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D03117

Distr.
LIMITED

ID/WG.105/2
30 July 1971

ORIGINAL: ENGLISH

United Nations Industrial Development Organization

Seminar on furniture and other secondary
wood processing industries

Finland, 16 August - 11 September 1971

THE FURNITURE AND OTHER SECONDARY 1/
WOOD PROCESSING INDUSTRIES IN LEBANON

Country paper

by

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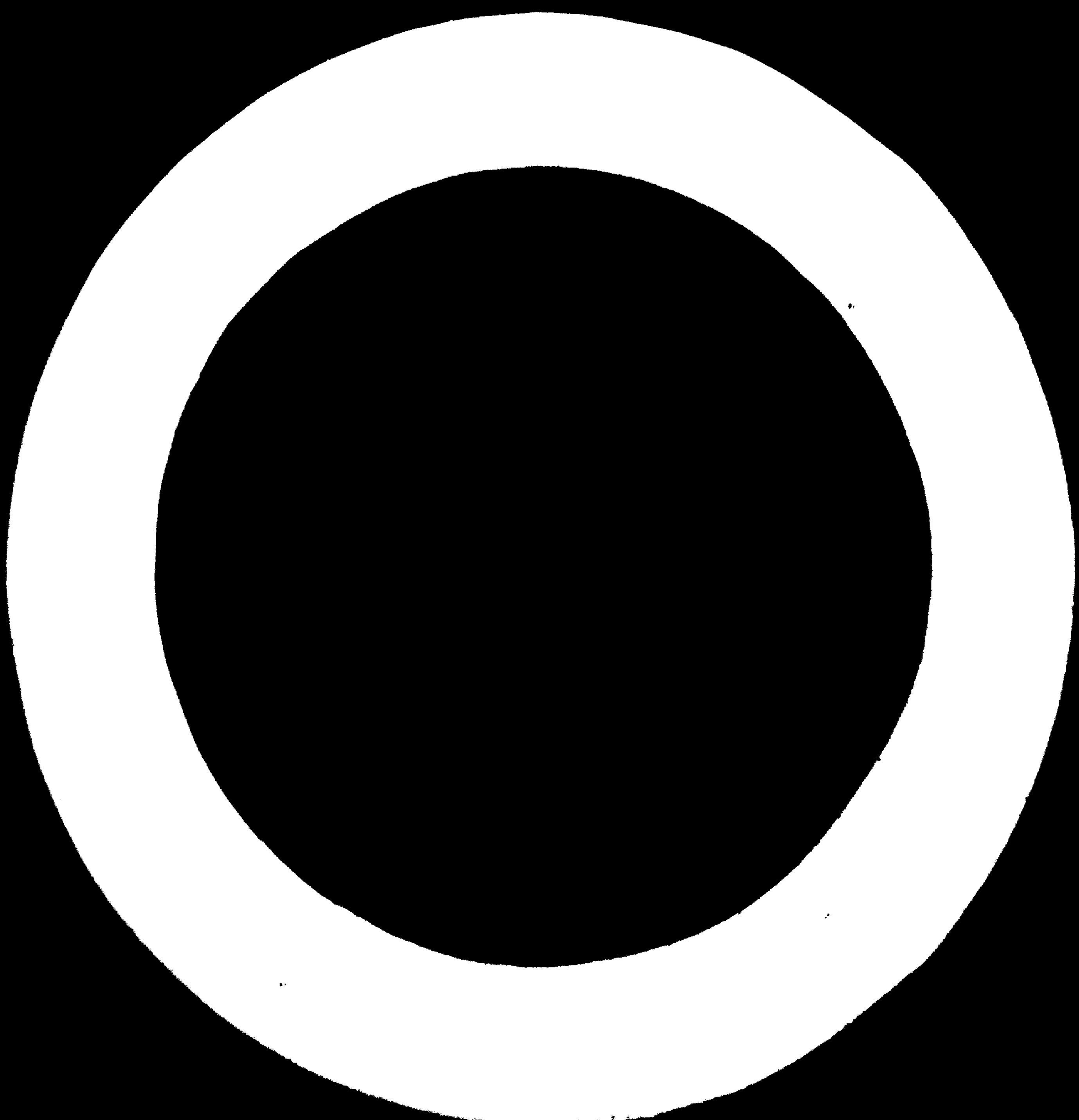
id.71-6097



INTRODUCTION

Lebanon covers an area of some 10,000 square kilometers and its population, about 2.6 million inhabitants in 1969, is estimated to have been growing at an average rate of 2.8 per cent.[1/]

The country is prosperous by comparison with others in the Middle East, but has a rather uncommon economic structure. It is relatively poor in national and mineral resources. Agricultural production is abundant. The industrial sector, though lately undergoing expansion seems to have been held back by the size of the domestic market. The services sector is dominant and has, in the past decade, gained much importance, generating more than two thirds of the gross domestic product.

1/ Projections made by the United Nations Economic and Social Office in Beirut.

I - RECENT PERFORMANCE AND PRESENT STATE OF DEVELOPMENT

The growth of industry during the period 1964 - 1967 has been substantial. Income originating from the industrial secotr increased from LL 410.6 millions[1] in 1964 to LL 494.6 millions in 1967. This growth is also reflected in the increase of the capital of industrial establishments from LL 839.5 millions in 1964 to LL 1,036.8 millions in 1967. The share of the industrial sector in the national income maintained its level during the period under consideration, at around 12.8 per cent of the gross domestic product; trade contributing 30.1 per cent and agriculture 11.2 per cent. The Lebanese economy has a liberal system and the development of manufacturing industries is totally left to the private sector.

The Furniture Industry

The furniture industry is one of the growing industries in Lebanon and produces mainly for the domestic market. In 1966, 294 factories and shops were producing wooden furniture and 89 were producing metal furniture.

Table 1 - Number of industries, number of employees
1965 - 1968

Year	Number of industries	Number of employees	Capital (million LL)
1965	365	5,084	47,000
1966	383	5,137	46,566
1967	404	4,720	42,247
1968	468	5,356	42,004

Source: The Ministry of National Economy: The Industrial Sector

1/ US$ 1 = LL 3.25

II CURRENT PROBLEMS

Conditions in Lebanon

The State plays only a supporting role in the manufacture of furniture. Until recently, the only positive action which the Government had taken, was to provide a very high protection customs tariff (71% duty *ad valorem* for wooden furniture and 28% for metal furniture), which helped the manufacturers of the entire domestic market. However, the action of the State should have been accompanied by export promotion policies to ensure an outlet for the increasing number of manufacturers (see table 1).

Because of the varied nature of the local demand in a narrow domestic market, the majority of firms work with semi-mechanised methods on a more or less industrial scale, without having sufficient production of one or several types of products to be able to organise themselves in a rational way, with a view to mass production.

Productivity

Table 3 - Manpower productivity

1965 - 1968

	1965	1966	1967	1968
Production (million LL)	80.4	90.5	64.5	98.9
Number of workers	5,084	5,137	4,720	5,356
Productivity by worker per annum (thousand LL)	15,814	17,617	13,665	18,465

As can be seen above in table 3, productivity is very low and is not improving or only very little because of the low level of technical and practical competence of manpower and the state of existing equipment.

A rapid improvement in productivity could be achieved by giving the appropriate training to workers as well as cadres.

Some other difficulties which these firms face could be summed up as follows:

(a) Raw materials:

Most of the raw materials are imported, but small and middle-scale industries do not have the administrative facilities, nor the quantity requirements to purchase them directly from the foreign manufacturer. They, therefore, are compelled to obtain imported supplies from the local market.

(b) Location:

The industrial zone is rather limited in area. Available land in the industrial zone is too expensive (i.e. in the neighbourhood of Beirut, an industrial area reaches the figure of LL 80.- to 150.- per square meter). Low cost land could be obtained in other areas but this is situated quite far from the urban centers and thus the question of transport of workers arises.

(c) Exports:

The furniture industry is making great efforts to develop its exports. An important share of these exports is destined to the Arab countries, especially Saudi Arabia, where Lebanese furniture has to compete with that from West Germany and Italy, in particular, which sell their merchandise (of an inferior quality) at prices around 30 per cent cheaper than Lebanese prices. Nevertheless, Lebanon is able to compete in this Arab market, owing to its favourable geographical location which allows for rapid and less costly delivery. Iraq, Jordan and Syria restrict their furniture imports, in order to protect their own industries, but Saudi Arabia and the Gulf States form a very important outlet for Lebanon, due to the non-existence of furniture production in these areas.

Exports of furniture in 1966 were valued at LL 3.5 millions (around 1.1% of total exports): 72 per cent was wood furniture and 28 per cent metal furniture. The wooden furniture exported in 1966 12 per cent of the total production of wooden furniture in that year, estimated at LL 22 millions.

Exports of furniture increased during the period 964 to 1969 as follows:

Year	Million LL
1964	2.2
1965	1.8
1966	3.5
1967	3.6
1968	5.7
1969	8.2

Source: Lebanese National Accounts, 1964 - 1969.
Net of re-exports.

The geographic distribution of Lebanese exports of furniture by destination in 1966, in percentage, is shown below:

Destination	Percentage
Jordan	5.6
Iraq	3.6
Kuwait	19.7
Saudi Arabia	30.5
UAR	2.1
Other countries in the Middle East	21.3
E.E.C.	8.4
Others	8.8

Source: Statistiques du Commerce Extérieur du Liban, 1966, publiée par la Direction Générale des Douanes.

III FUTURE PROSPECTS

The domestic production of furniture as well as their exports could undergo sizeable increase, if measures were taken to:

(a) reduce the duty on imports of raw materials;
(b) liberalise medium and long-term credit;
(c) expand the industrial zones and protect them from real estate speculations;
(d) minimise the administrative formalities for "drawback";
(e) simplify the legal procedures in connection with certificate of origin;
(f) establish a quality control for exported products;
(g) create a semi-public committee for the promotion of exports;
(h) provide the necessary technical assistance in order to create the required expertise for the promotion of exports; and,
(i) persuade the enterprises, especially the small ones, to observe certain predetermined production standards.

Once such more favorable conditions are created, the furniture industry could progress significantly in increasing its production destined for export.

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