Lebanon and Saudi Arabia: A Renewed ‘Economic Lifeline’!

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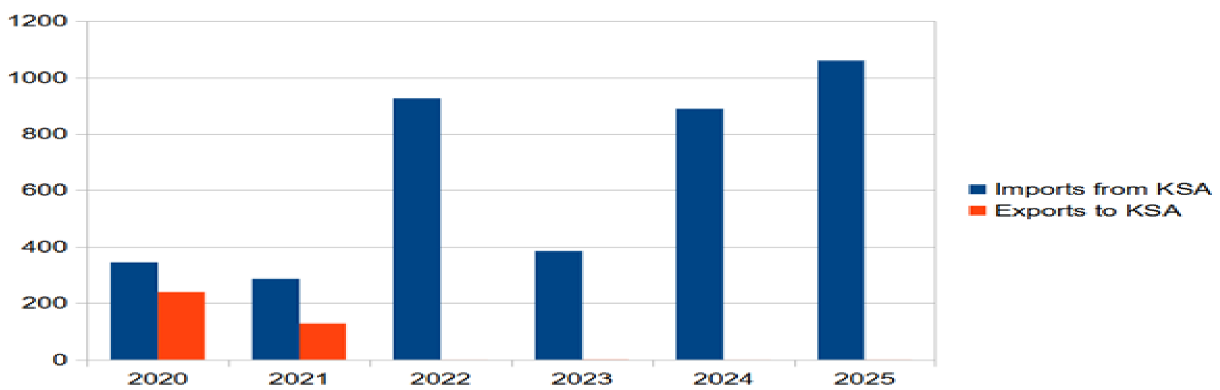
The steps that were taken by Lebanese authorities, following the election of new president and the formation of a reform government, to combat money laundering and smuggling, such as the upgrading of the monitoring and scanning infrastructure in the airport and the port and on borders, and implementation of stricter security and anti-smuggling measures, have finally started to pay off internationally. Crown Prince Mohammed Bin Salman of Kingdom of Saudi Arabia (KSA) ended on 10 June 2026 the trade ban against Lebanon, following requests from President Joseph Aoun and Prime Minister Nawaf Salam. This means KSA will resume importing goods from Lebanon, following a 5-year embargo that started in April 2021. The first ship loaded with Lebanese goods sailed from the port of Beirut to the port of Jeddah on 20 June 2026. The Saudi decision was followed by a decision from The United Arab Emirates on 29 June to allow again its citizens to travel to Lebanon. All of this means Lebanon had started to return to the Arab economic fold, and a vital economic artery for Lebanon was reconnected. However, Saudi Arabia's economic role in Lebanon is not limited to trade or to importation of Lebanese goods, it goes beyond that to include all aspects of economic activity in Lebanon. KSA has a strong impact on Lebanon’s external revenue and cash inflows; and its role is vital for monetary and fiscal stability, besides its participation across many channels and key sectors, making it a critical and strategic economic partner. We will analyse in this brief note the most important of these crucial channels.

Trade

On 25 April 2021, Saudi authorities ceased at the port of Jeddah 5.3 million Captagon pills. They were smuggled inside pomegranates coming from Lebanon. The kingdom initially banned all fruits and vegetables imports from Lebanon. However, another attempt was thwarted at the same port on 26 June 2021 to smuggle 14.4 million Captagon tablets hidden in iron plates. Due to these repeated attempts, in addition to political tension arising from the war in Yemen, the kingdom expanded the ban to all Lebanese goods, blaming it on the Lebanese state. This affected significantly and negatively Lebanese total exports, and caused a blow to Lebanon's economy, due to the fact that KSA is a major trade partner. Lebanese exports to KSA alone comprised 6.6% of total Lebanese exports in 2020. Lebanon, though, did not pose any reciprocal tariffs in response to the Saudi ban. On the contrary, imports from KSA grew massively compared to the period that preceded the embargo. This hugely widened the trade deficit with KSA, and consequently impacted the overall Lebanese trade deficit.

As shown in Figure 1 below, the value of Lebanese exports to KSA dropped from 240 and 128.3 million dollars in years 2020 and 2021 respectively, to only 195,000, 824,000, 209,520, and 314,000 dollars in years 2022, 2023, 2024, and 2025 respectively. These numbers show the extent of economic relief that could be felt after the decision to lift the ban, and the growth potential ahead for Lebanon's export market. And more importantly, it shows the positive consequences of strengthening the Lebanese state institutions.

Figure 1: Trade activity between Lebanon & KSA in millions of dollars (2020 to 2025)



	2020	2021	2022	2023	2024	2025
Trade deficit with KSA	105 Million	158.17 Million	925.80 Million	383.57 Million	887.69 Million	1.059 Billion
Overall trade deficit	7.75 Billion	9.18 Billion	15.56 Billion	14.53 Billion	14.2 Billion	17.44 Billion
Deficit with KSA to total deficit	1.35%	1.72%	5.94%	2.63%	6.25%	6.07%

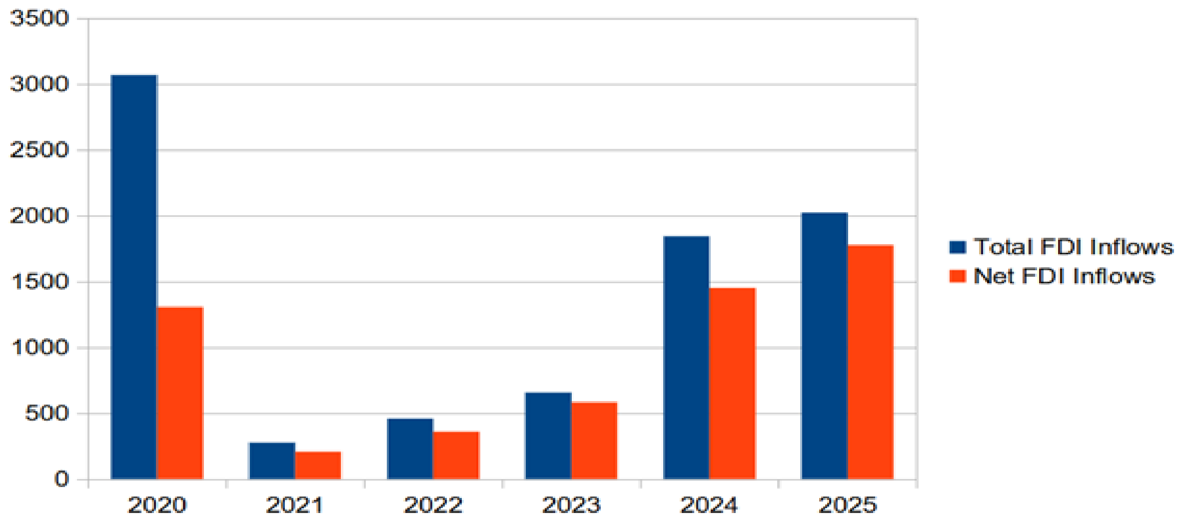
Sources: BLOMINVEST, Beirut Chamber of Commerce, World Bank Group, Trading Economics

Foreign Direct Investment

As Lebanese law allows foreign investors to fully own local assets in most sectors, this facilitated KSA role to massively engage in Lebanon's foreign direct investment over the years, specifically in the period that directly followed the end of the civil war. Saudi investments surged in the 1990s and 2000s making the kingdom the biggest foreign sponsor of the Lebanese economy. Saudi investments were concentrated in Lebanese real estate sector through development and joint ventures, in addition to ownership in financial services and tourism sectors. According to IMF country report No 09/131 on Lebanon, published in April 2009, Saudi Arabia alongside other Gulf Cooperation Council (GCC) states have accounted for over 60% to 76% of total FDI to Lebanon over the period 2002-2007, more than half of which has been in real estate. And according to the same source, Lebanon received around one third of all GCC investments in MENA countries. Besides, and according to official data from the Saudi Ministry of Investment, the cumulative balance of Saudi foreign direct investment in Lebanon at the end of 2024 amounted to 4.26 billion dollars. This reveals the extent of economic importance for Lebanon in collaborating with KSA. However, as a result of the Lebanese economic collapse, and the political tensions with Saudi Arabia and the 2021 ban previously mentioned, foreign direct investment inflows into Lebanon witnessed a steep decline: Saudi Arabia broke off investments and inflows to Lebanon to nearly zero. This drove perhaps many Lebanese manufacturers with their companies out of Lebanon in order to avert the Saudi embargo on exports. As a result of this, and as is shown in figure 2 below, net FDI inflows to Lebanon plummeted by over 84% in 2021, falling to $207 million from $1.30 billion the previous year. Net FDI recorded 359, 582, 1452, and 1776 million dollars in years

2022, 2023, 2024, and 2025 respectively, recording significant improvement in the last 2 years, though gross FDI is still below pre-ban levels.

Figure 2: FDI inflows into Lebanon in millions of dollars (2020 to 2025)



Source: UN Trade and Development (UNCTAD)

Remittances, Tourism and Financial Aids

As a matter of fact, the Saudi support and participation in the economy of Lebanon significantly exceeds trade and investments, as it extends to tourism and direct participation in state revenues and central bank balance sheet through aid, grants and loans. The most prominent of such support was the 1 billion dollars deposit in the Central Bank of Lebanon after the 2006 war with Israel to stabilize the Lebanese currency, in addition to the unprecedented 3 billion dollars grant in 2013 to the Lebanese Army. As to tourism in Lebanon, the Saudis represent high-spending tourist arrivals. According to the Ministry of Tourism, Saudi tourists spend the most in Lebanon and account for 23% of total spending, and their spending hugely supports the hospitality and retail sectors. In addition, anecdotal evidence shows that about 150,000 Lebanese works in Saudi Arabia, perhaps accounting for almost half of all remittances inflows to Lebanon, as their salaries are among the highest globally. Of course, this influx supports the balance of payments and local purchasing power, which are of crucial significance for a country that is in most need of hard currency and of raising the purchasing power of its citizens who are suffering under the weight of the economic collapse. It also highlights the heavy price Lebanon would economically pay for any dispute with Saudi Arabia; as in fact, Lebanon had paid the price following the 2021 embargo. The embargo also resulted in a simultaneous embargo of Saudi tourists, further hurting the economy and GDP. And prior to that, specifically in 2016, and due to the same political disputes, blaming the Lebanese and as a result of the growing political dominance of non-state armed groups in the country, KSA canceled the 3 billion dollars package to the Lebanese army.

Conclusion

The Saudi embargo against Lebanon had marginalized it from the Arab fold and largely isolated it financially. Hence, the Saudi decision to lift the ban was excellent news and a ray of hope for the Lebanese economy, and an opportunity for recovery that can be built upon. And while we look forward to restoring Saudi investments and tourism, besides shoring up exports, much hope remains tied to the capabilities of the Lebanese state to implement reforms and to rebuild state institutions, so as to restore sovereignty and regain regional and global trust. And, lastly, with the anticipated improvement in exports, Lebanon has a good opportunity to help transitioning to a productive economy by capitalizing on the Saudi market.

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