapter VII

Conclusion

Globalization is a process of economic, political and cultural integration across the world. Spurred on in the past by merchant's explorers, colonialists and internationalists, globalization has in more recent times been acceleration due to improvements in communication, information and transport technology. It also has been encouraged by trade liberalization and financial market deregulation. However, economic globalization in particular presents the people of the world with a range of both threats and opportunities. Recent experience shows that the world is not making most of the opportunities.

The world is experimenting a new age of conquest, reminiscent of the days of colonialism. But whereas the protagonists of previous phases of conquest and expansion were national states, this time the drive for global domination is coming from big companies, major industrial groupings and private finance sectors. Never before have the world's masters been so few in number and so powerful. Globalization aims to conquer markets rather than nation-states. The interests of this modern power lie not in the conquest of territory-as in the days of invasions and colonialism- but in the appropriation of wealth.

The trend of globalization is developing very fast, and the aspects are very complex. The process of globalization is bringing uncertainty and volatility in our lives.

It seems that globalization of the world economy is undermining the traditional power and functions of nation states. However, it does not seem that a well-organized supra-national institution will take place of nation states in the near future, functioning as a kind of universal state. At present, there is no international authority that can control the confusing trend of globalization, instead some regional authorities like EU and various other international organizations such as the WTO, World bank, and IMF are working to implement their policies and rulings in most developing countries to the best interest of corporations.

The changes and volatility caused by globalization are providing opportunities and threats tighter to every individual and every group. The ones who can take advantage of the trend will enjoy opportunities, while others marginalized form the trends seem to be entrenched in worse situation. We have seen that globalization has not been occurring evenly in all parts of the world and that this uneven process has enhanced the growing gap between North and South. At the moment, it seems that the globalization has been a nightmare especially to some poor developing countries.

Moreover, capital is moving fast across the world seeking for higher-profits and can disrupt national economies, changing the life of many people there. The volatility and disruption caused by globalization has been well illustrated by the Asian crisis of 1997, in which the financial markets of several Asian countries fell into turmoil mainly by the raped flight of internationally gambling money. This crisis as well as the presumed remedies to it recommended by the IMF has led to serious economic difficulties in those Asian countries, causing bankruptcies of numerous companies and the high unemployment rates.

Globalization accelerated also in the destruction of the environment as a result of higher exploitation. Large corporations are ravaging the environment or a massive scale and talking advantage of the wealth of nature. They are dong so for the sole purpose of increasing their profits. Their flexibility in changing locations, and the power they exercise upon global institutions permits them to invade rules and regulations promoting higher environmental standards.

This is why ordinary people have been mobilizing and building coalitions against the new ruling powers. From their point of view, globalization is an unfair process that is being conducted with lack of democracy. They see the fruits of this economic order being appropriated by only a few elites. They reject that process and they are rallying their forces against it.

Globalization is inevitable. The solution is not to reject globalization; it is to accept it at our own terms. We must try to modify its course to the benefit of the whole planet.

First, in order to cope with globalization, we must have a worldwide democracy. Global institutions like the World Bank, WTO, and IMF must be democratized. These organizations are dominated by the USA and few other rich European countries; their governance needs to be opened up to include the world's poor, represented by their governments, These organizations are conducting their operations secretly, thus they should be made more open to the public eye. They sometimes make decisions without the consent of those affected by them. Instead, international rules should be set to encourage governments to help improve their countries' and their peoples' conditions. These rules should encourage spending on education, health and welfare. Investments, loans, aid and trade should be provided in order to encourage these countries and help them prosper and grow. Global corporations must be brought under democratic control, this can be sought after by popular movements and organizations by challenging this domination.

Second, the key is to revise programs of the IMF and World Bank. These programs must be planned to respond to each country's economic, social and political situation while supporting labor rights, environmental protection, rising living standards, and providing encouragement for local industry. Also trade agreements must be reformed. The WTO, NAFTA and others regulating international trade must reorient trade and investment to be means for just and sustainable development. This requires mainly opening the rich countries' markets to the poor countries especially in those products where developing countries enjoy a competitive advantage such as agriculture and textiles. Trade must become a win-win procedure for all countries.

Third, global corporations should report investment intentions disclose hazardous material imported, ban employment of children, forbid environmental discharge of pollutants and also not to oppose union organizations.

Fourth, a new financial strategy must be formulated that helps reduce the threat of financial volatility and methods. This strategy must include:

- The establishment of a tax on foreign currency transactions to reduce the volume of destabilizing short-term cross border financial flows and to provide pools of funds for long-term investment in environmental and social developments of the poor countries.
- It should emphasize the application of economic policies based on domestic economic growth rather than the sober measures in the interest of export led growth.
- It also helps counties to adjust currency exchange rates without competitive devaluation

As for the impact of globalization on Lebanon and based on the information and views collected throughout my research, this study concludes that Lebanon is bound to join the globalization pace sooner or later. But it is very important to understand that Lebanon must prepare and strengthen its economy in order to respond to world standards in trade and investments. Moreover, local government and private sector should agree on the strong and the weak points in these sectors, study the situation and formulate strategies that coincide with Lebanese interests. Lebanon needs a competent well-informed team that enjoys negotiation skills and knows how to benefit form tools granted by the accession to WTO, the Arab Free Trade Area, or the Euro-Mediterranean agreement by defending its country's rights and promoting its interests. Also, embracing economic globalization should not leave behind the human and social aspects available. The signature of the Euro-Mediterranean Association Agreement and the Interim Agreement by Lebanon and the EU on 17 June 2002 in Luxembourg marks a significant advance in relations between the EU and Lebanon. The Agreement with Lebanon will contribute to peace and security in the region and will stimulate trade and economic relations between Lebanon and its Mediterranean partners.

For Lebanon to adhere successfully and fully to the new global order, the country must join forces with other Arab counties and compete within a trading block. Alone, the Lebanese economy faces greater challenges. An Arab Union should enhance the development of technology with shared costs, the specialization and increasing efficiency of the countries in specific products or sectors, and higher competition with developed countries' goods and services.

Finally, and most importantly, in order to accomplish economic reforms and to implement new development strategies, which are necessary steps towards globalization, a developing country such as Lebanon is in need of political reform.

Bibliography

Books

Falk, R. *Predatory Globalization: A Critique*. London, UK: Polity Press, 1999

Foreman-Peck, J. *The Historical Foundations of Globalization*. Chettenham, UK: Edward Elgar Publishing limited, 1998

Friedman, Thomas. *The Lexus and the Olive Tree.* Anchor Books, New York, 2000

Krain, Matthew. *Globalization and the Challenges of a New Century*, Indiana University Press, Indiana, 2000

Monsod, S. *Globalization: Challenges and Opportunities*. Manila, Philippines: University of Philippines, 2000,6-15

Sheaffer, Robert. *Understanding Globalization: The Social Consequnce of Political, Ecnomic and Environmental Change*. Rouman Publishing, 2002

Articles:

Journals

Bullard, Nicolla, Walden Bello and Kamal Malhotrs, Taming the Tigers: the IMF and the Asian Crisis, Special Issue on the IMF, Focus on Tyrade No. 23, Focus on the Global South, Bankok, March 1998.

Danziger, Sheldon and Reed Deborah. "Winners and Losers: The Era Continues." *Brookings Review*, Fall 1999: 16

Tarazi, Salam. "Euro-Med Agreement expected to Materialize," *Capital Issues*, February 19, 2001: 23-27

The Oxford Business Group. "Easier Said than Done," *Emerging Lebanon 2001*, 2000: 39

The Oxford Business Group. "In at the Deep End." *Emerging Lebanon 2001*: 45

The Oxford Business Group, "Time Fog Shock Therapy, " *Emerging Lebanon 2001*: 34-35

The Oxford Business Group, "Lebanon dropped from Money Laundering Blacklist." *Emerging Lebanon 2002*: 23

UNCTAD. Trade and Development Report, 1998: 70

UNDP. Human Development Report: Globalization with a Human Face. 1999: Overview

Newspapers

Habib, Osama. "Cabinet considers Draft Law for Value Added Tax", *The Daily Star*, May 3, 2001: 5

Habib, Osama. "Fresh Warnings on Globalization". *The Daily Star*. July 19, 2001:7-8

Mokbel, Liliane. "Simplification, Informatisation et reduction du coût des formalites," *L'Orient Le Jour*, April 28, 2001: 10-11

Siniora, Fouad. "Catapulting Lebanon into Global Economy", *The Daily Star*, January 18 2001:12

Magazines

Karam, Melhem. "Are we global in Lebanon? The Universe is global and man is forgotten." *Monday Morning*, April 30, 2001:24

Lindsey, Brink. "School Brief: One World? *The Economist.* October 18, 1997: 57-59

Mishlawi, Toufic. "The Right Remedy," *The Executive*, April, 2001,24

Nader, George. "We still Believe in Peace: Interview with Prime Minister Rafic Hariri." *Middle East Insight*, Jan-Feb. 2001: 28-30

Sawabini, Nabil. "How to find light at the end of the tunnel." *Lebanon Opportunities*, April 2001:98

Interviews

Makdisi, Samir, Director of the Money and Banking Institute, Interviewed by Author Beirut, March 13, 2002

Internet Sources

Beans, Nick. "When the Bretton Woods System Collapsed, August 16, 2001." Available from http://www.wsws.org/articles/2001/aug2001/bw-a16.shtml Internet

Bishop, Sherly. "Corporate Greed, Multilateral Agreement on Investments: Corporations as Nation-States"; available from http://www.zmag.org/zmag/articles/bishop; Internet

Botkin, Jim. "The Club of Rome: A learning Organization, January 1997." Available from http://newhorizons.org/wward_botkin.html Internet

Cavanagh, John. "Background to the Global Financial Crisis September 1999", available from http://www.ifg.org/cavanagh.html; Internet

Chossvdosky, Michel. "Financial Warfare." Available from http://www.corpwatch.org/trac/globalization/financial/warfare

CNN Report. "US criticized on Climate Change April 21, 2001." Available from http://www.cnn.com/2001/US/04/21/un.environment.ap/index

Country Commercial Guide 2001, Embassy of the USA, Beirut, Lebanon. Available from http://www.usaembassy.com.lb/commguide.htm

Corporate Watch. "Fact Sheet Number One: Corporate Globalization"; available from http://www.corpwatch.org/trac/feature/planet; Internet

Corporate Watch. "Fact sheet No. 2: Corporations and the Global Environmental Crisis", available from http://www.corpwatch.org/trac/feature/planet/fact_2; Internet

Corporate Watch. "Summary of a Study Done by Anderson, Sarah and Cavanagh John: Top 200, The Rise of Global Corporate Power"; available from http://www.corporatewatch.org/trac/corner/glob; Internet

Down to Earth Vol.6, No 23. "Everybody Wants to be Green, April 30, 1998"; available from http://www.oneworld.org/cse/html/dte; Internet

Essential Actions and Global Exchange. "Report: Oil for Nothing: Multinational Corporations, Environmental Destruction, Death and Impunity in the Niger Delta, January 25,2000"; available from http://www.essentialaction.org/shell/report ; Internet

Francisco, Josefa; Sen, Gita. "The Asian Crisis: Globalization and Patriarchy in Symbiosis, February 2000", available from http://www.socialwatch.org/2000/eng; Internet

Fukayama, Francis. " World Order 2001." Available from http://www.ml.com/woml/forum/global.htm Internet

Hahnel, Robin. "Capitalist Globalism In Crisis Part One: Boom and Bust, December 1998"; available from http://www.lolshareworld.com/zmag/articles; Internet

ILO, Geneva. "Country Studies on the Social Impact of Globalization: Final Report, November 1999"; available from http://www.ilo.org/public/english/standards/relm/gb/gb276; Internet

Johnson, Jill. "Earth Day 200: Don't be fooled 2000, April 2000"; available from http://www.earth-day200.org; Internet

Khor, Martin. "IMF Policies in Asia Come Under Fire, January 1998"; available from http://www.asianhaus.org/asiancrisis; Internet

Khor, Martin. "IMF Policies Leading to Foreign Control of Asian Countries, January 1998"; available from http://www.asianhaus.org/asiancrisis; Internet

Lebanon Economic Report, 2000. National US Arab Chamber of Commerce. ""; available from http://www.lebanonembassy.org/country_lebanon/eco_rep; Internet

Lubbers, Ruud, and Koorevaar, Jolanda. "Governance in an Era of Globalization, November 26, 1999"; available from http://cwis.kub.nl/globus/Lubpdfs/Globaliz; Internet

Lubbers, Ruud, and Koorevaar, Jolanda. "The Dynamic of Globalization, November 26, 1998"; available from http://cwis.kub.nl/globus/Lubpdfs/Globaliz; Internet

Middle East News Online. "Anti-Money Laundering Bill Approved by Cabinet, February 23, 2001"; available from http://www.middleeastwire.com/lebanon/busines; Internet.

Naharnet, "Lebanon's 2001 Budget Deficit Reduced. January 22, 2002." Available from http://www.naharnet.com :Internet

Pawelski, Natalie. "CNN Report: Satellite data proves greenhouse effect, March 14, 2001", available from http://www.cnn.com/2001/TECH/science/03/14/greehouse.gases; Internet

Phares, Walid. "Lebanese Diaspora, 2000. Available from http://www.wlcu.com/leb_diaspora_cir.html; Internet

Prodi, Romano. "Agreement with Lebanon opens way to solid and comprehensive relationship with EU, June 2002", available from http://www.europaworld.org/issue65/agreement/18102.htm; Internet

Retallack, Simon. "Economic Globalization and the Environment, May 2000", available from http://www.uiata/retallack004.htm; Internet

Shehade, Kamal. "Lebanese-European Partnership Agreement as a Pathway to Economic Integration, November 2000", available from http://www.lcps_lebanon.org/pub/books/euintro.html; Internet

Verzola, Roberto. "Globalization & Colonialism-The Third Wave I", available from http://www.ainfos.ca/98/feb ainfos00350.html; Internet

Turning Point Project. "Invisible Government"; available from http://www.turnpoint.org/invisible_text.txt; Internet

Weisbrot, Mark. "Globalization: A Primer. October 1999"; available from http://www.cepr.net/GlobalPrimer; Internet

World Famous Lebanese. Available from, http://www.cedarseed.com/lebfigures.html: Internet.

Television

Murr Television. Evening News, June 15, 2002