

LEBANON

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ISSUES

- Lebanon is in a condition of dangerous freefall. At the economic level, 30 years of deficit financing, debt accumulation, and systemic corruption have come home to roost, leading to a collapse of the national currency, rampant inflation, the virtual bankruptcy of private banks and the state, and a very sharp contraction of the economy. This has been exacerbated by political paralysis, 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 55%, unemployment moving past 40%, and the specter of hunger or famine threatening nearly a quarter of the population.
- 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 since the start of the protests, and a third is still in the process of being formed, nearly six months after the fall of the last one, but all from within the traditional deck of cards of the ruling oligarchy. Mired in internal political feuds and conflicts of interest, successive governments have been unable or unwilling to implement real reforms or initiate meaningful negotiations with the IMF.
- At the security level, as the population gets more desperate and impoverished, more people may resort to violent protest, or even forming armed gangs; and as salaries of the Lebanese Armed Forces (LAF) and the internal security forces dwindle to insignificance, the state risks losing its backbone.
- Lebanon is at risk of tipping into full failed state status. This would destroy its social and human capital, send both Syrian and Lebanese refugees streaming west through Cyprus

to Europe, create a fresh haven for the return of violent extremist and terrorist groups like ISIS and al-Qaeda, 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 recovers and survives economically and politically, and an acute interest that the country does not fall into full state failure. That would create myriad humanitarian and security 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, keeps the Lebanon-Israel border calm, and sustains U.S.-Lebanese cooperation against ISIS and al-Qaeda.
- Lebanon hosts a large population of Syrian and Palestinian refugees. The U.S. has an interest in the country not fully collapsing, otherwise many of those, joined by many Lebanese, will find their way overseas to Europe.
- The U.S. has an interest in countering the potential growth of Russian and Chinese interests and influence in Lebanon and the eastern Mediterranean.
- Lebanon is a rare example of Christians and Muslims, Sunnis and Shi'a, 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 an important example for other countries in the region.

POLICY RECOMMENDATIONS

- Marshall America's regional and international diplomatic leverage to press for a capable and reform-committed government in Lebanon. On the basis of clear conditionality, press a new government for immediate and meaningful reforms such as reforming the electricity sector, strengthening Lebanon's social safety net, restructuring the banking sector, recalibrating the subsidies program to slow down the rapid depletion of the central bank's currency reserves, and immediately engaging in negotiations with the IMF.
- In exchange for such enacted reforms, extend a hand of assistance along with other international friends of Lebanon in Europe and the region, and encourage the IMF and the World Bank to engage positively if and when a reform-implementing government is in place.
- Maintain and strengthen support for poverty and hunger-reduction programs targeting the most vulnerable in the country, and maintain support for recovery and reconstruction assistance to those affected by the Aug. 4 blast.
- Express and extend encouragement to the Lebanese protest and civil society movement and their demands for fundamental positive reform.
- Insist on holding fair, transparent, and timely elections in the spring of 2022 and support election-monitoring efforts in collaboration with international partners and NGOs.
- In coordination with European partners, increase financial and logistical support for educational and medical institutions, absent which longer-term human capital rebuilding efforts will prove difficult.
- Maintain U.S. support and cooperation with the LAF.
- Sustain mediation efforts to delineate the Lebanese-Israeli maritime border and work with the Lebanese army and government to maintain security on the Lebanon-Israel border and secure the country's porous borders with Syria.
- Maintain support for Syrian refugees and their host communities in Lebanon and encourage their right of return when and where it is safe to do so.