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**Diaspora versus Refugee  
The Political Economy of Lebanese Entrepreneurship  
Regimes**

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# **Diaspora versus Refugee**

## **The Political Economy of Lebanese Entrepreneurship Regimes**

By Nora Stel<sup>1</sup>

### **Introduction**

Lebanon is widely renowned for its entrepreneurial acumen. This reputation is largely built on the success story of the worldwide Lebanese diaspora. There is, however, another group of transnational entrepreneurs associated with Lebanon. This is the Palestinian refugee community living in Lebanon. Whereas Lebanese entrepreneurs abroad are commonly credited for making a crucial contribution to Lebanon's economy, post-Civil War reconstruction and national identity through seeking innovation and utilizing opportunity, Palestinian entrepreneurs in Lebanon overwhelmingly fall within the category of self-employed necessity entrepreneurs. This, while "it is widely believed that [both] the Lebanese and the Palestinians are among the top entrepreneurs in the world" (Kawasmi 2011).

This paper engages with the duality of Lebanese migrant entrepreneurship and juxtaposes the veneration of the Lebanese entrepreneurship diaspora with the marginalization of Palestinian entrepreneurial capacity. I argue that the main rationale for the paradox of Lebanon's simultaneous championing and undermining of entrepreneurial potential should be sought in its highly sectarian and elitist political order. Whereas the ascendancy of the Lebanese diaspora(s) was boosted in sectarian struggles for political and economic power, the economic relegation of the Palestinian refugees is part of a comprehensive regime of sectarian neutralization.

Accordingly, the rationale for contrasting these two specific groups of migrant entrepreneurs – and not, for instance, Palestinian and other foreign entrepreneurs in Lebanon or Lebanese and Palestinian entrepreneurs in Lebanon – lies in their shared deep connection to the Lebanese sectarian-political system (a characteristic non-Palestinian foreign entrepreneurs in Lebanon lack) and their shared context of migrant entrepreneurship (an experience naturally not applicable to Lebanese entrepreneurs in Lebanon). It is this common engagement with the Lebanese political system from a migrant entrepreneurship perspective that connects these two groups residing at the extreme ends of the same political economy. Palestinian entrepreneurs in Lebanon and Lebanese entrepreneurs abroad are tied to the Lebanese system

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in a way that shows most pungently the effects a specific political economy might have on migrant entrepreneurship, the core objective of this paper.

Through this main argument the paper makes two broader contributions to the literature on migration and entrepreneurship. First, it emphasizes the significance of the political in determining not so much the extent but the nature of entrepreneurship – ranging from necessity to opportunity and innovation. This observation is particularly pertinent in light of the ‘Arab Spring’ and complements economic perspectives on entrepreneurship. Second, and related to this, the paper shows the merits of analyzing differences in entrepreneurship regimes within countries in addition to the usual comparisons between countries.

This paper should be conceived of predominantly as a sensitizing exercise, its main purpose being to offer an alternative perspective on the dichotomous discussion on the main determinants of entrepreneurship in diasporic or refugee communities as being either structural or personal. It does so through an in-depth discussion of the Lebanese case. As such, I do not seek to discuss primary empirical data, even if the observations made in this paper are grounded in extensive fieldwork in among both Palestinian and Lebanese communities in Lebanon on related topics, but rather to present an additional analytical framework for existing data sets. My main methodology is therefore that of a qualitative case-study based on literature review and document analysis and complemented by contextual fieldwork.

## **Entrepreneurship**

Most entrepreneurship definitions either refer to the creation of a new venture (Mehzer et al 2008:35) or the realization of a new idea. In this paper, entrepreneurship is considered to be the starting and owning of a new business – either out of inspiration, opportunism or necessity (based on World Economic Forum (WEF) 2011:8, for a more thorough conceptual discussion on entrepreneurship see Stel 2012a:3-4).

I loosely distinguish between three categories of entrepreneurs: innovation entrepreneurs, who “create new demand by nourishing an innovative idea they have conceived or acquired;” opportunity entrepreneurs, who “recognize a demand/supply gap in the market, an unmet need or an opportunity for change;” and necessity entrepreneurs, who “have been forced by their environment to seek self-sufficiency and satisfy their basic needs of food, shelter and security” (WEF 2011:8).<sup>2</sup>

I also find it helpful to see entrepreneurship as consisting of three core elements: attitudes, activities and aspirations (Ács and Szerb 2009). Attitudes refer to a general stance toward recognizing entrepreneurship opportunities, attaching high status to entrepreneurs, accepting the risk associated with business start-up, and possessing the skills required to successfully launch businesses. Entrepreneurial activities are the actual start-ups. Entrepreneurial

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<sup>2</sup> The differences are important from a policy view, as Schoar (2010:57) notes that “people engaging in these two types of entrepreneurship are not only very distinct in nature but only a negligible fraction of them transition from subsistence to transformational entrepreneurship,” even if many development policies support subsistence entrepreneurship with the aim of generating transformational entrepreneurs.

aspirations closely correspond with innovation and refer to “the effort of the early-stage entrepreneur to introduce new products/services, develop new production processes, penetrate foreign markets, substantially increase the number of firm employees and finance the business with formal and/or informal venture capital.”

## **Lebanon**

Lebanese society is organized along the lines of eighteen recognized religious communities (of which the Maronite Christians, the Sunni and Shia Muslims and the Druze have been the most politically influential) that each have their regional strongholds; political parties; social institutions like schools, clinics and charity organizations; and armed militias (Stel 2012b:3). Each sectarian group, moreover, has traditionally been backed by various international and regional coalitions (the Sunni, for instance, by the United States of America and Saudi Arabia; the Shia by Iran and Syria; and the Maronites by the French). The central concept to understand Lebanon’s society, then, is sectarianism, which signifies this division of society into religious, ‘sectarian,’ communities (Faour 2007; Haddad 2002). Sectarianism manifests itself in a clientelist distributional logic under a system of *zuama*, local strongmen, and integrates political, military and business functions (Welsh and Raven 2006:30).

Political organization in Lebanon institutionalized sectarianism. The Lebanese state is organized through a consociational political system centered on an inter-sectarian power-sharing formula that stipulates that the President should be a Maronite Christian, the Prime Minister a Sunni Muslim and the Speaker of Parliament a Shia Muslim. The system includes corresponding sectarian quota guiding the allocation of all public positions. While being a vibrant parliamentary democracy, as a result of its sectarian nature the Lebanese state’s entire structure is informed by a quest for inter-communitarian balance that results in endemic patronage and clientelism (Gebara 2007; Hamzeh 2001; Cammett and Issar 2010).

This sectarian logic also permeates the Lebanese economy which can be seen as an extension of the political arena (or vice versa). Lebanon is often described in terms of its open, liberal and modern economic outlook with minimal state intervention (Denoeux and Springborg 1998:158; Leenders 2010:169; Lebanese Transparency Association (LTA) 2011:106; Marseglia 2004). Indeed, the Lebanese economy can be characterized as ‘laissez-faire.’ Minimal state interference manifests itself in low income and corporate taxes; monetary policies testifying of a generally liberal regime; and the absence of significant state-owned enterprises except for some public utilities (Leenders 2004:173-174). Nevertheless, a more critical analysis of the Lebanese economic system shows that although Lebanon’s economy is dominated by the private sector, it is not market-based (Stel 2012b:6). It is, in fact, highly oligopolistic. The Lebanese Center for Policy Studies ((LCPS) 2011:7) shows that more than fifty percent of some three hundred markets are in the hands of a few companies and two percent of companies take more than fifty percent of the loans. Leenders (2012) also meticulously documents the dominance of political elites in ‘regulating’ the Lebanese economy through a dissection of corruption cases.

## **Lebanese Diaspora Entrepreneurship Outside Lebanon**

Lebanon has been renowned as an entrepreneurial nation throughout history (from the legendary Phoenician traders to the development of the famous banking culture earning the country the nickname of ‘Switzerland of the Middle East’). An earlier study into Lebanese entrepreneurship, however, found respondents divided on the nature of this entrepreneurial identity (Stel 2012a:47-51). Business(wo)men and private sector incubators generally saw Lebanese people as particularly entrepreneurial, feeling that their specific history and cultural values are inherently disposed towards entrepreneurship. Zgeib and Kowatly (2011:4) reflect this sentiment in noting that

Entrepreneurship is an integral component of Lebanese culture. Adversities, both natural and man-made, have fuelled a spirit of pioneering throughout history. Commerce and trade, both domestic and international, have originally supported business pioneering.

Academics agreed that something like an encouraging entrepreneurial self-identification exists in Lebanon, but emphasized that this had little to do with “cultural DNA” and more with the place entrepreneurship took in the post-independence nation-building discourse distinguishing Lebanese from Syrians. Indeed, the importance of an entrepreneurial mentality as a unifying identity might be substantial in a society lacking other overarching identities, fractionalized as it is between different socio-cultural groups (Sfeir 2010:13).

The Lebanese diaspora is a focal point of this self-identification as an entrepreneurial nation. While currently a ‘receiving’ country in terms of migrants, historically Lebanon is one of the “world’s most emigration-prone countries” (Tabar 2010:9; Ahmed et al. 2012:300). Indeed, the Lebanese diaspora is estimated to be significantly larger than the population residing in Lebanon (Ahmed et al. 2012:300; Crapanzano 2010:xi). Thus, official statistics on Lebanese migration may not be available, but “leaving the country is as Lebanese as apple pie is American” and in 2007 some forty six percent of Lebanese households had at least one emigrant among its close kin (Tabar 2010:5; Pearlman 2013:114; DiBartolomeo et al. 2010:1). These emigrants provide Lebanon with remittances that equaled 24.4 percent of the Lebanese GDP in 2007 (Tabar 2010:15; Sassine 2013).

The history of Lebanese emigration can be categorized into four periods. First, between the seventeenth century and the middle of the nineteenth century limited numbers of Syrians and Lebanese went to Egypt and Europe. Second, towards the end of the nineteenth century and the first years of the twentieth century, emigration to the USA and Latin America increased vastly. Third, in the period after the First World War, migration shifted to the West African colonies. Fourth, after the start of the growth of the economies of the Gulf in the 1960s and the outbreak of the Lebanese Civil War in 1975, migration surged, particularly to the West, Latin America and the Gulf countries (Ahmed et al. 2012:296).

Each of the above phases had its distinct profile in terms of its main protagonists (Pearlman 2013:103). According to Tabar (2010:7-8), initially it were predominantly Christians from rural areas comprising the majority of migrants. But, he notes, with the outbreak of the Civil War, the demographics of Lebanese migrants changed significantly: emigration from urban centers boomed and more Muslims (Sunni as well as Shia) joined the migration flow. Ahmed et al. (2012:296) state that a large proportion of those who went to West Africa came from

the Shia villages in the South. Currently, emigrants are those with an education or useful technical training from all communities (Ahmed et al. 2012:296).

*Entrepreneurial diaspora or diasporic entrepreneurs?*

Tabar (2010:6) concludes that Lebanese have emigrated under circumstances of stability as well as conflict. While push and pull factors cannot be meaningfully separated, and despite the Civil War producing an enormous refugee flow, Tabar (2010:3-5) suggests that the majority of Lebanese emigrants was driven by economic rather than political factors. In other words, they left because they thought they would be better off elsewhere rather than fled head-over-heels. Scholars seem to agree that the current Lebanese presence worldwide is made up of particularly entrepreneurial communities (Zgeib and Kowatly 2011:1).

In general, Ahmed et al. (2012:295) conclude, “today’s Lebanese diaspora is made of highly educated and prominent entrepreneurs who have created huge marks in their adopted homelands and the world.” While circumstances inside Lebanon motivated people to emigrate, it was the economic and social development in the countries of North and South America and later Africa that were the more determinative factor, suggesting that this migration entrepreneurship was opportunity rather than necessity oriented (Ahmed et al. 2012:296). Lebanese diasporic entrepreneurship is described as particularly innovative (Ahmed et al. 2012:297; Zgeib and Kowatly 2011:11-12) and accumulated entrepreneurial experience in combination with migrants’ often “higher educational attainment relative to the indigenous population” increasingly became a reason for migration in its own right (Ahmed et al. 2012:305).

*Entrepreneurial politics and political entrepreneurship in the diaspora*

The literature on Lebanese entrepreneurship overwhelmingly focuses on the personal characteristics enabling entrepreneurship – albeit implicitly describing how the accumulation of such personal traits results in a broader entrepreneurial identity (Ahmed et al. 2012:296; Mehzer et al. 2008). The way in which Lebanon’s political economy has structurally enabled and shaped diaspora entrepreneurship is less often explored. This political economy dynamic is dialectic and heavily influenced by Lebanon’s segregated sectarian system. On the one hand, the (social and financial) capital of emigrated Lebanese entrepreneurs is crucial for their respective communities back home in accessing business capital and state posts (Pearlman 2013:115-116). On the other hand, because this is the case, Lebanon’s socio-political communities have supported their respective diaspora entrepreneurs.

Pearlman (2013:105) shows that emigration is beneficial for Lebanon’s various political-sectarian communities “in the sense of *realpolitik*,” making it reasonable to assume these communities have an interest in supporting ‘their’ entrepreneurs abroad. Similarly, Lebanese abroad “are in a continuous process of being involved in homeland politics” (Tabar and Nahas 2010:xvii). Hourani (2007:11) pertains that “participation in the political life of Lebanon, particularly in Parliament, by the Lebanese migrants has been evident” and shows that “today, one out of five Lebanese deputies was at one time a migrant.” Moreover, “political campaigns of the traditional family leadership of Frangieh and Junblat,” to name

but the two most evident, are funded by wealthy Lebanese migrant entrepreneurs (Tabar 2010:17).

Gberie (2012:13) describes how the infamous Lebanese entrepreneurial class in Sierra Leone has “made regular contributions to factions in that region’s never-ending conflicts, in return receiving the support of these political militias in their endeavors in Sierra Leone’s diamond industry.” She illustrates these dynamics by describing how once-militia-chief-now-Speaker-of-Parliament Nabih Berri and Jamil Sahid Mohamed, a Shia business magnate in Sierra Leone, had huge joint investments in the Middle East that were used both to fund the Lebanese Amal movement as well as business investments in Africa (Gberie 2002:12-13). Mamdani (2002) and Rudner (2010) show similar processes for Lebanese businesses in Latin America supporting and being supported by Hezbollah and Deneoux and Springborg (1998) do the same for the Sunni Lebanese in Saudi Arabia.

For Pearlman (2013:105), supporting entrepreneurship abroad is a balancing act between “losing demographic numbers inside the country and accessing material resources from outside it.” Tabar (2010:6) puts forward a similar argument when he notes that “on the one hand, the emigration flow leads to a major loss in human capital, and, on the other, it has created a vast Lebanese diasporic community which provides a main source of foreign currency and makes a global network available to the local community.” Emigration reflected the relative power of the Lebanese sectarian communities – while initially especially Christians had the resources and networks to emigrate, later migrants were often Sunni and Shia, “highly skilled and highly paid” (Pearlman 2013:116). Approaching “the rises and falls in sects’ power through the lens of migration,” Pearlman (2013:119) concludes that

Among Sunnis, migration gave rise to tycoons who came to exercise far-reaching power over economic sectors and governmental decision making.<sup>3</sup> Shi’a also saw some émigrés become very wealthy, but their migration had its greatest political impact via a broader-based social mobility that supported collective organization. In contrast to both, Maronites experienced emigration as a demographic liability with minimal economic gain.

If entrepreneurs in the diaspora constitute a crucial element of political movements’ strategies to acquire and maintain political power, it can be assumed that political support from these movements for diaspora entrepreneurs is an integral component of this strategy.

### *Helping them help us*

This Lebanese support for its diaspora, or rather diasporas, is not spurred by direct electoral incentives, considering that Lebanese abroad have no voting rights. Moreover, respective Lebanese governments have not been trusted much by most diaspora groups (Hourani 2007:4-5; Sassine 2013). Hourani (2007:3) shows that “the Lebanese government has never had a diaspora policy to strengthen diaspora-homeland relations” in a formal sense.<sup>4</sup> Yet

<sup>3</sup> The most iconic of which was without a doubt former Prime Minister Rafiq Hariri (see Deneoux and Springborg (1998) for an overview).

<sup>4</sup> Hourani (2007:13) illustrates the ambiguous situation between the importance of the Lebanese diaspora for the Lebanese state on the one hand and the absence of a coherent state support program for them on the other by the history of the Ministry of Foreign Affairs. Tellingly, this ministry has changed names regularly, from the “Ministry of Foreign Affairs” in 1938 to the “Ministry of Foreign Affairs and the Welfare of the Lebanese Abroad” and in 1946 becoming the “Ministry of Foreign Affairs and Migrants.” In 1994, two separate ministries



Hourani (2007:14) also lists several initiatives of subsequent Lebanese governments to support Lebanese entrepreneurs abroad. First, immediately after independence, the government expanded Lebanese diplomatic and consular representation in the world to encompass most of the countries where there was a Lebanese diaspora. Second, in 1960, the Lebanese government founded the World Lebanese Cultural Union (WLCU) with the mandate to “defend the interests of Lebanese nationals residing outside the homeland and to assist them in resolving issues that face them and to facilitate their relations with Lebanon” (Hourani 2007:15-16). The WLCU, before its demise during the Civil War, was instrumental in founding bilateral chambers of commerce and lobbying host governments and obtaining special prerogatives for Lebanese migrants (Hourani 2007:16). Third, in the post-war reconstruction period successive Lebanese governments developed attractive investment programs in Lebanon for diaspora entrepreneurs hoping to generate a mutually beneficial business relation. The Investment Development Authority Lebanon (IDAL) “has been signing bilateral investment agreements especially with nations having large Lebanese diaspora communities [to] create a legal framework whereby investors and investments are granted the most favorable treatment” (Hourani 2007:18). DiBartolomeo et al. (2010:6) confirm this governmental strategy and describe it as focused on sustaining links with the Lebanese diaspora through a “policy of concord,” i.e. the encouragement of diaspora unions and associations, remittances and circularity of social capital.

Like governmental strategies and activities, non-governmental initiatives in Lebanon towards Lebanese entrepreneurs abroad are two-sided: geared towards benefiting from them, but simultaneously supporting them. DiBartolomeo (et al. 2010:5), however, note that “these groups [...] mirror in one way or another Lebanon’s internal confessional and political divisions.” Moreover, they are often strongly focused on lobbying government and political leaders, making a distinction between governmental and non-governmental support for Lebanese entrepreneurs abroad sometimes misleading. The same goes for Lebanese business associations which, as shown by Baroudi (2000), are strongly linked to the different sectarian communities and lobby their respective interests at home and abroad. In a similar way, extended family and clan structures have

provided information to help migrants reduce uncertainty and mitigate risks and thereby help them overcome traditional barriers [...] they have helped to support migrants financially, psychologically, and instrumentally by assisting migrants to assimilate into their new community (Adebayo 2010)

### **Palestinian Refugee Entrepreneurship Inside Lebanon**

In stark contrast to the opportunity oriented, innovative, highly educated and widely supported Lebanese entrepreneurship diaspora outside Lebanon stands the case of the entrepreneurs in the Palestinian diaspora within Lebanon who are mostly necessity oriented, uneducated and extensively impeded. There is little reliable data available on the Palestinian workforce in Lebanon in general (the International Labor Organization (ILO) and the Committee for Employment of Palestinian Refugees in Lebanon (CEP) 2010:33; Tiltnes and

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were established, a “Ministry of Foreign Affairs” and a “Ministry of Migrants,” only for the later to be incorporated in the former again in 2000, once more becoming the “Ministry of Foreign Affairs and Migrants.”

Hanafi 2008:2) and almost no information at all about Palestinian entrepreneurship in Lebanon. This absence of information itself is part of the Palestinian marginalization in Lebanon that is a core explanatory variable in my argument below, as this absence is due to “the systematic exclusion of these refugees from national surveys” (ILO and CEP 2011:3).

There are currently some 400,000 Palestinian refugees registered with the United Nations Organization for Relief and Works Agency (UNRWA) in Lebanon. It is, however, mostly assumed that only slightly more than half of them are actually residing in Lebanon (Tiltne and Hanafi 2008:3). Nevertheless, “roughly one in every ten residents of Lebanon is Palestinian” (Khalidi and Riskedahl 2010:1). About two thirds of the Palestinians in Lebanon live in the twelve official refugee camps served by UNRWA; the rest of them lives in small communities outside of the camps, so-called gatherings, or in Lebanese cities and towns (Tiltne and Hanafi 2008:3).

The most recent and comprehensive quantitative study on the socio-economic situation of the Palestinians in Lebanon finds that

there are twice as many poor among Palestine refugees and occurrence of extreme poverty is four times higher as compared with the Lebanese population. [...] The Deprivation Index shows that 40% of Palestine Refugees living in Lebanon are deprived (Chabaan et al. 2010:xii; see also Lamb 2010; Hanafi 2010:49).

This while the Palestinian labor force, in general, shares many characteristics with the Lebanese “in terms of activity rate, sector, employment status, occupation and industry” (ILO and CEP 2011:5).

Unemployment among Palestinians in Lebanon is approximately eight percent, comparable to unemployment among Lebanese. Hanafi et al. (2012:47), however, point out that this figure “overlooks refugees who are discouraged workers, meaning those who are not actively looking for a job,” supposedly a significant group (see also: Chabaan et al. 2010:x).<sup>5</sup> Moreover, “those with a job are often in low status, casual and precarious employment” – Chabaan et al.’s survey shows that twenty one percent of employed refugees work in seasonal employment, and only seven percent of those employed have a contract.

Sayigh (1978:107-110) describes a gradual, generational, emancipation from extreme poverty and survival-focused work just after arrival in Lebanon in 1948, when “the only work that uneducated Palestinians could get [...] was seasonal agricultural and unskilled construction labor;” to occasional low-level cleric work. This change occurred first and foremost, according to Sayigh (1978:111), through a hunger for education. Tiltne and Hanafi (2008:5) suggest that “since Palestinian refugees have few other resources, education becomes crucial for entrepreneurship and employability.” Nevertheless, educational attainment is significantly lower than for Lebanese (Hanafi 2010:50). Chabaan et al. (2010:x) estimate that only six percent of the Palestinian labor force has university training, compared to twenty percent of Lebanese.

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<sup>5</sup> These different interpretations of unemployment can perhaps account for the great difference in statistics on this topic. In another study, namely, Chabaan et al. (2010:x) find that fifty six percent of refugees are jobless and only thirty seven percent of the working age population is employed.

*Entrepreneurship or survival?*

Most studies on Palestinian economic activity in Lebanon focus on (the improvement of) employment, not on self-employment or entrepreneurship, and distinguish primarily between employed and unemployed (ILO and CEP 2011:11). The study by ILO and CEP (2011:5-6) shows that Palestinians in Lebanon face poor working conditions: low wages, long hours and bad treatment. Undermining motivations for employment, this should simultaneously bolster incentives for entrepreneurship, especially seeing that unemployment primarily affects women, youth and higher educated people – perfect entrepreneurs-to-be (ILO and CEP 2011:17). Moreover, the most popular sector in vocational training for Palestinian refugees is business administration (ILO and CEP 2010:23). And indeed, there are some sources to suggest that Palestinian entrepreneurship is prevalent in Lebanon.

Khalidi and Tabbarah (2009:27) show that “the majority of Palestinian refugee households [...] are economically active.” This economic activity consists of (overwhelmingly informal) employment, but also of the establishment of (small-scale) enterprises. Such entrepreneurship predominantly pertains small businesses established mostly inside and on the fringes of camps and in gatherings. Khalidi and Tabbarah (2009:74) find that “around a quarter of individuals currently working are self employed or employers,” making self-employment the second most prevalent type of employment (16.8 percent) among Palestinians in Lebanon following wage employment (73.9 percent). A study by ILO and CEP (2011:15) finds that 9.2 percent of Palestinians in Lebanon that are economically active are so as employer/partner (this is 9.5 percent among Lebanese) and 18.1 percent of them are self-employed (23.2 percent among Lebanese) (see also WEF (2011:9)).

Self-employment seems highest among those with primary and intermediate education (19,2 and twenty one percent respectively) and lowest among university graduates (9,7 percent) – of illiterate and literate people and those with secondary education 17,5 percent, 17,8 percent and 17,5 percent respectively are self-employed (ILO and CEP 2011:15). Those who are employers most often had received intermediate education (10,9 percent) with secondary education (9,9 percent), primary education (9,4 percent), university education (8,7 percent), illiterates (7,9 percent) and literates (5,8 percent) following respectively (ILO and CEP 2011:15). Thus, it seems, those with intermediate levels of education are most likely to be entrepreneurs. Tiltnes and Hanafi (2008:7-8), too, find that “only 10% [of Palestinians in Lebanon with a university education] had created their own workplace, while an average of 27% of all employed had started up their own business.”

There are Palestinian businesses in Lebanon, but these consist of either companies established in the name of a Lebanese “while the Palestinian professional does the bulk of the work” or companies that do not have a “Lebanese origin,” but are rather transnational companies, “including some owned by Palestinian diasporic entrepreneurs” (Tiltnes and Hanafi 2008:11-12). Moreover, both employment and entrepreneurship among Palestinians in Lebanon is overwhelmingly informal. This is, however, a dynamic prevalent in the broader Lebanese economy. ILO and CEP (2010:28) write that in 2000 only 70,000 of a total of 265,000 economic establishments were registered at the Chamber of Commerce while only 35,000 declared their revenues to the administration.

It is thus the nature of Palestinian entrepreneurship in Lebanon – overwhelmingly informal and more prevalent among the less educated – rather than the amount of Palestinian entrepreneurs – an estimated 16,8 percent – that leads Khalidi and Tabbarah (2009:26-27, 32) to conclude that entrepreneurship should be seen first and foremost as a coping strategy for dealing with legal restrictions and lack of occupational safety. Sayigh (1978:118) sees “self-employed artisans (carpenters, tilefitters, plumbers)” and “small traders in fish, vegetables, or fruit, operating from barrows or bicycles as only one notch above the poorest of the Palestinians, with “the numerous small shopkeepers, bakers, and grocers” just slightly more prosperous. Entrepreneurship, then, among the Palestinians in Lebanon, seems either an elite activity, for those few transnational Palestinian traders and businessmen, or a survival mode, for the vast majority of subsistence shop-owners in the camps. It does not seem to function as a channel of economic emancipation, nor as the seizing of opportunity or the pursuit of innovation. Entrepreneurship among Palestinian refugees in Lebanon is lower and more subsistence oriented than both among Palestinian (refugees) in Palestine and Lebanese in Lebanon, despite bad employment circumstances that should or could encourage entrepreneurship. The literature offers three core reasons for this.

#### *Obstructed family ties*

First, entrepreneurship heavily relies on family networks that both Palestinians in Palestine and Lebanese in Lebanon have and the Palestinians in Lebanon lack, which undermines their entrepreneurship activities. Sabri (2008b:2-3, 9) points out that the Palestinian economy in the West Bank shares many characteristics with the Lebanese economy, most notably its service orientation and a growing public sector. Yet, in contrast to the 16,8 percent in Lebanon, some twenty seven percent of the Palestinians in the West Bank are self-employed, mainly in the form of small scale business firms. Hanafi (2008:4) shows that these West Bank entrepreneurs are not merely ‘locals,’ but also include Palestinians from other parts of Palestine now refugees in the West Bank. In his study on Palestinian family businesses, Sabri (2008a:1, 10) concludes that the Palestinian private sector consists predominantly of family businesses. He finds that twenty percent of public and eighty five percent of private corporations are family businesses. Sabri (2008b:5) links entrepreneurship to this family business dominance in the Palestinian economy, noting that “the majority of the Palestinian entrepreneurship is initiated based on individual or family savings.”

Scholars also agree that the predominance of small and medium sized enterprise (SME) family firms is one of the most defining characteristics of the Lebanese economy. Saidi (2004:5) notes that “more than 85 percent of industrial companies have less than ten employees and 90 percent of SMEs are individual or family owned.” According to Mehzer et al. (2008:35) SMEs make up ninety eight percent of all the firms in Lebanon and employ 72.4 percent of the total workforce. Fahed-Sreih et al. (2010:37) pose that family businesses constitute eighty five percent of the private sector, accounting for 1.05 million of 1.24 million jobs (Stel 2012b:6). Thus, the significance of family networks might set Palestinians in the West Bank and Lebanese in Lebanon apart from Palestinians in Lebanon. Hanafi (1996:2), for instance, stresses that the fractionalization and border-regimes Palestinians are subject to

in Lebanon “deprived them of the many possible advantages which could be made available by their kinship networks.”

### *Quelled initiative and crumbled support structures*

Second, it is often suggested that the Palestinians’ decade-long dependence on UNRWA for provision of their basic needs has undermined entrepreneurship attitudes. Weighill (1997:297) shows how UNRWA developed from an empowering organization to one generating dependency. UNRWA was initially “designed to organize itself out of existence” and its works projects “were intended to result in the refugees being deleted from the rolls and thus from the registered numbers of refugees.” Yet, lack of funding, government resistance and distrust of refugees meant that this initial objective failed (Weighill 1997:297). According to Weighill (1997:299), the Palestinian Liberation Organization (PLO) fared better in its attempts to make the Palestinians in Lebanon self-reliant through income-generation activities. However, the crumbling of the PLO structures in Lebanon after its expulsion of the country in 1982 cut down the Palestinians’ most significant economic and institutional support structures for engaging in entrepreneurship, considering that “at one point the PLO and the resistance movement, including political offices and armed units, employed the largest part, perhaps up to two-thirds, of the Palestinian labor force” (Hanafi 2010:51; see also Weighill 1997:303).

### *Legal discrimination*

It has been established that Palestinians in Lebanon have similar economic and entrepreneurial capacities as Lebanese and other Palestinians. Yet, their entrepreneurial track-record is more marginal and necessity oriented. Above, I have distinguished two factors that might contribute to this: first, the disconnection of family ties important for starting up businesses and, second, the dependence on UNRWA and the failure of institutional support structures to guarantee Palestinian self-reliance in Lebanon. Below, I will argue, however, that there is a third and vastly more important factor that undermines Palestinian entrepreneurial aspirations, activities and attitudes in Lebanon: the Lebanese political regime.

Whereas in Palestine, economic circumstances are far from conducive (Kawasmi 2011) the Palestinian Authority is not obstructing entrepreneurship. Based on the World Bank (WB) Doing Business indicators, Sabri (2008b:8) concludes that “doing business in Palestine is relatively easy due to simple regulations by the related Palestinian agencies and municipalities.” Lebanese, as well, benefit from support of the Lebanese government to entrepreneurship and the cherishing of the image of Lebanon as an entrepreneurial nation. I have described this for the Lebanese diaspora, but it holds within Lebanon as well. Currently, Lebanon is witnessing what respondents in an earlier study (Stel 2012b:7-8) called an ‘entrepreneurship buzz,’ a substantial increase (in both quantity and quality) of various types of initiatives to support entrepreneurs.

Palestinians in Lebanon, however, are clearly subject to another economical regime, one described by Christoff (2004) as deliberate marginalization through “policies and laws which are slowly choking the life from Lebanon's Palestinian refugee camps.” Experts agree that this regime can largely account for the unemployment and poverty of the Palestinians in

Lebanon. Like the vast majority of scholars on the subject, Tiltnes and Hanafi (2008:1) conclude that since the 1950s Lebanon deliberately “blocks its labor market to the Palestinian refugees, and especially the professionals among them.” Scholars almost unanimously agree that it is the “prevalent discrimination in the employment regulations” that causes the Palestinians’ disproportionate poverty (Chabaan et al. 2010:7; Tabar 2010:10).

Palestinians in Lebanon are treated as foreigners and have rights in accordance with that status (Natour 1997; Suleiman 2006). These rights, however, are based on the principle of reciprocity: “According to this principle a foreigner in Lebanon would be granted the same rights there as would a Lebanese citizen in the foreigner’s home country. Since Palestinian refugees lack citizenship, many rights are denied” (Tiltnes and Hanafi 2008:5; CEP n.d.:2). Reciprocity thereby is a veneer for marginalization as it inherently “cannot be met since Lebanon does not recognize a state called Palestine” (Lamb 2010).

Two decrees especially give substance to this exclusion. First, Ministerial Decree No. 17561, issued in 1964, via which professions in Lebanon can be limited to Lebanese citizens and which prohibits Palestinians from working in some seventy job categories. On top of that, Schenker (2012:69) notes that yet other professions (such as lawyers, doctors and engineers) exclude Palestinians via their syndicate bylaws. De facto, this means that legal employment of Palestinians is overwhelmingly limited to menial and clerical work. Second, Palestinians were for years required to obtain work permits costing up to \$1,200; seventy five percent of which was to be paid by the employer, creating a further disincentive for hiring or working with Palestinians (Schenker 2012:69). To illustrate how difficult it is for Palestinians to work legally in Lebanon, Tiltnes and Hanafi (2008:5) highlight that in 2005, only 278 of 109,379 work permits given to non-Lebanese were issued to Palestinians.

With the creation of the Lebanese-Palestinian Dialogue Committee (LPDC) in 2005, the Minister of Labor issued a memorandum opening up many of the above mentioned job categories to Palestinians. And in 2010 the government adopted a decree that eased the work permit requirement and made Palestinians eligible for social security benefits. However, according to a 2010 working paper by the LPDC, in 2008 just one Palestinian requested a new work permit and in 2009 none at all (Schenker 2012:70). As such, the core function of work permits to lower Palestinians’ “bargaining power” remains intact even without the legal need for permits (Sayigh 1978:114). Even if “work permits are not perceived as necessary and [...] only 2% of refugees have acquired a work permit,” not having it undermines their position vis-à-vis any employer or business partner (ILO and CEP 2011:6).

I argue that this logic of purposeful marginalization can be extended to help explain not merely unemployment, but also the emergence of particularly necessity oriented, small-scale entrepreneurship among this community.

### *Ownership*

While, as noted before, it could be argued that heavy restrictions on employment and structural de facto discrimination of those employed should encourage entrepreneurship, the opposite is true for Palestinians in Lebanon. Tiltnes and Hanafi (2008:7-8) find the legal obstacles to establishing businesses outside of the refugee camps as the main hindrance for

Palestinian would-be entrepreneurs (Tiltnes and Hanafi 2008:7-8). The legal system of exclusion, moreover, which bans Palestinians from crucial professions, prevents them from getting the experience and contacts (and capital) needed for eventually starting up a business and undermines Palestinian entrepreneurship in Lebanon in a general sense: employment and entrepreneurship in this regard are communicating vessels. But one specific law, that on property rights, undermines entrepreneurship even more than employment.

Until 2001, non-Lebanese, including Palestinians, had the right to own property (if up to certain size). However, since 2001 Palestinian refugees cannot acquire real estate or land. In 2001 the Lebanese parliament adopted amendment 296 to the existing 1969 Presidential Decree 11614a that allowed limited foreign ownership of real estate but prohibited “any person who is not a national of a recognized state or any one whose ownership of property is contrary to the provisions of the Constitution relating to *tawtin* (settlement) to acquire real estate of any kind” (Hanafi et al. 2012:45; see also Canadians for Justice and Peace in the Middle East (CJPME) 2009:2). Schenker (2012:69) concludes that “with a single stroke of the pen, refugees could no longer purchase land, transfer property, or will real estate to a relative.” This, evidently, greatly undermines entrepreneurship in any form as entrepreneurship overwhelmingly supposes the ownership of a shop or lands. In addition, the fact that “Palestinian refugees in Lebanon cannot pass down ownership of their rudimentary [houses or shops]” (Christoff 2004) undermines the option of securing work and wealth for future generations, a core incentive for starting a business (Pistrui and Fahed-Sreih 2010:85).

### *It's the Politics, Stupid!*

Having established that the Lebanese legal system consciously undermines Palestinian employment as well as entrepreneurship, the question remains why. While Lebanese often argue the contrary, for instance implying a causal connection between the Palestinian immigration and Lebanese emigration (Sfeir 2010:19), the reasons for this regime are not predominantly economic. It is usually argued that the Lebanese economy cannot sustain granting the Palestinians the right to work as it would cost ‘Lebanese jobs.’ Lamb (2010), however, rightfully points out that “Palestinian refugees fueled economic growth in countries, such as Syria and Jordan, who have met their international obligations to Palestinian refugees, [making] clear that Lebanon has much to gain from allowing Lebanon’s Palestinian refugees their internationally guaranteed rights.” Moreover, considering the low average education level of the Palestinians in Lebanon, only a small part would posture some competition to Lebanese (Lamb 2010; see also Chabaan et al. 2010:xv). Also, the Palestinians virtually pose no burden on the Lebanese state and economy as their educational and health needs are taken care of by UNRWA (which actually pays Lebanese hospitals for treatment and sponsors Lebanese universities through their grants) and since Palestinians are not part of the social security system. Chabaan et al.’s (2010:xiv) survey shows that “only 13% receive direct financial or in kind support other than that provided by UNRWA, and many of these are infrequent and irregular.”

In fact, according to Khalidi and Tabbarah (2009:25-26), Palestinians in Lebanon “have the potential to contribute to economic growth in the informal economy sector” in ways that would service the “poor and those with limited income” (see also Mahdawi 2009). Most

importantly, however, Chabaan et al. (2010:xv) estimate that Palestinian refugees in Lebanon spend about US\$ 340 million, “a considerable contribution to the local economy, especially rural areas where most Palestinians live and work.” Khalidi and Tabbarah (2009:26) estimate the ratio of the private consumption of Palestinian refugees (including UNRWA’s appropriations) to the total private consumption in Lebanon in 2003 at approximately ten percent. This argument is further bolstered by the fact that “at the time of their exodus, only four years after Lebanon’s independence from the French in 1943, Palestinian assets brought into Lebanon were estimated at four times the value of the Lebanese economy” (Lamb 2010).

Since the systematic undermining of Palestinian entrepreneurship is not based on an economic rationale I argue the logic behind it is political. The official discourse of the Lebanese government stipulates that incorporating the Palestinians in the socio-economic and political fabric of their host society undermines the fulfillment of the Palestinians’ right of return to Palestine as it would diminish, on the one hand, the will of the Palestinians to return and, on the other hand, the need of Israel to allow such a return (Weighill 1997:306-307; Hanafi et al. 2012:42). It is also regularly argued that Palestinian integration would “render the Palestinians ineligible to receive aid from UNRWA” (Sfeir 2010:28). As such, is it reasoned Lebanon is doing the Palestinians a favor by preventing permanent settlement or *tawteen*. However, the link between the granting of socio-economic rights and the dejection of the right of return is largely unfounded as extensive research has shown that Palestinians in Lebanon have themselves adamantly rejected ‘permanent settlement’ and merely demand socio-economic improvements (Weighill 1997:308; Khalidi and Riskedahl 2010:2; Hanafi et al. 2008:42; Hanafi 2010:53). In fact, those Palestinians with Lebanese citizenship have on many occasions used the possibilities this citizenship brought them to campaign for their right of return (Kaufmann 2006).

Most scholars therefore agree that the real reason behind the ‘scarecrow of *tawteen*’ (Hanafi 2010) is more cynical. Lebanon’s sectarian political order, in which all state positions and resources are allocated through a sectarian quota system, is based on the (illusion of) a balance between different confessional (or sectarian) groups. The Palestinian community in Lebanon overwhelmingly adheres to the Sunni religion and would therefore, following Lebanese political logic, fatally destroy the balance between various Christian and Muslim sects in Lebanon if they were to gain citizenship in Lebanon (and hence voting rights). While, as for example Syria has shown, socio-economic rights for Palestinian need not automatically be coupled with voting rights and citizenship and the feared disturbance of political equilibrium, in Lebanon the two have become incurably entangled and rights to work and property are by many Lebanese considered as a first step towards citizenship (Tiltnes and Hanafi 2008:4). This reasoning finds partial foundation in the history of the Lebanese Civil War in which the Palestinian community as represented by the PLO has played a disputed, but fateful role (Kaufmann 2006:698; Hanafi 2010:53).

As Lamb (2010) summarizes “the core issue, then, is the coupling of the right to work [and one could add property here] with the notion of (permanent) settlement in Lebanon in the public debate.” This coupling is carefully maintained by the bulk of the Lebanese politicians in order to protect the status quo of their intertwined political and economic monopolies



based on a sectarian division of the pie.<sup>6</sup> “Palestinians serve to reassure each [confessional] group of its unity and legitimacy in the Lebanese confessional mosaic,” not least so the economic components of this mosaic (Sfeir 2010:19).

### **Conclusions and Implications**

In this paper, I have sought to show how the differences in the nature of the entrepreneurial activities on the extreme ends of Lebanon’s transnational entrepreneurship continuum – the Lebanese diaspora abroad on the one hand and the Palestinian refugees in Lebanon on the other hand – are different manifestations of the same sectarian political system. Beyond the crucial fact that many Lebanese chose to migrate for entrepreneurial reasons, whereas the Palestinians were forced to migrate and by and large became entrepreneurs to deal with this forced displacement, Lebanese entrepreneurs abroad have been adopted by their respective sectarian communities for the economical and political gain they might provide these communities with in Lebanon’s domestic political arena. The leaders of these communities have supported ‘their’ diaspora entrepreneurs via both governmental and non-governmental channels, keenly aware of their (potential) socio-political and financial capital. This political context has correlated with remarkably innovative and opportunity-oriented entrepreneurship aspirations and attitudes among the Lebanese diaspora.

Palestinian entrepreneurs in Lebanon, conversely, have no economic or political utility for Lebanese political leaders. Rather the sectarian nature of the Lebanese political system allows Lebanese politicians to paint economic emancipation as political encroachment and offers them a convenient excuse to undercut Palestinian entrepreneurship – either to defuse economic competition or to accommodate populist (sectarian) electoral sentiments. In fact, the purposeful political marginalization of the Palestinians in Lebanon via economic discrimination is repeatedly mentioned as the one thing Lebanon’s sectarian communities and parties agree upon (Chabaan et al. 2010:7; Hanafi 2010:53-54; Sfeir 2010:29). This political regime has gone hand in hand with survivalist entrepreneurial attitudes and aspirations among Palestinian entrepreneurs in Lebanon characterized by low education and limited innovation. Considering that the Palestinians have no active place in the post-Civil War political power play between the Lebanese sects, no longer having a “place in the sectarian system,” they lack political-institutional and economic support (Hanafi 2010:68). In fact, since their only political utility lies in their function as a uniting scarecrow, they face undermining of their economic activity.

The entire above argument can and should be placed within the debate on the respective dominance of various elements explaining the quality and quantity of entrepreneurship. These elements are mostly seen as either personal or structural, the former comprising personality,

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<sup>6</sup> Paradoxically, thus, the marginalization of Palestinians stems from a lack of distinction or discrimination rather than discrimination, as the uniqueness of the Palestinians as a permanently displaced people without a formal homeland is not accounted for in Lebanese law (CJPME 2009:1). As the CJPME (2009:1) points out, other than in the Taif Accord, Lebanese laws do not overtly single out Palestinians, “but analysts and academics are in near unanimous agreement that exclusionary legislation and the lack of exceptions to it are directed towards preventing the assimilation or naturalization of Palestinian refugees, since they are the only large scale non-Lebanese group in the country” (CJPME 2009:1).

identity and skills and the latter including socio-economic and political institutions and policies. Elmuti et al. (2011:251) find that “the personality variable has been found to be a major determinant of success in an economically disadvantaged, politically unstable and culturally traditional environment as exists in the Palestinian Society.” While the Palestinian community in Lebanon might broadly share these characteristics, I nevertheless argue that it is elusive to focus solely, or even predominantly, on the ‘personality variable’ to explain the degrees and forms of entrepreneurship.

Instead, as Hanafi (1996:1) notes, the choice of economic activity for minority groups such as refugees and the outcomes of these activities depend both on resources and environment – on agency and structure. In light of Giddens’ (1985) now broadly adopted idea of structuration, the notion that structure (context/system) and agency (personality/individuality) mutually constitute each other and cannot be separated, the distinction between economics and politics – personal and contextual – that still provides the focal point of many discussions on entrepreneurship is misleading. Instead, I would argue, the notion of political economy is crucial in understanding entrepreneurial attitudes, activities and aspirations. A study by Hanafi (2008:17), for instance, shows that Palestinian entrepreneurs, in this case in the West Bank, feel that a “hostile political economy” most crucially determines their opportunities and constraints and coins the idea of a “highly politicized economy.”

I do not contend that personality is a crucial determinant for entrepreneurship (Elmuti et al. 2011:253), but rather the notion that structural context factors would not decisively shape personality. Whether a person is optimistic and action-oriented; a persuasive leader, people-oriented and creative and imaginative; and “always open to new ideas and changes” (Elmuti et al. 2011:253) depends on nurture and exposure as much as on nature. As such, detrimental socio-political context factors directly shape personal characteristics. Elmuti et al. (2011:254) acknowledge this in noting that: “Various life experiences shape a person’s outlook and goals in life. Research shows there are certain life experience factors common among successful entrepreneurs. These characteristics include: being sent away from home, being forced into a role of responsibility at an early age, having supportive parents [and] having a financially poor childhood.” Yet they seem determined to see such experiences as positive encouragements towards change-seeking, rather than as potentially traumatic occurrences breeding a desire for stability. Drawing on Kirzner, Hanafi (2008:20) explains how entrepreneurship is more about investigating the future than about submitting to the present. This is exactly how and why the structural and systemic discrimination of the Palestinians as a socio-economic group undercuts their entrepreneurship potential so harshly: they see no future to speak of and their attitudes and aspirations are affected accordingly.

That people *believe* personal traits are the most important determinant for economic success might indeed be a prerequisite of the development of the entrepreneurial attitudes and aspirations needed for entrepreneurial activities to take place. But this does not mean that these personal traits are in fact the decisive factor for entrepreneurial activities – a distinction often lost in the can-do neoliberal spirit associated with entrepreneurship support programs. While entrepreneurship is something that can be taught and learned (Elmuti et al. 2011:255), policy-makers would do well to analyze the broader political economy of entrepreneurship

for specific groups in specific countries in order to establish if and how it is relevant and possible to build on such ‘entrepreneurship is emancipation’ logics.

The discussion on internal and external determinants, namely, is crucially linked to a second debate on entrepreneurship, that on inter or intra-country comparisons. The findings of Elmuti et al. (2011:262) on the respective dominance of contextual or personal factors for determining entrepreneurial success are convincing. Fifty nine percent of their respondents in Palestine found an assertive or dominant personality the first choice for explaining entrepreneurial success (Elmuti et al. 2011:262). “Surprisingly, environmental factors came last on the list with only 41 percent believing it should be number one” (Elmuti et al. 2011:262). Indeed, these outcomes make sense in the case of a comparison between entrepreneurs within the same context (in this case the Palestinian Territory). When all entrepreneurs face more or less the same (either favorable or detrimental) context, it is indeed unlikely that it is this context that determines the differences between them. Clearly, when comparing entrepreneurial success among groups in different context, this is another story and the importance of structural factors increases tremendously. As such, the debate should be relegated to a matter of ‘level of analysis’ and Elmuti et al.’s (2011:264-165) conclusion that “personality of the entrepreneur still overshadows other aspects in explaining a business’s success or failure in many societies” indeed holds – but only *in* societies, not *between* societies. ‘Cultural’ characteristics such as “uncertainty avoidance;” “collectivism or individualism;” or “external or internal locus of control” (Zgeib and Kowatly 2011:5) might crucially differ among various communities within the same country due to the different political regimes they face. Further studies on different groups within the same country, therefore, could not merely enrich the academic debate on entrepreneurship, but might ensure it does not lose sight of the importance of the political logic governing entrepreneurship.

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