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Rural development as part of a strategy for industrial development : the case of Lebanon

Industrial development is related to urbanization. Even when speaking in terms of decentralization, this generally means a concentration into relatively small areas of the following: employment opportunities; educational, medical, and housing facilities; other public services; demonstration effects; high aspirations and expectations of social change.

Government policies are in general biased toward an urban-industrial type of development. Directly or indirectly rural to urban migration is stimulated. As a result, the capacity of the government to distribute the benefits of modern life to rapidly swelling urban populations becomes obstructed. The end result is that governments are unable to meet their often repeated policy objectives of equal distribution of benefits and opportunities to all of the people.

One common approach to urbanization problems is to assume that acceleration of industrial growth can provide employment opportunities sufficient to absorb the rural to urban migratory flow. But should industrial development be unable to absorb the surplus urban unemployment, then an employment policy must become a cornerstone of rural development and rural development, in turn, a cornerstone of industrial development. The only alternative appears to be a repetition of the problems of the industrial revolution as they occurred in the more developed countries.

In order to evaluate this problem in Lebanon, a short discussion of the following is presented: the growth of industry, industrial employment, industrial and urban concentration. Rural to urban migration is discussed as part of the problem of urban concentration.

GROWTH OF INDUSTRY

Between 1950 and 1965, industrial products made up 13 % of the Lebanese GDP⁽¹⁾. By 1968, this figure had remained the same while the percent share of agriculture had declined from 20 % in 1950 to ten percent in 1968⁽²⁾. Furthermore, average annual growth rates between 1964 and 1968 were estimated at 3.3 % for agriculture and 7.6 % for industry as compared to 7.4 % for the overall growth rate of

GNP⁽³⁾. Thus, manufacturing industries grew at a similar rate to the GNP, agriculture at a slower rate, and services faster than that of GNP.

In terms of sectoral growth, one can conclude that manufacturing and mining industries are not rapidly multiplying. As Chatelus suggests, industry does not play a determinant role in the national product of any country in the Middle East⁽⁴⁾. In terms of value added in industry for 1966, per resident, in dollars, Chatelus estimated the following: 12 (Saudi Arabia), 20 (Iraq), 20 (Jordan), 110 (Kuwait), 65 (Lebanon), and 20 (Syria)⁽⁵⁾.

Another way to look at industrial growth is to consider the scale of industrial activities. Estimates made in 1960 showed that of a total of 7 863 establishments in Lebanon only 3.3 % hired more than 25 workers. About 70 % or 5 513 employed 0-5 workers⁽⁶⁾. Results of a 1964 industrial survey in Lebanon showed that of the establishments surveyed only 6.7 % had the following characteristics: hired more than 50 workers, employed 51.2 % of all workers, incorporated 73.2 % of the total value of investment, used 61.7 % of total electrical power, produced 56.6 % of the value added and paid 59.8 % of total salaries⁽⁷⁾.

In short, "Lebanon possesses a dualistic structure. This is composed of a traditional backward sector and a modern sector that is developing too slowly... to absorb the increase in population..."⁽⁸⁾. It was recommended that "Lebanon follow the adoption of capital intensive technology in the modern sector using as little labor as possible"⁽⁹⁾. But, at the same time, the government was urged to do something about the employment problem⁽¹⁰⁾. A further study of industrial investment in Lebanon in 1969 commented that: "The problem of Lebanon during the next ten years is the creation of a large number of jobs in industry in order to avoid massive unemployment due to relative saturation in the primary and tertiary sectors⁽¹¹⁾. In 1971, Chatelus concluded that: "Manufacturing industry appears like a graft... but it does not make up a fundamental element of the socio-economic life (in the Middle East) exhibiting weak diffusion, superficial mechanization and accumulation of manufacturing capital"⁽¹²⁾.

^(*) This paper is adapted from a presentation given to the Inter-University Colloquium, Institute of Applied Economics Research, St. Joseph's University, Beirut.

(1) A. Y. BADRE, "Economic Development of Lebanon", in *Economic Development and Population Growth in the Middle East*, eds. C.A. Cooper and S.S. Alexander (New York: Am. Elsevier Publishing Co., Inc., 1972).

(2) U.N. Economic and Social Office, *La croissance économique et le niveau de qualification de la population active dans divers pays du Moyen-Orient* (Beirut, April 1971), p. 227.

(3) U.N. Economic and Social Office, *La croissance...*, pp 273-279.

(4) M. CHATELUS, *Données et problèmes de l'industrialisation dans les Etats Arabes du Moyen-Orient, Proche-Orient Etudes Economiques* 68 (Jan.-June 1971): 5-66. Thus, for example, in 1970, industry made up less than eight percent of the GDP of Jordan and Iraq; 4.3 % and four percent of the GNP of South Yemen and Kuwait, respectively; in 1968, 13 % and 3.5 % of the national revenues of Syria and Saudi Arabia, respectively.

(5) CHATELUS, p. 21.

(6) Republic of Lebanon, *Aspects de l'industrie libanaise, 1962-1964* (Beirut, Ministère du Plan, 1964) p. 8.

(7) Republic of Lebanon, *Recensement de l'Industrie au Liban — Résultats pour 1964* (Beirut, Direction Centrale de la Statistique, Ministère du Plan, 1966) pp. 20-21. This survey covered 2 099 establishments hiring more than three workers. Total industrial establishments were estimated at 9 558 of which 4 840 hired less than three workers and 4 718 hired more than three workers.

(8) Republic of Lebanon, *Aspects de l'industrie libanaise...*, p. 80.

(9) *Ibid*, p. 130.

(10) *Ibid*, p. 129.

(11) Translated from the French in the Republic of Lebanon: *Possibilités d'investissement industriel au Liban* (Beirut, Institute of Applied Economic Research, St. Joseph's University and Ministère du Plan, 1969) p. 23.

(12) CHATELUS, p. 15. Translated from the French.

EMPLOYMENT

(13) S. KUZNETS, *Modern Economic Growth* (New Haven: Yale University Press, 1966) p. 110.

(14) KUZNETS, p. 125.

(15) L. BEROUTI, *Les Problèmes de l'Emploi au Liban*, Proche-Orient Etudes Economiques 3 (Jan.-Dec. 1968): 461-471.

(16) BADRE, pp. 166-167.

(17) BEROUTI, p. 468.

(18) Republic of Lebanon, *Enquête par Sondage sur la population active au Liban*, Nov. 1970 (Beirut, Direction Centrale de la Statistique, Ministère du Plan, Jan. 1972). The total population was estimated at 2 126 000; 42.2 % or 897 172 were active or between 20 and 65 years of age (p. 3); the number actually employed was 25 % of the total population or 638 410 (Part 5, Appendix Table 11) leaving 897 172 less 538 410 or 358 762, that is 39 % of the active population unemployed.

(19) Forty percent of 358 762 gives 215 258 or 23 % of the total active population.

(20) C. MAZURE, « Bilan démographique et évaluation perspective de l'emploi au Liban », *Proche-Orient Etudes Economiques* 3 (Jan.-Dec. 1968): 456.

(21) MAZURE, p. 459.

(22) Republic of Lebanon, *L'Enquête par Sondage...*, Part 5, Appendix Table II.

In his historical study of trends in industrial structure and sectoral shares in the economies of many developed countries, Kuznets came to the conclusion that the increased share of the labor force absorbed by the industrial sector "was absolutely and proportionately small despite the long periods covered" (13). The periods studied were over about 100 years. After calculating the percentage change in labor force by sector over the long term, the general conclusion must be that, except for the U.K., Japan and the U.S.S.R., the largest part of the increasing labor force was absorbed into the tertiary sector. In addition, the decline in the labor force in the agricultural sector was, in most cases, 2 or 3 times the increase in labor absorbed by the industrial sector (Table 1). This decline in agricultural labor was primarily due to massive internal migration (14). One conclusion to be drawn is that if similar patterns of industrial development are followed in the less developed countries today, one cannot expect the industrial sector to be able to absorb the increasing urban populations.

Turning now to Lebanon, a recent study suggested that an accelerated industrial development policy could increase the percent of the labor force employed in the industrial sector from 13 % in 1964 to 32.9 % in 1980 (15). On the basis of Kuznet's analysis, this seems unlikely.

Looking more closely at the industrial employment situation in Lebanon, Badre reported that the number employed in industries with five or more workers increased by 6 080 in eight years between the 1955 and 1964 census results or at a rate of 750 workers

per year (16). Should this rate continue, it is far short of Berouti's estimate that the industrial sector must create 13,000 jobs per year up to 1980 in order to minimize the unemployment problem (17). The most recent census of active population as of November 1970, estimated a total population of 2,126,000 excluding camp Palestinians, 42.2 % of whom were active (20-65 years) and 25 % of whom were actually employed. This means an estimated 39 % of the active population was unemployed (18). One can then subtract a certain percentage for those handicapped, disabled, in the armed services, students partially employed or non-working women and still come to the conclusion that Lebanon has a significant unemployment problem. For example assuming that 40 % of the unemployed active population lies in the above categories, the unemployment figure then becomes 23 % of the total active population (19). Estimates made by Mazure show that even with the creation of 6,500 - 7,500 jobs per year between 1960 and 1980, 33 to 34 % of the active population would be unemployed in 1980 (20). Mazure concluded that employment generation should be the major policy objective of the development plan and that this would require a special effort of organization in every aspect of social and economic life, both public and private, if it were to be achieved (21). The latest survey results estimate the distribution of actively employed labor as 18.9 % in agriculture, 17.8 % in extractive and manufacturing industries and 63.3 % in the services (22).

One can conclude that in Lebanon the population has shifted out of agriculture primarily into the service sector and not the industrial sector.

TABLE 1
Change in labor force in three sectors for selected countries (*)

Country	Years	Agriculture		Industry		Difference to be absorbed % year
		Range % of labor force	% year	Range % of labor force	% year	
U.K.	1801-1951	35 to 5	- 0.20 (1)	29 to 57	+ 0.18 (1)	0.02
	1841-1901	23 to 9	- 0.23	43 to 54	+ 0.18	0.05
France	1866-1951	43 to 20	- 0.27	38 to 47	+ 0.11	0.16
	1866-1911	43 to 30	- 0.29	38 to 39	+ 0.02	0.27
Netherlands . .	1899-1947	28 to 17	- 0.23	36 to 37	+ 0.02	0.21
Italy	1871-1951	51 to 35	- 0.20	35 to 40	+ 0.06	0.14
U.S.A.	1870-1950	51 to 12	- 0.49	30 to 45	+ 0.19	0.30
Canada	1901-1951	44 to 19	- 0.50	33 to 44	+ 0.22	0.28
Australia . . .	1891-1947	26 to 17	- 0.16	43 to 48	+ 0.09	0.07
Japan	1872-1960	85 to 33	- 0.59	6 to 35	+ 0.33	0.26
U.S.S.R.	1928-1958	71 to 40	- 1.00	18 to 38	+ 0.67	0.33

(*) Calculations made by the author from S. Kuznets, *Modern Economic Growth* (New Haven: Yale University Press, 1966), pp. 106-107, table 3.2.

(**) Negative sign shows a decline; positive sign an increase.

INDUSTRIAL AND URBAN CONCENTRATION

The problems of urban and industrial concentration appear inseparable from those of industrial growth and employment. The question of industrial concentration is considered first followed by that of urban concentration.

As previously mentioned, the 1964 industrial census of the Lebanese economy showed the overly strong role of only 6.7 % of the industrial establishments surveyed. Around 42 % of the establishments listed were located in the Mohafazat (district) of Beirut⁽²³⁾. Furthermore, 68 % of the number of industrial establishments, 68.2 % of the number of salaried workers, 51.8 % of the total value of investment, 44.3 % of the electrical power consumed, 66.7 % of the value added and 67.9 % of the wages paid were in the city of Beirut and its suburbs.⁽²⁴⁾

By 1966, 64 % of the industrial output of Lebanon was concentrated in only five or six industries: food products, textiles, clothing, hiles, wood and furniture⁽²⁵⁾. In 1968, Berouti estimated that 83.4 % of all the workers in the non-agricultural private sector were employed in Beirut and its suburbs leaving 9.7 % in North Lebanon, 3.7 % in South Lebanon and 3.2 % in the Beqa'a⁽²⁶⁾. In 1971, Chatelus reported that there were only four main industrial concentrations for the entire Middle East. These were: food industry, textiles and confection, tobacco and cigarettes and building materials. These produced 60-80 % of the total value added in industry⁽²⁷⁾. With regard to spatial or qualitative concentration, he suggested that industry was concentrated in a few centers near major population centers or near the location of the product (e.g. oil) with the result that indus-

try was only "marginal in terms of its effects on the whole society"⁽²⁸⁾.

With regard to urban concentration as of 1970, 67.9 % of the urban populations in Lebanon or 42.3 % of the total population was located in the city of Beirut (Table 2). The case of Beirut is similar to that of other countries in the Middle East where a dominant city such as Baghdad, Amman, Damascus and Kuwait, is the rule⁽²⁹⁾. Several obvious reasons appear to be heavily responsible for this characteristic. The first is the natural climatic and physical characteristics of the area⁽³⁰⁾. A second is that migration appears to occur mainly towards the largest urban centers⁽³¹⁾.

Closely associated with the problem of urban concentration of population is the problem of rural to urban migration as well as other forms of migration. The results of a survey in the S.E. suburb of Beirut by J. Phares showed that only 6.1 % of the resident population was born in that suburb while 49.5 % had migrated from rural areas and 20.1 % from other urban areas. Another survey in the Eastern suburbs of Beirut by R. Tabet showed that only 18 % were born in the suburb while 56 % were from rural areas and ten percent from other urban areas⁽³²⁾. Furthermore, Bourgey estimated that between 1945 and 1970, 30 % of the increase in urban population in Lebanon had been due to natural increase with the remaining 70 % due to rural to urban migration⁽³³⁾ and immigration of foreigners into Lebanon. Foreigners make up roughly 47 % of the urban population in Lebanon⁽³⁴⁾.

The 1970 census of active population in Lebanon estimated that 38.6 % of the total rural population was active while 47.5 % of the total Beirut city population was active⁽³⁵⁾. Thus, it

(23) Republic of Lebanon, *Localisation géographique industrielle classée en 51 Secteurs INSEE* (Beirut, Commission de Planification, Groupe Industrie, Ministère du Plan, 1964), 3,320 out of 7,908 establishments or 42 % were in the district of Beirut.

(24) Republic of Lebanon, *Recensement de l'industrie au Liban...*, pp. 14-15.

(25) Republic of Lebanon, *Possibilités d'investissement industriel au Liban...*, p. 97.

(26) BEROUTI, p. 465.

(27) CHATELUS, p. 15.

(28) CHATELUS, p. 25. For example, even greater concentration of industry exists in Jordan. The 1967 industrial census reported that for industries employing ten or more persons, 63 % of the value of fixed assets were in three industries only as follows: phosphate, cement and petroleum refining; that Amman district included over 90 % of all non-productive and productive workers and 95.8 % of total employment. See Kingdom of Jordan, *Manufacturing Industrial Census, 1967* (Amman, Department of Statistics, 1968), pp. 29, 53 and 61, respectively.

(29) Overconcentration of population in prime cities of Egypt is shown by J. L. ABULUGHOD, "Urbanization in Egypt: Present State and Future Prospects", *Economic Development and Cultural Change* 13(3), (April 1965): 313-343.

(30) U.N. Economic and Social Office, *Settlement Patterns and Problems and Related Measures and Policies in Various Countries in the Middle East*, in *Studies on Selected Development Problems in Various Countries in the M.E.* (Beirut, 1967), pp. 31-39. The main areas of population concentration in the Middle East are in a N.W. axis along the Mediterranean sea, in the N.E. in the Tigris, Euphrates Valleys, in oil rich areas and in the S.W. in Yemen. U.N. Economic and Social Office, *Population Bulletin* N° 1, (Beirut, June 1971), p. 6.

(31) U.N. Economic and Social Office, *Population Distribution Urban Growth and Planning in Selected Middle Eastern Countries* (Univ. of Pittsburgh, *Working Paper* N° 15 *Inter-Regional Seminar on Development Policies and Planning in Relation to Urbanization*, Oct. 24-Nov. 7, 1966) p. 9. Migration towards Beirut, the largest urban center was also shown by F.I. KHURI, "A Comparative Study of Migration Patterns in Two Lebanese Villages", *Human Organization* 26(4) (1967): 206-213. This also appears to be the case in Latin America — see for example D.A. PRESTON, *Rural Emigration in Andean America*, *Human Organization* 28 (Winter 1969): 279-286, and D.W. ADAMS, *Rural Migration and Agricultural Development in Colombia*, *Economic Development and Cultural Change* 17(4), (July, 1969): 527-539; and for Africa see U.N. Secretariat, *General Review of International Action and Findings in the Field of Urbanization* (Beirut, Workshop on Administrative Problems of Rapid Urban Growth in Arab States, March 11-22, 1963) p. 14.

(32) Quoted by A. BOURGEY, *Problèmes de Géographie Urbaine*, Hannon V (1970): 97-128.

(33) BOURGEY, p. 112.

(34) BOURGEY, pp. 116-117.

(35) Republic of Lebanon, *Enquête par Sondage...*, part 3, p. 5.

TABLE 2

Population of the capital city as a % of the total population
and of the urban population for selected countries in the Middle East

City	City population (1) (000)	Date of survey or estimate (2)	(1) as % of total population (3)	(1) as % of total urban population (4)
Cairo.	3,349	1960	12.9	33.9
Beirut	1,100	1970	42.3 (1)	67.9
Baghdad	1,826	1965	19.8	45.1
Damascus.	835	1970	13.1	31.5 (2)
Amman.	323	1966	15.4	35.6
Kuwait.	295	1965	63.2	80
Riyadh	300	1968	6.2	30

(1) Estimated by Bourgey prior to the 1970 Census of Active Population in Lebanon which estimated 45 % (see Republic of Lebanon, *L'Enquête par Sondage...*, part 3, p. 2).

(2) Preliminary figures from the 1970 Housing and Population Census in Syria estimate that 38 % of Syria's urban population is in Damascus (see U. N. Economic and Social Office, *Population Bulletin* No 1, p. 51).

(3) Source : A. Bourgey, « Problèmes de Géographie Urbaine », Hannon V (1970) : 125.

(36) U.N. Economic and Social Office, Population Distribution Urban Growth..., p. 5. The article on migration patterns in Lebanon by Khuri mentioned in footnote 31 gives many more detailed reasons for Lebanon. The case of limited credit availability to small farmers in Lebanon is shown by T. STICKLEY, R. MOURACADÉ, Y. KASHSHU, Agricultural Credit for Small Farmers in the Middle East (Beirut, Faculty of Agricultural Sciences, American University of Beirut, November 1972) pp. 7-9 and 26-28. Land tenure problems in Lebanon are detailed in T. STICKLEY, K. SADR, Land Tenure in three Countries of Lebanon (Beirut, Faculty of Agricultural Sciences, Mimeo Pamphlet No. AES 13, American University of Beirut, December 1972).

(37) Republic of Lebanon, *Enquête par Sondage...*, part 3, p. 2. This can be compared with other population densities per km² of 44.7 (Kuwait), 33.2 (Syria), 2.48 (Jordan), 21.7 (Iraq) and 1,309 (Gaza strip) in U.N. Economic and Social Office, *Population Bulletin* No. 1, p. 7.

(38) U.N. Secretariat, Rapid Urban Growth in the Arab States, (Beirut, Workshop on Administrative Problems of Rapid Urban Growth in Arab States, March 11-22, 1963) p. 45 and Chapter 4.

(39) BEROUTI, p. 466.

(40) U.N. Secretariat, General Review of International Action..., pp. 17-19.

(41) U.N. Bureau of Social Affairs, Urban-Rural Population Distribution and Settlement Patterns in Asia: Their Relation to Development Policies (Univ. of Pittsburg, Inter-Regional Seminar on Development Policies and Planning in Relation to Urbanization, Oct. 24 - Nov. 7, 1966) pp. 28-29.

(42) MAZURE, p. 459.

(43) For the latter point see C. ISSAWI, "Growth and Structural Change in the Middle East", *The Middle East Journal* 25 (3) (Summer, 1971): 309-324 and B. A. GREENE, "Comments on Farm Mechanization in Less Developed Countries", *Options Méditerranéennes* No. 11 (Feb. 1972): 76-79.

(44) BEROUTI, p. 471.

(45) CHATELUS, p. 63.

appears that it is the active population that migrates from the rural areas. The general reasons for this migration not only in Lebanon but elsewhere in the Middle East appear to be: the small amount of arable land available per person; a relatively unattractive social, educational, recreational and public health outlook in rural compared to urban areas; slow government efforts towards rural development and limited employment opportunities in rural areas⁽³⁶⁾, not to mention the many pull factors of urban life.

One consequence of this urbanization is the very high density of population in Beirut (26, 382 per km²), in Bourj Hammoud, a Beirut suburb (55,392 per km²), and in Lebanon as a whole (230-240 per km²)⁽³⁷⁾. The main problem appears to be the "high speed of the urbanization process" which causes short run effects such as high rates of unemployment, unequal population distribution and tremendous increases in per capita costs of municipal and private urban services (e.g. sewage disposal, lighting, transport, housing, social services, public health services). One would agree with Derouti when he says that "over-urbanization and over-development of Beirut (and other cities) maintain and reinforce the underdevelopment of other regions"⁽³⁸⁾.

Another consequence is that governments in the area have come to realize the importance of industrial, urban and administrative decentralization. The suggestion put forward by the U.N. is that this decentralization should include: regulation of rural to urban migration rather than regulation of industrial location; and the improvement in the balance and distribution of populations and levels of living between rural and urban areas⁽⁴⁰⁾. It would appear, however, that these objectives cannot be obtained without some forms of regulation of industrial location.

There are many positive regulating devices that could result in industrial decentralization especially in such a small country as Lebanon that has such a good communication network.

Thus, an important method of rural development would include the concept of industrial estates, service centers or rural-urban townships⁽⁴¹⁾. An emphasis on an employment generation policy as a major policy objective was suggested by Mazure⁽⁴²⁾. This could take many forms such as, in Lebanon, by extending the area of cultivated land both through better water storage and by replanting abandoned terraces; the implementation of land reform measures and by the use of labor absorptive crops and technology in agricultural development⁽⁴³⁾. In the words of Berouti, what is required is to stimulate *l'animation rurale*⁽⁴⁴⁾.

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In conclusion, given the evidence of rapidly expanding urban concentrations, the slow growth rate of industry, a sizeable and growing unemployment

problem within the active population, of continued rural to urban migration and of all that this means both with respect to urban and rural development, we can say that any policy of industrial development in Lebanon must consider the problems of rural development as an integral part bearing as much emphasis as any other part. Thus, a "strategy of industrialization" as discussed by Chatelus⁽⁴⁵⁾ should include rural development as an integral part of the whole process.

Photo Roger Viollet



Paysage libanais : Photo prise après Bcharré sur la route de Tripoli