

## ISSUES

- Lebanon is in a condition of dangerous freefall. At the economic level, 30 years of deficit financing and debt accumulation have come home to roost, leading to a collapse of the national currency, the virtual bankruptcy of private banks and the state, and a very sharp contraction of the economy. This has been exacerbated by the COVID-19 pandemic and then by the horrific blast in Beirut on Aug. 4 that killed hundreds, wounded thousands, and devastated large parts of the capital.
- At the social level, these cascading conditions have led to poverty rates passing 50%, unemployment moving past 40%, and the specter of hunger or famine threatening lower income groups.
- At the political level, a popular uprising erupted in October 2019 and is still ongoing. The political class has been maneuvering to cling to power and resist calls for fundamental change. Two governments have already resigned in the past 10 months, and a third is in the process of being formed, but all from within the traditional deck of cards of the ruling oligarchy. Successive governments have been unable to implement real reforms or initiate meaningful negotiations with the IMF.
- At the security level, as the population gets more desperate, more people may resort to forming armed gangs; and as salaries of the Lebanese Armed Forces (LAF) and the internal security forces dwindle to nothing, the state might lose its backbone.
- Lebanon is at risk of tipping into full failed state status. This would send both Syrian and Lebanese refugees streaming west through Cyprus and Europe, create a fresh haven for the return or strengthening of violent extremist and terrorist groups, further strengthen Hezbollah, and give rise to a threat to regional and international security that would take years, or even decades, to repair.

## US INTERESTS

- The U.S. has longstanding cultural, political, economic, and security ties with Lebanon, bolstered by the large American-Lebanese community in the U.S.
- The U.S. has an interest that Lebanon recover and survive economically and politically, and an acute interest that the country does not fall into full state failure. That would create myriad emergencies for the U.S. and its partners and allies in the region and in Europe.



- Lebanon has been an effective ally in the war on terror: robust U.S. support to the LAF helps maintain stability and security in the country, preserves the army's autonomy from Hezbollah, and sustains U.S.-Lebanese cooperation against ISIS and al-Qaeda.
- The U.S. has also been the largest contributor on refugees, as Lebanon hosts 1.5m Syrian refugees; if the country falters or collapses, many of those, joined by many Lebanese, might find their way overseas to Europe.
- Lebanon is a rare example of Christians and Muslims, Sunnis and Shiis, living peacefully together, and sharing power in an inclusive and largely democratic political system. These are shared values with the U.S., and this is a valuable example for other countries in the region.

## **POLICY RECOMMENDATIONS**

- Move quickly to provide immediate recovery and reconstruction assistance to those affected by the Aug. 4 blast. Maintain and strengthen support for poverty and hunger-reduction programs targeting the most vulnerable in the country.
- Engage with the Lebanese government but insist on conditionality; if it enacts serious and impactful governance and economic reforms, then extend a hand of assistance along with other international friends of Lebanon as part of the international support agreed upon at the CEDRE Conference in Paris.
- Express and extend encouragement to the Lebanese protest and civil society movement and their demands for fundamental positive reform.
- Maintain U.S. support and cooperation with the LAF.
- Maintain support for refugees and their host communities in Lebanon.
- Work with the Lebanese army and government to maintain security on the Israel-Lebanon border, secure the country's borders, and promote efforts to delineate the maritime border.