



# Swedish trade and trade policies towards Lebanon 1920-1965

Ahmad Hussein



**Department of Economic History**  
ISBN: 978-91-7459-144-6  
ISSN: 1653-7475  
Occasional Papers in Economic History  
**No. 17/2011**

Licentiate Thesis  
Occasional Papers in Economic History No. 17, 2011

© Ahmad Hussein, 2011



**Department of Economic History**  
S-901 87 Umeå University  
[www.umu.se/ekhist](http://www.umu.se/ekhist)

## Abstract

This licentiate thesis examines the development of Swedish–Lebanese trade relations and the changes of significance for Swedish trade towards Lebanon during the period 1920-1965. The aim of the study is to explore how Sweden as representing a small, open Western economy could develop its economic interests in the emerging Middle East market characterised both by promising economic outlooks, and a high degree of political instability during the age of decolonisation, Cold War logic, and intricate commercial and geo-political factors.

The study shows that the Swedish trade with Lebanon was very small during the Interwar period. It was neither possible to find any formal Swedish-Lebanese trade agreements before 1945. In the Post-War period, the promotion of Swedish trade and trade policies towards Lebanon witnessed more interests from the both parties. Two categories of explanations were found for the periods of 1946-53 and 1954-65 respectively. In the first period the Swedish-Lebanese trade developed in a traditional direction with manufactured goods being exported from Sweden and agricultural products being exported from Lebanon. Furthermore, there were no trade agreements between the two countries. In the second period, several Lebanese attempts were made to conclude bilateral trade agreement with Sweden in hope to change the traditional trade direction, and to improve the Lebanese balance of trade. Sweden was, however, convinced that Lebanon could never achieve a balanced foreign trade at least not on a bilateral basis. To maintain a fair access to the Lebanese market, the Swedish authorities avoided to conclude any trade agreement with Lebanon. Despite the Lebanese concern on the big trade deficit between the two countries, Sweden managed in increasing the trade volumes to the region of Middle East through the transit link of Lebanon.

*Key Words: International trade, international business, foreign trade, transit trade, export markets, trade policy, trade strategy, bilateral trade, trade agreement.*

## Acknowledgements

I would like to thank my supervisor Magnus Lindmark and my assistant supervisor Hans Jörgensen under whose supervision and direction the present thesis has been made. I am greatly indebted to them for the valuable suggestions, guidance, advice and constructive criticism which they so generously extended to me during the preparation of this thesis. Their help and encouragement will long be remembered. I would like to thank Lena Andersson-Skog, Jan Ottosson, Helén Strömberg, Ann-Kristin Bergquist, Thomas Pettersson, Lars Fredrik Andersson, and Fredrik Olsson-Spjut for their valuable comments and insight. Special thanks are owed to Sven Nordlund and Martin Eriksson who offered time at different opportunities for very fruitful discussions. Both of them provided valuable and much appreciated input in the journey of this study. I would like to express my deepest appreciation for the support and encouragement given by the colleagues at the department of Economic History, Umeå University. I also would like to thank Karin Borgkvist-Ljung, Maud Almström Blom, and Therèse Lundin at Riksarkivet in Stockholm for granting me access to and guiding me through relevant archives. Lastly, I wish to thank my wife for her help and everlasting patience during the past several months; and our children for amazing patience and bringing so much love and hope.

Ahmad Hussein  
Umeå, December 2010

# Contents

<b>1</b>	<b>Introduction</b>	<b>8</b>
1.1	Aims and questions	12
1.2	Previous research	12
1.2.1	<i>The historical development of Swedish trade policy</i>	12
1.2.2	<i>Previous research on Lebanese economic development and trade</i>	16
1.3	Key concepts and theory	18
1.3.1	<i>Trade policies</i>	19
1.3.2	<i>Characteristics of Emerging Markets</i>	19
1.3.3	<i>Becoming an Emerging Market</i>	21
1.3.4	<i>Small State Perspectives</i>	22
1.3.5	<i>Small State theory</i>	23
1.4	Methods, sources and delimitation of the study	24
1.5	The outline of the study	24
<b>2</b>	<b>Swedish business interests in the Interwar Lebanese market</b>	<b>26</b>
2.1	Introduction	26
2.2	European penetration of the Middle East before World War I	26
2.2.1	<i>European colonialism and the Middle East after World War I</i>	29
2.2.2	<i>Development of Swedish trade up to 1939</i>	30
2.2.3	<i>Swedish-Middle East trade during the interwar period</i>	37
2.2.4	<i>Swedish-Lebanese trade before 1943</i>	40
2.2.5	<i>Summary</i>	43
<b>3</b>	<b>Swedish business interests in the Lebanese market 1946-1953</b>	<b>45</b>
3.1	Introduction	45
3.2	Swedish-Lebanese trade and trade policies 1946-1953	45
3.2.1	<i>Swedish trade and the international market after WWII</i>	45
3.2.2	<i>Swedish-Lebanese trade and the International Economic Order after WWII</i>	46
3.2.3	<i>Regional trade position of Post-War Lebanon</i>	47
3.2.4	<i>Swedish-Lebanese trade and trade policies 1946-1949</i>	49
3.2.5	<i>Swedish-Lebanese trade in the focus of the Syrian-Lebanese economic separation</i>	54
3.2.6	<i>Preconditions for Lebanese economic development after the separation</i>	56
3.2.7	<i>Swedish-Lebanese trade and trade policies 1950-1953</i>	58
3.2.8	<i>Summary</i>	63
<b>4</b>	<b>Swedish business interests in the Lebanese market 1954-1965</b>	<b>64</b>
4.1	Introduction	64
4.2	Swedish-Lebanese trade relations 1954-1965	64
4.2.1	<i>The scandal of Lebanese re-sale of Swedish Tanker-Ships</i>	67
4.2.2	<i>Two crises: Suez 1956 and Syria 1957</i>	69
4.2.3	<i>The growing Middle East market and the Lebanese Civil War of 1958</i>	70
4.2.4	<i>The Syrian-Lebanese economic manoeuvres in 1959</i>	72
4.2.5	<i>Swedish-Lebanese trade and trade policies 1960-1965</i>	74
4.2.6	<i>Summary</i>	78
<b>5</b>	<b>Concluding discussions</b>	<b>79</b>
<b>6</b>	<b>References</b>	<b>83</b>
6.1	Primary sources and Statistics	83
6.2	Published Sources	83
6.3	Internet Sources	83
6.4	Literature	84

## Figures

<b>Figure 2:1. Swedish foreign trade and balance of trade 1913-1939 (in million SEK, constant 1910/12 prices) .....</b>	<b>31</b>
<b>Figure 2:2. Swedish foreign trade and balance of trade 1913-1939 (in million SEK, current prices) .....</b>	<b>32</b>
<b>Figure 2:3. Exchange rates of SEK in relation to GBP and FRA, 1913-1939 .....</b>	<b>39</b>

## Tables

Table 2:1. Distribution of world trade by geographical regions in 1913 (in percent) .....	26
Table 2:2. Shares of Swedish trade 1913-1939 (in percentage of GDP) .....	31
Table 2:3. Distribution of Swedish exports, selected years 1913-1939 (in percent).....	33
Table 2:4. Distribution of Swedish imports, selected years 1913-1939 (in percent) .....	33
Table 2:5. World's exports as percentages of total world export values 1913-38, selected countries (in million USD) .....	34
Table 2:6. World's imports as percentages of total world import values 1913-38, selected countries (in million USD) .....	35
Table 2:7. Shares of Swedish trade with the Middle East, selected years 1913-1939 (in percent of export/import values in SEK, current prices).....	38
Table 2:8. Values of Swedish trade with Syria/Lebanon 1929-1943 (in SEK, current prices) .....	40
Table 2:9. Preconditions for Swedish imports of vegetable products & fruits from Syria/Lebanon in relation to other countries in the late 1930s .....	41
Table 2:10. Main Swedish imports from Syria/Lebanon 1937-1939 (in SEK).....	42
Table 2:11. Main Swedish exports to Syria/Lebanon 1929, 1934-39 (in SEK).....	43
Table 3:1. Swedish trade with Syria/Lebanon 1939, 1945-49 (in SEK) .....	52
Table 3:2. Main Swedish exports to Syria/Lebanon 1939, 1945-49 (in SEK).....	53
Table 3:3. The share of Swedish trade 1946-1953 (in percentage of GDP) .....	58
Table 3:4. Swedish trade with Lebanon 1950-1953 (in million SEK) .....	61
Table 3:5. Scandinavian trade with Lebanon 1950-1953 (Cif-, and Fob-values in USD) .....	62
Table 4:1. Military coups in Arab countries 1953-1964.....	64
Table 4:2. Values of transit trade of Lebanon 1951-1960 (in Million USD).....	65
Table 4:3. Shares of Swedish trade 1954-1965 (in percentage of GDP) .....	66
Table 4:4. Values of exports/imports between some Nordic countries and Lebanon in 1956-1958 (in SEK) .....	70
Table 4:5. Values of Lebanese trade 1955-1958 (in million USD).....	71
Table 4:6. Number of tourists in Lebanon 1955-1959.....	72
Table 4:7. Volumes of main Swedish products in the Lebanese market 1958-1960 (in SEK, constant prices) .....	75
Table 4:8. Swedish-Lebanese trade development 1962-1965 (in million SEK).....	77

# 1 Introduction

The development of foreign trade and trade politics has often been studied from a high-income country perspective. The bulk of knowledge therefore pertains to trade patterns between the original OECD<sup>1</sup> (Organisation for Economic Co-operation and Development) member states and to a much lesser extent the developing countries. Apart from studies of colonial and post-colonial economic ties with big powers in the West, very few studies have been devoted to the analyses of trade and economic relations between developing countries and the non-colonial Western economies. A deeper understanding of trade between the developing world and the industrialised West would therefore benefit from studies addressing issues, motivations, objectives and general condition for developing trade between minor states. If trade contributes to economic growth and promotes stability through economic interdependence, the conflict potential can be reduced.<sup>2</sup> The historical evolution of trade between the Middle East<sup>3</sup> and the West, and indeed the obstacles for such integration, is therefore worthy of analyses.

The Middle East has for several hundred years been subject to scholarly attention because of the region's strategic geopolitical location, its diverse social and cultural heritages as well as the profound socio-economic and political changes due to the 20<sup>th</sup> century oil economy.<sup>4</sup> To some of the regional economies, oil is more or less the single source to export earnings of so called "Petro-Dollars" that contributed to economic growth and to a powerful role in the international financial community.<sup>5</sup> For the oil exporting countries, GDP per capita grew on average at an annual rate of 5.3 percent between 1950 and 1973, while annual economic growth rates fell to one-fourth between 1973 and 2000. In contrast, the growth performance of the non-oil exporting countries was more stable but also considerable lower. The annual increase of GDP per capita was 2.9 percent during the period 1950 to 1973 and 2.4 percent during the period 1973-2000.<sup>6</sup> The unequal income distribution between the region's oil and non-oil producing economies has therefore fostered different Post-War growth opportunities and trade strategies.

Since the collapse of the Ottoman Empire, the Middle East has been exposed to far-reaching Western domination or rule.<sup>7</sup> After decolonization the Middle East became the playground for both the former colonial powers like Britain and France, and the Cold War<sup>8</sup> rivals: the U.S. and the USSR.<sup>9</sup> Several military coups, revolutions, wars and violent confrontations erupted from this power struggle. In order to safeguard their strategic and economic interests, the superpowers and former colonial powers played a double role, implying that they both created tensions and great risks as well as tried to reach stability by means of crisis management.<sup>10</sup> The current political picture of the region, characterised by internal and international conflicts, is therefore as complicated as it was fifty years ago. The Middle East is thereby a prime example of a political conflict ultimately driven by the struggle for control of natural resources.

---

<sup>1</sup> When the OECD was established in 1948 included the Western European Countries, Sweden, Denmark, Norway, and Turkey. The U.S. and Canada joined the organisation in 1964. Japan joined it three years later. During the next 12 years Finland, Australia and New Zealand also joined the organization. Mexico and Czech Republic joined it in 1994 and 1995 respectively. Hungary, Poland and South Korea joined the organisation in 1996. Source: Weyden (1998), p. 5.

<sup>2</sup> McMillan (1997), pp. 36-37.

<sup>3</sup> In geographic terms there is some argument about the definition of the region that we generally know as the Middle East. One of the definitions concludes that the Middle East consists of the following countries: Jordan, Lebanon, Syria, Iraq, Israel, the west Bank and the Gaza, Egypt, Oman, Kuwait, Qatar, Bahrain, United Arab Emirates, Saudi Arabia, Yemen, Iran, and Turkey. The term of the region covering the countries as the above mentioned definition indicates will be used in this study as the Middle East region. Source: Saleh & Kleiner (2005), p. 56.

<sup>4</sup> Long, Reich & Gasiorowski (2007), pp. 2-3, 67, 98, 136ff.

<sup>5</sup> Ibid, p. 3.

<sup>6</sup> Pamuk (2006), p. 825.

<sup>7</sup> Sayigh (1982), p. 2.

<sup>8</sup> A state of political rivalry, conflict and military tension, and economic competition existing after World War II between the Western World including the US and the USSR, and its satellite states. This struggle for global supremacy lasted for more than forty years. Source: Garthoff (2001), pp.1, 220, 337-338 ff.

<sup>9</sup> Huld, Ries, Mörtberg, Ohlsson & Sandefeldt (2005), pp. 8-10.

<sup>10</sup> Ibid, p. 10.

The economic potential embedded in oil and gas resources have changed the Middle East region from a crossroads of trade between Europe, Asia and Africa into a market in its own right.<sup>11</sup> With about two-thirds of the global oil reserves the region retains supremacy in global oil supplies.<sup>12</sup> Due to the OECD-countries' dependence on imported oil and the subsequent inflow of so-called Petro-Dollars, parts of the region came to play an important role in the World economy.<sup>13</sup> The increasing strategic importance of the region, however, also contributed to international and internal turmoil which gave impediments to growth. During the debate on the so-called natural resource curse, it has been pointed out that periods of economic growth in the Middle East region have been associated with the absence of major conflicts.<sup>14</sup> Thus, in the years surrounding main international events like the two World Wars, the Palestine War in 1948, the Suez-crisis in 1956, and several coups d'états in the 1950s and the 1960s, growth was interrupted or even retrogressing.<sup>15</sup>

The obvious linkages between oil, conflicts and the role of major powers are integral parts of most scholarly work on the Middle-East region in the 20<sup>th</sup> century. Issawi (1982) has for instance explored the impact of trade expansion and the growth of Western - especially British and French - economic-political interests in the region.<sup>16</sup> Owen (1981) has denoted this as a three-stage process directed by the major European powers. This began with commercial trade expansion and was followed by the build-up of financial and commercial structures that were integrated with the Western economies. Finally, through the League of Nations mandate to the European powers, the foreign power's political, financial and commercial dominance was secured after World War I.<sup>17</sup> Since the beginning of the 20<sup>th</sup> century the region has therefore been exposed to profound foreign influences or rule: formally during the interwar years, and informally for many years during the Post-War period.<sup>18</sup> However, a shift was coming during the Cold War. The increased British oil consumption, substituting for nationally produced coal, was foremost based on imports of Middle East oil.<sup>19</sup> This not only generated economic changes for the Middle East oil economies but also altered the British-Middle East political relations, culminating in the 1956 Suez crisis.<sup>20</sup> In the immediate Postwar period economic constraints and weakly military power together with the process of decolonisation caused the decline of British power in the Middle East. The gradual reduction of Britain's dominance first in Palestine and Jordan, and later in Egypt and Iraq paved the way to other Great Powers to increase their presence in the region after the mid-1950s.<sup>21</sup> Simultaneously, as the case in the British mandates the French influence in Lebanon and Syria was gradually diminished in the early 1950s. That is the reason why the U.S. and the Soviet Union increased their influence on behalf of the weakened positions of Britain and France in the region.<sup>22</sup>

After national independence in the 1940s, some Middle East economies have achieved relative prosperity and wealth, whereas others remain poor.<sup>23</sup> This fragmented economic and social development has e.g. been investigated from the perspectives of the unequal economic development,

---

<sup>11</sup> Long, Reich & Gasiorowski (2007), p. 3.

<sup>12</sup> Richards & Waterbury (1996), p. 52.

<sup>13</sup> Long, Reich & Gasiorowski (2007), p. 3.

<sup>14</sup> Sørli, Gleditsch & Strand (2005), p. 142.

<sup>15</sup> Tuma (2000), pp. 217-220.

<sup>16</sup> Issawi (1982), pp. 1-5, 23-27.

<sup>17</sup> Owen (1981), pp. 292-293.

<sup>18</sup> Tuma (2000), p. 219.

<sup>19</sup> Band (1991), p. 179.

<sup>20</sup> Persson (1998), pp. 22-23.

<sup>21</sup> Magnus Persson (1998) comments in his dissertation, *Great Britain, the United States, and the Security of the Middle East - The formation of the Baghdad Pact* (pp. 29-30), the decline of British economic and military power in some parts of the world as following: "Before and during the Second World War, Britain was the second-most powerful power outside the communist bloc in terms of economic, political and military capacity. In the immediate Postwar period, Britain offered America military bases in Britain and the Commonwealth. During the same decade, however, there was an increasingly asymmetrical relationship as the military posture of Britain changed. This resulted in the diminution of her economic and military power relative to the increasing American power, *inter alia* reflected in the weak British domestic economic situation and withdrawal from India, Palestine, Greece and Turkey and finally by the failed British campaign in the Suez Crisis".

<sup>22</sup> *Ibid*, pp. 14-16, 37-42, Long, Reich & Gasiorowski (2007), pp.231-232, 266-267.

<sup>23</sup> Tuma (2000), p. 201.

global integration, bureaucracy and corruption, insufficient or unclear regulations, and the one-sided dependency on oil export.<sup>24</sup> By investigating structural change, economic growth, income distribution, and welfare development from World War I up to the 1990s, Owen & Pamuk (1999) have provided a general analysis of Middle East growth performance. They conclude that small-sized and densely populated countries without oil resources faced serious limits to industrialisation. Countries such as Lebanon and Jordan have therefore tried to take advantages from their speciality and legacies in regional trade.<sup>25</sup> In a recent study, Pamuk (2006) estimated the per capita GDP of the Middle East countries. Despite the sharp rise in oil production and revenues, the relative income gap between the Middle East and the higher income regions of the world has remained approximately the same since the early 20<sup>th</sup> century.<sup>26</sup>

Several scholars have pointed out the role of transit trade as a growth opportunity. According to Stewart (1961), Drysdale (1987), Gates (1998), and Abou-Zeinab (2006) transit trade was of specific importance for the non-oil exporting countries in the region. It provided influx of capital to for example Lebanon, Syria, and Jordan and enhanced economic growth.<sup>27</sup> For Post-War Lebanon, the strategic geo-political location at the Mediterranean Sea enabled to take advantages from economic growth in the surrounding Middle East, especially during periods of regional turmoil.<sup>28</sup> This role was repeated during the Iran/Iraq War of 1980-88, especially in Jordan when its transit trade via Aqaba Port gained a privileged position.<sup>29</sup>

The role of transit trade in the Middle East Region was foreseen already by Issawi (1952) who argued that this specialisation would be a strategy for development for the non-oil producing countries. He based his judgements on the historical role of transit trade in the region and pointed to the fact that the region historically had earned substantial incomes from such trade.<sup>30</sup> More than 40 years later Issawi (1995) also concluded that for many Middle East economies, like Lebanon, Syria and Egypt, transit trade together with other services like tourism and remittances from abroad still played an important role for economic growth and for covering deficits in the balance of trade.<sup>31</sup>

For the specific case of Lebanon, it should be noted that since the 1950s the Lebanese economy has constantly suffered from profound trade deficits.<sup>32</sup> In a recent study by Yamot (2005), Lebanon's balance of trade was estimated for the period 1951 to 2003. Yamot showed that the total value of exports in 1951 only covered 21.6 percent of the total value of imports and by 1960 this was down to around 13 percent. However after 1965, when exports covered around 19 percent of the import value, a peak was reached in 1973 when the increasing trade activities enabled for exports to cover around 42 percent of total import value. But, in the 1980s and 1990s the annual levels of trade deficits went back to roughly the same levels as those in the 1950s and 1960s.<sup>33</sup>

Bessos (1962) showed that while Lebanon's largest trade deficits in 1950s appeared in trade with Western Europe, foremost Britain, France, and the U.S., a few cases of surpluses appeared in trade with some Arab countries. According to Bessos, the greatest trade deficit was with Britain: 52.9 and 56.4 million USD for 1959 and 1960 respectively. The next large deficit was with the U.S., 21.1 and 25.2 million USD for 1959 and 1960 respectively. Next come France with 30.4 and 19.4 million USD for the two years respectively. Moreover, the few favourable trade balances Lebanon had were mostly with Arab neighbouring countries. Lebanon had a surplus in its trade with for example Jordan of a value of 0.7 million USD in 1957, and around 4 million USD in 1960.<sup>34</sup> The relatively large deficit in the balance of trade, however, had to be covered by invisible earnings and capital import. Foreign capital inflows,

---

<sup>24</sup> Drury, Kriekhaus & Luszti (2006), pp. 121-122.

<sup>25</sup> Owen & Pamuk (1999), p. 235.

<sup>26</sup> Pamuk (2006), p. 809.

<sup>27</sup> Stewart (1961), p. 48, Drysdale (1987), p. 88, Gates (1998), p. 115, Kardoosh & Kanaan (2002), p. 5, Abou-Zeinab (2006), p. 56.

<sup>28</sup> Yamot (2005), pp. 149-150.

<sup>29</sup> Kardoosh & Kanaan (2002), p. 5.

<sup>30</sup> Issawi (1952), p. 33.

<sup>31</sup> Issawi (1995), p. 52.

<sup>32</sup> Yamot (2005), p. 123.

<sup>33</sup> *Ibid.*, p. 124.

<sup>34</sup> Bessos (1962), p. 24.

remittances, tourism and transit trade related-services were sources of revenues in financing the trade deficit.<sup>35</sup> It should be admitted from the start that Bessos (1962) already found that some sources of revenues were unstable sources and were tightly connected to the events in surrounding areas. Bessos emphasized, however, that the Lebanese authorities since the 1950s worked for having stable sources of incomes and revenues. In this aspect, Lebanon aimed at developing the agriculture and strove for concluding bilateral trade agreements with more countries. The main reason for concluding trade agreements was the desire of the Lebanese authorities to expand Lebanese exports and to reduce the large deficit in the country's balance of trade.<sup>36</sup>

In the context of the dual Post-War Middle East markets, regional economic growth has clearly been associated with oil extraction. The most important markets and the main focus for the super power rivalry were therefore the oil exporting countries, which had an increasing demand for consumer durables, capital goods, and services. For the oil exporting Middle East economies this demand was to a high degree met by means of transit trade. Here, Lebanon played a major role after 1948, when the Arab countries cut-off their economies ties and boycotted the new established state of Israel.<sup>37</sup> In this respect, the Post-War disorder to some extent facilitated the increased relative economic position of Lebanon in the region.

It is therefore likely to assume that other Western economies than the Great powers looked for opportunities in the region. But for smaller open Western economies, without any colonial heritage and explicit geo-political ambitions, increased trade with the core of the Middle East countries was not easily accomplished. The Cold War logics fostered strong links between the regimes or economical actors of the newly independent Middle East countries and the major Western powers. There were also substantial barriers to entry such as high tariffs, instability, bureaucracy, corruption, and uncertain transactions. Thus, if smaller economies wanted to enter these Post-War markets, transit trade may have constituted a possible way.

With a relatively large and developed industrial base, neutral Sweden was one of these smaller economies that searched for export possibilities. It is likely to assume that Swedish policymakers and representatives of several large corporations found it worthwhile to investigate the possibilities to expand in the Middle East region because of its future potential. A first choice would therefore probably have been to engage directly in trade with the fast growing oil exporting economies. While the direct access to these larger emerging markets in the light of the contemporary geopolitical order seemed closed, or at least beyond any reasonable calculated costs, transit trade constituted the alternative. Here, Lebanon could have been seen a gateway: the entry to much larger and still unexplored markets. This gives a rationale for exploring the discussions, judgements and preparations that took place among Swedish policymakers and businesses representatives on this issue from the 1920s up to 1965. In essence, this concerns the actual actions taken with regards to the possibilities to establish regular trade relations with the Middle East by using Lebanon as a gateway. Owen & Pamuk (1999) and Issawi (1980, 1982) have for instance shown that Western, especially British and French post-war trade politics in the Middle East were partly determined by previously established commercial interests.<sup>38</sup> Starting from this way of investigation the period in this study is given as it is. Hypothetically speaking, this could also be the case concerning Sweden, why the thesis includes even an analysis of the interwar Swedish-Middle East trade.

---

<sup>35</sup> Abou-Zeinab (2006), pp. 60-62.

<sup>36</sup> Bessos (1962), pp. 42-44.

<sup>37</sup> Harris (2007), p. 237.

<sup>38</sup> Owen & Pamuk (1999), pp. 51-53, Issawi (1980), p. 502, Issawi (1982), pp. 1-8, 11-15.

## 1.1 Aims and questions

This licentiate thesis explores the development of Swedish–Lebanese trade relations and the changes of significance for Swedish trade towards Lebanon from the 1920s up to around 1965. A primary aim is to explore how a small, open Western economy could develop its economic interests in an emerging market characterised both by promising economic outlooks, and a high degree of political instability in the age of decolonisation, Cold War logic, and intricate commercial and geo-political objectives among other actors. For these reasons it is essential to quantify the Swedish–Lebanese trade development, to explore the changes of trade policies and agreements and, finally analysing what factors and motives that underpinned the actions taken by the various actors. The main questions will thus concern the following:

- How did Swedish–Lebanese trade develop from the 1920s up to mid-1960s and are there evidences that the Lebanese market - in terms of growth of trade volumes - was distinguished from the Middle East as a whole?
- How did Sweden promote trade and trade policies with Lebanon during the period and is it possible to distinguish certain phases with specific characteristics during the period in question? If so, which principal motives and factors can explain trade promotion during certain phases?

A primary rationale for a study of this kind is the contribution to better understanding of Swedish trade relations with a developing country. While most previous Swedish economic history works have focused on trade developments with geographically closer or more – in term of volumes – important markets, explorative studies of trade with developing countries are essentially lacking.<sup>39</sup> Even though the value of trade with the developing countries has been rather negligible or marginal in comparison with e.g. the OECD-countries, it is clear that the role of the developing countries have gained substantial attention in the Post-War political debate, e.g. elucidated by the heterogeneous so-called *Dependency School*, focusing both on the terms-of-trade and the post-colonial pattern's hampering effects on economic development. Wallerstein (2007) presents a division of the World economy into *core* and *peripheral* states. While the former are represented by the developed industry nations, the latter peripheral states are dependent on the core states. This dependence is present in two forms: either among weak colonized states or among states with low degree of autonomy and neo-colonial patterns. According to Wallerstein, the economic power position of developed countries complicate for developing countries to benefit from trade with developing countries due to unequal exchanges.<sup>40</sup> Wallerstein's view forms here the departure point of the study on trade relation between Sweden and Lebanon.

## 1.2 Previous research

An overview on previous research will be done with regard to *studies on Swedish trade policies*, and *studies on Lebanese economic development and trade*. The contribution of the study in question is identified in relation to these research areas.

### 1.2.1 The historical development of Swedish trade policy

Since the turn of the 19<sup>th</sup> century, when Sweden by means of structural changes, implying a larger share of refined exports, succeeded to catch-up with and join the European core countries, Swedish foreign trade relations have foremost been studied from the perspectives of the most important markets. The development and changes related to the conditions in Scandinavia, Europe and the USA are therefore specifically investigated in previous research. However, as a small, open economy,

---

<sup>39</sup> Reiter & Jönsson (2002), p. 52.

<sup>40</sup> Wallerstein (2007), pp. 90-92.

Sweden is dependent on a large number of markets for the bulk of export manufactured industry products.<sup>41</sup> This means that even if Swedish foreign trade is dominated by the high income OECD-economies the search for new export possibilities has been of vital importance.

It is supposed that no export market was left untouched by the profound economic-political and geo-political shifts that were associated with the spread of industrialisation, the two World Wars, and the Post-War Cold War. In this regard, for a small industrialised country with a limited domestic market, it was an integral strategy to search for new markets. This was not least important in the context of the interwar experiences of contracted trade and the needs of concluding bilateral trade agreements. Furthermore, the Post-War world division and Cold War logics, when the strategic embargos applied under the guidance of *CoCom countries*, limited the international trade within two economic poles.<sup>42</sup>

In his dissertation, the historian Harald Runblom (1971) investigated the development and actions among Swedish firms, which during the period 1900 to 1940 established subsidiaries in sales and manufacturing in Latin America. In focus was their negotiations' tactics during the process of establishment, the assessments made by Swedish companies of the economic and political situations and their relations with the authorities in Latin America.<sup>43</sup> By using a wide range of primary and secondary sources, not least "letters exchanged between the parent companies and their subsidiaries, representatives and agents"<sup>44</sup>, Runblom found a pattern where several key persons in the Latin American countries were engaged both as officials as well as company representatives. In the context of the spoil system applied in many states, the changes in political power had profound effects on the companies' sales position, which thereby spurred a system based on bribes which generated higher prices and put limits to competition. The decisive factors were thus not high qualities and low prices. The entry of companies into the market in order to introduce products in competition with the established suppliers was made by paying high fees to the contact persons in the form of commissions.<sup>45</sup>

Another and closer market was studied by the economic-historian Sven Nordlund (1994). Nordlund explored the Scandinavian foreign trade relations with the Baltic States between 1918 and 1940 and found that in spite of the growing importance for the interwar East European markets, the Baltic States played a marginal role for Scandinavian exports. The economic crisis of the 1930s forced Swedish export industry to pay more attention to marginal markets like the markets of the Baltic States. In order to reduce the dependence on Britain and Germany, the Baltic States were simultaneously interested in improving their economic relations with smaller West European economies such as Denmark and Sweden. Consequently, the trade possibilities that aroused from this were tempting. Uncertainties were raised with regards to the future independence of the Baltic States. Other reasons for the marginal trade were due to the competition from both Germany and Britain, on which both Scandinavia and the newly independent Baltic States were heavily dependent upon in trade.<sup>46</sup>

The promotion of Swedish-British trade under increased competition between 1929 and 1939 formed the objective for Bengt Nilson's dissertation in history (1983). He concentrated on the British government's efforts to maintain functioning trade with Sweden and the British-German competition for Nordic raw materials. According to Nilson, the interwar protectionist measures and bilateral trade posed a serious threat to Sweden, which had a trade surplus with Britain.<sup>47</sup> The author showed that the Swedish market was a battlefield for Great Power rival interests. However, Britain could also conclude

---

<sup>41</sup> Schön (2000), pp. 82-83, 381-382.

<sup>42</sup> CoCom (Coordinating Committee on Multilateral Export Controls) was established in 1949, during the Cold War, to create a multilateral forum to coordinate their controls on the export of strategic goods to the Soviet Union and its allies. It ceased to function in 1994. CoCom had 17 member states: Australia, Belgium, Canada, Denmark, France, Germany, Greece, Italy, Japan, Luxemburg, Netherlands, Norway, Portugal, Spain, Turkey, the UK and the US. Other countries like Austria, Finland, Hong Kong, Ireland, New Zealand, Sweden, and Switzerland cooperated with CoCom. Source: Cupitt & Grillot (1997), pp. 363-364.

<sup>43</sup> Runblom (1971), pp. 296-297.

<sup>44</sup> Runblom (1971), Swedish Enterprises in Latin America 1900-1940, *American Studies in Scandinavia*, vol. 4, No. 1, p. 25.

<sup>45</sup> Runblom (1971), pp. 310-311.

<sup>46</sup> Nordlund (1994), pp. 243-246.

<sup>47</sup> Nilson (1983), pp. 38-39, 66-67.

trade agreements with other competitors among the Great powers. As the competition became more intense Britain signed in a trade agreement with Sweden in 1933 from which the Swedish-German and Swedish-U.S. agreements followed in 1934 and 1935. Up to 1939, despite the British trade agreement with Sweden Britain's demand for concessions continued and had been one-sided. According to Nilson, it was likely that Britain's demands for a more balanced trade and the British cartel plans with Great powers would have continued to pose a threat to Sweden's sovereignty in foreign trade policy. During World War II this threat was, however, replaced by much more severe infringements, which were imposed by Germany.<sup>48</sup>

Peter Hedberg's dissertation in economic history (2003), specifically studied the Swedish-German bilateral trade relations between 1934 and 1945 and the insecurity built by the so-called clearing agreement. The main research question was related to build-up of the agreement, the conditions circumventing the agreement, and if Sweden was able to protect its interests in Germany. The clearing agreement, initiated by Sweden and put in practice in 1934, was one of the first bilateral agreements that Sweden concluded with the outside world.<sup>49</sup> Because of the fact that Germany traditionally had a regular trade surplus with Sweden, the trade agreements needed to appeal to the Germans. The clearing system simultaneously opted for Sweden to secure the German payments on Swedish financial claims. During the War, Sweden found reasons to distrust the German economy and step-wisely had to abandon the clearing agreement. By the end of the War Swedish-German trade was limited by the Allied forces, and the clearing system collapsed.<sup>50</sup>

The development of Swedish trade with the Soviet Union and Poland during 1946-1952 was studied by the economic-historian Birgit Karlsson (1992). By questioning how foreign trade policies and economic development affected Swedish trade with East European states, three important aspects in her dissertation were dealt with: the general economic development, the Swedish government's economic planning, and the international political development. The first two aspects were, according to Karlsson, the most important for promoting trade with the Eastern economies. However, the international political structure underwent fundamental changes after World War II, not least because of the Marshall Aid to many European countries.<sup>51</sup> Like other countries, the Swedish government regarded the Marshall Aid as necessary precondition for economic reconstruction. According to Karlsson, this economic dependence led to political dependence. As a result, the Swedish economy became integrated with Western Europe while Eastern Europe was disintegrated. The conclusion of her study was that Swedish foreign policy also exerted a direct influence on Swedish trade with Eastern Europe and the Soviet Union because of the adaptation to the embargo rules of the CoCom countries.<sup>52</sup>

In the context of the Post-War European integration, the economist Lars Lundberg (1976) examined in his dissertation the effects of existing barriers to European trade and of changes in trade policy on Swedish economy during the 1960s.<sup>53</sup> His starting point was that trade policies affected the degree of international economic integration. Lundberg explored that the establishment of the EEC<sup>54</sup> (European Economic Community) and the expanded common market within EFTA (European Free Trade Area), led to an extensive reduction of customs and import barriers. Accordingly, the trade within the EFTA group increased on the expense of the EEC countries.<sup>55</sup> The empirical evidence of the study confirmed that there were substantial tariff effects on Swedish exports to EFTA member states. The conclusion of

---

<sup>48</sup> Ibid, pp. 161-63.

<sup>49</sup> Hedberg (2003), pp. 243-244.

<sup>50</sup> Ibid, pp. 245-253.

<sup>51</sup> Karlsson (1992), pp. 245-246.

<sup>52</sup> Ibid, pp. 246-247.

<sup>53</sup> Lundberg (1976), p. 382.

<sup>54</sup> The signature, on March 25, 1957, of the Treaty of Rome witnessed the establishment of European Economic Community (EEC). France, West Germany, Italy and the three Benelux: Belgium, the Netherlands and Luxembourg were the six states which founded the original EEC. From 1959 to 1968, all tariffs among the member states were gradually abolished, and a complete customs union with a moderate external tariff was created, while free movement of labor, services, and capital was to be gradually achieved. Source: Crouzet (2001), p. 204.

<sup>55</sup> EFTA was established in Stockholm in 1960 by Sweden, Denmark, Norway, Austria, Portugal, Switzerland and the UK as a trade bloc alternative for European states who were either unable to or chose not to join the EEC. Source: Crouzet (2001), p. 205.

the effects of Sweden by joining EFTA and by staying out of EEC was that the greater the tariff reduction against Swedish products, the larger the Swedish gain in market share.<sup>56</sup>

Another study of economic integration, from a small-state perspective, is the Licentiate thesis in economic history by Hans-Olov Byquist (1998). He explored Scandinavian economic integration from the perspective of foreign direct investments, trade, and international economic cooperation. Byquist showed that the Scandinavian market from 1960s to the 1990s was of more importance for Swedish foreign trade than it was during the first half of the 20<sup>th</sup> century.<sup>57</sup> The rapid acceleration of Swedish trade with other Scandinavian countries occurred at the same time as the increased international economic cooperation took place. In this regard, the creation of EFTA thereby played a significant role for the Nordic countries.<sup>58</sup> The normal pattern for Swedish firms entering foreign markets has, however, been to first establish new business in nearby regions.

The economist Cranmer Rutihinda (1996) studied the entry strategies and strategic roles assigned to Swedish firms entering the emerging markets of Eastern Europe during the early transition period of 1990s. Empirical findings showed that the Swedish establishment strategies were influenced by firm condition, firm's global industry structure, and target market conditions.<sup>59</sup> In general, the entering of Swedish firms to the emerging markets reflected the technological gap between Sweden and the emerging markets of Eastern Europe. This, according to Rutihinda, explained why firm capabilities tended to determine the establishment strategy. High technology firms have long-term goals based on utilizing their latest management system and their modern production technologies.<sup>60</sup> Over all, the high uncertainty associated with the transition towards market economies, privatization policies as well as the changing industry structures had their impacts on the choice of the firms entering the emerging markets during transition period.<sup>61</sup>

Most studies on the Lebanese economic development are related to the colonial impact on the country and the significance of Lebanon's role in the region, not least the impact from institutional and political factors. Few researchers, however, have emphasised the specific role of the international trade in this development, not least the economic relations built between two minor states, such as Sweden and Lebanon. There seemed to be a general lack of studies addressing establishment strategies regarding the Swedish trade promotion in the Middle East region. A small market overview, Rungård (1966), published by the *General Export Association of Sweden* (Sveriges Allmänna Exportförening) is however available as an exception. Rungård investigated the possibilities for Sweden to expand its relatively small trade with Lebanon, which on the one hand had a limited domestic market, but on the other hand - because of its role as an important regional commercial centre - showed promising outlooks. Rungård therefore concluded that Swedish exports to Lebanon had the possibility to end up in other parts of the Middle East, which would be favourable for Sweden. However, this also necessitated that Swedish actors were able to understand the specific Middle East markets and the pattern of Lebanese transit trade.<sup>62</sup>

In conclusion, most previous Swedish economic history works have focused on trade developments with geographically closer or more important markets e.g. the OECD-countries. The explorative studies of trade with developing countries are rather negligible or marginal. Therefore, entry strategies for emerging markets or newly opened markets in the Middle East that have less frequently been explored in the Swedish economic historical literature should form an important research platform. Thus, the contribution of this study to the literature on business interests is a result from studying trade relation between two small countries: an emerging market of a small developing country and a non-colonial Western industrial country. This can contribute to better understanding of Swedish

---

<sup>56</sup> Ibid, pp. 386-391.

<sup>57</sup> Byquist (1998), pp. 133-134.

<sup>58</sup> Ibid, pp. 124-26, and 134.

<sup>59</sup> Rutihinda (1996), p. 148.

<sup>60</sup> Ibid, p. 149.

<sup>61</sup> Ibid, p. 150.

<sup>62</sup> Rungård (1966), pp. 25, 28, 39, 55.

expansion into the oil exporting Middle East economies by means of transit trade when the direct access to these emerging markets seemed closed.

### **1.2.2 Previous research on Lebanese economic development and trade**

The transit trade between Europe and the Middle East region has for ages played an important role for the Lebanese economy. At the end of the nineteenth century, Lebanon was already integrated into the world capitalist economy through trade, by which European manufactured goods were traded for Lebanese primary products.<sup>63</sup>

Prior to World War II, despite the competition from the Seaport of Haifa in Palestine, The Suez Channel, Port Said in Egypt or Alexandretta in Turkey, the port of Beirut had developed to an important transit port of the Middle East in the 1930s.<sup>64</sup> Most transit and re-export trade between Europe and the Middle East region went through Lebanon. About one third of the transit-entry trade shipped to the West originated from the region, while a majority of Beirut's transit trade was destined for the Middle East.<sup>65</sup> However, the transit trade through Lebanon became the most global in the region after 1945.<sup>66</sup>

The increased share of transit trade in the Lebanese economy was not only due to geographical factors. Transit trade was also spurred by specific national policies, shifting international relations and the socio-economic and political developments in the surrounding Middle East countries after World War II.<sup>67</sup> Through the port of Beirut transit trade included diverse goods and gold, which were transported through the country to the final destination. According to Issawi (1966) 30 percent of World gold traffic passed through Lebanon in 1951.<sup>68</sup> In addition, transit trade included re-export, mostly of imported industrial products, after a temporary stay in the country.<sup>69</sup> At the same time, the transport of crude oil through pipelines from Saudi Arabia and Iraq needed pipeline terminals and refineries that were built in Lebanon to refine many of finished oil products before further transportation to the West. The transport of Arabian oil to the West through Lebanon contributed to evolve the Lebanese transit trade and to increase the profits from this trade.<sup>70</sup> According to Owen & Pamuk (1999), almost two-thirds of the Arab oil surplus found its way to Beirut between 1956 and 1965.<sup>71</sup> The average amount of oil transported to the Lebanese oil terminal at Sidon, were e.g. 368.000 and 473.000 barrels per day in 1958 and 1968 respectively.<sup>72</sup> Regular payments for the crossing pipelines through the country, transit fees, trade profits, foreign exchange earnings demonstrate the relative importance of transit trade.<sup>73</sup> These earnings, added by remittances from Lebanese emigrants abroad, were used to counterbalance the trade deficit, and invested in real estate, banking institutions and tourism or ended up as deposited in commercial banks.<sup>74</sup> During the 1950s and 1960s, the annual ratios of commerce and services (transit trade, financial activities, transportation, remittances, and other services) constituted two-thirds of Lebanon's GDP.<sup>75</sup> Thus, the value of transit trade revenue increased from around 0.32 million USD in 1951 to over 547 million USD in 1968.<sup>76</sup>

In conclusion, the transit trade was the main key to Lebanon's economic growth. Yamot (2005) has pointed out that the transit link of Lebanon between the Middle East and the Western markets was unique in many aspects: time saving and shorter geographical distances, liberal trade and the existence

---

<sup>63</sup> Gates (1998), p. 13.

<sup>64</sup> Ibid, p. 31.

<sup>65</sup> Ibid, p. 30.

<sup>66</sup> Ibid, pp. 115-117

<sup>67</sup> Abou-Mosleh (2007), pp. 15-16.

<sup>68</sup> Issawi (1964), p. 284.

<sup>69</sup> Abou-Zeinab (2006), pp. 56-57.

<sup>70</sup> Gates (1998), p. 115.

<sup>71</sup> Owen & Pamuk (1999), p. 158.

<sup>72</sup> Stevens (1996), p.7.

<sup>73</sup> Ibid, p.8.

<sup>74</sup> Abou-Zeinab (2006), p. 57.

<sup>75</sup> Gaspard (2004), p. 69.

<sup>76</sup> Own estimation to US\$ based on statistics in million of Lebanese Pound (Central Administration of Statistics).

of traders and trade agents with long commercial experiences and wide contacts.<sup>77</sup> It concerns, according to Yamot, the Lebanese people with their commercial skilfulness, their distribution and connections in the world representing a regional and global human resource, and finally a shorter waterway between Beirut and Europe and the interior Middle East region compared with other Seaports in the region.<sup>78</sup>

Previous research on Lebanese economic development has focused on the institutions and organisations that support Lebanon's merchant economy by analysing the country's historical political economy and surveying its political and socio-economic conditions. While almost all scholars recognise the leading role of trade and financial services in the Lebanese economy, very few have studied the significant role of transit trade. Although these scholars have studied the trade sector as a whole, they implicitly emphasise the role of transit trade in economic development after World War II. A notable exception is Yamot (2005) who emphasises the long-term development and evolution of foreign trade including the transit trade.

Salibi (1966) has analysed the Merchant republic of Lebanon with a focus on its regimes during the period of 1943-58. Salibi is clearly enthusiastic over the economic achievements by the consecutive governments during the merchant republic/presidency of Khoury and Chamoun, despite existing corruption, and claims that the Lebanese governments were responsible for what he describes as "the country's phenomenal prosperity and stability". Furthermore, Salibi describes Lebanon as being developed into "a highly prosperous country with considerable social development" and explains this as an outcome of "well-ordered foreign relations, and a remarkable degree of stability". Salibi's view was probably common during the period when dictatorships were emerging everywhere in the region and abolishing democratic practice. In contrast, the Lebanese merchant republic enlightened the ideal of constitutional life and guaranteed the freedom of enterprise and democracy.<sup>79</sup>

Gates (1998) has also described the Lebanese Merchant Republic 1946-1958 as a particularly dynamic, open and vibrant economy, characterised by political stability. Gates explained the Lebanese "Economic Miracle" in the 1950s, by the establishment of laissez-faire policies and institutions, and the dissolution of the Syrian-Lebanese Customs Union.<sup>80</sup> In short, liberal policies and new institutions were seen as driving forces behind the increase of business and a high grade of international confidence in the Lebanese market.<sup>81</sup> This economic order was backed by the political elite, and was sustained on a strong currency and on the mobilization of domestic private capital. This further attracted foreign investment, and promoted a growing variety of service exports. The role of the exchange rate mechanism was to encourage international confidence and to attract financial inflows, facilitate import and transit trade movements and manage inflationary pressures.<sup>82</sup> Gates concluded that while Lebanon's open economy benefited the interests of the dominant elite, it was less successful in contributing to nation-building and economic prosperity that could meet the needs of the majority of the Lebanese people.<sup>83</sup>

These views were also emphasised by the French delegation from *Institut de recherche et de formation de développement harmonisé* (IRFED) which after studying the Lebanese economic and social circumstances, presented a report 19 October in 1960. Here they warned for the rising gap in living standards and the risks associated with high concentration of economic wealth, only benefited a small group of dominant elite.<sup>84</sup>

It is worth noticing that the comparatively strong economic development during the Lebanese Merchant Republic is not confirmed by Angus Maddison's GDP per capita figures (2001). According to

---

<sup>77</sup> Yamot (2005), p. 150.

<sup>78</sup> A ship from London needs 21 days to reach Basra in Iraq, while it can reach Beirut in 15 days. The waterway by ship between Marseilles and Basra is 20 days, while it is only 5 days between Marseilles and Beirut. A ship from Romania or Slovakia needs 28 days to reach Basra in Iraq, while it can reach Beirut in 4 days. The waterway by ship between the southern Ukrainian port city of Odessa and Port Said in Egypt is 30 days, while it takes only 8 days to reach Beirut. Source: Yamot (2005), p. 150.

<sup>79</sup> Salibi (1966), pp. 214-215.

<sup>80</sup> Gates (1998), pp. 90-91, 136.

<sup>81</sup> *Ibid.*, p. 85.

<sup>82</sup> *Ibid.*, p. 9.

<sup>83</sup> *Ibid.*, p. 150.

<sup>84</sup> Yamot (2005), p. 22.

Maddison, Lebanon's annual GDP per capita growth was 2.05 percent between 1950 and 1956. This may be compared with Syria, which reached 6.7 percent, Israel 5.9 percent and Turkey 4.4 percent.<sup>85</sup> Even though parts of the Lebanese economy may have flourished, the general growth performance was not convincing even during the years of the Merchant Republic. If we turn to the period 1959 to 1979, Lebanese GDP per capita growth fell to 1.9 percent, while at the same time the corresponding growth rate for Syria was 3.4 percent, Israel 4.3 percent and Turkey 3.1 percent. The regional leader in terms of economic growth during the period was Saudi Arabia, with an average annual growth rate of 6.8 percent.<sup>86</sup>

The positive view on Lebanese economic development is also questioned by Gaspard (2004) who evaluated the development of the Lebanese Laissez-faire strategy between 1948 and 2002. The Lebanese economy in this period, according to Gaspard, operated in the advantageous context of relatively open and free markets, strong financial condition, large Arab regional market that was available for exports, and an abundant supply of capital. In addition, a dominant local ownership of the ever-increasing financial resources that was concentrated and directed/controlled by commercial banks.<sup>87</sup> Gaspard's main conclusion was that the operation of laissez-faire was not especially efficient. He stressed that the Lebanese economic performance in terms of growth and development not fulfilled the desires as expected in relation to its favourable initial economic conditions. In the period of 1948-1974, Lebanese per capita economic growth was lower than in the neighbouring non-oil countries. But, the seemingly positive economic performance in Lebanon, according to Gaspard, was achieved due to the transfers from households to financial institutions and the government. Workers obtained income support from various public transfers. At the same time businessmen invested little from their surpluses, and governments generally adhered to a minimal policy attitude. Consequently, the economic development was far from sustainable: certain groups and regions remained outside the development chain, even though the laissez-faire policies could provide better opportunities to the Lebanese society as a whole.<sup>88</sup>

In conclusion this means that the scholarly literature offers at least two different pictures of Post-war Lebanon's economic development. While the first stresses a strong economic development related to laissez-faire policies and a liberalised economic climate, the second suggests that Lebanon has one of the worst economic track records, even during periods of political stability in the country. If any of the views were present among the Swedish observers remain to be investigated in this thesis. It means that the materials in form of reports, sent from Swedish representatives in the Middle East to the trade authorities in Sweden, may offer explanations that can shed light on these views.

### **1.3 Key concepts and theory**

In this thesis theory is foremost used as a means to build an interpretative framework. This section will therefore highlight some central and essential concepts with particular relevance for interpreting the empirical finding. As a departure, the interpretative framework is therefore built around three major concepts: *trade policies, emerging markets/economies and small states*. The first concept relates to the substantial contribution of trade policies to international trade and prosperity. The second concept relates to markets in transition while the third concept recognises the specific role of trade and trade policy concerning small states. This is motivated by the fact that the empirical study is focused on two minor states out of which one had the potential to be regarded as an emerging market of its own, or as a gateway to the larger emerging Middle East markets. The following section provides definitions of such concepts and addresses the general theoretical frameworks used for the interpretations of the empirical findings in this study.

---

<sup>85</sup> Maddison (2001), pp. 301-302.

<sup>86</sup> Ibid, pp. 301-302.

<sup>87</sup> Gaspard (2004), p. 222.

<sup>88</sup> Ibid, pp. 222-223.

### **1.3.1 Trade policies**

In general, trade policy combine a country's specific economy with governmental politics and measures to promote foreign trade and influence international trade. Thus, favourable and stabile foreign trade relations mainly pertain to good conditions in trade policies.<sup>89</sup> Since the mid-19<sup>th</sup> century foreign trade has played a major role for global economic performance due to trade liberation, modern transport, new innovations, and large scale mechanization in industry. The international trade performance was based on imports of primary products by industrial countries in Europe and exports of manufactured goods to other continents and overseas countries.<sup>90</sup> However, the Post-War new international economic order entailed the spread of trade, and international investments became more significant for the growth of world economy.<sup>91</sup>

The economist Bhagwati (1989) argued that the existence of the international economic regime, the GATT, has influenced trade policies for the better since 1947. According to him, the mechanisms of this economic regime entailed trade policies, which in turn stimulated free trade and affected political institutions to work for a better presence on international trade scene.<sup>92</sup> A similar view has been discussed by the economists Krueger & Takatoshi (1993). They noted that the increasingly open, multilateral international trade system in the Post-War period served the entire world economy well. The promotion of trade policies between countries based on successive trade negotiations, liberalisation of trade, and low costs of transport and communications contributed gradually to integrate the world economy.<sup>93</sup>

Since the end of Word War II the extensive literature on trade policies has been focused on changes in trade policies and strategies and the role of trade policies in economic growth. Krueger (1978) for example argued in a comparison between the 1950s and 1960s that the changes in the trade policies and strategies of many *LDCs* (Least Developed Countries) were the result from a number of factors – some specific to individual countries. According to her, trade policy changes enabled economists to attempt to estimate the differences in growth prospects for countries employing alternative trade strategies.<sup>94</sup> Krueger (1998) discussed the rapid growth of the East Asian economies by focusing on issues such as the economic productivity, the level of government intervention, and trade policies. According to Krueger trade policies were central to the overall design of policies for economic growth. The economy was growing faster when these countries followed trade policies and outer-oriented strategies based on good conditions a government achieved. The consequences of free trade policies were more rapid growth of exports associated with more rapid rates of GDP growth.<sup>95</sup>

The theoretical framework of trade policies in this study is also based on the perspective that the Post-War international trade system and market conditions played key roles for promoting Swedish-Lebanese trade. The theoretical interpretation of the empirical findings in this study will discuss if the Swedish promotion of trade with Lebanon was encouraged by successive trade negotiations, liberalisation of trade, free financial flows and low costs of transport and communications. Regarding the market conditions the theoretical interpretative discussions will be on the relation between the trade policies and the growth of Swedish exports to Lebanon.

### **1.3.2 Characteristics of Emerging Markets**

The concept of “emerging markets” (EM) was first used in 1981 by Antoine van Agtmael, fund manager of the “Third World Equity Fund” and one of the pioneer investors in developing markets. In his opinion the concept of the “Third World” and the negative subordinate meaning referring to the

---

<sup>89</sup> Kommerskollegium (Rapport 1997:2), p. 30.

<sup>90</sup> Crouzet (2001), pp. 124, 130-133., 164-165.

<sup>91</sup> Tipton & Aldrich (1987), pp. 137-142, 144-149.

<sup>92</sup> Bhagwati (1989), pp. 46-48.

<sup>93</sup> Krueger & Takatoshi (1993), p. 1.

<sup>94</sup> Krueger (1978), p. 270.

<sup>95</sup> Krueger (1998), p. 1514.

developing countries, was simply not regarded as appropriate for an equity fund for investing in such markets, which made him find out a more useful concept: emerging market.<sup>96</sup>

Nowadays, the emerging market denomination, which includes some previous Third World markets, as well as other less developed countries, shows growth potential. In the scholarly world emerging markets are therefore widely used within various investment and research contexts. According to Blázquez & Santiso (2004), emerging markets comprise many Latin American countries, South and East Asia including the Middle East economies. In addition many of the East-Central European and North Africa states belong to this group.<sup>97</sup> Thus, the countries characterised as emerging economies contain roughly 80 percent of the global population which represents around 20 percent of global GDP.<sup>98</sup>

No clear distinction exists between “emerging markets” and “emerging economies”. Generally speaking, both denominations refer to the economic potential of the developing countries and the role of markets.<sup>99</sup> According to Sliburyte & Ostaseviciute (2009), emerging economies are restructuring their economy along market-oriented lines and offer wealth opportunities by means of trade, technology transfers, and foreign direct investments. As a consequence, they are becoming more significant buyers of goods and services than industrialized countries.<sup>100</sup>

While it is easy to classify non-emerging markets, it is more difficult to find common characteristics for an emerging market. According to Kolodko (2003), the most important key characteristic of emerging markets comprises countries which are gradually approaching a path of structural reforms and liberalisation. The qualitative change is about to take place and enables for reaching the advantages of free global capital flows or international trade.<sup>101</sup>

However, the main characteristics of Emerging Markets since the 1990s can be understood from the typology presented by Pereiro (2002). According to him, the move to democratic rules and liberal economic policies would open up the domestic market for international trade and investment. This means that the turn towards stable political governance and liberal economic policies facilitate capital movements and deregulation of financial services in particular, and allow for the sale of state assets to private operators. The removing of trade barriers contributes to incorporate the emerging market into the regional and world economy. In this way, the growth pattern expands into neighbouring countries. Entrepreneurs, investors, managers, venture capitalists, investment bankers, and Multinational Corporations (MNCs) are attracted to enter the emerging market. When capital, goods, services, information, and advanced managerial technologies and practices flow into the emerging market territory, the density of cross-border trade increases substantially. This leads to changes in the structure of economy and provides growth of the financial institutions. This meant that structural changes in for example the entire industries and individual companies contribute to increase production and profits, and spurring the domestic to adapt to international standards of competitiveness. In addition, Pereiro concludes that growing and active stock markets are attracted more financial investors to the country and contribute to increasing growth rates.<sup>102</sup> It is difficult, however, to define emerging markets on the basis of all criteria presented by Pereiro because of the fact that some emerging markets lack economic and political stability.

Since the late 1990s the World Bank has used some criteria guiding to consider countries as emerging markets. According to the World Bank, level of incomes, growth rates, and stage of development offer key attributes to classify an emerging market as it is.<sup>103</sup>

---

<sup>96</sup> An interview by The Wall Street Transcript (TWST) with Antoine van Agtmael, published in the 24<sup>th</sup> of August 2009. Source: [www.twst.com/notes/articles/aan500.html](http://www.twst.com/notes/articles/aan500.html) Date 18 January 2010. See even Šević (2005), p.1.

<sup>97</sup> Blázquez & Santiso (2004), p. 297.

<sup>98</sup> Šević (2005), p.1.

<sup>99</sup> Montoya (2000), p. 5.

<sup>100</sup> Sliburyte & Ostaseviciute (2009), p. 949.

<sup>101</sup> Kolodko (2003), pp. 16-17.

<sup>102</sup> Pereiro (2002), pp. 2-11, 22-31.

<sup>103</sup> Ibid p.22.

### **1.3.3 *Becoming an Emerging Market***

The failure of state-led economic development and the need for capital investment are two main factors of the emergence and development of an emerging market.<sup>104</sup> The adoption of open door policies would replace the traditional governmental interventionist policies aiming at integrating the country into the world economy in order to produce economic growth. Such reforms would enable emerging markets for rationalizing their trade relations and capital investment with industrialized countries.<sup>105</sup> Then, due to the emerging market integration into the global market the increasing two-way trade and capital flows between emerging markets and industrialized countries would reflect the transition from dependence to global interdependence.<sup>106</sup> This is to say that in their trade relation a move from one side dependency to more reciprocal dependence would emerge.

The role of economic reforms and performances such as openness to international markets, government saving, and market-supporting institutions have been discussed in studies on emerging markets. In a study on economic growth in African countries Sachs and Warner (1997) explored the economic reforms implemented in Sub-Saharan Africa which resulted in rapid economic growth. The authors emphasized the role of openness to international markets on the growth process in Sub-Saharan Africa. Sachs and Warner concluded that open door trade policies and market-supporting institutions had a larger quantitative impact on economic growth rates.<sup>107</sup>

In a study by the economists Bigsten & Kayizzi-Mugerwa (2001) on the case of Uganda in 1990s, a set of economic reforms, performances and political progress was evaluated. The authors emphasized the importance of the macroeconomic stability to a successful economic policy. It creates confidence among economic actors and enables them to invest in large long-term projects. Thus, low inflation for example tends to help to stabilise the nominal exchange rate and the general operation of the financial sector. Therefore, the exchange rates of emerging markets, according to the authors, are shown to be remarkably stable and doing well against the standard international hard currencies. Furthermore, long-term financing becomes easier for the business sector, and for trade expansion supportive policies are needed in the areas of taxation, transport regulation and market access.<sup>108</sup>

Bigsten & Kayizzi-Mugerwa argued that a free market economy increases the number of competing interest groups and the potential for political competition. What type of policies are eventually implemented and sustained will depend on the political process. Therefore, the major growth-constraints, according to them, could be found in the political sphere.<sup>109</sup> Also, this view of political influence on emerging markets has been analysed by Sliburyte & Ostaseviciute (2009). They explored that countries in the process of creation of market driven economy still face challenges that come from fundamental problems associated with their traditional economic and political systems. The authors pointed out that a market driven economy requires emerging economies to redefine the role of the government in the development process and to reduce the government's role in the market. Important government tasks include counteracting corruption, since it destabilises the business environment and distorts the development process and slowdowns the entry of foreign investors. Furthermore, structural reforms of financial, legal, and political systems to guarantee a stable economy free from political disturbances and interference are regarded as important.<sup>110</sup> Bigsten & Kayizzi-Mugerwa emphasised that foreign firms can be attracted to seek markets in countries or regions where a sufficient level of infrastructure service provision is ensured. They explained that the lower status of infrastructure causes increased costs for producers, and leads to slowdown their competitive edge in international markets. According to Bigsten & Kayizzi-Mugerwa, a good infrastructure of an emerging market country produces a rapid movement of goods and services at reasonable cost.<sup>111</sup>

---

<sup>104</sup> Sliburyte & Ostaseviciute (2009), p. 950.

<sup>105</sup> Ibid, pp. 949-950.

<sup>106</sup> Ibid, p. 951.

<sup>107</sup> Sachs & Warner (1997), pp. 336, 361.

<sup>108</sup> Bigsten & Kayizzi-Mugerwa (2001), p. 10.

<sup>109</sup> Ibid, pp. 10-11.

<sup>110</sup> Sliburyte & Ostaseviciute (2009), p. 951.

<sup>111</sup> Bigsten & Kayizzi-Mugerwa (2001), p. 10.

In the case of my study, the concept of Emerging Markets is used to cover the new markets in the Middle East region that emerged after World War II due to the decolonisation acceleration process and the independence of new states. In this respect, it will become important to identify to what degree Swedish actors identified reforms and other changes that they believed would lead to the development of the Lebanese and Middle East markets. It is not to be expected that the phrasing “emerging markets” will be found during the studied period, but it is possible that factors identified by Swedish authorities and companies at that time partly corresponded to contemporary definitions of emerging markets.

During the Interwar period, the Lebanese market functioned under French monopoly and the economic and political institutions were created by the mandatory power. It will be worth to investigate and comment if the Swedish trade promotion with Lebanon was limited due to the French present in the country. However, the decolonisation process in the 1940s and Lebanon’s independence in 1943 gave another picture. In the Post-war period, the French influence in Lebanon was not the same as it was during the mandate period and Lebanon now was promoted to an important emerging transit trade market for the Middle East region as a whole. But, Pereiro’s criteria which relates to country specific cases from the 1990s on, makes it necessary to alter and adjust some of the specific characteristics that have been influential in the 1990s in order to suit the situation that was reigned in the immediate Post-War years. Because of the fact that the Post-War situation was marked by specific regulations, prolonged state-involvements and a number of international agreements and treaties it is needed to re-formulate the conditions for Emerging Markets. While structural and institutional reforms are considered as something of the most important today, the situation in the 1940s was circumvented by other restrictions. Regarding the examined period, specific characteristics of the Post-war Lebanese market like the economic system, financial institutions, foreign trade, foreign exchange market, the degree of openness to international market will be evaluated to see if Post-War Lebanon could be considered as an emerging market country or not.

#### **1.3.4 Small State Perspectives**

The small-state perspective used in the thesis is based on the premise that small states face particular problems in the quest for economic prosperity. They have limited domestic economy and are more dependent than larger economies on international trade. Therefore, they need to overcome challenges in their mutual trade relations.

There is no common accepted definition of the term of *small state*. Already in 1968 El Mallakh pointed at difficulties to determine whether a specific country should be considered a large or small state economy, since there was no consistency regarding this dichotomy.<sup>112</sup> More than 30 years later, a report by the Commonwealth Secretariat/World Bank Joint Task Forces on Small States (2000) presented similar views. In short, larger states may also share several characteristics with smaller states.<sup>113</sup>

In Post-war economic literature it has been suggested that small states in general are diversified with respect to their respective economic, social, and political structures. For this reason, most small state definitions are combined with a variety of factors such as geographical size, population size, market potential, administrative, military and economic capacities, resource possession and mobilization.<sup>114</sup> This may explain why for example Krantz (2006) stressed that a small state definition should relate to the research problem and context and the point of departure of the specific study.<sup>115</sup>

The variety of definitions of small states in order to grasp the complexity can also be based on different historical, economic and political contexts of different types of small states. Vital (1967) defined a small state as a country with a population up to 10-15 million people given that the country could be considered as economically advanced or, if the country was considered as economically

---

<sup>112</sup> El Mallakh (1968), p.133.

<sup>113</sup> Report for the Commonwealth Secretariat/World Bank Joint Task Force on Small States (April 2000), p. 3.

<sup>114</sup> Steinmetz & Wivel (2010), pp. 4-5.

<sup>115</sup> Krantz (2006), p. 3.

backward a population up to 20-30 million would indicate that the state was indeed small.<sup>116</sup> Hey (2003) showed that scholars have used three different types of states: micro states with a population below one million people; small states in the developed world e.g. Luxembourg, Switzerland; and small states in the Third World, including former colonies in Africa, Asia, and Latin America.<sup>117</sup>

Many economists have used population size and land area for defining a small state. Chenery and Taylor (1968) and Daniels and Svetličič (2001) classified countries as small those that had a population size up to 15 million inhabitants and a land area under 15,000 square miles.<sup>118</sup> Salvatore (2001) identified states into three categories: large, intermediate, small. Small states were those with a population less than 16 millions. Within small economies, Salvatore distinguished extremely small states with population of less than one million, very small states with up to five million peoples and small states from 5-16 million inhabitants. Without evaluating economic significance of small states, Salvatore focused on the relative performance of small versus large states there intermediate states were eliminated from analysis. The conclusion that was drawn from Salvatore's study is the need to relate small states to their other characteristics, and institutional and financial policies.<sup>119</sup> Salvatore's argument relates a small state to a country with a small GDP, a small share of world trade, and a high trade dependency. Concerning trade dependency of a small state, the volume of trade is relatively higher than in large countries because exporting is a strategy to exploit scale economies and importing is necessary to overcome the lack of investment goods.<sup>120</sup>

### **1.3.5 Small State theory**

To classify a small state, scholarly literature provides two basic approaches to small state theory: Perceptions and behavioural characteristics. Karsh (1988) advocated a perception approach built on unique psychological factor of a small state. According to Karsh, this unique psychological factor originates from the perception that a state is indeed small.<sup>121</sup> A similar view was presented by Hey (2003). She emphasized that if people and the institutions of a country perceive themselves as being a small state, or if other states perceive the state as being small, then the country could be considered as a small country also in a research context.<sup>122</sup>

East (1978) outlined behavioural characteristics. The foreign policy behaviour of small states is affected by the country's ability of utilising available resources. The capacity to act accordingly depends on the size of the economy.<sup>123</sup> East demonstrated three ways of small state foreign policy behaviour. Firstly, the differences in the content of foreign policy are characterized by high or low capacity to act. A lack of capacity to act is due to small size of resources or low level of social organisation. The foreign policy behaviour of low capacity states reflects concern for, and interest in, issues that have an effect on their already low capacity to act. Secondly, small states tend to build relationships with other states that can offer the greatest potential to increase their capacity to act by supplying resources that are otherwise unavailable to them. Examples of relationships may include trade agreements, cartels, access to foreign investment and international grants and loans. Thirdly, small states tend to focus on issues regarding economic growth and development. Therefore, their foreign policies are often focused on trade. Furthermore, they participate in, and encourage, multilateral and international organisations as these institutions provide opportunities to be part of a larger international community.<sup>124</sup>

Krantz (2006) emphasized that small states are more dependent on foreign trade than large states.<sup>125</sup> Krantz explained that this dependence on trade pushes small countries to open up their

---

<sup>116</sup> Vital (1967), pp. 8-9.

<sup>117</sup> Hey (2003), p. 2.

<sup>118</sup> Chenery & Taylor (1968), p. 395, Daniels & Svetličič (2001), p. 214.

<sup>119</sup> Salvatore (2001), pp. 87-88.

<sup>120</sup> Ibid, pp. 88-89.

<sup>121</sup> Karsh (1988), p. 3.

<sup>122</sup> Hey (2003), p. 3.

<sup>123</sup> East (1978), pp.123-134.

<sup>124</sup> Ibid, pp. 136-137.

<sup>125</sup> Krantz (2006), p. 2.

economies regardless of the increased vulnerability to international economic fluctuations. Thus, the small state has to adjust to the international situation. In order to overcome this problem small states tend to cooperate with other small countries and consequently alliance building and participation in international organisations are important.<sup>126</sup> From this follows that small states often have a high foreign trade proportion, find niches in the market, join international organisations at an early stage and seek institutional arrangements which facilitate its performance on the international scene. Finally, a small country is characterised by specialisation; it shows concentration to certain commodities in exports and to a few trading partners.<sup>127</sup>

The promotion of trade between the two minor states Lebanon and Sweden provides a suitable case study to examine the small state characteristics within the context of the development of bilateral relationship.

#### **1.4 Methods, sources and delimitation of the study**

This study primarily relies on qualitative research methods. In addition some quantitative descriptive statistics are used. The investigations that cover the interwar period foremost utilises trade statistics and corresponding information from the yearbooks of Swedish Official Statistics on trade and from the League of Nation. A major problem that needs to be recognised is the relative difficulty of obtaining consistent and reliable information on Lebanon. For the period considered in this study, the Lebanese trade statistics does not provide the same level of detail as the Swedish statistics. Among other things this reflects the political organisation during the interwar period when Lebanon and Syria were governed as French protectorates. Another factor to consider is that the interwar Lebanese economic statistics was never systematised or documented in a specific way of confidence. In contrast, the U.K. authorities were generally recognised for producing more reliable data than other colonial powers.

In order to investigate the Swedish trade policy towards Lebanon, the Swedish National Archive in Stockholm (*Riksarkivet*, RA) provides the primary source of information. Especially, the archives of the Trade Section at the Department of Swedish Foreign Affairs to be found in the 1920-dossier system of the Department of Swedish Foreign Affairs have been used. These archives are only available after a 40 year period of limitation which further explains the chronological delimitation of study. The archive includes reports from the *charge d'affairs* and other representatives of the Swedish government as well as letters and reports from non-official Swedish actors in the Middle East and Lebanon. These sources contain economic-political information on the Middle East region, the Lebanese economy and market, the Swedish trade policies towards Lebanon, and recommendations on trade matters. As such, these reports reflect the subjective opinions and judgements made by the persons involved, as well as analyses undertaken in Stockholm. Since the objective of the study is to understand the Swedish motives for conducting trade with Lebanon it goes without saying that these reports may be biased in the sense that they represent Swedish perceptions only.

With regards to the Lebanese archival materials, it has proven to be very difficult to get access to corresponding archival sources. This implies that the study primarily takes on Swedish perspective and that the Lebanese positions and motives are reflected only in the eyes of the Swedish authorities and other Swedish agents. This of course set limits to the study which must be taken into account. However, in the next step, for the further development of this doctoral project, renewed attempts to obtain authoritative information from the Lebanese Industry and Commerce Chamber, the Lebanese ministry of trade and industry and other governmental organs will be undertaken.

#### **1.5 The outline of the study**

The study is divided into five main chapters. Following the introductory chapter, chapter two provides a historical background to the events that led to the fall of the Turkish Ottoman Empire after World War I and to the rise of European colonial dominance in the Middle East. In this sense, political and economic circumstances that contributed to the incorporation of the Middle East in the world economy will be analysed, followed by the French and British direct control of the region during the

---

<sup>126</sup> Krantz (2006), p. 6.

<sup>127</sup> Ibid, pp. 6-8.

Interwar period. Here, the analysis will focus on Lebanon's intermediary role in the trade between Europe and the Middle East. In this regard the French economic policies applied in Lebanon will be discussed in the context of the promotion of Beirut as a regional commercial centre. The final sections of this chapter study the Swedish foreign trade relations, specifically trade relations with the Middle East and particularly with Lebanon.

In chapter three the Post-war Swedish-Lebanese trade is analysed in the light of the international markets and structures. This concerns the new Post-War international economic order and the Swedish-Lebanese trade after the dissolution of the Syrian-Lebanese Customs Union in 1950. This section includes the underlying political and economic causes of the rise of the Merchant Republic of Lebanon, its steps-wise open economy, and the promotion of Swedish trade up to 1953.

Chapter four contains a study of Swedish-Lebanese trade in the period 1954-1965. It discusses Swedish assessments on trade promotion with Lebanon during periods of war and crises in the region. Finally, in chapter five the conclusions of the study are summarized and discussed in a forward looking perspective.

## 2 Swedish business interests in the Interwar Lebanese market

### 2.1 Introduction

This chapter first introduces a historical background to the events that led to the fall of the Turkish Ottoman Empire and to the rise of European colonial dominance in the Middle East after World War I. In the sense, political and economic instruments that helped to incorporate the Middle East in the world economy are analysed. Described next is the French and British direct control of the Middle East during the Interwar period. Here, the analysis concentrates on Lebanon's intermediary role in the international network of trade between Europe and the Middle East; and on how French economic policies played an important role in the promotion of Beirut as a regional commercial centre. The final three sections of this chapter empirically are studied the Swedish trade relations to the world economy, the Swedish trade relations with the Middle East in general, and with Lebanon in particular by discussing the following questions: How did the Swedish-Middle East trade relations develop after World War I with regards to volume of trade and trade policy from the 1920s until the Lebanese independence in 1943 in the course of World War II? And, which factors can explain this development?

### 2.2 European penetration of the Middle East before World War I

From the beginning of the twentieth century industrialisation and trade enhanced for the spread of technical progress in central sectors of the national economies. This led to changes which altered the prerequisites for production and both widened and enforced international trade activities. International economic growth and trade expansion created new business and trade opportunities. New parts of the world as North Africa, South America, and East Asia became part of the global economy. However, the growing trade with Europe brought the Middle East region into the World economy but under the influences of the colonial powers' ambitions.<sup>128</sup>

The impact of the growing industry in Europe entailed an increase of colonial trade, by which European colonial powers like England and France desired to dominate new parts of the world in search of food, raw materials, and markets.<sup>129</sup> That is to say, that the main economic interests of the colonial powers were the expansion to new markets for their huge industry commodities, and supplies of raw materials from within the Franc or Sterling Zone at the lowest possible cost.

**Table 2:1. Distribution of world trade by geographical regions in 1913 (in percent)**

Region	Exports	Imports	Share of total world trade
Europe	58.9	65.1	62
North America (Canada and the U.S.)	14.8	11.5	13.2
Asia	11.8	10.4	11.1
Latin America	8.3	7.0	7.6
Africa	3.7	3.6	3.7
Australia and Pacific Islands	2.5	2.4	2.4

Source: Kenwood & Lougheed (1999), *"The Growth of the International Economy 1820-2000"*, p. 212.

<sup>128</sup> Owen & Pamuk (1999), p. 5.

<sup>129</sup> Kenwood & Lougheed (1999), p. 143, Yamot (2005), p. 52.

Table 2:1 shows the shares of world trade between continents and regions in 1913 when Europe was responsible for 62 percent of world trade. This reflected the growth of European industry, and at same time the commercial needs of Europe. The average shares of world trade for North America and Asia were around 13 and 11 percent respectively. Latin America had 7.6 percent while Africa and Australia's shares were around 3.7 and 2.4 percent respectively.

The Middle East has always constituted an important line of communication for trade between the East and the West. For centuries, Western traders and sailors had been attracted by India and other Eastern countries, which they could easily reach via the Middle East. However, European colonialism in the Middle East appeared after almost four centuries of the Ottoman Empire's dominance (1520-1918) over Western Asia, South-East Europe and North-East Africa.<sup>130</sup> Due to the collapse of the Ottoman Empire during World War I, many colonies were established under direct European control in the Middle East.<sup>131</sup> It is worth noting that this political penetration and economic expansionism began already during the Ottoman Empire's rule when industrialisation and competition were spread through modernised sea transports. As a result, the major European powers began to compete for new markets and raw materials.<sup>132</sup>

In the nineteenth century the France, Russia and Britain fought for increased influence in the shrinking Ottoman Empire.<sup>133</sup> Political changes in the *Levant* weakened the Ottoman rule in the *Syrian provinces, Mount Lebanon and the region of Beirut*.<sup>134</sup> This enabled for the European powers to penetrate the region both in economic and political terms and favouring European influence.<sup>135</sup> Mohammad Ali of Egypt was the first to establish vital contacts between Egypt and the West. The Egyptian occupation of the Syrian Provinces (1831-1841) by Ali's son Ibrahim Pasha opened up this part of the region to European powers and facilitated the penetration of Western economic/cultural influences.<sup>136</sup> The signing of the Ottoman-European commercial treaties in 1838 introduced principles of free trade. All monopolies were removed and European merchants were allowed to purchase products anywhere in the Empire.<sup>137</sup>

The Lebanese Civil War of 1860 between Christian Maronites<sup>138</sup> and Moslem Druzes<sup>139</sup> entailed the European great powers to reconstitute a political, social and economic character of Mount Lebanon<sup>140</sup> under their influences. Resulting from an agreement between the Ottoman Empire and the western powers of France, Great Britain, Austria, Russia and Prussia, an autonomous district of Mount Lebanon (*Mutasarrifiyya*) with a new government system was set up in 1861.<sup>141</sup> A self-governing Ottoman district of Mount Lebanon was also established in May 1861 under the direct rule of an Ottoman non-Lebanese Christian, chosen by the sultan in consultation with the great powers.<sup>142</sup> The establishment of Mount Lebanon safeguarded the traditional French friendly relations with the

---

<sup>130</sup> Hitti (1957), pp. 661-662.

<sup>131</sup> Owen & Pamuk (1999), p. 5.

<sup>132</sup> Gates (1998) p. 12.

<sup>133</sup> Hitti (1957), p. 697.

<sup>134</sup> Historically, the Levant has been used to describe a geographical area located along the Eastern Mediterranean, especially Mount Lebanon, the region of Beirut and the Syrian provinces. The name Levant states was given to the French mandate of Syria and Lebanon after WWI. Source: Bar-Yosef (1980), p. 101, Gates (1998), p. 18.

<sup>135</sup> Gates (1998) p. 13.

<sup>136</sup> Issawi (1966), pp. 206, 361-366.

<sup>137</sup> Ibid, p. 38.

<sup>138</sup> The Maronites are members of one of the Lebanese Eastern Catholic Churches. Their heritage is going back to Maron in the early 5<sup>th</sup> century. The first Maronite patriarch, Yuhanna Maron, was elected in the late 7<sup>th</sup> century. Today, the Lebanese Maronites represent the majority among the Christian groups in Lebanon and they play an important role in the domestic political and economic life. Source: Gordon (1983), p. 5.

<sup>139</sup> The Druzes consider themselves as an Islamic Unist and Reformatory sect or religious group. They are around one million people and reside primarily in Lebanon, Syria, Jordan and Israel. Source: Gordon (1983), pp. 9-10.

<sup>140</sup> "Mount Lebanon" is the core area of the new state of Lebanon, which was later established by the mandate power. Source: Harris (2007), pp. 226-231.

<sup>141</sup> Hitti (1957), p. 695.

<sup>142</sup> Choueiri (1988), p. 74.

Catholic and Maronites minorities and maintained the cultural influences from the West, which had been in force since the seventeenth century.<sup>143</sup>

The increasing role played by the European powers in protecting minorities or in promoting trade in the Middle East opened for augmented Western political, economic, and cultural influences and reduced the political and economic risks for European merchants in the region. The establishment of French, American and British educational/cultural institutions in Beirut led to an influx of European and American missionaries, educators, and traders.<sup>144</sup> From the 1860s, the Mount Lebanon autonomous district was transmitted to other economic and intellectual centres. Quite rapidly, the Middle East's economy was incorporated into the international network of trade.<sup>145</sup> By the mid-nineteenth century the increasing trade between Europe and the Middle East promoted Great Britain to become the Ottoman Empire's principal trading partner.<sup>146</sup> This led to the competition for control over the Middle East areas among the European Powers and an economic transformation of the region.<sup>147</sup>

The opening of the Suez Canal in 1869 under French-Egyptian hegemony enhanced the strategic importance of the region. European commercial and political interests in the region increased and the Canal came to play an important role for world trade and shipping.<sup>148</sup> Regional political developments led to Great powers' competition for controlling the Canal in attempt to protect their interests. The Russian-Ottoman War in 1877 for example caused European great powers' fears of political and economic chaos and acted to reduce risks for a close of the Canal.<sup>149</sup> The Great powers had to intervene in order to protect their interests. The Anglo-Egyptian agreement of September 1877 gave Britain the advantage as the protector of Egyptian territorial interests including the Suez Canal.<sup>150</sup> However, the British control of the Egyptian administration in 1882 remained the land under nominal Ottoman suzerainty, and a common administration of the Canal between France and Great Britain was established.<sup>151</sup>

The general misrule of the Ottoman government weakened the Empire by the time. After three decades of Sultan Abdul Hamid's dictatorial reign, the Young Turk nationalists revolted in 1908-1909 to change the political and economical scenes.<sup>152</sup> The Sultan implemented a policy of a more Asiatic Empire than a European type. In contrast, the Young Turks aimed to achieve a democratic state based on a Western type constitution. Economically, the Young Turks protested against an economic system based on trade and agricultural development. They supported a more self-reliant strategy based on industrialisation.<sup>153</sup> However, many of liberal policies suggested by the Young Turks were abandoned because of domestic opposition and the empire's engagement in wars between 1911 and 1913.<sup>154</sup> World War I, however, brought forward fundamental changes. The victory of the Entente in the War enabled for the European Great Powers to end the Ottoman dominance in the Middle East region, which was divided into states and colonies in accordance with the League of Nations' and the European Great powers' wishes.<sup>155</sup> Thus, a new era began during the Interwar period.

---

<sup>143</sup> Hitti (1957), p. 701.

<sup>144</sup> Issawi (1966), pp. 206-207.

<sup>145</sup> Issawi (1982), p. 29.

<sup>146</sup> *Ibid*, p. 37.

<sup>147</sup> *Ibid*, p. 37.

<sup>148</sup> Hitti (1957), p. 750.

<sup>149</sup> Hoskins (1943), pp. 374-375.

<sup>150</sup> *Ibid*, p. 375.

<sup>151</sup> Hitti (1957), p. 750.

<sup>152</sup> Owen & Pamuk (1999), p. 12.

<sup>153</sup> *Ibid*, p. 12.

<sup>154</sup> Federal Research Division (1987): "Lebanon, A Country Study", p. 42.

<sup>155</sup> Hitti (1957), p. 751.

### **2.2.1 European colonialism and the Middle East after World War I**

The end of World War I and the fall of the Ottoman Empire implied the appearance of independent Turkey while the Arab territories of the previous empire were divided into independent states like Egypt, and later Saudi Arabia and Yemen, or colonies under direct European control like the mandates, colonies, or protectorates of Britain and France.<sup>156</sup> This gave the region a new geo-political face with the economies that became heavily dependent on European trade.<sup>157</sup>

Local markets for European manufactured exports were promoted through a variety of political and economic instruments. When the League of Nations awarded Britain with the mandates over the new protective states of Iraq, Trans-Jordan<sup>158</sup> and Palestine in 1920-23; and when France was awarded Syria/ Lebanon, two essential economic consequences followed. Firstly, the new political existence of territorial states entailed the creation of new national economies with separate or common markets. Secondly, these economies were subjugated to a common system of economic principles underlying colonial economic management by the mandate powers.<sup>159</sup> These major principles had three aims. Firstly, the colonies should pay for their own investments without any financial aid from the colonial powers. This meant that the basic instrument of the mandate power's economic management was a system by which the revenues of a colony intended to support the build of railroads, telegraphs, and the customs administration itself. Secondly, the colonial currency should be tied closely to that of the colonial power in order to facilitate trade and exchange. Thirdly, the colonial powers should make efforts to monopolize the trade of goods and services with the colonies.<sup>160</sup>

The French mandate, administrating the Arab Syrian provinces and the Mount Lebanon district (*Mutassarrifiyya*) was in 1920 divided into two parts: Syria and Lebanon. The French economic policy was based on neo-mercantilist exchange (*économie de traité*) with Syria and Lebanon, similar to the policies applied in other French colonies. By means of this policy direct French control was established in 1922, implying a *de jure* custom and *de facto* economic union between Syria and Lebanon, and a monetary system with a new Lebanese-Syrian currency based on the French Franc.<sup>161</sup> Consequently, Lebanon's international and regional trade experienced a number of changes. The French export to the Middle-East region expanded due to an increase of bilateral Franco-Lebanese links and the introduction of a common Syrian-Lebanese market. In addition this also meant the application of colonial economic and financial barriers.<sup>162</sup> The expansion of Lebanese regional trade and the French-Lebanese economic relations promoted France as the leading trade partner of Lebanon and Syria. This was the most important change for European trade with the Middle East after the War. France replaced Britain, which had been the largest supplier of exports to the Syrian provinces until World War I. France maintained this position in exchange with Syria and Lebanon until World War II took on, while Britain remained predominant in other parts of the Middle East region.<sup>163</sup>

During the Interwar years, French economic policy played an important role in the expansion of Beirut's regional economic position.<sup>164</sup> This is why Lebanon continued to play the role as an intermediary between Europe and the Middle East. France, Britain, and other European countries produced and supplied manufactured goods to this potential market and the Middle East region became producers of primary products. Under the mandate France was the leading trade partner of Syria and Lebanon and Britain had most trade with Egypt, Iraq, Trans-Jordan, and Palestine. In the

---

<sup>156</sup> Owen & Pamuk (1999), pp. 5-6, and 51.

<sup>157</sup> Ibid, p. 6.

<sup>158</sup> Trans-Jordan constitutes of an area lies east on Jordan River and between Palestine, Iraq, Saudi Arabia and Syria. In 1923 British mandate power recognized Trans-Jordan as a national state preparing for independence. In 1946 Britain and Trans-Jordan concluded an agreement, by which Trans-Jordan was proclaimed as a kingdom, and the name of the kingdom was changed to the Hashimite Kingdom of Jordan. Source: Ryan (2007), pp. 292-297.

<sup>159</sup> Owen & Pamuk (1999), pp. 51-53, 57, 62, and 64.

<sup>160</sup> Ibid, p. 52.

<sup>161</sup> Gates (1998), p. 18.

<sup>162</sup> Ibid, p. 29.

<sup>163</sup> Issawi (1982), p. 38.

<sup>164</sup> Gates (1998), p. 31.

1930s Germany became Turkey's main trading partner and the Soviet Union had the most predominant role in non-oil trade with Iran.<sup>165</sup>

Over all, colonial trade activities in the Interwar period came to increase, however, not only the proportion of world trade of Middle East region but even for the continent of Asia as a whole. Total trade in Asia accounted to 14.6 and 13.1 percent of world trade in 1928 and 1929 respectively. By 1937 the Asian share of world trade had grown to 15.5 percent compared with 11.1 percent in 1913. The Middle Eastern share of world trade was 1.2 percent in 1929 and 2.01 percent in 1937.<sup>166</sup>

### **2.2.2 Development of Swedish trade up to 1939**

As a relatively small and not very densely populated country, but rich in raw materials, Swedish raw-material exports had a major role for the industrialisation process. Added by the industrial innovations from the beginning of the twentieth century, foreign trade had played a fundamental role for economic growth and welfare development.<sup>167</sup> At the same time, this dependence on foreign trade meant that Sweden was vulnerable to outside shocks and world events. Foreign trade thus played a major role for Swedish economic performance from the mid-1890s due to the growth of industry production.<sup>168</sup>

The growth of Swedish trade then enabled for expansion into new markets and for specialisation of production. Increasing demands for Swedish goods necessitated more technology and more specialisation of manufactured goods.<sup>169</sup> Consequently, Sweden promoted free trade policies in order to increase trade volumes and gain more profits from Sweden's trade with other countries.<sup>170</sup> In this manner, the Swedish trade policy since the late 19<sup>th</sup> century has been characterized by relative liberal trade measures.<sup>171</sup>

The outbreak of World War I in 1914 plunged the world into economic recession, and caused a slowdown of international business activities. From 1915-16 blockades and war-related events led to a rapid decline in trade volumes.<sup>172</sup> The fact that Sweden was a neutral and non-belligerent country helped the economy to retain most production capacity in industry and agriculture.<sup>173</sup> Subsequently, Swedish exports could achieve higher levels of growth: 47 percent in the period 1911-15 in comparison to 10 percent in the previous period 1906-1910.<sup>174</sup> In the final years of World War I the preconditions for Swedish trade declined due to warfare actions between the involved countries. Many Swedish industrial plants and factories suffered heavily from the shortages of imported raw-materials and loss of markets.<sup>175</sup>

Table 2:2 shows the shares of the annual Swedish exports and imports in percentage of GDP in 1913-1939. From the table can be seen that exports/imports constituted a significant annual share between 27 and 44 percent of GDP during most years of the Interwar period. The fluctuations, especially during the latter part of the 1930s, show that the Swedish economy was clearly vulnerable to world economic conditions.

---

<sup>165</sup> Issawi (1982), p. 38.

<sup>166</sup> Kenwood & Lougheed (1999), p. 212, Trade statistics by League of Nations (online access: <http://digital.library.northwestern.edu/league/stat.html> Date 16 September 2009.

<sup>167</sup> Krantz (1987), pp.11-12.

<sup>168</sup> Samuelsson (1985) p. 18.

<sup>169</sup> Jörberg (1984), pp. 23-25.

<sup>170</sup> Reiter & Jönsson (2002), p. 52.

<sup>171</sup> Procopé (1935), p. 16.

<sup>172</sup> Ibid, p. 33.

<sup>173</sup> Few days after the outbreak of World War I in 1914 Sweden proclaimed a completely neutrality on 3 August. This was a new declaration of neutrality after different opinions on Swedish attitude on the war. Source: Talvitie (2002), p. 41.

<sup>174</sup> Jörberg (1984), p. 16 and 33.

<sup>175</sup> Ibid, pp. 33-34.

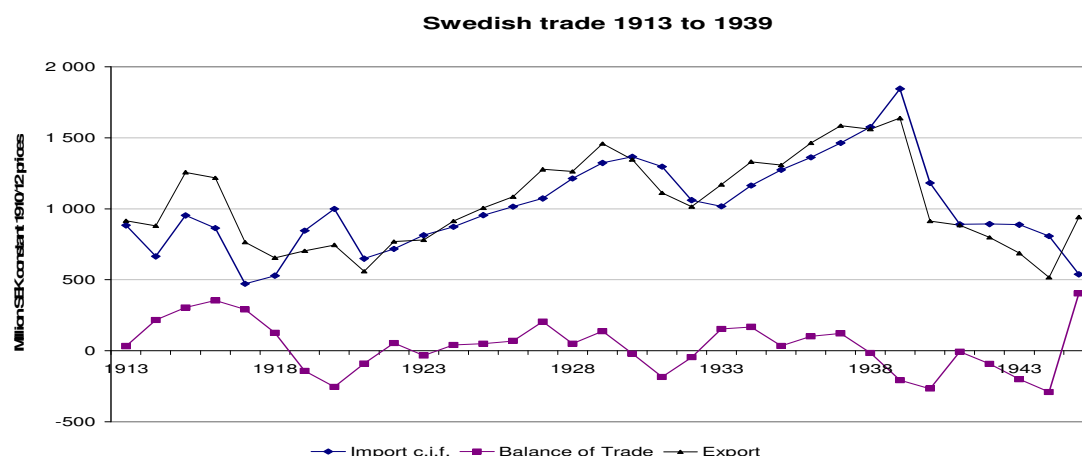
**Table 2:2. Shares of Swedish trade 1913-1939 (in percentage of GDP)**

Year	Exports	Imports
1913	21.5	22.3
1918	14.5	13.3
1920	17.9	26.1
1925	15.3	16.3
1930	15.2	16.3
1935	12.6	14.3
1938	15.0	16.9
1939	14.1	18.6

Source: Own computations based on Krantz/Schön (2007), “*Swedish Historical National Accounts 1800-2000*” pp. 32-33, and data from SOS handel (trade), periodical 1913, 1918, 1920, 1925, 1930, 1935, 1938 and 1939.

As can be seen in figure 2:1 and figure 2:2, the Swedish exports and imports significantly increased in the first years of World War I, but showed a decline for the latter years of the War due to wartimes, trade blockades and economic recession.

**Figure 2:1. Swedish foreign trade and balance of trade 1913-1939 (in million SEK, constant 1910/12 prices)**



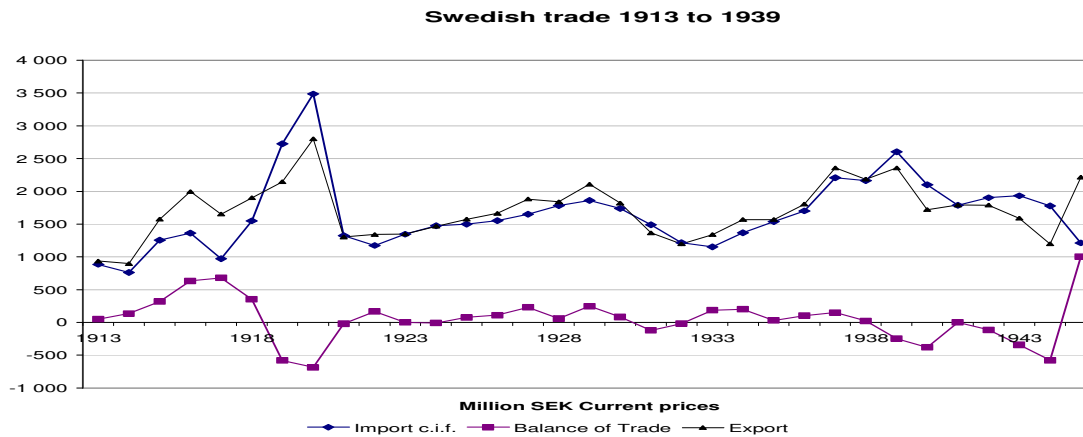
Source: Krantz/Schön (2007), “*Swedish National Accounts 1800-2000*”, pp. 52-53.

The total value of Swedish exports reached a level of more than 1.500 million SEK in 1916 compared with around 800 million SEK in 1913. Because of severe trade blockades in 1917 due to the German submarine’s actions Swedish imports and exports decreased.<sup>176</sup> But, the Swedish export continued to exceed the total value of Swedish import and registered a surplus with more than 500 million SEK in 1917. In 1918-1920, Swedish trade increased partially as a result from Swedish trade agreement with

<sup>176</sup> Svensk Export (1922), p. 66.

the Entente at the end of the War that allowed greater imports and reduced iron ore exports to Germany.<sup>177</sup>

**Figure 2:2. Swedish foreign trade and balance of trade 1913-1939 (in million SEK, current prices)**



Source: Krantz/Schön (2007), “*Swedish National Accounts 1800-2000*”, pp. 47-48.

Swedish trade also showed a huge increase of import with a surplus of 1.000 million SEK in 1919 and even in 1920 compared with the total sum of Swedish export at the same years. Meanwhile, the Swedish balance of trade after a good period of economic surplus during the War resulted in deficit in 1919-21 because of higher prices and costs in relation to the competing countries, especially, the U.S.<sup>178</sup> However, the relative Swedish trade expansion during most of the 1920s also continued in the 1930s, except for the years of the Great Depression. For the Interwar period as a whole, the Swedish trade increased with around three percent a year.

Table 2:3 shows various Swedish export markets in 1913-1939. Before World War I Germany and Britain were the most important export markets for Sweden. After the War, especially from the mid-1920s, the U.S. became an increasingly important Swedish export market. Prior to the War, Swedish trade with the Nordic countries constituted 17 percent. This was due to the fact that Swedish exports were mainly concentrated on the European industrialized countries rather than on the poor Nordic neighbours. In 1918 the volume of Swedish exports to the Nordic countries doubled due to the War. The Interwar Swedish exports to the Nordic countries, however, decreased to an annual average of 15 percent. Meanwhile, the annual Swedish exports to the Middle East region only constituted around 0.5-1 percent per year for the period 1913-1939.

<sup>177</sup> Talvitie (2002), p. 44.

<sup>178</sup> Dahmén (1985) p. 34.

**Table 2:3. Distribution of Swedish exports, selected years 1913-1939 (in percent)**

Country	1913	1918	1920	1925	1930	1935	1938	1939
Germany	21.9	21.6	8.12	15.1	14.4	14.4	21.8	19.5
Great Britain	29.1	18.7	36.1	26.9	25.9	25.2	12.1	22.5
The U.S.	4.21	1.41	5.93	10.4	10.4	12.0	16.1	9.46
Nordic Countries	17.0	31.0	16.5	13.1	15.5	14.5	7.80	17.4
Rest of Europe	14.8	15.5	18.0	20.1	19.5	17.0	19.2	14.9
South America	1.07	1.1	1.91	1.83	1.98	2.08	4.2	2.84
Middle East countries	0.60*	0.92*	0.97*	0.61*	0.36**	0.67**	1.01**	1.07**
Other countries	26.0	9.51	12.2	11.7	11.7	14.0	17.5	12.1

\* Egypt, Persia and Turkey    \*\* Egypt, Persia, Turkey, Arabia, Iraq, Palestine and Syria/Lebanon

Source: Own computations based on data from SOS Handel (trade), periodical 1913, 1918, 1920, 1925, 1930, 1935, 1938-1939

Table 2:4 shows the distribution of the major Swedish imports. Swedish import from Europe and the Nordic countries declined to 62 percent in 1939 compared with 81 percent in 1913. During the period 1913-1939 Sweden imported mostly from Germany, Great Britain and the U.S. The imports from the Nordic countries constituted around 12 percent per year for the period 1920-1935 before declining to around seven percent per year for the period 1936-1939. Between 1913 and 1939, the Swedish imports from the Middle East increased slowly, but still was less than one percent a year.

**Table 2:4. Distribution of Swedish imports, selected years 1913-1939 (in percent)**

Country	1913	1918	1920	1925	1930	1935	1938	1939
Germany	34.2	36.3	15.0	26.1	32.0	24.2	21.8	24.8
Great Britain	24.4	12.0	27.6	20.1	15.8	19.3	12.1	13.1
The U.S.	9.05	6.69	23.5	15.1	13.7	12.7	16.1	16.5
Nordic countries	11.9	25.6	12.9	12.9	10.4	11.1	7.80	7.20
Rest of Europe	10.6	6.67	8.10	11.2	14.6	19.0	19.2	17.2
South America	2.01	4.33	5.63	6.12	4.11	3.49	4.20	5.08
Middle East countries	0.011*	0.016*	0.091*	0.15*	0.36**	0.67**	0.96**	0.85**
Other countries	7.71	8.24	7.06	8.14	8.4	8.16	17.6	15.1

\* Egypt, Persia and Turkey    \*\* Egypt, Persia, Turkey, Arabia, Iraq, Palestine and Syria/Lebanon

Source: Own computations based on data from SOS Handel (trade), periodical 1913, 1918, 1920, 1925, 1930, 1935, 1938 and 1939.

After World War I trade was in disorder for any European country. Despite the formal Swedish neutrality which helped to keep Sweden out of the War, certain manufactured goods could not be imported and a large share of Swedish total production intended for export could not be sent away to

distant areas.<sup>179</sup> The enlarged productive capacity of the U.S., on the expense of European countries' participation in the world War, was a main outcome from the war.

As shown in table 2:5 and table 2:6 Pre-War Britain held the position as the leading nation in trade. However both the U.S. and Germany were catching-up in the early 1900s.

**Table 2:5. World's exports as percentages of total world export values 1913-38, selected countries (in million USD)**

<b>Country</b>	<b>1913</b>	<b>1925</b>	<b>1928</b>	<b>1931</b>	<b>1934</b>	<b>1937</b>	<b>1938*</b>
The U.S.	13.3	15.6	15.4	12.5	11.0	12.6	13.5
Britain	13.9	12.1	10.8	9.36	10.4	9.92	10.1
Germany	13.0	6.81	8.51	12.0	8.64	9.15	9.36
France	7.23	7.24	6.20	6.30	6.17	3.68	3.87
Italy	2.64	2.37	2.36	2.79	2.25	2.11	2.41
Canada	2.35	4.47	4.31	3.28	4.07	4.32	4.20
Sweden	0.93	1.23	1.30	1.48	1.77	1.96	2.04
Denmark	1.73	1.36	1.27	1.67	1.38	1.33	1.49
Norway	0.41	0.62	0.55	0.60	0.75	0.77	0.83
Finland	0.38	0.32	0.48	0.56	0.72	0.78	0.80
Egypt	0.86	0.94	0.85	0.62	0.84	0.75	0.63
Turkey	0.51	0.48	0.25	0.32	0.40	0.42	0.50
Persia(Iran)	0.23	0.35	0.32	0.37	0.58	0.62	0.62
Syria/Lebanon	-	-	0.06	0.06	0.05	0.07	0.07
Palestine	-	-	0.02	0.04	0.08	0.11	0.10
Iraq	-	-	0.07	0.07	0.10	0.10	0.07

\* The statistics for 1939 was not complete due to the outbreak of WWII

Source: Own computations based on data from statistics by the League of Nations, 1926, 1929, 1932, 1935, 1937, and 1938.

---

<sup>179</sup> Swedberg (1971), p. 7.

**Table 2:6. World's imports as percentages of total world import values 1913-38, selected countries (in million USD)**

Country	1913	1925	1928	1931	1934	1937	1938*
The U.S.	9.10	12.9	11.8	10.0	8.1	11.03	8.09
Britain	16.4	17.5	15.2	17.1	17.0	17.2	17.0
Germany	13.1	9.14	9.67	7.68	8.72	8.05	9.10
France	8.33	6.61	6.08	7.93	7.55	6.22	5.50
Italy	3.61	3.24	3.36	2.94	3.27	2.66	2.42
Canada	3.17	2.88	3.67	2.92	2.60	2.97	2.80
Sweden	1.16	1.21	1.33	1.72	1.68	1.97	2.15
Denmark	1.07	1.27	1.26	1.69	1.46	1.32	1.48
Norway	0.74	0.77	0.77	1.02	0.91	1.15	1.19
Finland	0.49	0.44	0.58	0.39	0.52	0.72	0.57
Egypt	0.68	0.86	0.72	0.68	0.73	0.68	0.63
Turkey	0.92	0.77	0.31	0.29	0.27	0.33	0.49
Persia (Iran)	0.30	0.27	0.22	0.14	0.18	0.29	0.37
Syria/Lebanon	-	-	0.15	0.19	0.21	0.14	0.15
Palestine	-	-	0.10	0.13	0.37	0.28	0.27
Iraq	-	-	0.11	0.10	0.15	0.18	0.18

\* The statistics for 1939 was not complete due to the outbreak of WWII

Source: Own computations based on data from statistics by the League of Nations, 1926, 1929, 1932, 1935, 1937 and 1938.

The picture was not the same after the War. The U.S. domestic market could not absorb the growth of American manufactured production and the need for increased exports emerged. In other words, American trade competition on European markets increased after the mid-1920s. In 1928-38 the U.S. occupied the first position in world export with an average of 12 percent while Britain had around ten percent and Germany nine percent. Meanwhile, Britain maintained the leading position in imports between 1928-1938 with an average of 17 percent followed by Germany and the U.S. The total value of Swedish exports and imports of world trade increased from one percent to more than two percent during the Interwar period. The selected Middle East countries in the two tables above held a very small share of the total value of the world's trade during the period.

World War I also meant large budget deficits and economic inflation. The Gold Standard, which since the beginning of 20<sup>th</sup> century operated to facilitate trade, payments and capital movements, repealed.<sup>180</sup> Payments for heavy reparations caused a loss of confidence in the currency. Disorder and division between stable and fluctuating, convertible and nonconvertible, currencies created uncertainty and disparities in prices, which made the recovery of trade difficult.<sup>181</sup> In addition, the difficulty and retardation in recovery was lying in the political agreements and economic policies signed between the winning and the defeating powers, and even due to continued clashes in some countries.<sup>182</sup> The Civil War in Russia continued until 1921, by which year Greece was at war with Turkey. In Hungary and in Ireland there were civil wars too.<sup>183</sup>

It was not until 1925 that more advantageous conditions for reconstruction of a suitable organisation in Europe were created aiming at avoiding future economic crises.<sup>184</sup> Trade agreements and economic planning improved the international economic situation, leading to a period of normal

<sup>180</sup> Owen & Pamuk (1999), p. 6.

<sup>181</sup> Crouzet (2001), pp. 174-175.

<sup>182</sup> Ibid, pp. 172-175.

<sup>183</sup> Foreman-Peck (1995), p. 183.

<sup>184</sup> Montgomery (1946), p. 107.

international commerce and financial relations which lasted until the outbreak of Great Depression in 1929.<sup>185</sup> Most European nations returned to the pre-wartime foreign trade conditions. Demands for increasing protectionist measures of domestic production had to a great extent been rejected.<sup>186</sup> The Gold Standard became an international asset, and by the late 1920s all European currencies could be convertible into gold at a fixed price.<sup>187</sup>

In the eyes of most European countries such trade measures could make efficient guarantees for continuing international business. Over all, international trade activities rapidly grew in response to trade measures and policies, capital movements, and improvements in transport and communications. In addition, the spread of colonialism into new countries, the demand for raw materials and foodstuffs generated by the increased industry, and the widespread acceptance of international property laws enhanced international trade.<sup>188</sup> Larger volumes of trade with industrial goods, raw materials and foodstuffs together formed an important component for trade relations between industrial and developing countries.<sup>189</sup>

After the First World War Sweden was the first country in Europe to return to the Gold Standard in 1924. In order to improve trade relations, Sweden concluded for example a trade agreement with the Soviet Union – as one of the important markets - in 1924.<sup>190</sup> In this context, it is worth noting that the Swedish trade with the Soviet Union was around 2.34 percent of Swedish total export and 2.26 percent of Swedish total import.<sup>191</sup> Generally speaking, the 1920s was relatively good for Swedish foreign trade, and for the balance of trade.<sup>192</sup> This development took another direction after 1929, when the Great Depression broke out, which created a breaking point between the 1920s and 1930s. From 1929 to 1932, the contraction in World trade caused that world trade volumes among the industrialized countries decreased around 30 percent.<sup>193</sup>

Due to the Great Depression and the slowdown in international business activities in 1929-30 the requirement of initiating protective measures against foreign competition became a more general outline for most European countries.<sup>194</sup> The international monetary deflation caused unstable gold exchange rates in relation to various currencies. This forced many countries like Sweden and Britain to leave the Gold Standard in 1931.<sup>195</sup> Overall, the 1930s was characterized by new protectionist measures, harder trade competition, sharper economic antagonism or increased bilateral foreign trade agreements, and economic nationalism among the Great powers. This economic nationalism caused international economic disintegration. International trade was divided and many countries were forced to conduct their trade on the basis of bilateral agreements.<sup>196</sup>

International trade was now connected to more detailed rules between different countries. New domestic and international economic policies were introduced to alleviate the collapse of international trade. Countries like Britain and Germany introduced higher trade barriers and harder protectionism, while other countries with trade deficits tried to achieve balance through decreasing imports and increasing exports. An active trade policy with a view to protect domestic markets was combined with trade strategies towards foreign markets for more profits.<sup>197</sup>

The situation with harder competitive climate in the Interwar period enabled for Sweden to implement bilateral trade policies with the European great powers. This is why Sweden in 1933 signed a trade agreement with Britain, which in 1934 was followed by a payment agreement with Germany,

---

<sup>185</sup> Nilson (1983), p. 13.

<sup>186</sup> Gerhard (1946), p. 57.

<sup>187</sup> Crouzet (2001), pp. 176.

<sup>188</sup> Jones (2005), p. 81.

<sup>189</sup> Swedberg (1971), p. 18.

<sup>190</sup> Krantz & Jörberg (1978), p. 31, Chronology of Sweden (1920-1939). Source: [www.islandnet.com/~kpolsson/swedhis/swed1920.htm](http://www.islandnet.com/~kpolsson/swedhis/swed1920.htm) Date 5 May 2009.

<sup>191</sup> SOS Handel (trade) periodical 1925, pp.416-419.

<sup>192</sup> Montgomery (1946), pp. 238-239.

<sup>193</sup> Madsen (2001), p. 848.

<sup>194</sup> Gerhard (1948), p. 57.

<sup>195</sup> Chronology of Sweden (1920-1939). Source: [www.islandnet.com/~kpolsson/swedhis/swed1920.htm](http://www.islandnet.com/~kpolsson/swedhis/swed1920.htm) Date 5 May 2009.

<sup>196</sup> Nilson (1983), p. 160.

<sup>197</sup> Ibid(1983), pp. 26-31.

and in 1935 by a trade agreement with the U.S.<sup>198</sup> The General economic and political changes on the international Interwar arena enabled for Sweden to promote trade with new areas. Concerning the Middle East Sweden had mainly traded with Egypt, Turkey and Persia during the first decade of the Interwar period but in the 1930s Swedish trade also expanded into the Middle Eastern countries Lebanon, Syria, Iraq, and Palestine.

### **2.2.3 Swedish-Middle East trade during the interwar period**

Sweden had not been involved in a war since Napoleonic period. One of the Swedish ways to protect independence and trade during the sixty years previous to 1914 was a neutral standing on the basis of the international laws. Out of series of conventions and treaties evolved such laws without any international body to uphold them.<sup>199</sup> At the beginning of World War I Sweden pursued a neutral foreign policy of non-alignment in peacetime and neutrality in wartime. Nonetheless, when the League of Nations was established to maintain world peace and prosperity, Sweden joined in 1920.<sup>200</sup> With this, Sweden established diplomatic relations and promoted trade connections with some Middle East countries that had been recognized by the League of Nations as independent states or protectorates under British and French control. In order to organise mutual relations Sweden established in 1918 a Consulate-general in Persia and a Swedish Legation (*Envoyé extraordinaire et Ministre Plénipotentiaire*) in Turkey.<sup>201</sup>

After World War I, a Swedish Consulate-general stationed in Jerusalem operated in Palestine from 1919.<sup>202</sup> From 1919 there was even a Swedish diplomatic agent and a Consul-general in Egypt, and from 1923 a Swedish trade attaché jointed the Swedish Legation in Egypt.<sup>203</sup> For the French protectorates of Syria and Lebanon there was a Swedish Consul-general in Beirut from 1924.<sup>204</sup> In the 1930s Great Britain proclaimed Iraq and Iran independent states. Sweden, in turn, established Swedish representations in Iraq in 1935 and in Iran in 1936.<sup>205</sup> Up to the end of the 1920s Swedish trade relations with Middle East countries was limited. Sweden had a small scale of trade with only Egypt, Turkey and Persia. In the 1930s the Swedish trade in Middle East also promoted trade in new Middle East areas as Arabia<sup>206</sup>, Syria, Palestine, Trans-Jordan and Iraq.<sup>207</sup>

As previously mentioned, Swedish trade with the Middle East was limited. From table 2:7 we can identify the small-scale trade taking place between Sweden and the Middle East during the period 1913-1939. After World War I, the Swedish exports to the Middle East region consisted of around 1-2 percent of the total value of Swedish exports. The Swedish imports from this region, however, increased from around 0.5 percent to more than one percent after the mid-1930s. This doubling of import must, however, be seen from the perspective of previous insignificant volumes.

---

<sup>198</sup> Ibid, p. 158.

<sup>199</sup> Koblik (1972), pp. 16-17.

<sup>200</sup> Talvitie (2002), p. 50.

<sup>201</sup> Sveriges Statens Kalender, 1918, p. 236.

<sup>202</sup> Svensk Export (1919), p. 336.

<sup>203</sup> Sveriges Statskalender, 1919, pp. 246-247 & 1923, p. 235.

<sup>204</sup> Sveriges Staskalender, 1924, pp. 249-250.

<sup>205</sup> Sveriges Statskalender, 1935, pp. 235 & 1936, p. 235.

<sup>206</sup> Today's Arabia implies the following countries: Saudi Arabia, Yemen, Kuwait, Bahrain, Qatar, Oman and the Arab United Emirates (UAE). Source: Long, Reich & Gasiorowski (2007), pp. 83, 153 ff.

<sup>207</sup> SOS Handel (trade) periodical 1930-1939.

**Table 2:7. Shares of Swedish trade with the Middle East, selected years 1913-1939 (in percent of export/import values in SEK, current prices)**

Year	Exports	Imports
1913	0.59	0.11
1914	0.43	0.12
1916	0.09	0.03
1918	0.09	0.01
1919	0.41	0.12
1920	0.97	0.09
1922	0.94	0.13
1924	0.55	0.08
1926	0.60	0.22
1928	1.01	0.21
1929	0.79	0.15
1930	0.80	0.36
1932	1.73	0.64
1934	1.63	0.67
1936	0.90	1.27
1938	1.01	0.96
1939	0.85	1.07

\* 1913-28 concern Egypt, Turkey and Persia    \*\* 1929-39 added with Arabia, Iraq, Palestine and Syria

Source: Own computations based on data from SOS Handel (trade), periodical 1913-1939.

The European mandate powers in Middle East were interested in raw materials for their industries, and in securing markets for own products. Unlike the mandate powers of France and Britain Sweden did not regard the Middle East as vital to their strategic or economic interests during the studied period. It is likely, in this respect, that the French and British economic interests and their trade monopolies in the colonies reduced the Swedish possibilities to promote economic businesses with the colonized countries of the Middle East region. Trade statistics from 1929 onwards, show existing, but small scale Swedish trade with Iraq, Palestine and Syria. In 1929, Swedish imports from Syria reached 2.644 SEK, from Palestine 16.460 SEK, and from Iraq 442 SEK. Meanwhile, the values of Swedish exports in 1929 to Syria were 482.431 SEK, to Palestine 740.471 SEK, and to Iraq 205.952 SEK.<sup>208</sup>

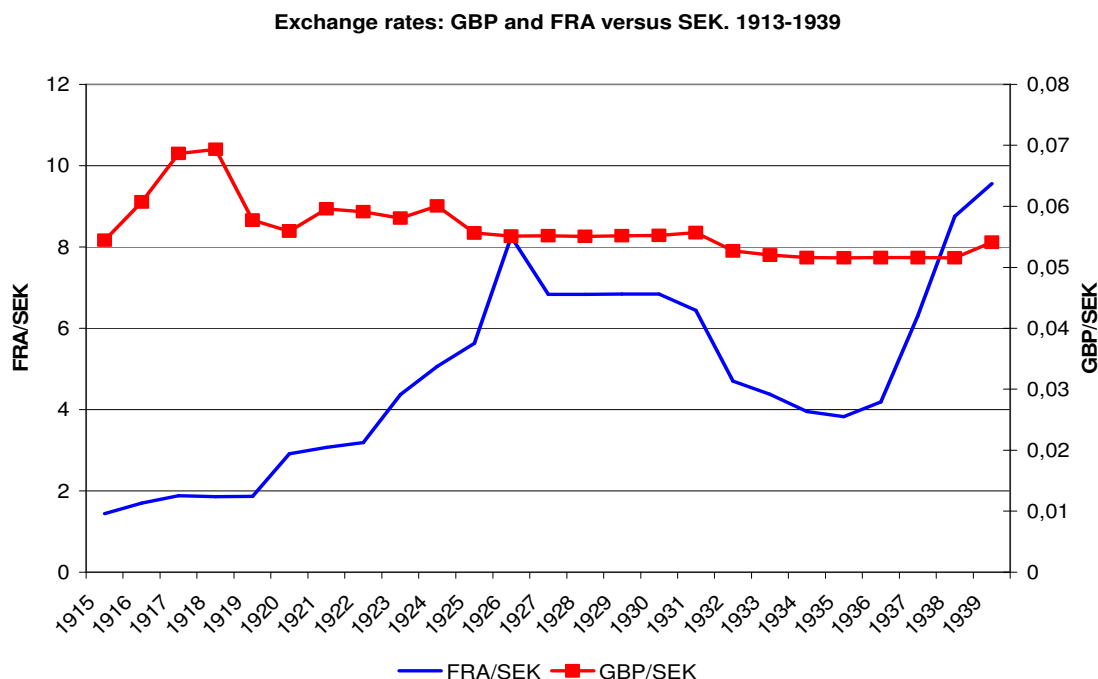
It is important to notice that the absence of Lebanon in the Swedish trade statistics during the Interwar period was related to the French mandate's introduction of a Syrian-Lebanese common market. The whole area of Syria and Lebanon was administrated by the mandate power as a single unit with a common external tariff and a common currency (the Syrian Pound, linked to the French Franc/FRA).<sup>209</sup> From an economic point of view, however, Syria was in this sense the common market of Lebanon and Syria. During the 1930s, the Swedish trade with Syria (the common market of Lebanon/Syria also) slowly but successfully increased year by year.

From figure 2:3 we can see that when the Swedish currency was strengthened against the French Franc in 1931-35 the Lebanese and Syrian products became cheaper in the eyes of Swedish importers.

<sup>208</sup> SOS Handel (trade) (1929), pp. 500-501.

<sup>209</sup> Owen & Pamuk (1999), p. 64.

**Figure 2:3. Exchange rates of SEK in relation to GBP and FRA, 1913-1939**



Source: Edvinsson, Jacobson & Waldenström (2010), “*Historical Monetary and Financial Statistics for Sweden/ Exchange rates, prices, and wages 1277-2008*”, pp. 270-71 and 377-78.

Since the Lebanese/Syrian currency was pegged to the French Franc, this could explain the increased Swedish import from Syria/Lebanon between 1931 and 1935. During the period 1934-1936, the exchange rate SEK/FRA was strongest in favour for SEK in 1936. It is likely to assume that the Swedish import of lemons/oranges from Syria/Lebanon was affected by the stronger Swedish currency. Comparing the years 1934-36 reveals the changes. In 1934 Sweden imported around 46 tons of lemons/oranges (for a total value of 17.351 SEK) from this area. In 1935 the import had increased to around 55 tons (for 25.176 SEK) and by 1936 this had increased to 182 tons (for 92.561 SEK).<sup>210</sup>

A comparison is made for the years 1924-26 and 1931-33 when better terms of trade enabled for the import of cheap cotton from Egypt. At this point the Egypt Pound was pegged to GBP. In 1924 Sweden bought a quantity of around 30 tons of Egyptian cotton for around 0.1 million SEK. When the exchange rate was strengthened, in favour for SEK in relation to GBP, the import of cotton from Egypt increased. In 1925 the import was around 4.5 times higher (or 136 tons for a price of around 0.4 million SEK) than in 1924. In 1926 the exchange rate was further strengthened in favour of SEK and the import of cotton increased to 159 tons at a price of 0.4 million SEK. However, the most salient increase came in the 1930s. In 1931 Sweden bought 390 tons for a cost of around 0.426 million SEK. In 1932 the corresponding import was around 400 tons and 0.44 million SEK. Finally, in 1933 the import of Egyptian cotton to Sweden remarkably increased to 981 tons at a cost of around 1.3 million SEK.<sup>211</sup>

<sup>210</sup> SOS, Handel (trade) (1934, p. 465.), (1935, p.477.), and (1936, p. 486.).

<sup>211</sup> SOS Handel (trade) (1924, p. 465.), (1925, p. 477.), (1926, p. 493.), (1931, p. 420.), (1932, p. 405.), and (1933, p. 412.).

### 2.2.4 Swedish-Lebanese trade before 1943

Until Lebanese independence was reached in 1943, the economic policy ruling the country was structured by the French mandate power. This gave the preconditions for French interests to dominate the most profitable areas of the Lebanese economy. The contemporary British mandate leading to the construction of the important seaport in Haifa created good communications into Iraq and into other Arabian territories.<sup>212</sup> This forced France to concentrate their economic plans and trade activities to Beirut. The French mandate aimed at turning Beirut into a French economic and strategic hub for serving Syria, Palestine, Iraq, other Arabian territories and Iran.<sup>213</sup> From the mid-1930s, large French-Lebanese private and public infrastructural investments were concentrated in Beirut. Prior to the outbreak of War World II communications and transport system that linked Beirut port to the rest of Middle East strengthened Lebanese regional economic position.<sup>214</sup> The preparation of foodstuffs, spinning and weaving cotton, tanning of animal skins were the most important industrial activities in the country in the late 1930s. The industrial production was mainly aimed for home consumption, while vegetable products constituted the principal Lebanese export. The principal Lebanese export destinations were France and the nearby areas of the region like Syria and Palestine.<sup>215</sup>

In the course of the Second World War Lebanon gained its formal independence in 1943. But, it was not until the final withdrawal of French troops in December 1946 that Lebanon was free to manage the national economy without direct interference from the French colonial power.<sup>216</sup> The Syrian and Lebanese governments in 1943 decided to continue the customs union and the joint administration of the Syrian-Lebanese Bank. A common Supreme Economic Council managed the collection and distribution of the duties levied on foreign trade.<sup>217</sup>

Table 2:8 shows that Swedish import from Lebanon/Syria was limited and slowly increased between 1929 and 1936 (except for 1934). It was shown that the annual Swedish imports from Lebanon and Syria for the period 1937-1940 varied in its value between 63.000 and 100.000 SEK.

**Table 2:8. Values of Swedish trade with Syria/Lebanon 1929-1943 (in SEK, current prices)**

Year	Exports	Imports
1929	482.431	2.644
1930	294.908	3.344
1931	368.683	18.209
1932	483.723	21.541
1933	468.054	68.542
1934	501.946	23.516
1935	3.709.255	81.771
1936	943.385	140.190
1937	1.689.328	74.566
1938	950.098	100.032
1939	1.071.229	66.842
1940	187.373	63.253
1941	-	2.157.760
1942	-	56.005
1943	-	3.339

Source: SOS Handel (trade), periodical 1929-1943.

<sup>212</sup> Gates (1998), pp. 18-19 and 31.

<sup>213</sup> Ibid, p. 131.

<sup>214</sup> Ibid, pp. 31-35.

<sup>215</sup> Ibid, p.29.

<sup>216</sup> Owen & Pamuk (1999), p. 150.

<sup>217</sup> Zisser (2000), pp. 87-88, Owen & Pamuk (1999), p. 150.

The main Lebanese products were lemons/oranges and fruits. These products had occasionally been imported in augmented quantities before the outbreak of World War II when it was a shortage of these types of goods in Spain and Italy. As a comparison, the price of Spanish lemons/oranges in 1939 was around 0.6 SEK/kg while the price of lemons/oranges from Syria/Lebanon was higher and constituted of 0.73 SEK/kg. In addition, the transport costs from Syria/Lebanon to Sweden were higher than between Sweden and Spain.<sup>218</sup>

Normally, the quality of Jaffa lemons/oranges fitted the international standard notations better than lemons/oranges produced in Syria/Lebanon. The generally lower quality of these products and the price issue were decisive for explaining the rather limited imports from Syria/Lebanon to Sweden during the interwar period.<sup>219</sup> In a report, sent to the Department of Swedish Foreign Affairs on 26<sup>th</sup> February 1946, the following conclusions on the Lebanese trade situation prior to World War II was given by the Swedish Trade Commission:

“The Lebanese-Syrian lemons/oranges compared with those of with Jaffa were of bad quality. It would be hard to sell them in the Swedish market. Therefore, an interest to import lemons/oranges from Lebanon/Syria does not exist. [We] found that the Swedish importers would be more interested if Syria/Lebanon was able to reduce the price and to improve the quality of lemons/oranges.”<sup>220</sup>

Table 2:9 shows main Lebanese-Syrian products with high/low qualities, high/low prices or transport costs. It shows that the price and quality of fruits and vegetables from Syria/Lebanon were problematic.

**Table 2:9. Preconditions for Swedish imports of vegetable products & fruits from Syria/Lebanon in relation to other countries in the late 1930s**

Product	Price	Transport costs	Quality
Lemons/Oranges	Higher than I and S	Higher than E	Lower than I and S
Fruit pulp	Higher than E	Higher than E	Lower than E
Walnuts, Drought fruits	-	-	Lower than E
Almonds	-	-	Lower than E
Raisins, cores, Seville-citrus- and orange-peel	Higher than E	-	Lower than E
Olive oil	Higher than E	-	Lower than E
Onions	Higher than A and Eg	-	Lower than A and Eg

E = Europe, A = Argentine, Eg = Egypt, I = Italy, S = Spain, T = Turkey, P = Palestine

Source: UD:s 1920 års dossiersystem, HP, HPO1/XL (Syria, 1946-1947), RA Stockholm. Report from the Swedish National Food Commission to the Swedish Trade Commission, dated on 21 February 1946.

According to the volume, table 2:10 again confirms that the Swedish trade with Lebanon/Syria was limited. The annual average value of exported lemons/oranges from Lebanon/Syria to Sweden for example was between 5.000 and 9.000 SEK for the years 1937, 1938 and 1939.

<sup>218</sup> UD:s 1920 års dossiersystem, HP, HPO1/XL (Syrien Allmänt/ 1946-1947), RA Stockholm. Report from the Swedish Trade Commission/Foreign and Licence Bureau to the Department of Swedish Foreign Affairs/the Trade Section, 21 February 1946.

<sup>219</sup> UD:s 1920 års dossiersystem, HP, HPO1/XL (Syrien Allmänt/ 1946-1947), RA Stockholm. Report from the Swedish Trade Commission to the Department of Swedish Foreign Affairs/the Trade Section, 26 February 1946.

<sup>220</sup> UD:s 1920 års dossiersystem, HP, HPO1/XL (Syrien Allmänt/ 1946-1947), RA Stockholm. Report from the Swedish Trade Commission to the Department of Swedish Foreign Affairs / the Trade Section, 26 February 1946.

**Table 2:10. Main Swedish imports from Syria/Lebanon 1937-1939 (in SEK)**

<b>Product</b>	<b>1937</b>	<b>1938</b>	<b>1939</b>
Lemons/oranges	4.925	9.449	5.516
Almonds	2.337	2.280	-
Drought fruits	-	7.759	-
Walnuts	-	2.152	-
Plum/Apricots stones	-	-	24.067
Orange/lemon/Seville-orange peel	-	-	5.239
Raisins	-	-	4.296

Source: UD:s 1920 års dossiersystem, HP (Syria 1946-1947), RA Stockholm. Report from the Swedish National Food Commission to the Swedish Trade Commission, dated on 21 February 1946.

The value of total Swedish imported volume of lemons/oranges in 1937 from all countries of origins was 243.000 SEK and weighed 40.500 tons, which meant an average price of around 0.4 SEK/kg.<sup>221</sup> In the latter years of the 1930s the Swedish import of Syrian-Lebanese lemons/oranges was less than one ton: only a few boxes arriving with a single ship.<sup>222</sup> There is no doubt that the Swedish limited trade with Lebanon was influenced by higher prices, higher transport costs and sometimes lower qualities. It can be argued that the large price fluctuations and sea transport costs were higher than intra European transportation costs. The existence of same products in Italy and Spain and the shorter sea distance to Sweden was in fact an important indicator for the limited trade with Lebanon.

The annual Swedish export to Lebanon/Syria, however, increased from around 0.3 million SEK in 1930 to reach more than one million SEK in 1939. It is worth noting that a larger volume of imported goods from Syria Lebanon, during the War, occurred in the 1941 when Sweden bought around 254 tons of wool at a total price of around 2.04 million SEK.<sup>223</sup> This could be explained by the fact that when the War in Europe was intensified in 1941 the Swedish access to wool from distant areas was higher than from Europe. For the period 1941-44, due to the War, no exact figures were found on Swedish export.<sup>224</sup>

Table 2:11 shows the main Swedish exported goods to Lebanon/Syria between 1929 and 1939. The Swedish export of paper to Lebanon increased from around 33.000 SEK in 1929 to over 886.000 SEK in 1937 and to 678.000 SEK in 1939, while Lebanon bought small volumes of wood products during the same period. The main exported goods were paper, timber and precious metals and stones.<sup>225</sup>

<sup>221</sup> SOS Handel (trade) (1937), p. 72.

<sup>222</sup> UD:s 1920 års dossiersystem, HP, HP01/XL (Syrien Allmänt/1946-1947), RA Stockholm. Report from the Swedish Trade Commission to the Department of Swedish Foreign Affairs/the Trade Section, 26 February 1946.

<sup>223</sup> SOS Handel (trade) (1941, p. 390.), (1942, p. 375-), and (1943, p. 359-).

<sup>224</sup> SOS Handel (trade) (1941), p. 390.

<sup>225</sup> SOS, Handel (trade) (1939), p. 539.

**Table 2:11. Main Swedish exports to Syria/Lebanon 1929, 1934-39 (in SEK)**

Product	1929	1934	1935	1936	1937	1938	1939
Paper pulp, paperboard and paper	33.633	87.317	173.484	447.947	886.307	512.865	678.293
Precious metals and stones	331.696	236.385	309.485	218.829	191.365	221.616	232.245
Transport equipments	-	92.718	76.626	29.264	52.392	58.626	45.719
Machines, apparatus and electric materials	36.547	47.742	85.473	75.746	73.285	43.897	62.656
Wood products	65.059	19.133	20.936	20.968	41.604	38.684	13.510
Fats, oils and waxes	-	-	-	110.945	387.598	38.507	2.670
Textile materials	1.857	388	4.859	5.219	19.671	8.588	971
Products of the foodstuffs industry	-	9.740	3.007	4.301	6.103	7.011	7.063
Chemical products	-	2.998	9.469	4.836	7.785	6.638	2.436
Instruments	-	1.103	947	737	2.279	2.931	9.253
Footwear, hats, umbrellas	-	2.898	11.728	14.052	2.003	2.575	2.230
Mineral products	-	50	690	1.992	716	791	773
Hides, skins and fur skins	1.191	600	742	516	418	581	280

Source: SOS Handel (trade), (1929, pp. 500-501), (1934, p. 465.) (1935, pp. 477-478), (1936, p. 487), (1937, p. 545-546), (1938, p. 539), and (1939, p. 541.)

Before World War II, many leading Swedish companies were involved in export of manufactured goods to Syria/Lebanon. According to a report, sent to the Department of Swedish Foreign Affairs, the trade Commission mentioned that major Swedish stock companies like Volvo, Bahco and SKF had essential shares of the Swedish exports to Syria/Lebanon.<sup>226</sup>

As previously mentioned the price, the transport costs, and the quality of products most likely discouraged the Swedish imports from Lebanon. However, the Swedish exports to Lebanon were likely encouraged by the transit trade link of Lebanon to other Middle East counties.

### **2.2.5 Summary**

It is not possible to find any formal Swedish-Lebanese trade agreements before Lebanese independence in 1943 and during World War II. During the interwar depression, more Swedish business interests in the Lebanese market occurred due to the increased competition on different European markets and the rising protectionism in Europe. The assumed low quality of products, the exchange rate fluctuations and its impacts on price levels, together with freight/transport costs had impact on the development of Swedish trade with the Middle East in general and Syria/Lebanon in particular.

The pegging of the common Syrian/Lebanese currency to the French Franc had most likely a decisive effect on Swedish imports from Lebanon. While imports seem to have been affected by exchange rates, this did not seem to be the case for the Swedish exports to Syria and Lebanon.

<sup>226</sup> UD:s 1920 års dossiersystem, HP,HP01/XL (Syrien Allmänt/1946-1947), RA Stockholm. Report from the Trade Commission to the Department of Swedish Foreign Affairs /the Trade Section, 26 February 1946.

Accordingly, this shows that demand for exported goods was due to lack of possible imports; and it was not very sensitive for price changes.

Overall, this means that trade between Sweden and Lebanon during the post 1945-period did not have a significant pre-history. Several major companies in the Swedish manufacturing industry sector did, however, hold some business interest in the common Syrian and Lebanese market during the interwar period. Bearing this in mind it is motivated to conclude from a Swedish perspective that the developments after World War II in large represent the opening of a new market.

Given that Swedish trade policies worked in favour of expanding trade and the ambition to reach new markets in the Post-War period, it is relevant to ask whether the Middle East in general, and Lebanon in particular, was regarded by the Swedish authorities as what today might label an emerging market? If so, to what extent was this formulated in Swedish policy goals? Accordingly, it is important to investigate what changes that opened up for possibilities to promote trade with the state of Lebanon after World War II.

## 3 Swedish business interests in the Lebanese market 1946-1953

### 3.1 Introduction

In the previous chapter, it was shown that Swedish-Lebanese trade during the Interwar period was marginal. This chapter, however, discusses the promotion of this trade 1946-1953 in the light of the international market and the impact of the New International Economic Order. Described next is the Swedish trade with Lebanon after the dissolution of the Syrian-Lebanese Customs Union in 1950. Up to 1953 the investigation follows the development of trade and the rise of the Merchant Republic of Lebanon after the separation of the union. The discussion is mainly based on the two questions: How did Sweden promote trade with Lebanon 1946-1953? What national and international factors could explain this promotion?

### 3.2 Swedish-Lebanese trade and trade policies 1946-1953

The loss of the important German and some Eastern European markets for Swedish goods and the changes in international trade after the war entailed the Swedish trade authorities to promote trade with new markets.<sup>227</sup> In this aspect, the motivating force for Sweden in entering the Post-War Middle East markets was to benefit from the opportunities created by multi-billion dollar markets of the oil producing countries.<sup>228</sup> The earnings of so called “Petro-dollars” that benefited not only the oil exporting countries but also the non-oil exporting countries of the region had fostered different trade opportunities and policies. The entry to the growing Middle East markets by the gateway through Lebanon gives therefore rationale for exploring Swedish assessments on trade promotion with Lebanon during the period 1946-1953. Therefore, an investigation of Swedish trade relations with the growing Lebanese market up to 1953 will be done in this chapter. It is reasonable to start the studied period from 1946 since the first formal Swedish-Lebanese trade policies occurred immediately after the war.<sup>229</sup>

#### 3.2.1 Swedish trade and the international market after WWII

In the immediate Post-War period, the widespread state interventionism that had been carried out during the interwar years, continued. This included economic planning, subsidies and controls aiming at directing and stimulating the national economies. Bilateral trade agreements were enhanced to achieve economic stability and also to guarantee a continuation of international business by protecting the domestic markets and stimulating foreign trade. However, due to World War II, the preconditions for international economic and political cooperation were essentially changed. Multilateral trade replaced bilateral trade and trade as such was crucial for achieving economic growth.<sup>230</sup> Since neutral Sweden managed to stay out of World War II this gave the country a chance to exploit her undamaged industrial capacity. Consequently, the Swedish international trade was better-off than most of its competitors immediately after the war.<sup>231</sup>

The Bretton Woods agreement of 1944 outlined a foundation Post-War multilateral and non-discriminatory trade. It aimed at creating a liberal international economic system allowing international trade to function again after WWII.<sup>232</sup> Three institutions were to play key roles in the implementation of this vision. Firstly, the establishment of IMF in the late 1945, based on 29 member states, was given responsibility for maintaining the exchange stability by a new fixed exchange rate system and for addressing balance of payments problems. It organised the transfer of goods and

---

<sup>227</sup> Karlsson (1992), pp. 32-34.

<sup>228</sup> Farhang (1987), p. 1.

<sup>229</sup> UD:s 1920 års dossiersystem, HP, HP01/XL (Syrien Allmânt/ 1946-1947), RA Stockholm. Report by the Department of Swedish Foreign Affairs, 19 February 1946. Report from the Lebanese Legation in London to the Department of Swedish Foreign Affairs, 2 September 1946.

<sup>230</sup> Hansson (2007), pp. 27-28.

<sup>231</sup> Ibid, p. 26.

<sup>232</sup> Owen & Pamuk (1999), p. 93.

services from country to country without restrictions on trade or controls over international payments. It helped to provide reserves for countries facing short-term balance of payments difficulties. The IMF contained a multinational payment system with free convertibility to the US-dollar with constant gold price. Secondly, the aim of The World Bank or The International Bank of Reconstruction and Development (IBRD) in 1947 was to finance reconstruction after the war and to provide loans to developing countries for long-term productive investments. Thirdly, the foundation of The General Agreement on Tariffs and Trade (GATT) in 1947 aimed at liberalising the international trade by reducing tariff barriers.<sup>233</sup> The main economic goal of these institutions was to avoid a repetition of the mistakes that had been made after World War I and which caused the breakdown of the world trade and payments system. Economic mistakes like, war winning powers' imposed payment of war reparations upon Germany, war debts or the instrumental beggar-my-neighbour policies.<sup>234</sup> In this regard, state interventionism occurred for solving difficult problems like reconstruction, employment, inflation, and balance-of-payments deficits. Accordingly, multilateral trade was generally seen as a means to achieve economic growth.

The Swedish economic policy after the war aimed at overcoming an expected world economic recession, and to promote economic growth. This led to changes in trade activities and distribution of trade between Sweden and other countries. In this perspective, the Swedish authorities played an important role in planning and guiding the economic development. The objectives were to regain the West European markets and at the same time to increase trade with Eastern Europe and the outside world.<sup>235</sup> In the Post-War Period, the U.S., the West European countries and the Nordic countries continued to be Sweden's most important trade partners.<sup>236</sup> In the Post-War period, the Swedish trade with Eastern Europe was mostly concentrated to the Soviet Union, Poland, Czechoslovakia, and East Germany.<sup>237</sup>

### **3.2.2 Swedish-Lebanese trade and the International Economic Order after WWII**

The rising European demand for foodstuffs and raw materials e.g. transformed the Middle East into suppliers of raw materials and recipients of European manufactured goods. Furthermore, the supply of Middle East oil to the European countries became more effective. In addition, falling shipping rates meant that agricultural products could reach more distant markets. Europe imported cotton, tobacco, citrus fruits and vegetables from Lebanon, Egypt, Sudan, Syria, Iraq, Turkey and North African countries while the oil came from the Arab Gulf countries and from Iran.<sup>238</sup>

From a Swedish perspective, the European demand for Swedish goods required intermediate inputs which had to be imported from other countries. The Swedish imports of some materials from the Middle East region therefore strengthened the trade relations between Sweden and some Middle Eastern countries. It was not until after World War II – and the emergence of newly independent countries with significant markets – that the Swedish trade authorities actually showed an intention to increase the exports to markets outside Europe.<sup>239</sup> In this perspective, Lebanon seems to have regarded as a gateway for reaching other and more densely populated areas in the oil producing Middle East region. The promotion of Swedish trade policies towards Middle East was clearly influenced by the new international economic order. This meant that the international monetary cooperation facilitated the expansion of Swedish trade to the important Lebanese market. By the way, the payments in USD, French Franc and Pound Sterling, or the payment connections between Sweden

---

<sup>233</sup>Ibid, pp. 93-94.

<sup>234</sup> Ibid, pp. 93.

<sup>235</sup> Karlsson (1992), pp. 27-29, 34-36.

<sup>236</sup> Ibid, p. 32.

<sup>237</sup> Ibid, p. 34.

<sup>238</sup> Brenchley (1989), pp. 21-22.

<sup>239</sup> UD:s 1920 års dossiersystem, HP, HP01/XL, (Syrien Allmänt/ 1946-1947), RA Stockholm. Report from the Swedish Trade Commission to the Department of Swedish Foreign Affairs, 26 February 1946.

and Britain/France came to solve payments for Swedish-Lebanese trade. Especially, since the Lebanese pound was pegged to the French Franc.<sup>240</sup>

### **3.2.3 Regional trade position of Post-War Lebanon**

The accelerated de-colonisation process in the Middle East region following World War II resulted in a number of newly independent countries. After the independence of Egypt and Turkey in 1922-23, and Iraq and Saudi Arabia in 1932, Lebanon reached independence in 1943, and Syria and Jordan emerged as independent countries in 1946.<sup>241</sup>

The independent Lebanon entered a new economic era, especially after the evacuation of the French mandatory troops by the end of 1946.<sup>242</sup> The improved economic Post-war conditions for Lebanon did, however, emerge from the various reforms during the mandate period. Prior to 1943, Syria and Lebanon had formed one customs area with free circulation of products. The Customs Union Agreement of 1930 was granted Syria a 53 percent share and Lebanon a 47 per cent share of the Common Interest's budget.<sup>243</sup> According to the new agreement of 1943 between the two governments the customs regulations were managed by a Supreme Economic Council.<sup>244</sup> Goods between Syria and Lebanon circulated freely while no distinction existed between Syrian and Lebanese exports and imports. Customs revenue was divided in the proportion of 40 percent to each country. The remaining 20 percent was discussed between the two countries for each year separately.<sup>245</sup>

The mandate period also saw investments in infrastructure. Between 1920 and 1943 the Lebanese road network was extended from 500 to over 2500 km and the construction of bridges linked the most important cities with Beirut. The installation of communications in the form of post, telegraph and telephone, improved railways, and the modernisation and enlargement of Beirut's port spurred regional trade with Europe.<sup>246</sup> Combined with the establishment of a commercial free zone in 1939, Lebanese trade capacity expanded and the opening of the Beirut airport in the same year ensured rapid links to Europe and North America.<sup>247</sup> In sum, this consolidated trade with new areas. The returns from the new oil refinement plant in the second largest Lebanese city of Tripoli, opened by French and Lebanese corporations in 1940, based on the IPC pipeline<sup>248</sup> became an engine for Lebanese economic growth. Both French and Lebanese companies, within sectors like foodstuff, textile, and glass industries, were capitalised from these investment returns.<sup>249</sup>

World War II partially favoured Lebanon's economy due to the fact that the wartime contraction of international trade, transport, and communications provided sales opportunities for Lebanese products. Lebanese industry received an increased demand because of the military needs for foodstuffs, textiles and garments among the Allied troops present in Lebanon and in the region.<sup>250</sup> Lebanese businessmen were also successful in importing cheap second-hand machinery from bankrupt companies in the West. This meant a significant increase in mechanisation of Lebanese manufactures and modernisation of its industry. This, along with improved employment opportunities, generated more revenues, particularly among traders, entrepreneurs, and financiers.<sup>251</sup>

---

<sup>240</sup> UD:s 1920 års dossiersystem, HP, HP01/XL (Syrien allmänt/ 1946-1947), RA Stockholm. Letter from the Department of Swedish Foreign Affairs to the Lebanese Legation in London, 29 August 1946. Report from the Department of Swedish Foreign Affairs to the Swedish Department of National Economy, 2 September 1946. Report from the Swedish trade commissioner Belfrage in Paris to the Department of Swedish Foreign Affairs dated 2 May 1947.

<sup>241</sup> Long, Reich & Gasiorowski (2007), pp. 14, 32, 120, 232, 267, 296, and 406.

<sup>242</sup> Gaspard (2004), p. 42.

<sup>243</sup> The bulk of revenues consisted of 95 percent that came from customs receipts each year, while the rest 5 percent was gathered from postal and telegram services. Source: Chaitani (2007), p. 19.

<sup>244</sup> Owen & Pamuk (1999), p. 150.

<sup>245</sup> Chaitani (2007), p. 33.

<sup>246</sup> Gates, (1998), pp. 32-33.

<sup>247</sup> Yamot, (2005), p. 57.

<sup>248</sup> The Iraq Petroleum Company (IPC) was made up in 1928 of four major oil groups - Anglo-Persian Oil Company, Royal-Dutch Sell, Compagnie Francaises des Pétroles, and Near East Development Corporation - each of which owned 23.75 per cent of the enterprise. Source: Fitzgerald (1991), p. 441.

<sup>249</sup> Gates, (1998), p. 37.

<sup>250</sup> Baroudi (2000), p. 24.

<sup>251</sup> Gaspard (2004), pp. 55 and 103.

Fortunes were made through speculations in commodities, land, buildings, gold, and other financial assets.<sup>252</sup> Subsequently, the country's foreign reserves and domestic savings grew substantially.

Post-War Lebanon was affected by the new international economic system. Trade and services also gained in importance in the Lebanese economy. Influential traders, financiers, and Lebanese immigrants by their capital remittances to Lebanon played an essential role in encouraging the government for a liberal economic strategy, which was hardly seen anywhere else in the region.<sup>253</sup> This is to say that Lebanon's neighbouring countries were not able to implement liberal economic systems, especially when they were subjected to a succession of coups d'états and nationalisation of means of production, bringing along political instability.<sup>254</sup> In contrast, the flight of private capital from these countries to Lebanon further enhanced the Lebanese regional transit trade with the help of a *laissez-faire* system.<sup>255</sup>

Lebanon's *laissez-faire* economy was implemented by policies and institutions representing trade and financial interests. As a general observation this process of reforms resembles processes in today's emerging economies. The first step towards a liberal economy showed light in the late 1948 when the Lebanese government liberalised the foreign exchange system. It permitted the private sector to interact freely with the outside world and allowed the free influx of international capital.<sup>256</sup> Different trade restrictions were eliminated and a widespread free foreign exchange market was effectively operated. Earlier, the Lebanese-French monetary agreement in February 1948 assured a gradual release of the Lebanese share of the monetary reserves held in the French Central Bank. The agreement further permitted the Lebanese government to obtain control over the country's money supply for the first time in Lebanon's history.<sup>257</sup> It also freed Lebanon from monetary dependence on France. In accordance with the agreement, the French Central Bank supported the Lebanese national currency. The French Central Bank guaranteed the convertibility of 67 percent of the French Franc cover to the Lebanese note issue at a fixed Pound sterling/French Franc exchange rate.<sup>258</sup> This agreement paved the way for Lebanese government to establish an own independent currency, and later to dissolve the monetary union with Syria.<sup>259</sup> The Monetary Laws of May and June 1949 provided for the establishment of the Lebanese *Lira* (pound), and defined the pound parity with gold. 50 percent of the pound was covered by gold and foreign exchange while the other half composed of government debt.<sup>260</sup> Later, the more important basis of this liberal economic system included private property, free initiative, and a relative open trade.<sup>261</sup>

In sum, a radical transformation of the Lebanese socio-economic structure was occurred after World War II. Lebanon became a regional commercial centre: a shop window capable of satisfying regional transit trade in the Middle East region through its position as a transit link to the West. In this context, there were two distinct flows of transit trade. The first one was the flow of oil from Iraq and later from Saudi Arabia to the costal terminals in Lebanon. The other one was the flow of agricultural products, and manufactured goods (the latter imported mostly from Europe and the U.S.).<sup>262</sup>

---

<sup>252</sup> Abou-Zeinab (2006), p.54.

<sup>253</sup> Ibid, p. 55.

<sup>254</sup> The socialist character of nationalisation means that all big business was controlled by the state. Modern manufacturing, mining, electricity and other public utilities, construction, transport and communication, finance and wholesale trade were primarily owned by the government. Source: Deeb, Marius (2007), p. 411.

<sup>255</sup> Abou-Zeinab (2006), p. 53.

<sup>256</sup> Gaspard (2004), p. 143.

<sup>257</sup> Owen & Pamuk (1999), p. 151.

<sup>258</sup> Gates (1998), p. 97.

<sup>259</sup> Owen & Pamuk (1999), pp. 150-151, Gates (1998), pp. 42-43.

<sup>260</sup> Gates (1998), p. 97.

<sup>261</sup> Gaspard (2004), pp. 142-143.

<sup>262</sup> Ghantus (1963), p. 25.

### 3.2.4 Swedish-Lebanese trade and trade policies 1946-1949

It seems like the Swedish ambitions to promote trade with Lebanon before and under World War II were modest. A document dated 22 May 1940, sent from the Department of Swedish Foreign Affairs to The Swedish Department of National Economy (*Folkhushållningsdepartementet*), only mentioned that if Swedish goods were exported to Syria (including Lebanon) payments should be made in the exporting country's currency.<sup>263</sup> It was also a general instruction for Swedish firms if these companies desired by own and free will to enter the Middle East market. Accordingly, this meant that the trade opportunities in the Middle East were not attractive for Sweden at that time.

After the war, the Swedish trade with Lebanon/Syria witnessed more interest from both sides to ensure trade relations. In the beginning of 1946, The Trade Section at the Department of Swedish Foreign Affairs sent a statement to The Swedish Trade Commission (*Statens handelskommission*) about investigating the preconditions to trade with the common market of Lebanon/Syria. The possible trade concerned Swedish building materials and cars in exchange for Lebanese-Syrian agricultural products mainly raw silk.<sup>264</sup> *Statens handelskommission* discussed the possibilities for this deal with several domestic representative bodies related to the government or to business interests, like The Swedish Industrial Commission (*Industrikommissionen*), The Swedish National Food Commission (*Livsmedelskommissionen*), The Federation of Swedish Wholesale Merchants and Importers (*Sveriges Grossistförbund*), The Swedish Cooperative Union and Wholesale Society (*Kooperativa förbundet*), The Paper Mill Club (*Pappersbruksföreningen*), The Textile Council (*Textilrådet*), and The Swedish Trade Council (*Sveriges Allmänna Exportförening/ later: Exportrådet*).<sup>265</sup>

In their response to *Statens handelskommission* - after contacts with among others *Exportrådet* and *Textilrådet - Industrikommissionen* stressed the limited Swedish interests in importing Lebanese-Syrian raw silk. Swedish manufactures like building materials and cars could not be exported to these two countries due to the large demand for Swedish goods from other countries and a visible shortage in car tires.<sup>266</sup> *Livsmedelskommissionen* explained in an utterance in 21 February 1946 that the main goods to be imported from Lebanon were lemons/oranges and other fruits. But, Swedish importers were not encouraged to import such products from Lebanon due to bad qualities, high prices, and high transport costs. The response from *Livsmedelskommissionen* concluded:

“In order to make the preconditions clearer to the question of trade promotion it would therefore be better if Lebanon/Syria could provide Sweden with more information on mentioned references [products] before taking up the issue of possible Swedish-Lebanese/Syrian trade”.<sup>267</sup>

In a report in 26 February 1946, The Swedish Trade Commission concluded the discussions that they had held with different Swedish trade agents about the Syrian-Lebanese market. A general comment was, despite what had previously been said, that this area would be important as a Swedish export market. Owing to the fact that the industrialization had increased in the region during the War, it was assumed that Swedish industry export could win market shares in Lebanon and Syria for certain products such as machines and engines. Previously, these products had only been exported in a small scale to these countries. They did, however, show some doubts on the possibilities to import Syrian-Lebanese products, partly since the Lebanese pound was pegged to the French Franc. Because of the

---

<sup>263</sup> Folkhushållningsdepartementets dossiersystem 1939-1950, FIIIC, Vol. 94, RA Stockholm. Report from the Department of Swedish Foreign Affairs to the Swedish Department of National Economy, 22 May 1940.

<sup>264</sup> UD:s 1920 års dossiersystem, HP, HPO1/XL (Syrien Allmänt/ 1946-1947), RA Stockholm. Report from the Swedish Industrial Commission to the Department of Swedish Foreign Affairs, 19 February 1946.

<sup>265</sup> UD:s 1920 års dossiersystem, HP, HPO1/XL (Syrien Allmänt/ 1946-1947), RA Stockholm. Report from the Swedish Trade Commission to the Department of Swedish Foreign Affairs, 26 February 1946.

<sup>266</sup> UD:s 1920 års dossiersystem, HP, HPO1/XL (Syrien Allmänt/ 1946-1947), RA Stockholm. Report from the Swedish Industrial Commission to the Department of Swedish Foreign Affairs, 19 February 1946.

<sup>267</sup> UD:s 1920 års dossiersystem, HP, HPO1/XL (Syrien Allmänt/ 1946-1947), RA Stockholm. Report from the Swedish National Food Commission to the Swedish Trade Commission, 21 February 1946.

Lebanese formal connections to the Franc-area, Sweden had to avoid that Swedish export credits were reduced by French contingents in accordance with the Swedish-French Payment agreement. They further argued that an increase in Swedish industry exports to Lebanon/Syria could only favor the Swedish economy if it was possible to limit and adjust the payments to only these two countries. A difficulty in this regard was the fact that Sweden could import better and cheaper fruits from other countries e.g. by paying around 0.6 SEK/kg for oranges instead of the 0.73 SEK/kg which was the Lebanese price. The recommendation, addressed to the Swedish trade authorities, therefore stated that Sweden had to conclude a Swedish-Lebanese payment agreement before any trade agreement with Lebanon could be conducted.<sup>268</sup>

On the request from the Department of Swedish Foreign Affairs, Erik Boheman<sup>269</sup>, the Swedish Envoyé and Plenipotentiary Minister (*Envoyé extraordinaire et Ministre plénipotentiaire*) in Paris, and Tor Finnmark, the Second secretary to the Swedish legation in London, sent two reports during the spring of 1946 on the Lebanese-French payment connections. One main problem concerned payment guarantees. Boheman revealed that the French government was ready to, on our [Swedish] expenses, guarantee export credits to Syria/Lebanon within the framework of the Swedish-French Payment Agreements. Swedish exports to Lebanon would thereby be reduced by French contingents. Boheman preferred an agreement with Syria-Lebanon based on fixed exchange rates, while the payments in French Francs or Pound Sterling did not matter as far as he was concerned, even though he saw the French Franc as more stable in the long term.<sup>270</sup> Finnmark, on the other hand, emphasized that Nadim Dimechkié, a Commercial Secretary (counsellor) to Lebanon's Legation in London had asked for direct Swedish-Lebanese negotiations to obtain trade and payment agreements.<sup>271</sup>

Officials from the Swedish government - headed by Nils Ståhle chief executive for The Trade Section at The Department of Foreign Affairs in Sweden - continued on this way. They held commercial discussions in Stockholm between 22 and 29 August 1946 with the Lebanese commercial Secretary Nadim Dimechkié. The discussions aimed at promoting mutually and satisfactory Swedish-Lebanese trade relations and facilitating payments between the two countries.<sup>272</sup> This was the first official meeting between Swedish and Lebanese trade negotiators. In the attempt to promote trade with Sweden the Lebanese representative explained for instance that Lebanese firms and facilities in Beirut, owned by Emile Bustani and Emile Cortas,<sup>273</sup> had suitable Western trade traditions to rely upon. These firms operated in the whole region, and Sweden should give special attention to these companies.<sup>274</sup> Sweden, in turn, was willing to accept commercial payments in gold or currencies that could be accepted by the Swedish *Riksbanken*, or in SEK that could be placed at the disposal of the Syrian-Lebanese bank by the French government.<sup>275</sup>

As a result of Swedish-Lebanese commercial conversations the Department of Swedish Foreign Affairs could accept payments in SEK deriving from the amount of three million SEK placed at the disposal of the Syrian-Lebanese Bank by the French government. However, this step was taken by Sweden on the condition that the payments should not affect the credit limit agreed upon between the

---

<sup>268</sup> UD:s 1920 års dossiersystem, HP, HPO1/XL (Syrien Allmänt/ 1946-1947), RA Stockholm. Report from the Swedish Trade Commission to the Department of Swedish Foreign Affairs, 26 February 1946.

<sup>269</sup> Erik Boheman was a Swedish Envoyé in France between 1944 and 1947. Source: Register i UD:s kalender 1961, s.243-275. Online access: [www.riksarkivet.se/Sve/Documentarkiv/Filer/UD%20kal%201961%20person.xls](http://www.riksarkivet.se/Sve/Documentarkiv/Filer/UD%20kal%201961%20person.xls). Date 17 May 2009.

<sup>270</sup> UD:s 1920 års dossiersystem, HP, HPO1/XL (Syrien Allmänt/ 1946-1947), RA Stockholm. Report from the Department of Swedish Foreign Affairs to the Swedish Department of National Economy, 5 March 1946.

<sup>271</sup> UD:s 1920 års dossiersystem, HP, HPO1/XL (Syrien Allmänt/ 1946-1947), RA Stockholm. Report from the Department of Swedish Foreign Affairs to the Swedish Department of National Economy, 12 March 1946.

<sup>272</sup> Folkhushållningsdepartement, Utrikeshandelsavdelningen, FIII c, Vol. 51, RA Stockholm. Letter from the Lebanese Legation in London to Nils Ståhle/ Swedish Foreign office, 2 September 1946.

<sup>273</sup> Emile Bustani was one of the most influential businessmen in the Middle East. The Contracting and Trading Company (CAT) he founded in 1936 functioned to help revitalise Lebanon and neighbouring countries. Source: [http://web.mit.edu/shass/temp/bustani/bustani\\_seminar.htm](http://web.mit.edu/shass/temp/bustani/bustani_seminar.htm) Date 3 March 2009. Emile Cortas opened a small factory in Beirut in 1929. He went on later to fruit concentrates, tomato paste and vinegar. During World War II he produced dehydrated and canned vegetables for the British Army. He opened cold storage facilities in Beirut in 1949, and exported/imported diverse products. Source: [www.cortasfood.com/AboutUs.asp](http://www.cortasfood.com/AboutUs.asp) Date 6 March 2009.

<sup>274</sup> Folkhushållningsdepartement, Utrikeshandelsavdelningen FIII c, Vol. 5-6, RA Stockholm. Report from the Department of Swedish Foreign Affairs to the Swedish Department of National Economy, 23 August 1946.

<sup>275</sup> UD:s 1920 års dossiersystem, HP, HPO1/XL (Syrien allmänt/ 1946-1947), RA Stockholm. Report from the Department of Swedish Foreign Affairs to the Swedish Department of National Economy, 2 September 1946.

Swedish and French governments. The Swedish government stressed that a solution of the payment question along the lines proposed would be that the available credits in Swedish banks for Lebanese account could be drawn upon for payments of Swedish goods. In other words, payment for goods that Sweden could grant export licenses for. Furthermore, the commercial transactions on a compensation basis would be allowed after the approval by the competent authorities in Sweden and Lebanon respectively.<sup>276</sup>

According to Nils Ståhle, the Lebanese representative's visit to Stockholm marked a first step to initiate and promote the direct commercial relations with Lebanon.<sup>277</sup> In a report from Camille Chamoun, the Lebanese Ambassador in London, sent on 2<sup>nd</sup> September 1946 to the Department of Swedish Foreign Affairs, five points were presented and could be accepted by Lebanon. Firstly, the availability of credits in Swedish banks for Lebanese account to purchase goods in Sweden. Secondly, Lebanon was enabled to make payments in Sweden: in SEK held by Lebanon and arising from Lebanese exports to Sweden, or in gold and such currencies as the Bank of Sweden might be able to accept. Thirdly, commercial transactions on a compensation basis were allowed after eventual approval by the competent authorities in Sweden and Lebanon. Fourthly, Lebanon welcomed the Swedish adoption of a liberal export-licensing policy towards Lebanon, with reservations in regard to products in short supply, mainly those of forest industries. Finally, Lebanon would make efforts to buy all the quantities of Swedish forest products intended for a 12 months-period between First July 1946 and 30<sup>th</sup> June 1947: softwood (300 stds), printing paper, paper and board (900 tons), and uncertain quantities of wood pulp, wallboard and plywood.<sup>278</sup>

The Department of Swedish Foreign Affairs was in contact with the governmental Fuel Commission (*Statens Bränslekommission*) to recruit companies that could export to Lebanon in total 300 stds of wood products in a period between July 1946 and June 1947.<sup>279</sup> *Pappersbruksföreningen* considered an export of 300 tons of paper as a reasonable and for which the Syrian-Lebanese side should pay in free currencies, mainly USD.<sup>280</sup>

Kurt-Allan Belfrage<sup>281</sup>, the Swedish trade attaché in Paris, sent a report dated 2<sup>nd</sup> May 1947 to the Department of Swedish Foreign Affairs, about the currency allowance by France to Syria and Lebanon. Belfrage explained that for 1947 a fixed new system for hard currencies was allowed to Lebanon and Syria. An amount of 3.5 million USD was allowed per quarter to the both countries. Belfrage explained further that Lebanon and Syria were free to choose the currency they wish, but under the condition that whatever the currency was, it had to be fixed to the USD. From this point of view he mentioned that Syria and Lebanon from the beginning of 1947 requested and received 0.5 million SEK.<sup>282</sup> In this context, it is worth reasoning that the international monetary cooperation, the free convertible of currencies, and their pegging to the USD or to a constant gold price played a role in stimulating the Swedish-Lebanese trade. It made it easier to do trade with payments in USD, SEK, FRA, GBP, and LP (Lebanese Pound).

To evaluate the Swedish-Lebanese trade promotion for the period between July 1946 and June 1947, the Department of Swedish Foreign Affairs investigated the economic situation of Lebanon. As a

---

<sup>276</sup> UD:s 1920 års dossiersystem, HP, HPO1/XL (Syrien Allmänt/ 1946-1947), RA Stockholm. Letter from The Department of Swedish Foreign Affairs to Nedim Dimechkié at The Lebanese Legation in London, 29 August 1946.

<sup>277</sup> UD:s 1920 års dossiersystem, HP, HPO1/XL (Syrien Allmänt/ 1946-1947), RA Stockholm. Report from the Department of Swedish Foreign Affairs to the Swedish Department of National Economy, 29 August 1946.

<sup>278</sup> UD:s 1920 års dossiersystem, HP, HPO1/XL (Syrien Allmänt/ 1946-1947), RA Stockholm. Report from the Department of Swedish Foreign Affairs to The Swedish Department of National Economy, 5 September 1946.

<sup>279</sup> UD:s 1920 års dossiersystem, HP, HPO1/XL (Syrien Allmänt/ 1946-1947), RA Stockholm. Report from the Department of Swedish Foreign Affairs to the Swedish Fuel Commission, 2 September 1946.

<sup>280</sup> UD:s 1920 års dossiersystem, HP, HPO1/XL (Syrien Allmänt/ 1946-1947), RA Stockholm. Report from the Paper Mill Club to Nils Ståhle at the Swedish Foreign Office/the Department of Swedish Foreign Affairs, 15 January 1947.

<sup>281</sup> Kurt-Allan Belfrage was a Swedish trade Attaché in France in 1947. Between 1951 and 1954 he was a Swedish Envoyé in Austria. Source: Register i UD:s kalender 1961, s.243-275. Online access: [www.riksarkivet.se/Sve/Documentarkiv/Fler/UD%20kal%201961%20person.xls](http://www.riksarkivet.se/Sve/Documentarkiv/Fler/UD%20kal%201961%20person.xls) Date 21 May 2009.

<sup>282</sup> UD:s 1920 års dossiersystem, HP, HPO1/XL (Syrien Allmänt/ 1946-1947), RA Stockholm. Report from the trade commissioner Kurt-Allan Belfrage in Paris to K. F. Almqvist/ the Department of Swedish Foreign Affairs, 2 May 1947.

first guide, the economic report written on 12<sup>th</sup> July 1947 by Swedish trade Envoyé in Beirut, Widar Bagge,<sup>283</sup> among other things contained the following:

“Lebanese businessmen were in the habit of living comfortably and wealthy. They were strongly affected by French mentality. They liked to live sumptuously and did not think too much on the next day. The strong street life of Beirut, the big numbers of new American luxury cars, and the various products in shops and stores, all this indicated welfare”.<sup>284</sup>

During his stay in Beirut, Bagge noticed that the import of goods was in full progress. The tourism industry and remittances from Lebanese migrants mostly living in North and South America were for Lebanon two main income sources. According to Bagge, the remittances amounted to 20 million SEK per year. He revealed that plans were in process to extend a pipeline to draw crude oil from Saudi Arabia to the Lebanese Mediterranean coast. According to Bagge, it would give an important economic input to the country through regularly paid fees for the crossed pipeline through Lebanon. According to local authorities and press, 100 million USD would flow into Lebanon during a five year-period and the pipeline project would need 80.000 local workers in the first two years. Bagge found that the Lebanese exports were very limited due to the lack in suitable and competitive export products. In the trade statistics for 1946 he noticed a real deficit in trade. The following figures (in 1.000 Lebanese-Syrian Pound) of import (266.654), export (85.560), re-export (1.127) and transit (91.746) could affirm that an assessment on Lebanese/Syrian economic situation was not easy. But, he considered this report as an unpretentious attempt to a first guide on issue.<sup>285</sup> Yet, the promotion of Swedish trade policies towards Lebanon, and the mutual trade relations based on bilateral negotiations enhanced and increased the trade volumes between the countries.

Table 3:1 shows the annual Swedish trade with Lebanon/Syria for the period of 1939-1949. During this period the Swedish export to Lebanon/Syria decreased in 1948 due to political events in the region. The war of 1948, following the establishment of Israel and the dissolving of Palestine had negative effects on the Swedish exports to Lebanon. Meanwhile, the Swedish import from Lebanon/Syria increased every year between 1945 and 1949.

**Table 3:1. Swedish trade with Syria/Lebanon 1939, 1945-49 (in SEK)**

<b>Year</b>	<b>Exports</b>	<b>Imports</b>
1939	1.071.229	66.842
1945	322.350	143.716
1946	2.385.475	263.656
1947	3.781.368	316.281
1948	2.933.745	928.154
1949	4.673.515	1.654.652

Source: SOS Handel (trade) periodical 1939, 1945, 1946, 1947, 1948, and 1949.

For the years 1945 to 1949 imported items from Lebanon included lemons/oranges, fruits and vegetables, tobacco, textile products, walnuts, apricots-, plum-stones, peach-stones, and hides and skins.<sup>286</sup>

The commercial contacts between Swedish and Lebanese representatives and the promotion of trade continued in the forthcoming years. The Lebanese plenipotentiary Minister (*Envoyé*

<sup>283</sup> Up to 1951 Widar Bagge was a Swedish trade Envoyé in Egypt, Lebanon and Ethiopia with a destination in Cairo. Source: Sveriges statskalender, 1951, p. 283.

<sup>284</sup> UD:s 1920 års dossiersystem, HP, HPO1/XL (Syrien Allmänt/ 1946-1947), RA Stockholm. Report from Widar Bagge ( Envoyé to Beirut by the Swedish Embassy in Egypt) to the Department of Swedish Foreign Affairs, 12 July 1947.

<sup>285</sup> UD:s 1920 års dossiersystem, HP, HPO1/XL (Syrien Allmänt/ 1946-1947), RA Stockholm. Report from Widar Bagge (Envoyé to Beirut by the Swedish Embassy in Egypt) to the Department of Swedish Foreign Affairs, 12 July 1947.

<sup>286</sup> SOS Handel (trade) (1945, p. 385), (1946, p. 519), (1947, pp.557-58), ( 1948, pp. 559-60) and (1949, pp. 580-81)

*extraordinaire et ministre Plénipotentiaire de la République du Liban*) in Stockholm Khalil Takieddine<sup>287</sup> sent a letter to the director for The Swedish Trade Section (*Handelsavdelningen*) on 4<sup>th</sup> December 1949. It included a list of products that Lebanon could export to Sweden. In this letter Takieddine complained over the Swedish authorities' rejection of import license applications for Lebanese oranges and lemons.<sup>288</sup> *Livsmedelskommissionen* did a basic investigation on the issue and concluded that no application had been rejected during the last months. On the contrary, the Swedish authorities granted the firm of Scan-Trade an import license for 70-80 boxes of oranges. In addition, a firm in Gothenburg was giving an import license for 3.500 kg of Lebanese oranges/lemons. *Livsmedelskommissionen* guaranteed the continuation of giving import licenses for lemons/oranges and fruits from Lebanon. At the same time *Livsmedelskommissionen* emphasized that the purchase of Lebanese products could be done in SEK, which the Lebanese importers then could use for import from Sweden.<sup>289</sup>

Table 3:2 shows the main exported products from Sweden to Lebanon/Syria between 1939 and 1949. Paper and wood products, and precious metals and stones were the most important items.

**Table 3:2. Main Swedish exports to Syria/Lebanon 1939, 1945-49 (in SEK)**

Product	1939	1945	1946	1947	1948	1949
Pulp, paperboard and paper	678.293	120.801	1.167.737	2.294.005	889.829	1.088.516
Precious metals and stones	232.245	17.409	483.264	794.642	847.087	1.216.998
Transport equipment	45.719		9.640	81.360	1.059	3.795
Machines, apparatus and electric materials	62.656	778	83.120	424.227	408.293	755.534
Wood products	13.510	159.373	442.855	111.160	703.649	1.046.904
Textile materials	971	-	1 153	4.475	7.688	41.075
Products of the foodstuffs industry	7.063	12.114	1.821	9.568	17.107	21.171
Chemical products	2.436	-	132.143	35.074	5.077	87.949
Instruments	9.253	-	9.808	7.471	28.466	35.618
Mineral products	773	-	-	-	-	71.340
Hides, skins and fur skins	280	11.875	9.150	6.400	5.194	-
Powdered (dried) milk	-	-	-	-	-	178.706
Cheese	-	-	-	-	-	1.637
Emery paper	-	-	6.621	1.849	18.560	46.660

Source: SOS Handel (trade) periodical (1939, p. 541.), (1945, p. 385.), (1946, p. 519.) (1947, p. 558), (1948, pp. 560-61), and (1949, p. 581.).

The Swedish willingness to increase the exports of forest products to Lebanon was met by a positive response in Lebanon. The volume of timber (for box-making) and wood products increased to 87.477 kg (for 111.160 SEK) in 1947, and to 7.971 m<sup>3</sup> timber and 75.505 kg wood (for 1.046.904 SEK) in 1949 compared with 3.147 m<sup>3</sup> timber and 25.335 kg wood (for 442.855 SEK) in 1946.<sup>290</sup>

However, plans for a first big Swedish business investment in Lebanon concerned L.M. Ericsson construction of automatic telephone switch board in Beirut to a cost of around 7.8 million SEK. In December 1949, several firms handed in tenders to a special Lebanese governmental commission in

<sup>287</sup> Takieddine's work as a Lebanese Envoyé and Plenipotentiary Minister in Stockholm started on 30 September 1949. Source: Sveriges statskalender 1951.

<sup>288</sup> UD:s 1920 års dossiersystem, HP, H64/XL, Vol. 2957, RA Stockholm. Letter from K-A Belfrage at the Trade Section at Department of Swedish Foreign Affairs to Lebanese Plenipotentiary Minister Khalil Takieddine, 12 January 1950.

<sup>289</sup> UD:s 1920 års dossiersystem, HP, H64/XL, Vol. 2957, RA Stockholm. Report on Swedish trade with Lebanon by the Department of Swedish Foreign Affairs, 11 January 1950.

<sup>290</sup> SOS Handel (trade) (1946, p. 519.), (1947, p. 558.), and (1949, p. 581.)

cooperation with *The Lebanese Oriental Auction*.<sup>291</sup> In 12<sup>th</sup> March 1950, the commission described the tender of L.M. Ericsson as the most attractive, and appointed Ericsson to “Adjudicataire provisoire”. This meant a preliminary acceptance. Before concluding a formal contract between L.M. Ericsson and the Lebanese government, a French group offered, with the help of illegal hush money, a lower tender by beating down the price to 6.3 million SEK. After pressures, the Lebanese government was obliged to cancel the tender competition and a new one was published. Once again L.M. Ericsson was appointed by the Lebanese commission to “Adjudicataire provisoire” in 9<sup>th</sup> November 1950. L.M. Ericsson was ready to conclude a contract with Lebanon, but feared that the Lebanese government probably would reject this offer due to unknown motives. Therefore the Department of Foreign Affairs in Sweden was contacted by L.M. Ericsson to clarify this joint business. L.M. Ericsson meant that:

“The Department should officially intervene in the issue and indicate to Lebanon that L.M. Ericsson found it strange and remarkable how Lebanon acted on this question”.<sup>292</sup>

In a letter dated 23<sup>rd</sup> November 1950, sent to L.M. Ericsson, the Department of Swedish Foreign Affairs explained that Takieddine, the Lebanese Envoyé in Stockholm promised to contact the Lebanese authorities to work for a clear and permanently better tender status than the first previous tender one.<sup>293</sup>

In conclusion, the commercial cooperation between the Lebanese government and the Swedish governmental organs, firms and private agents played a positive role in promoting Swedish trade in Lebanon. Lebanese-Swedish trade up to 1949 occurred without any discrimination on the part of Sweden against Lebanon. But, all imports from Lebanon to Sweden were normally subject to the existing Swedish import controls.

In the course of this possible Swedish L.M. Ericsson business affair with Lebanon the breakdown of the Syrian-Lebanese Customs Union at the beginning of 1950 brought, however, changes both for Lebanon and countries that had trade relations with Lebanon.

### **3.2.5 Swedish-Lebanese trade in the focus of the Syrian-Lebanese economic separation**

A real economic progress of Lebanon began with the breakdown in March 1950 of the Lebanese-Syrian Customs Union. The unified customs zone and the common postal and telegram services were repealed. A separate existence of the Lebanese economy marked, however, an important economic event in the country’s history: a key turning point in the liberalisation of Lebanon’s trade and financial institutions.<sup>294</sup> The benefits of the Customs Union did, however, not any more gain the common interests of the two countries. This was due to differences in the basic economic strategies in Lebanon and Syria. The Lebanese liberal economy was based on trade and financial regime. In Syria, the economic policy, however, focused on the development of agriculture. Thus, this economic contrast between the two countries was one of the fundamental reasons for the collapse of this Customs Union.<sup>295</sup> But, it was generally predicted by some Syrian and Lebanese political, financial and business circles that the non oil producing Lebanon, with small economy and with trade deficits, would face economic difficulties or would be forced to go back to this Customs Union again.<sup>296</sup>

Sweden paid close attention to this economic separation. *Exportrådet* explained in a report dated 4<sup>th</sup> July 1950 that all Lebanese-Syrian trade activities before the economic separation occurred via Beirut and Tripoli ports. According to this report, it was a Syrian request to end this economic union in order to move Syrian trade activities to the Syrian Lattakia port. The question of building this port had

---

<sup>291</sup> Oriental Auction was a responsible firm that held the public bid on a basis of giving it to the lowest bidder.

<sup>292</sup> UD:s 1920 års dossiersystem, HP, H64/XL, Vol. 2957, RA Stockholm. Letter from L.M. Ericsson to the Department of Swedish Foreign Affairs, 15 November 1950.

<sup>293</sup> UD:s 1920 års dossiersystem, HP, H64/XL, Vol. 2957, RA Stockholm. Letter from the Department of Swedish Foreign Affairs to L.M. Ericsson, 23 November 1950.

<sup>294</sup> Gates (1998), p. 90.

<sup>295</sup> Gaspard (2004), pp. 57-59.

<sup>296</sup> Persen (1958), p. 277.

been strongly discussed in Syria. The strategy was aiming at cutting Beirut's trade monopoly in the Mediterranean region and to compete with Beirut in Lebanon and Haifa in Israel. Accordingly, Lebanon feared a possible reduction of the Lebanese transit trade and increasing trade deficits. In conclusion, *Exportrådet* found that the economic future was uncertain in Lebanon.<sup>297</sup>

Opinions on various measures for developing the Lebanese economy after the separation had been highlighted in the Lebanese Press. Some politicians proposed a new economic policy aiming at reducing production costs and promoting the earnings from remittances, transit trade and tourist services. Some of them proposed removal of all customs for exporting machines, building materials, or hotel industries, as well as import duties on raw materials needed for the domestic industry. They believed that free customs on exports and imports, and a reduction in state expenditure could improve the Lebanese economy. Once again, these developments resemble the developments and measures in today's emerging economy. Other politicians encouraged peasants to use packing materials. This meant, according to them, a more attraction of foreign traders preferring well sorted Lebanese agricultural products. According to *Exportrådet*, incomes from invisible earnings could not have the capacity to cover the large balance of trade deficit in the forthcoming years.<sup>298</sup>

The Swedish reaction on the dissolution of this Customs Union was about updating the Swedish firm representations in Syria and Lebanon. Earlier, all trade agreements for both countries were concluded with Lebanese trade houses, which by their contacts even covered the Syrian market. A large part of the Syrian trade passed through Lebanese ports and through firms in Beirut.<sup>299</sup> But, certain Lebanese companies had already established branches in Damascus and Aleppo after the separation of the union. Accordingly, Sweden wanted that the export to Syria would be conducted through the established branches and representative offices in Syria. According to the Swedish trade authorities, it was important that the representation for a same firm in the two countries must be distinguished in all script and documents. The Swedish authorities wanted products to Syria to be invoiced to the registered company in Syria. But, if they were sent via Beirut, they had to be noticed with (*via Free Zone Beirut*) in transit for last destination to Syria.<sup>300</sup>

In a letter dated 17<sup>th</sup> August 1950, the Department of Swedish Foreign affairs summarized the discussions, which were held in the Department between the firm of Sten Zetterlund AB and Sweden's Consul in Damascus Aref Laham. In this meeting, Laham aimed at attracting Swedish firms to change their Lebanese agents to Syrian ones. But, the Swedish authorities found exaggerations in Laham's information about the trade via Beirut, and about the Syrian measures to control the country's foreign trade. According to the department:

“[We] told the interesting Swedish firms to be careful, wait and see how the tension between Syria and Lebanon would end before taking any trade rearrangements or trade representations in Syria”.<sup>301</sup>

The increasingly poisoned atmosphere between Lebanon and Syria due to economic affairs was also a stumbling block, which had faced Swedish efforts to promote trade with Lebanon.

---

<sup>297</sup> UD:s 1920 års dossiersystem, HP, H64/XL, Vol. 2957, RA Stockholm. Report by Olov Ternström at The Swedish Export Council to the Department of Swedish Foreign Affairs, 4 July 1950.

<sup>298</sup> UD:s 1920 års dossiersystem, HP, H64/XL, Vol. 2957, RA Stockholm. Report by Olov Ternström at The Swedish Export Council to the Department of Swedish Foreign Affairs, 4 July 1950.

<sup>299</sup> UD:s 1920 års dossiersystem, HP, H64/XL, Vol. 2957, RA Stockholm. Report from the Swedish Orient Line in Gothenburg to the Swedish Export Council and the Trade and Industrial Commission, 21 December 1950.

<sup>300</sup> UD:s 1920 års dossiersystem, HP, H64/XL, Vol. 2957, RA Stockholm. Report by Hans Swedberg and Olov Ternström on Syrian economic issues sent to members of The Swedish Export Council and to the Department of Swedish Foreign Affairs, 30 June 1950.

<sup>301</sup> UD:s 1920 års dossiersystem, HP, H64/XL, Vol. 2957, RA Stockholm. Letter from U. Bergman/the Department of Swedish Foreign Affairs to the Swedish trade attaché in Cairo, Greve G. Bonde, 17 August 1950.

### **3.2.6 Preconditions for Lebanese economic development after the separation**

Lebanon managed to transform itself into an important future market for regional transit trade, and Beirut to a hub for Arab entrepreneurs and capital.<sup>302</sup> The construction of the Beirut port's free customs fees and tariff Zone in 1948 provided space, storage and processing facilities before transporting of goods to the local markets and to the interior region of the Middle East.<sup>303</sup> Rapidly, the port of Beirut transformed to the largest transit trade centre linked the Middle East countries to the U.S. and European countries.<sup>304</sup> In addition, the oil-pipeline plans from Gulf-states to the Lebanese coast came to have a substantial impact on the growing Lebanese regional transit trade. But, this transformation was motivated by many events in the region. After the rise of Israel in 1948 Lebanon benefited from the shift of regional trade activity from Haifa to Beirut Port and from an Arab cut of pipelines for transferring the oil passing in Palestine/Israel. Lebanon was an acceptable alternative to play the newly-acquired role as petroleum terminal. Moreover, the arrival of thousands of Palestinian refugees to Lebanon stimulated the economy through their work within financial institutions and with the agriculture.<sup>305</sup>

The political rivalry and economic games of the Cold War in the late 1940s convinced U.S. policymakers to develop an oil transport strategy for shipping oil from Middle East through Lebanon. In this regard, plans were negotiated to build terminals and refineries in Lebanon for further transport of oil to the West. There were three related causes behind the pipeline project in Lebanon:<sup>306</sup>

- 1- How to short the long way trip that took many days and required more cost for every barrel.
- 2- How to fuel the economic recovery of Western Europe without exhausting the domestic oil reserves.
- 3- How to sustain economic development and maintain stability in the Middle East.

The U.S. plans were implemented by extending pipelines from Saudi Arabia and Iraq through Syria to the Lebanese Mediterranean coast. With start from the late 1950, West-tankers began to ship oil from the Lebanese coast to refineries in France and Italy.<sup>307</sup> The Lebanese refineries played an important role in oil trade by promoting the country to a potential export station for Middle East oil export to outside world.<sup>308</sup> This pipeline had a full capacity to pump over 2.170.000 oil barrels per week from Saudi Arabia to the refinery of the coastal Lebanese city of Saida. This refinery was formerly owned by a United States consortium, the Mediterranean Refining Company (Medreco), a joint venture between Mobil and Caltex.<sup>309</sup> The oil transport from Lebanon gave an important economic input to the country through regularly transit fees for the crossed pipelines through the country.<sup>310</sup> The Trans-Arabian Pipeline (TAPLINE) gave Lebanon an income of one million USD per year.<sup>311</sup> Moreover, Lebanon benefited as the locus for the offices of several oil companies. The Arabian American Oil Company that

---

<sup>302</sup> After the war and the disappearance of Palestine in 1948 many Palestinian businessmen fled to Lebanon and other neighbouring countries. The Palestinian businessman Yousef Beidas for example established in Beirut Bank Intra, the largest financial institution in the Middle East in the 1950s and 60s. Source: [http://en.wikipedia.org/wiki/Yousef\\_Beidas](http://en.wikipedia.org/wiki/Yousef_Beidas) Date 2 February 2010

<sup>303</sup> Stewart (1961), p. 48.

<sup>304</sup> Raphaëli (1967), p. 716. Stewart (1961), p. 48.

<sup>305</sup> Abou-Mosleh (2007), p. 16.

<sup>306</sup> Little (1990), p. 256.

<sup>307</sup> Ibid, p. 281.

<sup>308</sup> The 3,500-mile trip of an oil tanker through the Arabian Gulf, and through the Indian Ocean to the Red Sea, and then north through Suez Canal could take 12 days and cost oil companies 18 cents for every barrel that passed through the canal, or about 40.000 USD for each modern tanker. The Saudi Arabian pipeline had a total length of 2.653 miles (4.280 kilometres) with a capacity of 500.000 barrels per day. Upon its construction, it was the world's largest oil pipeline system and offered a cheaper alternative transportation cost of moving oil to Europe at a rate of 40 percent less than shipping by tanker through the Suez Canal. The pipeline was capable of carrying 300.000 barrels of oil daily to the coastal Lebanese terminal point for navigating the oil to European countries and the U.S. The Iraqi pipeline to Haifa was abandoned in 1948 with creation of Israel and a new pipeline through Syria to Tripoli in Lebanon was completed in 1952. Source: Little (1990), p. 255, Abou Mosleh (2007), p.16.

<sup>309</sup> Federal Research Division (1987): "Lebanon a Country Study", p. 147.

<sup>310</sup> Abou-Mosleh (2007), pp. 16-17.

<sup>311</sup> UD:s 1920 års dössiersystem, HP, HP1/XL, Vol. 1136, RA Stockholm. Report from Envoyé Uno Enegren (Beirut) to the Swedish Department of Trade, 3 October 1953.

constructed this pipeline-project was the first U.S. oil company in opening an office in Beirut. A growing number of multinational firms established headquarters in Beirut from 1950.<sup>312</sup>

The expansion of regional oil production and the profits from oil trade increased the importance of Lebanon's transit trade between the oil-producing states and various sorts of Western companies. The American Coca-Cola company for example succeeded to setting up a branch in the region with Beirut as destination.<sup>313</sup> It is worth to notice that the rising income in Lebanon's neighbouring countries was mainly due to the prosperous oil industry. With increased incomes, demand for goods and services also increased through the transit trade Lebanon. The transit trade and capital transfers to Lebanon likewise increased.<sup>314</sup>

Preceding the development of Lebanon's international oil terminal, Lebanese elites succeeded in expanded links with business interests in e.g. Saudi Arabia, Kuwait, and Iraq. Izzat Bey, a Lebanese chief adviser for the Sheikh of Kuwait, played for example a significant role in organising a dominant position for Lebanese business interests in the Kuwaiti expanding market. As result, a Lebanese-Kuwaiti gold trade was promoted. The Lebanese gold trade was even expanded to Saudi Arabia and Bahrain.<sup>315</sup> In addition, Beirut's foreign exchange market was essential for the growing Lebanese-Iraqi trade in the 1950s. Iraqi traders could exchange Iraqi currency to hard currencies in the Lebanese market, enabling them to pay for large orders from France, Italy and the U.S. via the transit link of Lebanon.<sup>316</sup> It is worth to notice that two major income sources were directly linked to transit trade. The first consisted of transit traffic through Beirut Port and across the Lebanese territories, such as port dues, storage and handling charges, transport expenses, and fuel and other taxes. The second consisted of profits that Lebanese traders gained from commission for their transit trade intermediaries.<sup>317</sup> A large accumulation of gold and hard currencies then permitted Lebanon to use capital surplus in transit trade activities. This, in turn, raised the country to an important regional economic position.<sup>318</sup>

The transit trade of Lebanon even became a main source of foreign exchange.<sup>319</sup> The build-up of a banking system with free currency exchanges provided – in relation to other parts of the Middle East region – further attractiveness for multinational corporations. This meant the establishment of headquarters in Beirut with a responsibility for business operations in the entire Middle East region.<sup>320</sup>

From a geographical perspective, the shorter distances between the West and the hinterland of Middle East via Beirut's transit port, entailed for traders to increase their profits.<sup>321</sup> In addition, the available wide network, less documentation, no exchange controls, less port duties, efficient and simple custom procedures, and excellent facilities all these facilitated trade through Beirut.<sup>322</sup>

The Lebanese trade policies and the foreign exchange market were also developed to be relatively free compared with those of other countries. The free market was conducted on the basis that Lebanese tariffs were not erected to act as an obstacle in business activities. More specifically, the tariffs were not used for the purposes of economic development, or as a commercial tool to achieve an already planned economic policy. They were primarily regarded as a source of revenue. In conclusion, this relative liberal economy with a stable currency, minimal direct taxation, and low tariffs contributed to prosperity.<sup>323</sup>

---

<sup>312</sup> Raphaeli N. (1967), p 716.

<sup>313</sup> UD:s 1920 års dossiersystem, HP, H64/XL, Vol. 2957, RA Stockholm. Report from Envoyé Uno Enegren (Beirut) till K. Holmgren at The Swedish Department of Trade, 19 November 1951.

<sup>314</sup> Bessos (1962), p. 32.

<sup>315</sup> Gates (1998), pp. 111-112.

<sup>316</sup> Gates (1998), p. 112, Owen & Pamuk (1999), p. 158.

<sup>317</sup> Ghantus (1963), p. 4.

<sup>318</sup> Owen & Pamuk (1999), p. 158.

<sup>319</sup> Abou-Zeinab (2006), p. 57.

<sup>320</sup> Issawi (1964), p. 284.

<sup>321</sup> Yamot (2005), pp. 145-146.

<sup>322</sup> Ibid, pp. 141, 147.

<sup>323</sup> Bessos (1962), p. 37.

### 3.2.7 Swedish-Lebanese trade and trade policies 1950-1953

OEEC member-states established in 1950 the European Payments Union (EPU) with a currency clearing mechanism to solve currency problem and to facilitate multilateral intra European trade.<sup>324</sup> Accordingly, the EPU member-states could insert their own currencies in clearing fund and then they could take credit up to 60 percent after such insert.<sup>325</sup>

Sweden entered the GATT and EPU in 1950.<sup>326</sup> Gradually, Swedish foreign trade was stimulated due to the EPU, the international monetary cooperation and the IMF. Consequently, the international market stabilized, production increased and prices of Swedish exports like wood products, paper pulp, ore, and iron more than doubled.<sup>327</sup> In addition, the stimulation of the world economy due to the Korean war of 1950 led to increased demand for Swedish products. It was the inflation impact on international raw material markets that forced up the demand for various Swedish export products. In sum, the Swedish industries expanded, productivity increased, and Swedish foreign trade was strengthened.<sup>328</sup>

Table 3:3 shows the shares of Swedish imports and exports in percentage of GDP during the period between 1946 and 1953. From the table can be seen that the Swedish trade between 1950 and 1953 very nearly reached the level of Swedish trade that was before the war.

**Table 3:3. The share of Swedish trade 1946-1953 (in percentage of GDP)**

Year	Exports	Imports
1946	11.5	15.3
1947	12.9	20.8
1948	14.5	18.0
1949	14.8	15.1
1950	18.1	19.3
1951	23.6	23.5
1952	18.9	20.8
1953	17.6	18.7

Source: Own computations based on Krantz/Schön (2007), “*Swedish Historical National Accounts 1800-2000*” pp. 32-33, and data from SOS Handel (trade), periodical 1946-1953.

In the period of 1946-1950, the Swedish-Lebanese trade was conducted without any trade agreements. This trade was characterized mostly by payments in SEK and Pound Sterling, and by a Swedish export surplus. The value of Swedish export to Lebanon/Syria in 1950 was 4.3 million SEK and the products foremost consisted of paper and wood products, iron and steel, machines, boiler apparatus, oil paraffin

<sup>324</sup> In 1949, European countries formed the Organisation for European Economic Cooperation (OEEC) to facilitate the cooperation between European governments on intra-European trade. This organisation included the Western European Countries, Finland, Yugoslavia, and Turkey. OEEC, in turn, established in 1950 the European Payments Union (EPU) to solve currency problem. Crouzet (2001), p. 203.

<sup>325</sup> Karlsson (1992), p. 26.

<sup>326</sup> Preconditions for a Swedish membership in the Bretton Woods institutions [with start from 1951] were changed with a Swedish combination between IMF and GATT. It was in accordance to the negotiations in France in 1949 on GATT when Sweden realised it. According to Erik Magnusson (2003, pp. 104-107.), Sweden's choice to stay outside the Bretton Woods system was a need of driving an independent exchange rate policy, which was strengthened with the program of a low rate of interest after the war. The view to Bretton Woods changed in 1948 when the question of ITO for trade regulation had been arisen, and when Sweden joined the negotiations on GATT. A decisive motivation to the changed adjustment on entering the Bretton Woods agreement was that Swedish access to GATT would favour the Swedish trade interests.

<sup>327</sup> Hallvarsson (1981), p. 21.

<sup>328</sup> Dahmén & Carlsson (1985), p. 55, Hallvarsson (1981), p. 22.

and cement. The values of Lebanese exports to Sweden were 0.53 million SEK in 1950 and contained foodstuffs, hides and skins.<sup>329</sup>

The Lebanese authorities wanted to balance the trade activities by concluding trade agreements. From 1950 onwards there were many Lebanese attempts to conclude such a bilateral trade agreement with Sweden. One reason was that the Lebanese government blamed the Swedish authorities for rejecting an import license to Ekman Trading AB for importing Lebanese *gold and silver brocade textiles* worth 40.000 SEK.<sup>330</sup> Shortly after, the Lebanese government also blamed the Swedish trade authorities for rejecting two other import licenses. The first one concerned the American-Swedish Import & Export Co. AB for importing 10.000 nylon skirts. The other one was the AB Svexicos, which was not allowed a license to import 11.800 kg of underwear made of cotton.<sup>331</sup> The Lebanese Envoyé in Stockholm, Takieddine, visited the Department of Swedish Foreign Affairs and discussed a possible trade agreement and the issue of import licenses.<sup>332</sup> The department demanded a three month-period as a “time of consideration” before giving any answer about a possible bilateral trade agreement. However, the department had already explained that trade up to September 1950 had developed into entire satisfaction without any formal trade agreements or limitations of Lebanese export to Sweden.<sup>333</sup>

In accordance with the Lebanese attempts to improve trade with Sweden, the Swedish Consul-general in Beirut, Loisides Constantin,<sup>334</sup> sent a report to the Department of Swedish Foreign Affairs on 28<sup>th</sup> December 1950. Constantin informed the department that an export of quantities of Lebanese lemons/oranges to Sweden in exchange for printing paper was highlighted in the local press, and many talked about the negotiations with satisfaction.<sup>335</sup> Here, Constantin wanted to address attention to the French-Lebanese trade experiences and to warn Swedish traders to be careful. From a newspaper-article, the Consul-general summarized the experience of Lebanese export of lemons/oranges to France in 1950 as follows:

“19<sup>th</sup> November, France withdrew Lebanon’s share of contingents for 10.000 tons because of utilization of only 3.000 tons due to the reason that lemons and oranges were immatured, spotted, soured, unsorted in defected packages”.<sup>336</sup>

In a report dated 5<sup>th</sup> February 1951, the Department of Swedish Foreign Affairs explained that Sweden had no plans to conclude separate trade agreements with Lebanon and Syria since this would force Sweden to negotiate trade agreements with Lebanon’s neighboring countries like Egypt, Iraq and Israel. In this respect, Sweden was interested in continuing a liberal trade with these countries without interferences.<sup>337</sup> However, the Lebanese authorities suggested that tobacco was an additional export

---

<sup>329</sup> UD:s 1920 års dossiersystem, HP, H64/XL, Vol.2957, RA Stockholm. Letter from the Swedish Trade and Industrial Commission to the Trade Section at Department of Swedish Foreign Affairs, 6 November 1950, and Report from the Swedish Orient Line in Gothenburg to the Swedish Trade and Industrial Commission, 21 December 1950. A report from The Swedish Trade and Industrial Commission to the Trade Section at Department of Swedish Foreign Affairs, 3 February 1951.

<sup>330</sup> UD:s 1920 års dossiersystem, HP, H64/XL, Vol. 2957, RA Stockholm. Letter from the Department of Swedish Foreign Affairs to the Swedish Trade and Industrial Commission, 29 September 1950.

<sup>331</sup> UD:s 1920 års dossiersystem, HP, H64/XL, Vol. 2957, RA Stockholm. Report from the Department of Lebanese Foreign affairs to the Department of Swedish Foreign Affairs, 5 April 1951.

<sup>332</sup> UD:s 1920 års dossiersystem, HP, H64/XL, Vol. 2957, RA Stockholm. Report on Swedish trade relations with Syria/Lebanon to the Department of Swedish Foreign Affairs, 5 February 1951.

<sup>333</sup> UD:s 1920 års dossiersystem, HP, H64/XL, Vol. 2957, RA Stockholm. Report from the Department of Swedish Foreign Affairs to Director Grafström at the Swedish Trade and Industrial Commission, 29 September 1950.

<sup>334</sup> Loisides Constantin was a Swedish consul- general in Beirut 1949 to 1951. Source: Sveriges statskalender 1951, p. 311.

<sup>335</sup> UD:s 1920 års dossiersystem, HP, H64/XL, Vol. 2957, RA Stockholm. Letter Loisides Constantin at the Swedish Embassy in Cairo to the Department of Swedish Foreign Affairs, 28 December 1950.

<sup>336</sup> UD:s 1920 års dossiersystem, HP, H64/XL, Vol. 2957, RA Stockholm. Letter from Loisides Constantin at the Swedish Embassy in Cairo to the Department of Swedish Foreign Affairs, 28 December 1950

<sup>337</sup> UD:s 1920 års dossiersystem, HP, H64/XL, Vol. 2957, RA Stockholm. Report on the trade relations with Syria/ Lebanon. The Department of Swedish Foreign Affairs, 5 February 1951.

product. But, according to the Swedish authorities, this product was of bad quality and Swedish importers were informed to avoid it.<sup>338</sup>

In 31 August 1951, the Swedish Ministry of Commerce received a report from the Swedish National Board of Trade (*Kommerskollegium*). This report was based on discussions held between *Kommerskollegium* and the Chamber of Commerce (*Handelskammarna*) in Stockholm and Gothenburg, The Swedish Trade Council (*Sveriges Allmänna Exportförening*), the Federation of Swedish Wholesalers and Importers (*Sveriges Grossistförbund*), and the Association of Swedish Ship-owners (*Sveriges Redareförening*). According to this report, Swedish-Lebanese trade was characterized by Swedish advantages: a trade surplus. The report explained that any agreement that would regulate trade with Lebanon would probably result in a reduction of exports. Therefore, from a Swedish perspective, a bilateral trade agreement with Lebanon was of no interest.<sup>339</sup>

In an attempt to investigate the trade situation, the Swedish Embassy in Cairo appointed Uno Energen as a Swedish Consul-general and Commercial Secretary for the newly established Swedish representation in Beirut in November 1951. However, a trade investigation was earlier emphasized by Greve Bonde at the Swedish Embassy in Cairo. After a trip to Lebanon, Syria and Jordan, Bonde wrote to Dag Hammarskjöld at the Department of Swedish Foreign Affairs and summarized in a report what he saw. Bonde showed that a widespread desire to increase trade with Sweden seemed to exist in these countries. The desire was based on efforts to avoid commercial dependence upon the Superpowers within the Eastern and Western blocs. The neutral policy applied by Sweden was also attractive for small countries. According to Bonde, this tendency was not new but had lately been much more in focus and obvious than before.<sup>340</sup>

The establishment of a Swedish Consulate-general in Beirut was a step that followed the business promotion of L.M. Ericsson in Lebanon. In accordance with a final Lebanese decision in late 1951, L.M. Ericsson was selected to a winner in the telephone business tender. Accordingly, L.M. Ericsson established a technical office with responsibility for sales and installations in Beirut. The first stage was to execute an order of 15.000 telephone lines in Beirut, including a 500-point switching system. This would imply up to 18 month-work for local workers and for a group of Swedes, who gradually arrived at Beirut from the beginning of 1952.<sup>341</sup>

Two major events had both positive and negative outcomes for the Lebanese trade in 1952. The first one was the comprehensive agreement on Lebanese-Syrian economic relations. This agreement permitted free trade of agricultural products. It initiated export duties on some Syrian raw material that were used in Lebanese industry. However, the agreement favored Syria's manufactured exports to Lebanon more than Lebanese manufactures to Syria.<sup>342</sup> According to the Swedish Embassy in Cairo, the duties on agricultural products were not favorable for Lebanon, but certain financial rules, however, gave them an advantageous status.<sup>343</sup> The second event was the outbreak of domestic economic, financial, and political crisis in 1952 marked by dissatisfaction with the regime and accusations of corruption against the President Bishara El-Khoury and his Administration. The crisis ended by a resignation of the president and the election of Camille Chamoun as a new president. As known earlier in this study, Chamoun served as Lebanese ambassador in the UK 1944-1946. He supported the Lebanese delegation that had commercial discussions in Stockholm in August 1946.

---

<sup>338</sup> UD:s 1920 års dossiersystem, HP, H64/XL, Vol. 2957, RA Stockholm. Report from the Swedish Trade and Industrial Commission to the Swedish Department of Trade, 7 August 1951.

<sup>339</sup> UD:s 1920 års dossiersystem, HP, H64/XL, Vol. 2957, RA Stockholm. Report from the Kommerskollegium in Stockholm to the Swedish Department of Trade, 31 August 1951.

<sup>340</sup> UD:s 1920 års dossiersystem, HP, H64/XL, Vol. 2957, RA Stockholm. Report from the Swedish Embassy in Cairo to Dag Hammarskjöld at the Department of Swedish Foreign Affairs, 29 November 1951.

<sup>341</sup> UD:s 1920 års dossiersystem, HP, H64/XL, Vol. 2957, RA Stockholm. Report from the Swedish trade attachés in Beirut Energen to K. Holmgren at the Swedish Department of Trade, 19 November 1951. Report from The Swedish trade attachés in Beirut Energen to the Department of Swedish Foreign Affairs, 28 January 1952.

<sup>342</sup> UD:s 1920 års dossiersystem, HP, H6/XL, Vol. F1c:2, RA Stockholm. Letter from Swedish Consul in Beirut to the Department of Swedish Foreign Affairs, 11 February 1952.

<sup>343</sup> UD:s 1920 års dossiersystem, HP, H6/XL, Vol. F1c:2, RA Stockholm. Report from Swedish Embassy in Cairo to The Department of Swedish Foreign Affairs, 29 February 1952.

Chamoun's main focus as president was to work for political and economic reforms, and to stimulate trade.<sup>344</sup>

This temporary crisis caused a decline in Lebanese exports. Yet, the Lebanese-Swedish trade was conducted under Swedish import controls and without any Swedish discrimination in 1953. Wood products, paperboard and paper were the main Swedish exports to Lebanon during the whole period between 1950 and 1953. The export of timber for example increased from 2.937 m<sup>3</sup> in 1950 to 10.146 m<sup>3</sup> in 1953. The volumes of wooden furniture and parquet staves increased from 20 tons in 1950 to 28 tons in 1953. Another example is the volume of paperboard and paper, which increased from 2.550 tons in 1950 to 2.608 tons in 1953.<sup>345</sup>

Table 3:4 shows the Swedish-Lebanese trade development 1950-1953. The Values of Swedish exports to Lebanon increased from around four million SEK in 1950 to over six million SEK in 1951 and to eight million SEK in 1953. The Swedish import from Lebanon was around 0.5 million in 1950 and increased to over 1.3 million in 1951, but showed a sharp decline in 1952 and 1953.

**Table 3:4. Swedish trade with Lebanon 1950-1953 (in million SEK)**

<b>Year</b>	<b>Exports</b>	<b>Imports</b>
1950	4.19	0.53
1951	6.02	1.35
1952	8.02	0.28
1953	8.72	0.61

Source: SOS Handel (trade), periodical (1950, pp. 222-223.), (1951, pp. 233-234.), (1952, p. 234.) and (1953, p. 233.)

It is worth to notice that trade statistics of the period of 1950-1953 was collected in a report in Beirut by M. I. Menassa [Import-, Export-, Commission Agents, Manufacturers' Representatives]. This report was sent to the Department of Foreign Affairs in Sweden and other governmental organs. From the statistics could be noted that among the Nordic countries Sweden had the most trade with Lebanon during the years 1950 to 1953 followed by Denmark, Finland, and Norway. According to Menassa, the increased Swedish export to Lebanon was explained by the organized transportation by means of a Swedish-Lebanese Aviation Agreement of 1953 to transport Lebanese products with SAS. This air freight of Lebanese products was also added to the already existing sea shipping of products between Sweden and Lebanon.<sup>346</sup>

<sup>344</sup> UD:s 1920 års dossiersystem, HP, HP01/XL, Vol. 2957, RA Stockholm. Report from Michel Iskandar MENASSA in Beirut to W. Jäger & son AB in Stockholm, 25 September 1952. See even Zisser (2000), pp. 220-221.

<sup>345</sup> SOS Handel (trade), (1950, pp. 222-223.) and (1953, p. 233.).

<sup>346</sup> UD:s 1920 års dossiersystem, HP, HP01/XL, Vol. 2957, RA Stockholm. Report from Michel Iskandar MENASSA in Beirut to W. Jäger & son AB in Stockholm, 25 September 1952. An official document on different agreements conducted between Lebanon and Sweden. Source: The Chambers of Trade, Industry, and Agriculture in Beirut and the Mountains of Lebanon: The Centre for Economic Studies. Date 10 June 2009.

Table 3:5 shows the Swedish-Lebanese trade between 1950 and 1953 in comparison with the other Nordic countries.

**Table 3:5. Scandinavian trade with Lebanon 1950-1953 (Cif-, and Fob-values in USD)**

<b>Country</b>	<b>Lebanese imports (transit excluded) Cif-values in US-dollars</b>	<b>Lebanese exports (Fob-values in US-dollars)</b>
Sweden	5.656.000	91.000
Norway	533.000	6.000
Denmark	2.548.000	146.000
Finland	2.215.000	9.000

Source: UD:s 1920 års dossiersystem, HP, H6, vol. F1c:2, RA Stockholm. Report Lebanese trade, industry and handwork by Michel Iskandar Menassa (Import-, Export-, Commission Agents, Manufacturers' Representatives), Beirut 7 August 1954.

Menassa noted that 6.184.515 USD was the cif-Beirut value of Swedish goods that transited via the Port of Beirut to the Arab countries during 1950-1953. According to Menassa, this meant that:

“It would naturally appear fair that governments of Scandinavia should detail to Beirut their respective delegations to negotiate with Lebanon Agreements on navigation, trade, payment and compensations/investments in the same manner they had detailed their respective delegations to Tel-Aviv to negotiate and conclude trade and payment agreements with Israel. To mention the most recent Agreement [we] submit that –about two months ago – Norway detailed a delegation to Tel-Aviv, that very lengthily negotiated and concluded their Four-year trade Agreement with Israel, which apparently covered 7.2 million USD”.<sup>347</sup>

Menassa stressed that the Swedish trade negotiations with Lebanon could take several months. But, Lebanon was in a desperate need to sell its agricultural products. According to him, the attention of the Scandinavian importers should be promptly drawn to the urgent necessity of buying the Lebanese products.<sup>348</sup>

The protests against bad behaviors in trade were not only derived from the Lebanese. Sweden also complained about the legalization of trade bills by the Lebanese Consul-general in Stockholm, Axel Rudolf Camitz. In a letter dated 18 September 1953, the Department of Foreign Affairs explained that the Swedish Export Council addressed to the Lebanese authorities complaints about formal rules concerning the Swedish export to Lebanon. According to the Swedish Export Council, Swedish exporters blamed Lebanese traders for unpaid commercial credits, which complicated the trade transactions:

“For every Swedish export to Lebanon a trade invoice must be legalized by the Lebanese consul in Stockholm. Because of the fact that the Consul-general Camitz was a businessman and an executive director of AB Svenska Godscentraler, it often happened that he was on business trips and was out of the office for up to two weeks. During this time there was no one at the office in Stockholm”.<sup>349</sup>

<sup>347</sup> UD:s 1920 års dossiersystem, HP, H6/XL, Vol. F1c:2, RA Stockholm. Report from Michel Iskandar MENASSA in Beirut to the Department of Swedish Foreign Affairs, 7 August 1954.

<sup>348</sup> UD:s 1920 års dossiersystem, HP, H6/XL, Vol. F1c:2, RA Stockholm. Report from Michel Iskandar MENASSA in Beirut to the Department of Swedish Foreign Affairs, 7 August 1954.

<sup>349</sup> UD:s 1920års dossiersystem, HP, H/XL, Vol. 114, RA Stockholm. Report from the Department of Swedish Foreign Affairs to the trade attaché in Cairo Greve Bonde, 18 September 1953.

In conclusion, for the whole period 1946-1953 the Swedish-Lebanese trade was marked by increased trade volumes. Trade promotion occurred by updating contacts with new trade agents and traders. However, the most important feature during this period was the lack of any formal bilateral trade agreements between the two countries.

### **3.2.8 Summary**

In contrast to the marginal trade volumes during the Interwar period, Post-War Swedish-Lebanese trade was to a higher degree characterized by mutual interests to develop trade relations. During the period 1946 to 1953 trade developed in a traditional direction with surpluses in Swedish exports. The emerging Lebanese market for regional transit trade entailed the Lebanese government to formalize trade on the basis of bilateral agreements. Sweden was satisfied without any trade agreements with Lebanon. There was no discrimination on the part of Sweden against Lebanon, but all imports into Sweden were subject to import controls. The main Lebanese export was agricultural products, while Sweden exported diversified manufactured products.

## 4 Swedish business interests in the Lebanese market 1954-1965

### 4.1 Introduction

The primary objective of this chapter is to describe the Swedish-Lebanese trade 1954-1965. It discusses Swedish assessments on trade promotion with Lebanon during periods of wars and crises. The discussions are based on the three questions: How did Sweden develop trade and trade policies with Lebanon 1954-1965? Are there factors that can distinguish this period from the previous period of 1946-1953? What national and international factors can explain this development?

### 4.2 Swedish-Lebanese trade relations 1954-1965

The Cold War's bipolar structure became more apparent after the mid-1950s. Political and economical alliances that linked up the allied European countries in coordination, based on the US-capitalism or the USSR-communism, came to limit the international trade between two groups of countries.<sup>350</sup> In the Middle East, the US-Soviet competition imposed limits on trade between the region's pro-capitalist and pro-communist/socialist countries.<sup>351</sup> In addition, the negative effects from a decade of political and economic instability due to various military coups and disputes in the Middle East interrupted trade within many parts of the region. In Syria, the military coups of 1954, 1958, 1961 and 1963, the crisis of August-October of 1957, and the Syrian-Egyptian Union 1958-1961 created political instability and disturbed the external economic relations.<sup>352</sup> The Suez Crisis in 1956 caused an international dispute combined with economic concerns both in the Middle East and the West. In addition, the July 1958 coup in Iraq initiated a period of economic mismanagement and political instability with four military regimes and several attempts of coup d'états.<sup>353</sup>

Table 4:1 presents the number of military coups, successful or abortive, in the Arab World 1953-1964. It shows that four military coups occurred between 1953 and 1956. Between 1957 and 1964, the attempted military coups became more intense and the total number of coups increased to 19.

**Table 4:1. Military coups in Arab countries 1953-1964**

Year	Number of coups	Number of successful coups
1953-1956	4	3
1957-1960	7	1
1961-1964	12	6

Source: Be'eri Eliezer (1982), *"The Waning of the Military Coup in Arab politics"*, p. 71.

The development of the business activities in Lebanon was tightly connected to the events in the region. In Beirut a major banking centre evolved for serving the whole Middle East. The function of this banking centre was based on strict bank secrecy regulations like those of Switzerland, with no restrictions on foreign exchange or capital movement.<sup>354</sup> Thus, between 1954 and 1966 the number of foreign and domestic banks increased from 21 to 86. This can be further compared with only seven banks in 1945.<sup>355</sup> Two major factors contributed to the rapid growth of the Lebanese banks and bank deposits. At firstly, it was the political instability and the increasing economic controls in several

<sup>350</sup> Crouzet (2001), p. 200.

<sup>351</sup> Tuma (2000), p. 220.

<sup>352</sup> Kerr (1965), 5-6, 10-11, 59ff.

<sup>353</sup> Long, Reich & Gasiorowski (2007), pp. 121-125, 135, and 417.

<sup>354</sup> The Lebanese banks were legally protected to keep information concerning their clients' accounts and capital.

<sup>355</sup> Gaspard (2004), pp. 192.

neighbouring Arab countries that played a key role in increasing bank deposits. Many Lebanese banks attracted Arab capital flowing in from sheikhs of neighbouring oil exporting countries, and from leaders in the surrounding areas with a probable risk for political exile.<sup>356</sup> Syrian businessmen deposited up to 75 million USD in Lebanon between 1950 and 1965. After the coup of July 1958 in Iraq many businessmen fled to Lebanon and deposited around 47 million USD in Lebanese banks.<sup>357</sup> The inflow of Arab capital together with the accumulated capital by Lebanese emigrants abroad was substantial for the expansion of the banking industry, which furthered the growth in trade. Secondly, the rapid growth of the banking industry was accompanied by relative financial stability that secured a low inflation rate and a relatively stable exchange rate.<sup>358</sup> In sum, the underlying instruments to attract capital inflow to Lebanon were: the Local political stability, the absence of barriers to capital movement, the Bank Secrecy Law of 1956, and a stable and strong national currency.<sup>359</sup> Once again, these developments resemble an emerging economy.

In line with the free trade and the free convertibility of currencies, the regional transit trade of goods and services grew, and telecommunication and transport networks were developed. The growth of financial and service capital facilitated Lebanon's international trade expansion.<sup>360</sup> However, more important was the growing transit trade of gold, which strengthened Lebanon's position in the international gold market.<sup>361</sup> Up to 95 percent of Lebanon's gold transit trade originating from West Europe, was destined for Middle East, India and China. Lebanon was now, not only the banker of the region, but also a centre for international trade between the West and the Middle East.<sup>362</sup>

Table 4:2 presents the values of Lebanon's transit trade of merchandise for the period 1951-1960. There were no complete statistics on transit trade of gold because Lebanon allowed free import of gold, but gold exports was subject to licensing. As there was no import duty on gold, the government did little to enforce proper declaration and registering. The most distinct feature of Lebanon's transit trade over the whole period was the decline in 1953 and 1956 due to the political crises in neighbouring countries, and in 1958 due to the Lebanese civil war.

**Table 4:2. Values of transit trade of Lebanon 1951-1960 (in Million USD)**

<b>Year</b>	<b>Transit trade values</b>
1951	2.2
1952	5.3
1953	3.5
1954	4.3
1955	4.7
1956	4.5
1957	8.05
1958	5.1
1959	7.6
1960	8.04

Source: Own computations based on Mary Bessos (1962), *Foreign trade Finance in Lebanon*, pp. 27-28.

<sup>356</sup> Raphaeli N. (1967), p. 717.

<sup>357</sup> Yamot (2005), p. 183.

<sup>358</sup> Makdisi (2004), pp. 15-17. Gates (1998), p.112.

<sup>359</sup> Abou-Zeinab (2006), p. 85.

<sup>360</sup> Gates (1998), p. 115.

<sup>361</sup> Ibid, p. 116.

<sup>362</sup> Ibid, pp. 116-117.

The Lebanese Central Bank was established in 1964.<sup>363</sup> This establishment was necessary due to the rise of Lebanon into a regional financial and trade centre. It was to function as an umbrella organisation for financial commercial banks and for securing international financial transactions. A national Central Bank was also important due to the convention of 1937 between Lebanon and the French mandatory powers. According to this convention the Bank of Syria and Lebanon - a French private bank - was the government's fiscal agent with a responsibility to issue the local currency until 1964.<sup>364</sup>

With the growth of financial services and regional transit trade, Lebanon became a hub for foreign exchange transactions in the 1950s and 1960s.<sup>365</sup> Earnings in hard foreign currencies were deposited in banks or invested in infrastructure, buildings, banking institutions, or constructions for tourism activities.<sup>366</sup> Tourism activities, e.g. sightseeing, sports, religious and archeological attractions, business, and medical tourism, were crucial for Lebanon's economic growth in the 1950s and 1960s. Lebanon's natural beauty made the country to one of the largest tourist attractions in the region. Modern ski stations attracted ski lovers and the Mediterranean Sea coast received hundreds of thousands of people, who could ski in the morning and could swim in the afternoon of the same day.<sup>367</sup> In addition, Lebanese universities attracted neighbouring Arab Youth to bring up their educational degrees.<sup>368</sup>

In Sweden, Post-War economic growth was high. For the period 1961 to 1965, the annual growth rate of GNP was 5.2 percent compared with 3.4 percent per year during the period between 1956 and 1960 and 3.3 percent per year during the years 1951 to 1954.<sup>369</sup> A substantial share of GDP was related to a rapid upswing in Swedish trade.<sup>370</sup>

Table 4:3 shows the shares of Swedish trade in relation to GDP. As can be seen trade constituted an important share during the period 1954 to 1965. On average the proportion of GDP derived from trade was around 40 percent.

**Table 4:3. Shares of Swedish trade 1954-1965 (in percentage of GDP)**

Year	Exports	Imports
1954	17.7	19.8
1956	18.5	21.0
1958	17.8	22.2
1960	18.9	21.4
1962	18.2	19.4
1964	18.9	19.9
1965	18.4	20.3

Source: Own computations based on Krantz/Schön (2007), "*Swedish Historical National Accounts 1800-2000*" pp. 32-33, and data from SOS Handel (trade), periodical 1954, 1956, 1958, 1960, 1962, 1964, and 1965.

Swedish-Lebanese trade during the years 1954 to 1965 witnessed several Lebanese attempts to conclude bilateral trade agreements with Sweden. But, as previously seen and from a Swedish perspective, this did not require any bilateral agreements. The following sections of this chapter discuss the reasons behind the Swedish attitude towards Lebanon over trade policy issues.

<sup>363</sup> Gaspard (2004), p. 193.

<sup>364</sup> Ibid, pp. 193-194.

<sup>365</sup> Abou-Zeinab (2006), p. 57.

<sup>366</sup> Gates (1998), p. 117, Abou-Zeinab (2006), p. 57.

<sup>367</sup> Yamot (2005), pp. 126-127.

<sup>368</sup> Gates (1998), p. 118.

<sup>369</sup> Magnusson (2002), p. 200.

<sup>370</sup> Ibid, pp. 206-211.

#### **4.2.1 The scandal of Lebanese re-sale of Swedish Tanker-Ships**

The gap in Swedish-Lebanese trade resulted in repeated Lebanese attempts in 1954 to encourage Sweden and other Nordic countries to conclude bilateral trade agreements.<sup>371</sup> A Lebanese trade scandal, however, left a negative impact on the trade relations. The scandal concerned two Swedish tanker-ships (17.600 tons d.w. each) that had been re-exported to Poland via Beirut, in spite of a Swedish import license to Lebanon for only utilising these tankers in Lebanese Maritime trade.<sup>372</sup> A permit to AB Charles Thorburn & Co was issued by the Swedish Trade and Industry Commission for the export of the two tankers to Lebanon. The Swedish sale occurred also in good faith.<sup>373</sup> From a Swedish perspective, this meant that the two Swedish tanker-ships were to be exported to Lebanon as their final destination.

The scandal caused trouble in the West and did not least upset trade relations between Lebanon and Sweden. On the basis of an American-Lebanese trade treaty, the American Ambassador in Beirut protested against the Lebanese re-sale of Swedish strategic material to a country behind the Iron Curtain.<sup>374</sup> Consequently, the American Ambassador threatened the Lebanese government to stop all US-economic aid. In addition, The U.S. government informed the member states of the Coordinating Committee for Multilateral Export Controls (CoCom) to observe the greatest caution when selling tankers and other sensitive strategic materials to Lebanon.<sup>375</sup>

This international reaction led to a Swedish engagement in solving this problem. After investigations, the Department of Swedish Foreign Affairs informed in a report dated 20 May 1954 that the Lebanese Minister of trade issued on 29<sup>th</sup> April 1954 an export license to re-export two Swedish tanker-ships to Poland. According to this report, the Lebanese export license was issued without any consultation with the Lebanese Prime Minister and the Minister of Lebanese Foreign affairs. Relating to this decision, the Swedish import license and the Lebanese re-export license were granted to the same person: a cousin to the Speaker of Lebanese Parliament.<sup>376</sup>

Intensive discussions following this scandal occurred between deputy members of the Lebanese parliament in May 1954.<sup>377</sup> The Lebanese President and the Minister of Lebanese Foreign Affairs condemned the “bad behaviour” of the Minister of trade.<sup>378</sup> More than that, the Lebanese Press paid substantial attention to this event. It described the deal as an action of corruption and a smuggling scandal of strategic material. Newspapers unveiled that the Lebanese Minister of trade had granted an import license to a journalist, as an ostensible buyer and to a Speaker’s cousin as a real mediator for this deal. The value of this business was four million USD for the two Swedish tankers. At the same time an export license of 4.156.250 USD was given to the journalist and his colleague to export the same tankers further to Poland. There was also 156.250 USD on a visible commission.<sup>379</sup> Lebanon suffered again from the administrative corruption. The scandal and the following cabinet crisis led to a resignation of the Lebanese government in September 1954.<sup>380</sup> Moving on to 1955 a new government

---

<sup>371</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 114, RA Stockholm. Three different letters from the firm Michel Iskandar MENASSA in Beirut to the Department of Swedish Foreign Affairs, 17 March, 7 August and 20 October 1954.

<sup>372</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 114, RA Stockholm. Letter from the Swedish Embassy in Cairo to the Department of Swedish Foreign Affairs, 21 May 1954.

<sup>373</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 114, RA Stockholm. Utterance from the Swedish Trade and Industrial Commission to Kungsoil Shipping Company (Aktiebolaget Kungsoil), 11 May 1954.

<sup>374</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol.114, RA Stockholm. Report from the Swedish Embassy in Cairo to the Department of Swedish Foreign Affairs, 24 May 1954.

<sup>375</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 114, RA Stockholm. Report from the Swedish Embassy in Paris to the Department of Swedish Foreign Affairs, 27 July 1954.

<sup>376</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol.114, RA Stockholm. Report by the Department of Swedish Foreign Affairs, 20 May 1954.

<sup>377</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 114, RA Stockholm. Letter from the Swedish Embassy in Cairo to the Department of Swedish Foreign Affairs, 22 May 1954.

<sup>378</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 114, RA Stockholm. Letter from the Swedish Embassy in Cairo to the Department of Swedish Foreign Affairs, 22 May 1954.

<sup>379</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 114, RA Stockholm. Letter from the Swedish Embassy in Cairo to the Department of Swedish Foreign Affairs, 22 May 1954.

<sup>380</sup> UD:s 1920 års dossiersystem, HP1/XL, Vol. 1136, RA Stockholm. Report from Greve Bonde at the Swedish Embassy in Cairo to the Department of Swedish Foreign Affairs, 22 September 1954.

did not solve the problem due to the fact that the discussions on the Swedish-Lebanese trade scandal were postponed to uncertain future.<sup>381</sup>

The Department of Swedish foreign affairs appointed Brynolf Eng<sup>382</sup> to the Swedish Envoyé in Beirut to investigate the Lebanese purchase of Swedish tankers and to bridge the gap in the Swedish-Lebanese trade relation after the scandal.<sup>383</sup> Due to the high demand of Swedish industry products in Lebanon, the Lebanese president told Envoyé Eng that he wished to see a more balanced trade. According to Eng, the president said that the Lebanese people admired Swedish neutrality and appreciated the good quality of Swedish manufactures.<sup>384</sup> In this meeting Eng emphasized that Swedish export was stimulated by a multi-faceted industry, while Lebanon's export was based on one-sided agricultural production. Thus, Sweden exported capital goods while Lebanon in return exported agricultural products. Furthermore, a substantial share of the Swedish exports re-exported to other countries in the Middle East region:

“In this way, the Lebanese export to Sweden could increase if traders would promote more contacts with Swedish importers. By their contacts the Lebanese exporters could give quality tests of products to Swedish importers for creating more interests. The SAS charter trips between Stockholm and Beirut could for instance create a possible way to Lebanese exporters to visit Sweden and to investigate the Swedish market”.<sup>385</sup>

It was clear that the scandal concerning the two tankers could jeopardize the Lebanese ambitions to conclude trade agreements. In this respect, Envoyé Eng told the Department of Foreign Affairs his point of view on Lebanon's economy based on the opinion of another economic expert:

“Lebanon was a poor country with political and financial mismanagement. Normally, this country should have been ruined a long time ago and be in a state of chaos. Accordingly, I could give the following advice: We should continue as we have been doing up to now”.<sup>386</sup>

This also reflected the views of Swedish trade authorities on the trade with Lebanon. There was no hope in the near future for a real change. The gap in trade between Sweden and Lebanon continued while the trade volumes increased. In 1955, the value of the Swedish import from Lebanon was 1.8 million SEK while the value of the Swedish export to this country was 13.6 million SEK.<sup>387</sup>

---

<sup>381</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 114, RA Stockholm. Letter from Brynolf Eng at the Swedish Embassy in Cairo to the Department of Swedish Foreign Affairs, 16 May 1955.

<sup>382</sup> Between 1955 and 1957 was appointed to a Swedish Envoyé in Lebanon. Source: Register i UD:s kalender 1961, s.243-275. Online access: [www.riksarkivet.se/Sve/Documentarkiv/Filer/UD%20kal%201961%20person.xls](http://www.riksarkivet.se/Sve/Documentarkiv/Filer/UD%20kal%201961%20person.xls) Date 30 September 2009.

<sup>383</sup> UD:s 1920 års dossiersystem, HP1/XL, Vol. 114, RA Stockholm. Report from Brynolf Eng, the Swedish envoyé in Beirut to the Department of Swedish Foreign Affairs, 16 September 1954.

<sup>384</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 114, RA Stockholm. Letter from Brynolf Eng, the Swedish envoyé in Beirut to the Department of Swedish Foreign Affairs, 15 December 1955.

<sup>385</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 114, RA Stockholm. Letter from Brynolf Eng, the Swedish envoyé in Beirut to the Department of Swedish Foreign Affairs, 15 December 1955.

<sup>386</sup> UD:s 1920 års dossiersystem, HP1/XL, Vol. 1136, RA Stockholm. Report from Greve Bonde at the Swedish Embassy in Cairo to the Department of Swedish Foreign Affairs, 22 September 1954.

<sup>387</sup> SOS, Trade, yearbook (1955), p. 239.

#### **4.2.2 Two crises: Suez 1956 and Syria 1957**

The drastic events of the Suez Crisis in 1956 drew attention to other issues in the Middle East region. Britain and France had significant economic interests in the Suez Canal since it provided access to oil from the region. In addition, Britain and France held a majority of the shares in the Suez Canal Company. But, sharply different opinions between Egypt on the one hand, and Britain, France, and Israel on the other hand about the Egyptian control/nationalisation of the Suez Canal caused the Suez Crisis of 1956.<sup>388</sup>

The Egyptian nationalisation of the Suez Canal in July 1956 led to the British, French, and Israeli military attack on Egypt on 29 October 1956.<sup>389</sup> The Israeli forces completely occupied the Suez region including the Canal. But, Egypt could close and block the Canal by sinking 40 ships in it. Consequently, the Middle Eastern oil was blocked from reaching Europe. Pressures from the United Nations, the US and the Soviet Union on Britain, France and Israel resulted in returning the Suez Canal to Egypt in March 1957.<sup>390</sup>

Syria supported Egypt in the Suez War by blowing up the IPC-pipelines that crossed through Syria and ended in the oil terminals in Lebanon. The Syrian aim was to put pressure on the Western World by stopping the Gulf-Arabian oil to Lebanon on its way the West. In addition, the visit of the Syrian president to the Soviet Union in November 1956, calling for Moscow support to Egypt, complicated the political scene in the region. This initiative was confronted in the West by considering Syria as an integral part of the Pro-Soviet bloc in the region. Soviet and Syria responded by concluding a Soviet-Syrian military aid agreement in August 1957.<sup>391</sup> This was followed by the exclusion of American diplomats from Syria. Consequently, an internal crisis faced Syria in August-October 1957, which was accompanied by tensions with Turkey and Iraq. In the Cold War climate, a crisis management lead by the Soviet Union and the U.S. was exploited for tactical purposes in order to increase their domination of the region.<sup>392</sup>

Once again Lebanon's economy benefited from the crises in Egypt and Syria. The Suez Crisis led to the transfer of commercial activities, from the Suez Canal and Port Said in Egypt, to Lebanon. This transfer gave Lebanon better commercial prospects.<sup>393</sup> Many Syrian businessmen and investors in exile deposited their capital in Lebanese banks.<sup>394</sup>

However, due to the instability in the region Sweden had no plans for any changes in the trade policy, while Lebanon strove for more trade with Sweden. In a meeting between the Lebanese president and the Swedish Envoy Eng in May 1957, the president expressed once again his wishes to increase Lebanese exports to Sweden.<sup>395</sup>

However, in 1956 and 1957 the trade was still characterised by surplus of around 13 and 16 million SEK against, the huge deficits in Lebanese exports, which only amounted to 0.23 respective 0.48 million SEK.<sup>396</sup>

---

<sup>388</sup> Matthews (1967), p. 84.

<sup>389</sup> The question of Israeli participation was motivated by many incidents that occurred between Israel and Egypt since 1948. This is related to the fact that many ships to and from Israel through the Suez Canal were stopped, removed, or destroyed by the Egyptians, especially after the 1952 military coup. The Egyptian authorities hardened the restrictions on the passage of ships from and to Israel through the Suez Canal, and an Israeli access to the Red Sea was completely stopped after 1953. Source: Abu-Mosleh (2007), p. 16-17.

<sup>390</sup> Johansson (2006), pp. 12-14.

<sup>391</sup> Anderson (1995), pp. 22-23.

<sup>392</sup> Ibid, pp. 25-37.

<sup>393</sup> Salibi (1966), pp. 214-215.

<sup>394</sup> Yamot (2005), pp. 182-183.

<sup>395</sup> UD:s 1920 års dossiersystem, HP1/XL, Vol. 1136, RA Stockholm. Report from Envoyé Brynolf Eng in Beirut to the Department of Swedish Foreign Affairs, 22 May 1957.

<sup>396</sup> UD:s 1920 års dossiersystem, HP, H6/XL, Vol. F1c:2, RA Stockholm. Report from Envoyé Åke Sjölin in Beirut to the Department of Swedish Foreign Affairs, 30 September 1958.

### 4.2.3 The growing Middle East market and the Lebanese Civil War of 1958

The European Economic Community (EEC) was established in 1957 with a programme to establish free movement of goods, capital, and services among six founders: Belgium, France, West Germany, Italy, Luxembourg, and the Netherlands.<sup>397</sup> The Swedish initiative to stay outside the EEC probably related to Sweden's neutrality policy.<sup>398</sup> The Swedish choice of staying outside the EEC implied increased trade with the neighbouring Nordic countries and Britain.<sup>399</sup> However, the establishment of the European Free Trade Association (EFTA)<sup>400</sup> implied a trade bloc alternative to the EEC.<sup>401</sup> EFTA provided for freer trade among its member-states thereby the Nordic area became tariff-free.<sup>402</sup> Consequently, the Swedish exports of manufactured products within this trade bloc grew. Also EFTA favoured Swedish exports to Denmark, Finland, Iceland and Norway and vice versa.<sup>403</sup> In the Middle East region, the growth of the Lebanese transit trade continued during the 1950s. Outside Europe and the U.S. Sweden continued to benefit from the growing market in the Middle East by exporting manufactures to the region via Beirut. In fact, the economic growth and rising incomes in the surrounding oil-producing states increased the demand for products and services from Lebanon.<sup>404</sup> Sweden, in turn, continued to export industrial products in increased volumes to the Lebanese transit trade market.

The trade statistics for the years 1956 to 1958 showed a continued high surplus for Sweden, and Sweden held the first place among the Nordic countries in trade with Lebanon. Table 4:4 shows the values of trade between Sweden, Norway and Denmark on the one side and Lebanon on the other side.

**Table 4:4. Values of exports/imports between some Nordic countries and Lebanon in 1956-1958 (in SEK)**

Country	Exports 1956	Imports 1956	Exports 1957	Imports 1957	Exports 1958	Imports 1958
Sweden	13.012.269	234.317	16.201 962	482.443	31.461.453	311.556
Denmark	9.741.680	1.518.100	12.270.770	365.500	-	-
Norway	916.880	6.800	1.700.850	13.600	-	-

Source: UD:s 1920 års dossiersystem, HP, H6/XL, Vol. F1c:2, RA Stockholm. Report on Lebanese trade, industry and handwork from Åke Sjölin at the Swedish Consulate-general in Beirut to the Department of Foreign Affairs, 23 July 1959.

L.M. Ericsson continued to expand new phone-lines outside Beirut. A 6.000-line automatic telephone switch board was installed in the second largest Lebanese city of Tripoli in 1957.<sup>405</sup> Yet, the Swedish-Lebanese trade relations witnessed no changes. Since the import of agricultural goods from Lebanon was not attractive enough, Sweden still had no wish to conclude a bilateral trade agreement with Lebanon. As mentioned earlier, the implementation of such agreement would force Sweden to import Lebanese agricultural products of poor quality. Accordingly, it was also better to reject trade agreements than importing products of bad quality. At the same time, there was no Swedish fear of a decline of exports to Lebanon because of the large demand in Lebanon for Swedish industrial

<sup>397</sup> Schön (2000), p. 370.

<sup>398</sup> Hallvarsson (1981), p. 52.

<sup>399</sup> Åström (1983), p. 9.

<sup>400</sup> EFTA was established in Stockholm in 1960 by Sweden, Denmark, Norway, Austria, Portugal, Switzerland and the UK. Source: Crouzet (2001), p. 205.

<sup>401</sup> Crouzet (2001), p. 205.

<sup>402</sup> Hallvarsson (1981), p. 22.

<sup>403</sup> Magnusson (2002), p.415, Hallvarsson (1981), p. 22.

<sup>404</sup> Abou-Zeinab (2006), p. 56.

<sup>405</sup> Lebanon – History of Ericsson. [www.ericssonhistory.com](http://www.ericssonhistory.com) Date 11 October 2009.

products. Huge profits were gained by Lebanese traders when transiting most of the Swedish products further to the hinterland Middle East.

Lebanon suffered from internal political crisis and social tensions in May-October 1958. Preceding this dramatic development, a union between Syria and Egypt [The United Arab Republic/ UAR] was established in February 1958.<sup>406</sup> In Lebanon, the pro-Western president Chamoun opposed the politics of Egyptian president Nasser towards the Arab World. Chamoun viewed the establishment of the UAR as a communist satellite-state. The political tensions intensified when the US was in the process of building the so-called Baghdad Pact as a shield against the USSR. When President Eisenhower offered help, to defend any government in the region threatened by communist intervention, Lebanon was the only Arab country to accept. As a reward, Lebanon received 20 million USD as an assistance package.<sup>407</sup> This led to clashes in Lebanon between Pro-Nasser fractions (mostly Muslims and Druzes) and Christian Maronites, who generally supported the president. The tensions culminated in the Civil War of May-September 1958.<sup>408</sup>

Lebanon's foreign trade declined due to the civil war. The transit trade and tourism diminished and credits were affected. Importers faced a lack of trust due to requirements of documentary credits. About 25 percent of bank deposits had been withdrawn from the banks, probably by people who wished to have cash available because of the circumstances. Foreign capital (around 250 million USD) mostly from the Arab oil countries' sheiks was withdrawn from the banks in Beirut.<sup>409</sup> The military coup in Iraq in July 1958 also left a negative impact on the Lebanese transit trade, since Iraq was an important receiver for Lebanese products and re-sales. Lebanese total exports fell with 21 percent between 1957 and 1958. Total imports which was dominated by manufactures, diminished with 12 percent during the same period.<sup>410</sup> Table 4:5 shows the negative impact from the crisis. It was shown that the deficit in trade balance (for example in 1956: -197) was not corresponded to the currency reserves (+1 in 1956 compared with 1955). This showed that Lebanon had a surplus in the payment balances with 198 million USD. The latter should find an answer in the earnings from invisible re-exports (mostly of gold), remittances from Lebanese living abroad and regular paid for the crossed pipelines through the country. That is why the *Svenska Handelsbanken* reported that the situation of Lebanon's payments could increasingly be satisfied.<sup>411</sup>

**Table 4:5. Values of Lebanese trade 1955-1958 (in million USD)**

<b>Lebanon</b>	<b>1955</b>	<b>1956</b>	<b>1957</b>	<b>1958</b>
Export	33	40	42	33
Import	218	237	251	220
trade balance	-185	-197	-209	-187
Gold/currency reserves	87	88	99	107

Source: UD:s 1920 års dossiersystem, HP, H6, Vol. F1c:2, RA Stockholm. Report on economic and financial issues in Israel, Lebanon, Syria, Jordan, Iraq, Iran, and Saudi Arabia. Swedish Trade Bank (*Svenska Handelsbanken*), Stockholm 5 October 1959.

The internal Lebanese crisis ended by the election of Fuad Chehab as a new Lebanese president. When the new president came to office on 23 September 1958 the administration was in a complete

<sup>406</sup> Parker (1962), p. 18.

<sup>407</sup> Gordon (1983), pp. 26-27.

<sup>408</sup> Ibid, p. 27.

<sup>409</sup> UD:s 1920 års dossiersystem, HP, H6/XL, Vol. F1c:2, RA Stockholm. Report from Envoyé Åke Sjölin in Beirut to the Department of Swedish Foreign Affairs, 30 September 1958.

<sup>410</sup> UD:s 1920 års dossiersystem, HP, H6/XL, Vol. F1c:2, RA Stockholm. Report on economic and financial issues in Israel, Syria, Jordan, Iraq, Iran, and Saudi Arabia. Swedish Handelsbanken, Stockholm 5 October 1959.

<sup>411</sup> UD:s 1920 års dossiersystem, HP, H6/XL, Vol. F1c:2, RA Stockholm. Report on economic and financial issues in Israel, Syria, Jordan, Iraq, Iran, and Saudi Arabia. Swedish Handelsbanken, Stockholm 5 October 1959.

breakdown state. The most important subject on the president agenda was a national political unity and an economic stability.<sup>412</sup>

#### 4.2.4 The Syrian-Lebanese economic manoeuvres in 1959

The business activities in Beirut underwent a crisis of confidence in the beginning of 1959. It was largely due to the fact that Lebanese traders often worked with very little own capital in proportion to their trade transactions.<sup>413</sup> In a report sent to the Department of Swedish Foreign Affairs on 24 February 1959, the Swedish Envoyé in Beirut Åke Sjölin<sup>414</sup> explained a general understanding of the crisis. According to him, the economic situation in Lebanon after half a year resembling Civil War caused distress among Lebanese traders. One major reason was banking liquidity difficulties and a general slowdown in business activities. However, Sjölin found no reason for Swedish anxiety:

“A few days ago an article was published in the Damascus-Newspaper– Le Soir. It was mentioned in the article that four Lebanese banks and a big company faced bankruptcies. The article explained even that two big bankruptcies really occurred, and that the Eastern Commercial Bank stopped payments”.<sup>415</sup>

According to Sjölin, this article generated a reaction of panic within the business world in Beirut. He informed that the bankruptcy only hit two small companies: a furniture firm, and the small Eastern Commercial Bank. The bank had provided a loan of one million Lebanese Pounds to an Iraqi factory producing paint fabrics. However, it turned out to be difficult to withdraw money and liquidity from Iraq at that time. This meant that the paint factory faced problems to repay the loan in time to the Eastern Commercial Bank. There was, according to Sjölin, however, an intentional Syrian manoeuvre behind a publishing of the article in “Le Soir”. The above mentioned bank and firms had big businesses in Saudi Arabia. The article was a strategy by Syria aimed at directing a hit against Lebanese business activities in Saudi Arabia.<sup>416</sup> It is worth to notice that since Syria’s union with Egypt in 1958 restrictions were imposed on transfers of foreign currency. This had caused a sharp decline in the streams of Syrian tourists to Lebanon.<sup>417</sup> The Syrian government prevented Syrian tourists from visiting Lebanon without a permit from the security forces. Furthermore, Syrian tourists could not take with them more than 75 Syrian Pounds when they visited Lebanon.<sup>418</sup> Table 4:6 shows a real decline in Syrian visitors to Lebanon in 1958-59 compared with 1955-56.

**Table 4:6. Number of tourists in Lebanon 1955-1959**

Year	Number of tourists(except Syrian tourists)	Number of Syrian tourists
1955	179.118	722.336
1956	190.815	668.339
1957	180.490	369.098
1958	98.032	126.412
1959	183.551	179.676

Source: Yamot (2005), “*The Lebanese economy – by the frame of Globalisation and Middle Eastern Horizons*” (in Arabic), p. 130.

<sup>412</sup> Salibi (1966), pp. 218-222.

<sup>413</sup> UD:s 1920 års dossiersystem, HP, H6/XL, Vol. F1c:2, RA Stockholm. Report Åke Sjölin at the Swedish Consulate-general in Beirut to the Department of Swedish Foreign Affairs, 24 February 1959.

<sup>414</sup> Between 1957 and 1960 Åke Sjölin was a Swedish Envoyé in Lebanon. Source: Register i UD:s kalender 1961, s.243-275. Online access: [www.riksarkivet.se/Sve/Documentarkiv/Filer/UD%20kal%201961%20person.xls](http://www.riksarkivet.se/Sve/Documentarkiv/Filer/UD%20kal%201961%20person.xls) Date 21 May 2009.

<sup>415</sup> UD:s 1920 års dossiersystem, HP, H6/XL, Vol. F1c:2, RA Stockholm. Report Envoyé Åke Sjölin in Beirut to the Department of Swedish Foreign Affairs, 24 February 1959.

<sup>416</sup> UD:s 1920 års dossiersystem, HP, H6/XL, Vol. F1c:2, RA Stockholm. Report from Envoyé Åke Sjölin in Beirut to the Department of Swedish Foreign Affairs, 24 February 1959.

<sup>417</sup> Raphaeli N. (1967), p. 717.

<sup>418</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 115: 219, RA Stockholm. Report from the Swedish Consulate-general in Beirut to the Department of Swedish Foreign Affairs, 11 July 1963.

Anyway, the Lebanese government discussed the business crisis in Beirut with representatives from various banks and chambers of trade. It was argued that the government would send out warnings of hard punishment awaiting businessmen in the case of unnecessarily bankruptcy declarations or stopped payments. In addition, a committee was appointed to investigate the Lebanese foreign trade relations. This committee suggested in a primarily proposal some protectionist measures directed against countries with large export surpluses to Lebanon.<sup>419</sup>

In this context, Sweden could face difficulty in forthcoming Swedish exports to Lebanon due to the eventual Lebanese protectionist tendency in trade. A report by Sjölin on Lebanon's foreign trade was addressed to the Department of Swedish Foreign Affairs on 23 July 1959. Sjölin warned that any protectionist measures taken by the Lebanese government would limit Swedish exports to the country. In the contacts with the Lebanese authorities the Swedish Envoyé emphasized that Swedish market remained open for the Lebanese exporters. He argued, however, that Lebanese traders had mismanaged the trade opportunities in Sweden. He further pointed out that the Swedish trade with Arab world to a considerable extent was depending on transits via Beirut to Iraq, Saudi Arabia, and Kuwait:

“I made clear that Sweden could not force importers to buy goods from a certain country, and any Lebanese measures against Swedish manufacture products would result in higher prices of these products”.<sup>420</sup>

In sum, the Swedish authorities clearly held the view that Lebanon could never reach a balanced foreign trade with Sweden due to the fact that most Swedish exports to Lebanon were re-exported.

In a new report, dated 24 July 1959, Envoyé Sjölin informed the Department of Swedish foreign Affairs that Lebanon planned to establish a Lebanese Embassy in Stockholm or Copenhagen with responsibility for the whole of Scandinavia. Sjölin indicated that the Embassy staff would probably include a trade attaché and a diplomat specialised in trade. The Lebanese motivation was to promote further Lebanese exports to Sweden:

“As such Embassy staff supported by rules and discriminatory measures against countries - with no interesting in Lebanese products - could start an energetic work by the staff to find market for Lebanese products in Scandinavia”.<sup>421</sup>

In 30 December 1959, however, Sjölin reported from Beirut that the Lebanese government decided to postpone an establishment of an Embassy in Stockholm. Instead, a decision was issued to open a new Lebanese Embassy in a country with a larger Lebanese emigrant settlement. This decision was not regretted by Swedish authorities. Sjölin commented the Lebanese government's decision as following:

“[Between ourselves] I think doubtlessly that this Lebanese decision was good for us. A Lebanese Embassy in Sweden would be obliged to obtain some results of its work on trade relation. A Lebanese Embassy in Stockholm would cause trade limits between Sweden and Lebanon”.<sup>422</sup>

In parallel with the Lebanese plans for opening an Embassy in Scandinavia, the Lebanese authorities tried to find a market in Scandinavia for 85.000 tons of Lebanese apples. However, Sjölin explained in a report, dated 24 July 1959, that the many kinds of Lebanese apples were not attractive to Swedish customers. He marked that Denmark had introduced restrictions to import apples from Lebanon.

---

<sup>419</sup> UD:s 1920 års dossiersystem, HP, H6/XL, Vol. F1c:2, RA Stockholm. Report from Envoyé Åke Sjölin in Beirut to the Department of Swedish Foreign Affairs, 24 February 1959.

<sup>420</sup> UD:s 1920 års dossiersystem, HP, H6/XL, Vol. F1c:2, RA Stockholm. Report from Envoyé Åke Sjölin in Beirut to the Department of Swedish Foreign Affairs, 23 July 1959.

<sup>421</sup> UD:s 1920 års dossiersystem, HP, H6/XL, Vol. F1c:2, RA Stockholm. Report from Envoyé Åke Sjölin in Beirut to the Department of Swedish Foreign Affairs, 23 July 1959.

<sup>422</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 114, RA Stockholm. Report from Envoyé Åke Sjölin in Beirut to the Department of Swedish Foreign Affairs, 30 December 1959.

Sjölin recommended that the Swedish trade authorities should investigate the trade conditions between Lebanon and Sweden's neighbouring countries before importing Lebanese fruits e.g. apples.<sup>423</sup>

In conclusion, the unstable situation due to the crises during 1954-1959 led to decrease in the Swedish-Lebanese trade. The Swedish export to Lebanon decreased from around 19.1 million SEK in 1958 to around 15.5 million SEK in 1959. The Lebanese export to Sweden was reduced from around 0.35 million SEK in 1958 to around 0.22 million SEK in 1959.<sup>424</sup>

#### **4.2.5 Swedish-Lebanese trade and trade policies 1960-1965**

In Lebanon, president Chehab partly managed restore the Administration with a power balance between leaders of the various political factions. The new Administration worked for stability and economic development to Lebanon. The work concentrated on improving Lebanon's infrastructure and introducing extensive welfare programs.<sup>425</sup>

In Sweden, the trade authorities planned to investigate the Lebanese market for possibilities of further expansion. Discussions were held between the Swedish Export Council and the Department of Swedish Foreign Affairs in April 1960. The result was a report which the Department sent to the Swedish Consul-general in Beirut Gösta Brunnström<sup>426</sup> on 27 April 1960. In this report the Swedish authorities noticed the need of an increase of Swedish exports to Lebanon. According to the report, this would be an alternative market to compensate for declining exports to certain countries in Latin America facing political turmoil.<sup>427</sup> A delegation of Swedish businessmen was proposed to visit Lebanon and to investigate the Lebanese trade situation:

“I am interested in obtaining information from the Swedish Consulate-general in Beirut on Our [Swedish] suggestion to send a delegation of Swedish businessmen to Lebanon in the autumn 1960”.<sup>428</sup>

In view of the unbalanced trade between Sweden and Lebanon, Brunnström in his response on 16 May 1960 advised the Swedish trade authorities not to send any delegation to Beirut:

“Like this visit would wake up the sleeping bear and would generate Lebanese demands for more balanced trade with Sweden”.<sup>429</sup>

Brunnström also emphasized that Sweden had to avoid Lebanese trade issues, which would produce provocative restrictions. On the contrary, he advised that the Swedish firms had to show bigger interests for the Lebanese market:

“Personal contacts with the Lebanese traders and representatives from various Swedish firms to Beirut could be enough to Swedish trade engagement in the Lebanese market”.<sup>430</sup>

---

<sup>423</sup> UD:s 1920 års dossiersystem, HP, H6/XL, Vol. F1c:2, RA Stockholm. Report from Envoyé Åke Sjölin in Beirut to the Department of Swedish Foreign Affairs, 24 July 1959.

<sup>424</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 114, RA Stockholm. Report from the Swedish Consulate-general in Beirut to the Department of Swedish Foreign Affairs, 24 November 1960.

<sup>425</sup> Salibi (1966), pp. 223-224.

<sup>426</sup> Between 1960 and 1964 Gösta Brunnström was appointed to a Swedish ambassador in Cyprus and Jordan and to a Swedish Consul-general in Lebanon. Source: register in UD:s kalender 1961, p. 243-275. Online access: [www.riksarkivet.se/Sve/Documentarkiv/Filer/UD%20kal%201961%20person.xls](http://www.riksarkivet.se/Sve/Documentarkiv/Filer/UD%20kal%201961%20person.xls) . Date 21 May 2009.

<sup>427</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 114, RA Stockholm. Letter from Erik Von Sydow at the Department of Swedish Foreign Affairs to Gösta Brunnström (Swedish Consul-general in Beirut), 27 April 1960.

<sup>428</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 114, RA Stockholm. Letter from Erik Von Sydow at the Department of Swedish Foreign Affairs to Gösta Brunnström (Swedish Consul-general in Beirut), 27 April 1960.

<sup>429</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 114, RA Stockholm. Letter from Gösta Brunnström (Swedish Consul-general in Beirut) to the Department of Swedish Foreign Affairs, 16 May 1960.

<sup>430</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 114, RA Stockholm. Letter from Gösta Brunnström (Swedish Consul-general in Beirut) to the Department of Swedish Foreign Affairs, 16 May 1960.

According to Brunnström, the free market of Lebanon with no restriction-policy on currency or import could encourage Swedish firms for more trade in Lebanon. He pointed out that various firms from Denmark, Switzerland, and Netherlands offered many sorts of products. They had better experiences on the Lebanese market than the Swedish firms. Brunnström saw that more Swedish exports to Lebanon by different Swedish companies was the best way to promote trade with Lebanon rather than a visit of a Swedish trade delegation to this country.<sup>431</sup>

Table 4:7 shows the values of Swedish exported goods that had been increased between 1958 and 1960. Sweden sold electric apparatuses, and material for telegraphic and telephone to a sum that increased to over 50 percent in 1960 compared with 1958. Lebanon imported Swedish wood products for over 2.5 million SEK in 1960 compared with around 1.1 million SEK in 1958. It was also an increase by roughly 60 percent. The sale of cartons and papers reached a sum of around 2.6 million SEK, also it was an increase to over 60 percent in 1960 compared with 1958.

**Table 4:7. Volumes of main Swedish products in the Lebanese market 1958-1960 (in SEK, constant prices)**

Product	1958	1959	1960
Electric apparatuses, and material for telegraphic and telephone	4.672.360	5.164.460	10.080.280
Wood products (timber, hewn or sawn wood, wood for box-making, staves)	1.186.220	2.237.760	2.507.120
Cartons and papers	1.030.820	1.312.612	2.590.000
Cars, tractors, and autoparts	-	629.370	611.240

Source: UD:s 1920 års dossiersystem, HP, H/XL, Vol.114, Lebanon/diplomatic descriptions, negotiation, and trade and Maritime agreements. Two Reports from the Swedish Consulate-general in Beirut to the Department for Swedish Foreign Affairs, 24 November 1960, and 22 May 1961.

Instead of a bilateral Swedish-Lebanese trade agreement, the Swedish strategy concentrated on obtaining information on countries that concluded bilateral trade agreements with Lebanon. The Swedish trade authorities aimed at studying those agreements for a better overview of the products that foreign companies exported to Lebanon. From a Swedish perspective, this was an attempt to find more details on the most attractive products on the Lebanese export market. In February 1961, the Swedish Consul-general in Beirut Gösta Brunnström reported details about the protocol of 22 January 1961 between Lebanon and the Soviet Union.<sup>432</sup> He could inform the Swedish government that East Germany on 22 May 1961 was about to renew, the five years-period bilateral trade agreement of 1955 with Lebanon to a new three years-period with an annual value up to 3.2 million USD. According to this agreement, East Germany would buy Lebanese agricultural and industry products to at least 61 percent of the value of its own export to Lebanon. According to the Swedish Consulate-general this agreement was important since the East German export to Lebanon had previously been marginal. From the list of products in this agreement it could be observed that East Germany would export machines and industry instruments, cars, trucks, precision instrument, wood and paper products. Lebanon would export fruits and vegetables, foodstuffs, tobacco, hides and skins, and different sorts of textiles.<sup>433</sup>

After a decline of Danish export to Lebanon over the last few years, Denmark worked for an increased export of Danish goods to this country. According to Brunnström, the Danish trade authorities managed an office of Danish sales in Beirut. The office was established to facilitate the

<sup>431</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 114, RA Stockholm. Letter from Gösta Brunnström (Swedish Consul-general in Beirut) to Erik von Sydow at the Department of Swedish Foreign Affairs, 14 May 1960.

<sup>432</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 115: 219, RA Stockholm. Report from the Swedish Consulate-general in Beirut to the Department of Swedish Foreign Affairs, 15 February 1961.

<sup>433</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 115: 219, RA Stockholm. Report from the Swedish Consulate in Beirut to the Department of Swedish Foreign Affairs, 9 June 1961.

contacts between Lebanese and Danish traders and to provide Lebanese traders with information on foodstuffs. In a report to the Department of Swedish Foreign Affairs, Consul-general Brunnström explained that the export of Danish living cattle to Lebanon had become a success. As a receiver station, Denmark built model Danish farms in Lebanon for cattle that were re-exported to Iraq, Kuwait and other countries in the region while meat, milk and milk products from animals in these farms were consumed in Lebanon.<sup>434</sup>

The Swedish trade efforts towards Lebanon rapidly attracted attention. The director of the Swedish *Enskilda Banken*, Jakob Wallenberg visited Lebanon in June 1961. He met the Swedish Consul-general in Beirut and asked for details about the Danish-Lebanese export activities, especially the export of living cattle.<sup>435</sup> It was possible that Wallenberg investigated trade opportunities in Lebanon, although it is not known why he visited Beirut in 1961.

However, various Swedish firms had been interested in the Lebanese market. The company of *Ballografverken* in Gothenburg (producing ballpoint pen/*kulspetspennor*) for example desired in a contact with the Swedish Consulate-general in Beirut addresses of possible Lebanese traders for buying products from this company.<sup>436</sup>

Swedish trade representatives in other countries were even engaged to collect information about their countries' trade with Lebanon. The Swedish authorities received information from the trade representative in Poland. The information concerned trade and payment agreements that were concluded between Lebanon and Poland on 5<sup>th</sup> October 1961. This agreement involved conditions to facilitate trade between the two countries. A most-favoured-nation clause concerning trade and Maritime transports was included in the agreement. The Polish export to Lebanon was to consist of foodstuffs, chemicals, pharmaceutical items, machines and tools. It included even household appliance, textiles, glass, porcelain, radio- and TV-apparatuses, electric installations, measuring instruments, bikes, and vehicles. The export from Lebanon to Poland consisted of lemons/oranges, tobacco, vegetables, hides and bowels, iron ore, and wines.<sup>437</sup> Furthermore, information about the Lebanese-Czechoslovakian trade accord of the 7<sup>th</sup> November 1961 was sent from the Swedish representation in Prague to the Department for Foreign Affairs in Sweden.<sup>438</sup>

The Swedish Consul-general in Beirut Brunnström, continued from time to time to inform the trade authorities in Sweden about the development of Lebanese trade. In a report, dated 24<sup>th</sup> October 1962, he revealed a trade agreement between Lebanon and Sudan. According to the agreement, Lebanon would import meat and hides from Sudan in exchange for fruits from Lebanon.<sup>439</sup> There was even information about a bilateral trade agreement between Lebanon and Cyprus, which was concluded on 21 May 1962. Two important points in this agreement concerned an increase of the trade and the development of tourism between Lebanon and Cyprus.<sup>440</sup>

Åke Jonsson, a Swedish trade representative in Copenhagen, informed the Department of Foreign Affairs in Stockholm on details about the volume of Danish export to Lebanon. The Danish export was around 25 million DKR per year, but it would increase to 35 million DKR according to a new agreement between Denmark and Lebanon. According to the agreement, a Danish Week activity

---

<sup>434</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 115: 219, RA Stockholm. Report from the Swedish Consulate-general in Beirut to the Department of Swedish Foreign Affairs, 15 July 1961.

<sup>435</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 115: 219, RA Stockholm. Report from the Swedish Consulate-general in Beirut to the Department of Swedish Foreign Affairs, 30 June 1961.

<sup>436</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 115: 219, RA Stockholm. Report from Olof Kaijser at the Department of Swedish Foreign Affairs to the Swedish Consulate-general in Beirut, 16 November 1962.

<sup>437</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 115: 219, RA Stockholm. Report from the Swedish Embassy in Warsaw (Poland) to the Department of Swedish Foreign Affairs, 11 October 1961.

<sup>438</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 115: 219, RA Stockholm. Report from the Swedish Embassy in Prague (Czechoslovakia) to the Department of Swedish Foreign Affairs, 23 November 1961.

<sup>439</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 115: 219, RA Stockholm. Report from the Swedish Consulate-general in Beirut to the Department of Swedish Foreign Affairs, 24 October 1962.

<sup>440</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 115: 219, RA Stockholm. Report from the Swedish Consulate-general in Beirut to the Department of Swedish Foreign Affairs, 17 December 1962.

demonstrating Danish products was planned in April 1964 to facilitate and promote the Danish trade in Lebanon.<sup>441</sup>

The Swedish trade authorities continued to study The Lebanese market. In August 1965, the Swedish Envoyé in Beirut Finn Bergstrand informed the Swedish authorities about a visit by a delegation from the French furniture industry to Beirut in order to increase the French export of furniture to Lebanon.<sup>442</sup>

At the same time, a more stable political situation in Lebanon under Chehab Administration brought economic development to the country. The government concentrated on improving infrastructure by building roads to remote areas, as well as providing running water and electricity to remote villages. Hospitals were built in many rural areas. In foreign affairs, a neutral foreign policy was pursued on the basis of good relations with Arab countries as well as the West.<sup>443</sup> In general, the economic stability up to the mid-1960s was characterized by low inflation, high rates of growth, and free currency convertibility.<sup>444</sup> The yearly export deficits against import surpluses were partly covered by invisible earnings.<sup>445</sup>

The union between Syria and Egypt broke down in September 1961 after a military coup in Syria.<sup>446</sup> The separation was deeply contested in Syria, and a bitter political struggle sharply reflected different opinions between several political factions. In March 1963, a Syrian group of officers from the socialist Baath Party came to power by a coup d'états.<sup>447</sup> In a Lebanese attempt to put an end to the Syrian restrictions against Syrian tourists, and to normalize and to consolidate economic and commercial relations, negotiations between Lebanese and Syrian Officials took place on 9<sup>th</sup> July 1963 in Lebanon.<sup>448</sup> After several meetings in 1963 and 1964 the economic relations between the two countries showed some improvement.<sup>449</sup>

During the studied period, all official Swedish reports and documents showed that the Swedish analyses often stressed the Lebanese trade deficit. The sustained balance of trade deficit was made possible by invisible incomes and payments. But the question was for how long this favourable development of the invisible incomes could effectively counter the trade deficits. There was no solid economical rational for increasing the Lebanese exports to Sweden.

Table 4:8 shows that the Swedish trade surplus with Lebanon for the period 1962-1965 was substantial.

**Table 4:8. Swedish-Lebanese trade development 1962-1965 (in million SEK)**

<b>Year</b>	<b>Swedish import from Lebanon</b>	<b>Swedish Export to Lebanon</b>
1962	6.3	16.7
1963	7.1	20.5
1964	5.9	28.5
1965	8.6	23.7

Source: SOS Handel (trade), periodical 1962, p. 96.), (1963, p. 93.), (1964, p. 93.), and (1965, p. 91.)

<sup>441</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 115: 219, RA Stockholm. Report from the Swedish Consulate-general in Copenhagen (Denmark) to the Department of Swedish Foreign Affairs, 25 July 1963.

<sup>442</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 115: 219, RA Stockholm. Report from the Swedish Consulate-general in Beirut to the Department of Swedish Foreign Affairs, 2 August 1965.

<sup>443</sup> Salibi (1966), pp. 216-226.

<sup>444</sup> Gaspard (2004), pp. 69,196.

<sup>445</sup> Gordon (1983), p. 57.

<sup>446</sup> The union was not re-established. Egypt alone used the name United Arab Republic until 1971 after Nasser's death. Source: Deeb (2007), pp. 413-414.

<sup>447</sup> Lesch (2007), p. 272.

<sup>448</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 115: 219, RA Stockholm. Report from the Swedish Consulate-general in Beirut to the Department of Swedish Foreign Affairs, 11 July 1963.

<sup>449</sup> UD:s 1920 års dossiersystem, HP, H/XL, Vol. 115: 219, RA Stockholm. Report Claes I. Wollin at the Swedish Consulate-general in Beirut to the Department of Swedish Foreign Affairs, 23 September 1963.

Lebanon had a small manufacturing industry, and the agricultural sector dominated the Lebanese exports. According to a report by the new Swedish Consul-general in Beirut Claes I. Wollin, it was argued that if agricultural products like apples and tobacco found Swedish buyers, even though in small quantities, it would create good will and harmony among Lebanese traders. According to Wollin, this was a trade possibility for many countries to promote trade relation Lebanon. Wollin viewed that this would be a good Swedish trade outcome since the Lebanese government planned to introduce a 25 percent rule. This meant that each country should import 25 percent of its corresponding export to Lebanon. In conclusion, as a response to the repeated Lebanese wishes to increase the export to Sweden, Wollin marked that the best way to respond to the Lebanese plans was an increase of Swedish purchases of Lebanese fruits and tobacco but still in small quantities. It would enhance the Swedish possibilities to continue to develop the Swedish trade engagement in Lebanon e.g. the export of industrial products and participation in development projects.<sup>450</sup>

#### **4.2.6 Summary**

The Swedish-Lebanese trade during 1954-1965 again witnessed several attempts from Lebanon to conclude a bilateral trade agreement with Sweden to reduce the Lebanese trade deficit. However, the diversified Swedish export industry in relation to one-sided Lebanese agricultural production countered the Lebanese ambitions. The Swedish export of capital goods in exchange for Lebanese agricultural products meant that the Lebanese trade deficit with Sweden, demonstrated already in earlier periods, remained. Thus, the gap in trade between the two countries obstructed any attempts to conclude bilateral trade agreements. While a large part of the Swedish exports to Lebanon was re-exported to other countries in the Middle East, Lebanon exported small quantities of agricultural products to Sweden. This meant a continued Lebanese trade deficit with Sweden. Regardless this, the Swedish ambition was to increase the export volumes to the important markets of the Middle East through Beirut, while Lebanon gained economically from the re-export of goods.

To increase exports, Sweden studied different bilateral trade agreements that had been concluded between Lebanon and other countries. The Swedish trade authorities were also interested in gaining more information on the products that Lebanon traded with other countries. This included specific details pertaining to trade agreements. This meant more details about the most attractive products that were exported from different countries to the transit link of Lebanon. There was at the same time a Swedish intention to attract Swedish traders who were willing to develop the trade with Lebanon further.

---

<sup>450</sup> UD:s 1920 års dossiersystem, HP, H/XL, Volym 114, RA Stockholm. Report from Claes I. Wollin at the Swedish Consulate-general in Beirut to the Department of Swedish Foreign Affairs, 7 February 1966.

## 5 Concluding discussions

The main purpose of this licentiate thesis was to examine which factors that can explain the development of Swedish trade and trade policies with Lebanon from the 1920s up to the mid-1960s.

The present thesis has shown that the Swedish trade with Lebanon was very small before 1945. The application of colonial economic and financial barriers, the higher level of prices and lower quality of Lebanese products together with high transport costs are three factors that probably contributed to the limited Interwar Swedish-Lebanese trade. The colonial powers monopolized the trade of goods and services with Lebanon, and France was promoted to the leading trade partner during the Interwar period. It could be concluded that Sweden was not interested to promote trade with Lebanon during the Interwar period due to the trade monopoly exerted by the mandate powers. Also it is likely that the pegging of the Lebanese currency to the French Franc had a decisive effect on Swedish imports from Lebanon. The extreme fluctuations and devaluations of the French Franc affected the local Lebanese currency. While Swedish imports from Lebanon had been affected by exchange rate fluctuations, the Lebanese demand for Swedish goods was probably less sensitive for price fluctuations.

After World War II, the Lebanese market attracted more attention due to a considerable increase of the country's foreign trade activities. The present study has argued that the emergence of a group of Lebanese businessmen after the war played a fundamental role in opting for economic liberalism. This has been seen as fundamental for promoting economic growth in Post-War Lebanon. A number of significant economic reforms took place in the late 1940s and transformed the country to an important market that served several countries in the region by means of transit trade. In addition, the improvement of the country's air, sea and land transport networks in the late 1940s facilitated trade Lebanese with the outside world. Moreover, the US-plans for connecting Lebanon to the international petroleum industry by shipping oil from terminals on the Lebanese coast contributed to transform Lebanon to a transit trade link between the East and the West. The international petroleum industry, the regularly transit fees for extended oil pipelines through Lebanon, and the expanded links by Lebanese economic elites with those in the region of Middle East, also played an important role for enhancing Lebanese regional transit trade. As result, the movement of foreign and Lebanese capital in services financed and strengthened domestic trade. An important part of the official trade deficits due to the surpluses in Lebanese imports over exports were covered by the invisible export earnings from migrant remittances, businesses, and various international services. However, transit trade activities and emigrant remittances to their families in Lebanon formed alone a major source of foreign currency to the country. Thus, accumulation of gold and hard currencies permitted Lebanon to use the external capital surplus as a competitive advantage for free trade, which gave Lebanon an important regional economic position. As a regional centre, the relatively open economy, liberal trade policies, and the free currency exchange system were conducive for the development of Lebanon to a regional transit market. In addition, the economic potential of Middle East oil export, and the rivalry between major powers in the region further added to the potential attractiveness of Lebanon. In conclusion, economic relations and transit trade with the Arab and outside World developed and contributed to enhance the trade. Accordingly, the trade sector was promoted to expand and furthered economic growth.

The Swedish-Lebanese trade after World War II witnessed higher ambitions from both sides to develop and promote trade. The present thesis has argued that Sweden showed an interest in increasing the exports to Lebanon during the period 1946-1953. Important for this were the widespread intervention by Swedish authorities in planning and policy-making and the new international economic order. The thesis has shown that the increase of Swedish exports to Lebanon was also due to cooperation in trade issues between the Swedish government and various governmental and private Swedish and Lebanese agents. The empirical findings show that the international monetary cooperation and the free exchange of currencies played a vital role in stimulating the Swedish-Lebanese trade. Satisfying payments and a substantial share of trade were conducted and based on various currencies like USD, SEK, FRA, GBP, or LP. The present study has further argued that the Swedish-Lebanese trade during the period 1946-1953 developed into a traditional direction with surpluses in Swedish exports and deficits in imports from Lebanon. There

was no discrimination on the part of Sweden against Lebanon, but all imports into Sweden were subjected to import controls. The main Swedish import from Lebanon was agricultural products, while Sweden exported diversified industry manufactures. In contrast, Lebanon aspired to conclude bilateral trade agreements with Sweden in order to reduce the gap between export and import volumes. Yet, the study has shown that Sweden during the period 1946-1953 had no intention to conclude any trade agreement with Lebanon. One of the reasons was that this would oblige Sweden to negotiate trade agreements with Lebanon's neighboring countries like Egypt, Iraq and Israel. The conclusion of such trade agreements would limit the Swedish exports to these countries. On the contrary, Sweden was interested to continue the trade with such countries as it had been done previously, based on liberal forms and without any disturbing interferences from these countries.

The present thesis has also discussed Lebanon's economy and the Swedish-Lebanese trade during the period of 1954-1965. The perhaps most important feature in Lebanon's economic development was the emergence of Beirut as a major financial centre. A combination of factors can explain this position. The increasing volume of capital flowing into Lebanon was mainly related to the relative political stability and free exchange system of the country. The inflow of capital was also a major factor in the expansion of banking institutions, which in turn furthered the growth of Lebanon's regional transit trade. The financial attraction was also based on favorable interest rates, banking secrecy, relative political stability and liberal economy. Foreign trade represented an important part of the economy, for which the regional transit trade was an important source of income. Lebanon thus transformed into country of banks and Beirut became dominated by regional offices for many Western multinational firms. While the largest port facilities on the coastal Beirut ensured Lebanon's continued role in transit trade, banking regulations contributed to the development of an important financial sector. However, the volume of imports were increasingly larger than the volume of exports. Thus, a large trade deficit continued to exist in the Lebanese balance of payments, which to a great extent was covered by earnings from remittances, tourism, and transit trade. The present thesis has concluded that the emerging Lebanese market for regional transit trade entailed the Lebanese government to formalize trade with different countries on the basis of bilateral agreements. During the period of 1954-1965, Lebanon concluded a number of trade agreements both with Arab and other countries. The introductory forms of such agreements were basically taken on the same reason for increasing Lebanon's export in order to reduce the deficits in trade between Lebanon and other countries.

Regarding the Swedish-Lebanese trade, the period between 1954 and 1965 witnessed several attempts from Lebanon to conclude bilateral trade agreements with Sweden in order to reduce the trade deficit. The study has argued that the Cold War logics and the controls by CoCom on the export of strategic goods to the Soviet Union and its allies affected, especially in the 1950s, the trade promotion between Sweden and Lebanon. As pointed out in the study, Lebanese trade tradition placed obstacles for promoting mutual Swedish-Lebanese trade cooperation. One prime example was the scandal of Lebanese re-sale of Swedish strategic material of tanker-ships to Poland in 1954, which caused international concern, and a Swedish hesitation to any future trade agreements with Lebanon. Moreover, the diversified Swedish export industry in relation with the one-sided Lebanese agricultural production gave disadvantages for the Lebanese ambitions. The present thesis has explored how the Lebanese efforts to balance Swedish-Lebanese trade by conducting bilateral agreements gave no result. While Lebanon planned to export more products to Sweden, the Swedish goal was to have unchanged trade policies with Lebanon. The Swedish export of capital goods in exchange for Lebanese agricultural products meant that the Lebanese trade deficit with Sweden, demonstrated already in the Interwar, remained. The Swedish imports of small quantities of products from Lebanon were used for own domestic consumption, while a large part of the Swedish exports to the transit link of Lebanon had final destinations in other parts of Middle East. The efforts of Lebanese authorities to promote Lebanese-Swedish bilateral trade agreements based on balanced exchanges slowed down even more due to the internal political crises in Lebanon. In addition, the repeated political instability in the Middle East, and the Superpowers' political and economic interventions in the region placed obstacles for promoting trade. If we look more specifically into the internal affairs of Lebanon, the corruption in the Administration demonstrated a major cultural difference. The Lebanese administrative

ineffectiveness affected the promotion of trade between the both countries in a negative way, something that was frequently reported by Swedish officials.

The Lebanese attempts continued during the first part of the 1960s with repeated demands for increased volumes of Lebanese-Swedish trade under formal bilateral trade agreements. The import of agricultural goods from Lebanon was not attractive for Sweden, and Sweden thus had no wish to conclude any trade agreements. According to the official reports, a trade agreement could decrease the volume of exported Swedish industry goods to Lebanon. However, the Swedish market was free for the Lebanese exporters and transit trade functioned in a satisfactory way, since Lebanon could utilise arbitrage gains and Sweden could avoid unnecessarily high transaction costs. Because of this transit trade, Lebanon could never balance its export of agricultural products with imported manufactures from Sweden. When Sweden was convinced that Lebanon never could reach a balanced foreign trade, Sweden tried to avoid risks that could limit the Swedish exports to Lebanon. The final Swedish evaluation of the trade with Lebanon during the studied period was concentrated on maintaining the Lebanese market for Swedish industrial products. In that sense it was seen as important to create good-will and profitable Swedish-Lebanese trade relations, as Sweden intended to import various Lebanese agricultural products in small quantities. Sweden found that the final way to increase the volume of industry export was increased Swedish purchases of Lebanese fruits and tobacco. This would also enhance the Swedish exports to the huge Middle East market through the transit link of Beirut. Furthermore, this would contribute to more Swedish businesses in the Lebanese market and participation in e.g. development projects, especially important for Swedish engineering and construction firms. The Swedish investigations of Lebanese trade agreements with other countries were important in order to identify the most attractive products in exchange between Lebanon and rest-of-the-world. By studying such trade agreements Sweden intended to know more about what products were available for sale and what goods were needed. A final Swedish evaluation of promoting the trade with Lebanon during the studied period was to identify the most attractive products.

The theoretical framework of trade policies in this study has been based on the perspective that the Post-War International trade system and market conditions most likely played roles for stimulating the trade between Sweden and Lebanon. The empirical findings show that the promotion of Swedish trade policies towards Lebanon was influenced by the Post-War international economic system. The international monetary cooperation under Bretton Woods promoted Swedish-Lebanese trade. In Lebanon, the government's policy of establishing a free foreign exchange system and introducing liberal policies facilitated transit trade and attracted Swedish exporters to access the growing market in Middle East. This growing market for transit trade spurred the Lebanese government to formalise trade on the basis of bilateral agreements. In Sweden, the no discrimination policy in trade with Lebanon has shown Swedish efforts to work within/for international trade organisations in order to stimulate foreign trade. The good conditions of the Lebanese market from a geographical perspective entailed for Swedish exporters to increase their profits when the Lebanese and Arab importers took responsibility for further transport of Swedish goods from Beirut port to the hinterland of Middle East. The shorter distances between Sweden and the hinterland of Middle East via Beirut's transit port, together with available wide networks, less documentation, no exchange controls, less port duties, efficient and simple custom procedures, and excellent facilities all these facilitated and promoted Swedish exports through Beirut.

The interpretative framework of the concept of "Emerging Market" in this study implied that Lebanon's political and economic situations in the 1950s and 1960s resembled many characteristics of the 1990s' emerging market. Lebanon's free market system, its financial institutions, stable exchange rates and free global capital flows, low inflation and low taxations reflected the view that Lebanon in the 1950s and 1960s was promoted to an emerging market country. Moreover, the relative political stability and the economic liberal rules opened up the Lebanese emerging market of that time. The removal of barriers to foreign trade contributed to incorporate the Lebanese market in the regional and world economy. In this way, the present thesis concludes that the growth pattern of Lebanese trade expanded into neighbouring countries, and was characterised by more openness of the market towards the world's economy. Traders, bankers, entrepreneurs, and multinational companies were attracted to enter the Lebanese market. Capital, goods, services, and information flowed into Lebanon,

and the density of cross-border trade increased substantially. Lebanon experienced changes in the structure of economic sectors. The growth of trade to the greatest sector backed up by financial institutions, attracted more financial investors to the country. It contributed to the attractiveness of foreign traders to the market of Lebanon. This confirms that Lebanon played a role as an emerging transit trade market for the whole region in the 1950s and 1960s. Yet we can not conclude from the study that Swedish trade authorities regarded the Lebanese market for regional transit trade as an important emerging market. The official Swedish reports, however, observed the importance of the transit link of Lebanon to reach other markets of the region. The increased Swedish export to Lebanon, based on available information, was to a large extent due to Lebanon's role as a major transit country in the Middle East region. However, the Lebanese authorities themselves rather saw Lebanon as an exceptional trading partner in the region. Sweden saw the access to this emerging transit trade market - in hope to benefit from the opportunities of the different markets of the region - more important than concluding bilateral trade agreements with the small market Lebanon. By this consideration, Wallerstein's view that the economic power position of developed countries complicate for developing countries to benefit from trade with developing countries due to unequal exchanges is not relevant when the trade between Sweden and Lebanon is scrutinized. Sweden's economic position was decisive for how Swedish trade authorities promoted trade with Lebanon. During the studied period, marked by no trade agreements and constant unbalanced trade, Sweden could increase its exports to Lebanon year after year, and Lebanon could cover the deficits partly from the transit trade earnings. Transit trade earnings were also an alternative for reducing the export deficits. It can be concluded from this way of exchange, although the Lebanese efforts to increase its exports, that the trade between Sweden and Lebanon was conducted with satisfaction from both sides.

The interpretative framework of small states' strategies in this study has been based on how to overcome challenges in trade relations between two minor states. The small states of Lebanon and Sweden worked in cooperation to facilitate trade. Sweden found niches in the Lebanese market, while Lebanon facilitated for Sweden to enter it. An important trend in their economic cooperation was the Swedish specialisation in manufactures and the Lebanese specialisation in agricultural products. It generated a satisfied mutual trade relation due to the fact that Sweden needed to export industry goods and Lebanon was in need of Swedish industry goods to cover the huge demand in the region. Between these two categories of trade relation, the Swedish import of Lebanese agricultural products was a means of creating harmony and good-will in the Swedish-Lebanese trade relation in the 1950s and 1960s.

The Middle East, by the late 1970's, became the biggest regional market for Swedish industry and services outside the U.S. and Europe.<sup>451</sup> Swedish exports to the Middle East grew fivefold between 1975 and 1983, approaching 5.5 billion SEK in 1979 and 14 billion SEK in 1983.<sup>452</sup> In the forthcoming doctoral study, it will become interesting and worthy to explore the discussions, judgements and preparations that took place among Swedish policymakers and businesses representatives on the transit trade Lebanon up to 1974. This transit trade market that functioned as a main gateway for a large part of Swedish exports to the whole Middle East before the outbreak of the Lebanese Civil War in the early 1975.

---

<sup>451</sup> Farhang (1987), p. 1.

<sup>452</sup> Ibid, pp. 7-8.

## 6 References

### 6.1 Primary sources and Statistics

League of Nations, *Statistical Yearbooks - Statistical and disarmament documents, 1926, 1929, 1932, 1935, 1937, and 1938*. Online access: <http://digital.library.northwestern.edu/league/stat.html> Date 17 February 2009.

Riksarkivet Stockholm, *Utrikesdepartementets 1920 års dossiersystem, HP (Handelspolitiken)*.

Riksarkivet Stockholm, *Folkhushållningsdepartementets dossiersystem 1939-1950*.

Swedish Official Statistics (SOS), *Trade 1919-1965*.

The Chambers of Trade, Industry, and Agriculture in Beirut and the Mountains of Lebanon: The Centre for Economic Studies.

### 6.2 Published Sources

Federal Research Division (1987), *Lebanon, a Country study*, Lightning Source UK Ltd. UK.

Kommerskollegium (Rapport 1997:2), Stockholm.

*Small States: Meeting Challenges in the global Economy*, Report for the Commonwealth Secretariat/World Bank Joint Task Force on Small States (April 2000).

Sveriges statskalender, 1919, 1924, 1935, and 1951

The Yearbook of *Svensk Export*, 1919 and 1922

### 6.3 Internet Sources

[http://en.wikipedia.org/wiki/Yousef\\_Beidas](http://en.wikipedia.org/wiki/Yousef_Beidas)

[http://web.mitedu/shass/temp/bustani/bustani\\_seminar.htm](http://web.mitedu/shass/temp/bustani/bustani_seminar.htm)

[www.cortasfood.com/AboutUs.asp](http://www.cortasfood.com/AboutUs.asp)

[www.riksarkivet.se/Sve/Documentarkiv/Filer/UD%20kal%201961%20person.xls](http://www.riksarkivet.se/Sve/Documentarkiv/Filer/UD%20kal%201961%20person.xls)

[www.ericssonhistory.com](http://www.ericssonhistory.com)

[www.islandnet.com/~kpolsson/swedhis/swed1920.htm](http://www.islandnet.com/~kpolsson/swedhis/swed1920.htm)

[www.twst.com/notes/articles/aan500.html](http://www.twst.com/notes/articles/aan500.html)

## 6.4 Literature

- Abou-Musleh, Ghaleb (2007), *The Lebanese economic crisis: facts and solutions*, (in Arabic), Al Hamra, Beirut.
- Abou-Zeinab, Ali (2006), *Commercial banking and economic development – The Lebanese experience 1856-1974*, Almqvist & Wiksell International, Stockholm.
- Ahlström, Göran & Carlsson, Benny (2006), *Vägval i valutafrågan - Sverige och Bretton Woods*, SNS Förlag, Stockholm.
- Anderson, Philip (1995), “Summer madness – The crisis in Syria, August-October 1957”, *British Journal of Middle Eastern Studies*, Vol.22. No. 1/2 (1995), pp. 21-42.
- Band, George C. (1991), “Fifty years of UK offshore oil and gas”, *The Geographical Journal*, Vol.157. No. 2 (Jul., 1991), pp. 179-189.
- Baroudi, Sami E. (2000), “Business associations and the representations of business interests in Post-War Lebanon: A case of the association of Lebanese industrialists”, *Middle Eastern Studies*, Vol. 36, No. 3 (July 2000, pp. 23-51).
- Bar-Yosef, O. (1980), “Prehistory of the Levant”, *Annual Review of Anthropology*, Vol. 9, pp. 101-133.
- Be’eri, Eliezer (1982), “The Waning of the military coup in Arab politics”, *Middle Eastern Studies*, Vol. 18, No. 1 (January 1982, pp. 69-81).
- Bessos, Mary (1962), *Foreign trade finance in Lebanon*, American University of Beirut, Beirut, Lebanon.
- Bhagwati, Jagdish (1989), *Protektionismen*, SNS Förlag, Stockholm.
- Bigsten, Arne & Kayizzi-Mugerwa, Steve (2001), “Is Uganda an emerging economy”, Research report No. 118. A report for the OECD project “*Emerging Africa*”.
- Blázquez, Jorge & Santiso, Javier (2004), “Mexico: Is it an ex-emerging market”, *Journal of Latin American Studies*, Vol. 36, Issue No 2 (2004, pp. 297-318).
- Brenchley, Frank (1989), *Britain and the Middle East – An economic history 1945-1987*, Lester, Crook Academic Publishing, London.
- Byquist, Hans-Olov (1998), *Gränslös ekonomi? Ekonomisk integration i Norden ur svenskt perspektiv*, Umeå Studies in Economic History.
- Chaitani, Youssef (2007), *Post-colonial Syria and Lebanon*, I.B. Tauris & Co Ltd Publishers, London.
- Chenery, Hollis & Taylor, Lance (1968), “Development Patterns: Among countries and over time”, *The Review of Economics and Statistics*, Vol. 50, No.4 (Nov. 1968), pp. 391-416.
- Choueiri, Youssef (1988), “Ottoman reform and Lebanese patriotism”, in Mills, D. & Shehadi, N. (ed), *Lebanon: A history of conflict and consensus*, I.B. Tauris & Co Ltd Publishers, London.
- Cook, M. A. (ed.) (1970), *Studies in the economic history of the Middle East – From the rise of Islam to the present day*, Oxford University Press, London.

- Crouzet, Francois (2001), *A history of the European economy, 1000-2000*, The University Press of Virginia, USA.
- Cupitt, Richard & Grillot, Suzette (1997), "COCOM is dead, long live COCOM: Persistence and change in multilateral security institutions", *British Journal of Political Science*, Vol. 27, No. 3 (July 1997), pp. 361-389.
- Dahmén, Erik (1985), "Mellankrigstiden - Industri i omvandling", in *Sveriges industri*, Sveriges Industriförbund, Industriförbundets Förlag, Stockholm.
- Daniels, John D. & Svetličič, M (2001), "Competitiveness of small countries", in Salvatore, Dominick, Svetličič, Marjan & Damijan, Jože P. (ed.), *Small countries in a global economy – New challenges and opportunities*, Palgrave, New York.
- Deeb, Marius (2007), "Arab Republic of Egypt", in Long, David E. & Reich, Bernard & Gasiorowski, Mark (2007), *The government and politics of the Middle East and North Africa*, Westview Press, Colorado, USA.
- Drury, A. Cooper & Kriekhaus, Jonathan & Lusztig, Michael (2006), "Corruption, democracy, and economic growth", *International political Science Review/Revue internationale de science politique*, Vol. 27, No. 2 (Apr., 2006), pp. 121-136.
- Drysdale, Alasdair (1987): "Political conflict and Jordanian access to the sea", *Geographical Review*, Vol. 77, No. 1 (Jan., 1987), pp. 86-102.
- East, Maurice (1978), "National attributes and foreign policy", in East, Maurice A. & Salmore, Stephen A. & Hermann, Charles F. (ed.), *Why nations act – Theoretical perspectives for comparative foreign policy studies*, Sage Publications, London.
- Edvinsson, Rodney & Jacobson, Tor & Waldenström, Daniel (2010), *Historical Monetary and Financial Statistics for Sweden, Exchange rates, prices, and wages 1277-2008*, Ekerlids Förlag, Sveriges Riksbank, Stockholm. Online access: [www.historia.se/Riksbanken\\_nat\\_upplaga.pdf](http://www.historia.se/Riksbanken_nat_upplaga.pdf) Date 5 July 2010.
- El Mallakh, Ragaei (1968), *Economic development and regional cooperation: Kuwait*, The University of Chicago Press, USA.
- Farhang, Manucher (1987), *Market entry in the Middle East*, Stockholm School of Economics, institute of International Business, Gotab, Stockholm.
- Fish, W. B. (1944), "The Lebanon", *American Geographical Society*, Vol. 34, No. 2/ April 1944, pp. 235-258.
- Fitzgerald, Edward Peter (1991), "The Iraq Petroleum Company, standard oil of California, and the contest for Eastern Arabia, 1930-1933", *The International History Review*, Vol. 13, No. 3 (Aug. 1991), pp. 441-465.
- Foreman-Peck, James (1995), *A history of the World economy – International economic relations Since 1850*, Redwood Books, Trowbridge, Wiltshire, Great Britain.
- Garthoff, Raymond (2001), *A journey through the Cold War*, Brookings Institution Press, Washington, D.C.

- Gaspard, Toufi K. (2004), *A political economy of Lebanon, 1948-2002 - The Limits of Laissez-faire*, Leideb, Brill.
- Gates, Carolyn L. (1998), *The Merchant Republic of Lebanon – Rise of an open economy*, Centre for Lebanese Studies in association with I.B. Tauris & Co Ltd, London.
- Gerhard, Ingemar (1948), *Problem rörande Sveriges utrikeshandel 1936/38*, Elanders Boktryckeri Aktiebolag, Göteborg.
- Ghantus, Elias T. (1963), *Inter-Arab transit trade with special reference to Lebanon*, American University of Beirut, Beirut, Lebanon.
- Gordon, David C. (1983), *Lebanon: Nation in jeopardy*, Croom Helm Ltd, Great Britain.
- Hallvarsson, Mats (1981), *Swedish industry faces the 80s*, VTT-Grafiska, Vimmerby, Sweden.
- Hansson, Hans (2007), *Svensk handel*, SNS Förlag, Stockholm.
- Harris, William (2007), “Republic of Lebanon”, in Long, David E. & Reich, Bernard & Gasiorowski, Mark (2007), *The government and politics of the Middle East and North Africa*, Westview Press, Colorado, USA.
- Hedberg, Peter (2003), *Handeln och betalningarna mellan Sverige och Tyskland 1934-1945*, Uppsala Studies in Economic History No. 64, Elanders Gotab, Stockholm.
- Hey, Jeanne A.K. (2003), *Small states in World politics – Explaining foreign policy behaviour*, Lynne Rienner Publishers, Inc. USA.
- Hitti, Philip K. (1957), *History of Syria –Including Lebanon and Palestine*, St Martin’s Press, New York.
- Hoskins, Halford L. (1943), “The Suez Canal as an international waterway”, *The American Journal of international Law*, Vol. 37, No. 3 (July 1943), pp.373-385.
- Hult, Bo & Ries, tomas & Mörtberg, Jan & Ohlsson, Kristina & Sandefeldt, Johanna (2005), *A wider Middle East*, strategic yearbook 2005 published by the Swedish National Defence College, Elanders Gotab, Stockholm, 2005.
- Issawi, Charles (1952), “Prospects for economic development in the Middle East”, *Proceedings of the Academy of Political Science*, Vol.24, No.4, International tension in the Middle East (Jan., 1952), pp.27-42.
- Issawi, Charles (1964), *Economic growth in the Arab world since 1800*, Middle East Economic papers, Beirut.
- Issawi, Charles (1966), *The economic history of the Middle East 1800-1914*, The University of Chicago Press, USA.
- Issawi, Charles (1980), “Europe, the Middle East and the Shift in Power: Reflections on a theme by Marshall Hodgson”, *Comparative Studies in Society and History*, Vol.22, No.4 (Oct., 1980) pp. 487-504.

- Issawi, Charles (1982), *An economic history of the Middle East and North Africa*, Columbia University Press, USA.
- Issawi, Charles (1995), *The Middle East economy – Decline and recovery*, Marcus Wiener Publishers, Princeton.
- Johansson, Olle (2006), *Suezkrisen*, FredsbaskerFörlaget, Norrköping.
- Jones, Geoffrey (2005), "Multinationals from the 1930s to the 1980s", in Chandler, Alfred D. & Mazlish, Jr. Bruce (ed.), *Leviathans – Multinational Corporations and the New global history*, Cambridge University Press 2005.
- Jörberg, Lennart (1984), *Den svenska ekonomiska utvecklingen 1861-1983*, Meddelande från Ekonomisk-historiska institutionen, NR 33, 1984, Lunds Universitet.
- Kardoosh, Marwan & Kanaan, Thaer (2002), "The story of economic growth: 1950-2000", October 2002, Amman, Working paper, pp.1-21.
- Karlsson, Birgit (1992), *Handelspolitik eller politisk handling – Sveriges handel med Öststaterna 1964-1952*, Meddelanden från Ekonomisk-historiska institutionen vid Göteborg Universitet.
- Karsh, Efraim (1988), *Neutrality and small states*, Routledge, London.
- Kenwood, A. G. & Lougheed, A. L. (1999), *The growth of the international economy 1820-2000*, Routledge, London.
- Kerr, Malcolm (1965), *The Arab Cold War 1958-1964 – A study of ideology in politics*, Oxford University Press, UK.
- Koblik, Steven (1972), *The neutral victor: Sweden and the western Powers 1917-1918: a study of Anglo-Swedish relations*, Läromedelsförlagen, Lund.
- Kolodko, Grzegorz W. (2003), "Globalization and catching-up in emerging market economies", Vienna (3-4 November 2003), pp. 16-17.
- Krantz, Olle (1987), *Aspekter på svensk ekonomisk utveckling efter 1850*, Meddelande från Ekonomisk-historiska institutionen, NR 50, 1987, Lunds Universitet.
- Krantz, Olle (1987), "Den svensk-norska unionens betydelse för Sveriges ekonomiska utveckling". Meddelande från Ekonomisk-historiska institutionen, NR 49, 1987, Lunds Universitet.
- Krantz, Olle (2006), "Small European countries in economic internationalisation: An economic historical perspective", Umeå Papers in Economic History, No. 26. pp.1-22.
- Krantz, Olle & Jörberg Lennart (1978), *Ekonomisk och social politik, Sverige 1850-1939*, Meddelande från Ekonomisk-historiska institutionen, NR 4, 1978, Lunds Universitet.
- Krantz, Olle & Schön, Lennart (2007), *Swedish historical national accounts 1800-2000*, Lund Studies in Economic History 41, Almqvist & Wiksell international, Stockholm.
- Krueger, Anne (1978), "Alternative Trade strategies and employment in LDCs", *The American Economic Review*, Vol. 68, No. 2 (May 1978), pp. 270-274

- Krueger, Anne (1998), "Why trade liberalisation is good for growth", *The Economic Journal*, Vol. 108, No. 450 (Sep. 1998), pp. 1513-1522.
- Krueger, Anne & Takatoshi, Itō (1993), *Trade and protectionism*, University of Chicago Press, Chicago.
- Lesch, David W. (2007), "Syrian Arab Republic", in Long, David E. & Reich, Bernard & Gasiorowski, Mark, *The government and politics of the Middle East and North Africa*, Westview Press, Colorado, USA.
- Little, Douglas (1990), "Pipeline politics: America, TAPLINE, and the Arabs", *The Business History Review*, Vol. 64, No. 2, American Business Abroad / Summer, 1990, pp. 255-285.
- Long, David & Reich, Bernard & Gasiorowski, Mark (2007), *The government and politics of the Middle East and North Africa*, Westview Press, Colorado, USA.
- Lundberg, Lars (1976), *Handelshinder och handelspolitik – Studier av verkningar på svensk ekonomi*, Industriens Utredninginstitut, Almqvist & Wiksell, Stockholm.
- Maddison, Angus (2001), *The World economy: a millennial Perspective*, OECD.
- Madsen, Jakob B. (2001), "Trade barriers and the collapse of World trade during the Great Depression", *Southern Economic Journal*, Vol. 67, No. 4, April 2001, pp 848-868.
- Magnusson, Erik (2003), "Sverige och Bretton Woods", in Hassel, Ylva & Hedberg Peter, *I samma båt – uppsatser i finans- och företagshistoria*, tillägnade Mats Larsson, Stockholm.
- Magnusson, Lars (2002), *Sveriges ekonomiska historia*, Norstedt Akademiska Förlag, Stockholm, Sweden.
- Makdisi, Samir (2004), *The lessons of Lebanon*, I.B. Tauris, London.
- Matthews, Robert O. (1967) "The Suez Canal dispute: A case study in peaceful settlement", *International Organization*, Vol. 21, No. 1 (Winter 1967), pp. 79-101.
- McMillan, Susan M. (1997), "Interdependence and conflict", *Mershon International Studies Review*, Vol.41, No. 1 (May, 1997), pp. 33-58.
- Montgomery, Arthur (1946), *Svensk ekonomisk historia 1913-1939*, Kooperativa Förbundets Bokförlag, Stockholm.
- Montoya, Miguel (2000), "Emerging markets, globalization and the Small investor – The case of Venezuela", Working Paper No.3, Department of Social Anthropology, Stockholm University.
- Nilson, Bengt (1983), *Handelspolitik under skärpt konkurrens – England och Sverige 1929-39*, Studentlitteratur, Lund
- Nordlund, Sven (1989), *Upptäckten av Sverige – Utländska direktinvesteringar i Sverige 1895-1945*, Umeå Studies in Economic history 12. Goterna, Kungälv, Sweden.
- Nordlund, Sven (1994), "Temporary Partners or Permanent Connections? Scandinavian Responses to the Baltic-State markets", in Loit, Aleksander (ed.), *Emancipation and Interdependence – The*

- Baltic states as New entities in the international economy, 1918-1940*, Almqvist & Wiksell, Stockholm.
- Olsson, Carl (2002): *Risk management in emerging markets – How to survive and prosper*, FT Press.
- Owen, Roger (1981), *The Middle East in the World economy 1800-1914*, Methuen & Co. Ltd, London.
- Owen, Roger & Pamuk, Sevket (1999), *A history of Middle East economies in The 20<sup>th</sup> century*, Cambridge, Massachusetts: Harvard University Press, UK.
- Pamuk, Şevket (2006), “Estimating economic growth in the Middle East since 1820”, *The Journal of Economic History*, Vol. 66, No. 3 (Sep., 2006). pp. 809-828.
- Parker, J. S. F. (1962), “The United Arab Republic”, *International Affairs*, Vol. 38, No. 1 (Jan. 1962), pp. 15-28.
- Pereiro, Luis (2002), *Valuation of companies in emerging markets*, John Wiley & Sons, New York.
- Persen, William (1958), “Lebanese economic development since 1950”, *Middle East Journal*, Vol. 12, No. 3 (Summer 1958), pp. 277-294.
- Persson, Magnus (1998), *Great Britain, the United States, and the security of the Middle East – The formation of the Baghdad Pact*, Lund University Press, Lund, Sweden.
- Procopé, Halmar (1935), *Riktlinjer i internationell och nordisk Handelspolitik*, Natur och Kultur, Stockholm.
- Raphaeli, N. (1967), “Development planning: Lebanon”, *The Western Political Quarterly*, Vol. 20, No.3, (Sept 1967), pp.714-728.
- Reiter, Joakim & Jönsson, Christer (2002), *Handelspolitik i förändring – Organisation och förhandling i Sverige, EU, och WTO*, SNS Förlag, Stockholm.
- Richards, Alan & Waterbury, John (1996), *A political economy of the Middle East*, Westview Press, USA.
- Runblom (1971), “Swedish enterprises in Latin America 1900-1940”, *American Studies in Scandinavia*, vol. 4, No. 1, pp. 13-29.
- Runblom, Harald (1971), *Svenska företag i Latinamerika – Etableringsmönster och förhandlingstaktik 1900-1940*, Almqvist & Wiksell, Uppsala.
- Rungård, Anders (1966), *Libanon – Markandsöversikt*, Exportföreningens Serviceaktiebolag, Förlaget Stockholm.
- Rutihinda, Cranmaer (1996), *Resource-based internationalization – Entry strategies of Swedish firms into the emerging markets of Eastern Europe*, School of Business, Stockholm University.
- Ryan, Curtis R. (2007), “Hashimite Kingdom of Jordan”, in Long, David E. & Reich, Bernard & Gasiorowski, Mark (2007), *The government and politics of the Middle East and North Africa*, Westview Press, Colorado, USA.

- Sachs, Jeffrey & Warner Andrew (1997), "Sources of slow growth in African economies", *Journal of African Economies*, Vol. 6, No.3 (1997), pp. 335, 376.
- Saleh, Saif & Kleiner Brian H. (2005), "Issues and concerns facing American companies in the Middle East", *Management Research News*, Vol. 28, Issue 2/3, 2005, pp. 56-62.
- Salibi, Kamal (1966), "Lebanon under Fuad Chehab (1958-1964)", *Middle Eastern Studies*, Vol. 2, No.3 (April 1966, pp. 211-726).
- Salvatore, Dominick (2001), "The economic performance of small versus large nations", in Salvatore, Dominick & Svetličič, Marjan & Damijan, Jože P. (ed), *Small countries in a global economy – New challenges and opportunities*, Palgrave, New York.
- Samuelsson, Kurt (1985), "Industrisamhällets framväxt", in *Sveriges industri*, Sveriges Industriförbund, Industriförbundets Förlag, Stockholm.
- Sayigh, Yousif (1982), *The Arab economy – Past performance and future prospects*, Oxford University Press, Oxford.
- Schön, Lennart (2000), *En modern svensk ekonomisk historia*. Centraltryckeriet AB, Borås, Sweden.
- Šević, Željko (2005), "Emerging markets - Preferences, risks, performance", *Economic Change and Restructuring*. Vol.38, No.1 (March, 2005), pp. 1-10.
- Sliburyte, Laimona & Ostaseviciute, Ruta (2009), "Theoretical aspects of economic globalization impacts on emerging economies", *Economic & Management*, (2009:14), pp 947- 953.
- Steinmetz, Robert & Wivel, Anders (2010), *Small states in Europe – Challenges and opportunities*, Ashgate Publishing Limited, England.
- Stevens, Paul (1996), "A history of transit pipelines in the Middle East - Lessons for the Future", CPMLP Seminar Paper No. SP23.
- Stewart, Charles F. (1961), "The changing Middle East market", *The Journal of Marketing*, Vol. 25, No.3 (January, 1961), pp.47-51.
- Swedberg Hans (1971), *Sveriges utrikeshandel*, Prisma, Stockholm.
- Sørli, Mirjam E. & Gleditsch, Nils Petter & Strand, Håvard (2005), "Why is there so much conflict in the Middle East?", *The Journal of Conflict Resolution*, Vol. 49, No. 1 (Feb., 2005), pp 141-165.
- Talvitie, Heikki (2002), "Sverige och 1812 års politik", in Suominen, Tapani (red.), *Sverige i fred – Statsmannakonst eller opportunism? En antologi om 1812 års politik*, Atlantis, Stockholm.
- Tipton, Frank & Aldrich, Robert (1987), *An economic and social history of Europe from 1939 to the present*, MacMillan, London.
- Tuma, Elias (2000), "The economies of the Middle East", in Gerner, Deborah J. (ed), *Understanding the contemporary Middle East*, Lynne Rienner Publishers, USA.
- Vital, David (1967), *The inequality of states – A study of the small power in international relations*, Clarendon Press, Oxford.

Wallerstein, Immanuel (2007), *Världssystemanalysen – En introduktion*, Tankerkraft Förlag, Hägersten.

Weyden, Lina van der (1998), *OECD*, Utrikespolitiska institutet, Stockholm.

Yamot, AbdulHadi (2005), *The Lebanese economy: Middle Eastern horizons and globalization*, (in Arabic), Book international association, Beirut.

Zisser, Eyal (2000), *Lebanon – The challenge of independence*, I.B.Tauris & Co Ltd. London.

Åström, Sverker (1983), *Svensk neutralitetspolitik*, Svenska institutet, Stockholm.