

HELPING THE LEBANESE PEOPLE MOVE TOWARD RECOVERY: RECOMMENDATIONS FOR US POLICY



A COLLABORATION BETWEEN
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AND THE MIDDLE EAST INSTITUTE



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HELPING THE LEBANESE PEOPLE MOVE TOWARD RECOVERY:

RECOMMENDATIONS FOR US POLICY

Lebanon is currently at a crossroads as the government faces the daunting tasks of rebuilding the economy, restoring public trust, and clearing the way for free and fair parliamentary elections in May of 2022. The formation of the Mikati government in September was an encouraging sign, but the government has been paralyzed by a standoff. Traditional political parties have been complicit in the corruption and destruction of Lebanon. Even now, Hezbollah and Amal are seeking to block the current investigation into the August 2020 Beirut Port blast, and only recently agreed to rejoin the cabinet to meet to set parliament's agenda.

The country finds itself spiraling downward - an agreement with the International Monetary Fund (IMF) is yet to be realized, poverty and emigration are increasing, and there are growing threats to stability due to a failing economy and widespread corruption. The humanitarian disaster continues to get worse amid a rapidly devaluating currency, limited access to essential goods and bank deposits, and diminishing public services ranging from health care to electricity. The continued government stalemate portends even more challenges in the coming months as more than 80% of the population now live near or below the poverty line. Given this critical situation, it is worthwhile to review US

interests in Lebanon's survival and consider key recommendations for US policy to help Lebanon avoid complete collapse and help the Lebanese people move toward economic recovery, political legitimacy, and a more capable, transparent, and sovereign state.

US INTERESTS

The Biden administration began its term in office prioritizing diplomatic efforts to revive the 2015 nuclear deal with Iran, but it has not yet achieved the results it had hoped for. In the meantime, the United States has engaged in quiet diplomacy aimed at building trust and confidence with key partners in the region to take greater responsibility in shaping the Middle East security landscape. This administration has shown its concern for Lebanon's sovereignty through key visits by senior US diplomatic and security officials, American leadership in promoting a resolution to the Lebanese-Israeli maritime border dispute, active involvement in energy projects channeling Egyptian gas and Jordanian electricity to Lebanon, economic and security assistance, and high-profile engagement by the US Embassy in Beirut. These actions, among others, are clear signs of US commitments to the goals of Lebanon's independence and sovereignty, economic reform and recovery, public accountability, and democratic renewal.

The US is also trying to find new ways to reinforce security assistance and cooperation with the Lebanese Armed Forces (LAF) – an institution critical to both internal and regional stability. The Biden administration's recent Summit for Democracy, held virtually on December 9-10, 2021, underscored the importance of US support for democracies facing challenges from a number of corrosive forces, including authoritarianism and corruption as well as armed non-state actors. Although not invited, Lebanon is a centerpiece of the struggle for democratic governance in the Middle East, and its people have demonstrated a willingness and capacity to work against the odds and press for a more effective, representative government. The timing is right for Lebanon to become a prime example of what strategic and targeted US diplomatic and economic engagement can achieve in supporting people engaged in the fight for democracy that Biden's recent summit underscored.

As the Biden administration works to examine its policy options on Iran and explore alternative strategies in the region, it should prioritize measures that shape a more favorable regional landscape. In the case of Lebanon, more direct and coordinated anti-corruption

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and good governance efforts, backed up by increased public diplomacy, will strengthen American foreign policy goals. A strong Lebanon could well become a dynamic center of discourse for those looking to challenge Iran and its networks of partners in Lebanon who are exploiting the country's resources and talents at the expense of the broader common good. The competition for power and influence inside of Lebanon is one for the Lebanese people to lead, but targeted US diplomatic engagement can help level the playing field for those who are disadvantaged by the corruption and autocratic practices that have undercut the country's democracy.

The US has multiple interests in supporting Lebanon's stability, sovereignty, and security, and pressing for progress toward socio-economic recovery. Supporting the Lebanese people includes reinforcing the ongoing security assistance the US provides through its crucial engagement with the LAF. A Lebanon with a national military that is interoperable with US forces and NATO allies has been critical to fighting, defeating, and expelling terrorist groups such as ISIS and al-Qaeda. Lebanon occupies an important geostrategic location in the Eastern Mediterranean bordering countries and regions of consequence to US foreign policy, and it hosts one of the largest per capita populations of Syrian refugees. The US and Lebanon share longstanding social, cultural, and educational ties; moreover, Lebanon also has economic potential as a location for logistics and multimodal transportation and sizeable offshore energy resources.

From a security perspective, Lebanon presents opportunities and challenges for US interests. Its military maintains strong and reliable intelligence and counterterrorism capabilities and has proven to be a capable and credible US partner. In parallel, players such as Russia, China, Iran, and Turkey are all attempting to expand their footprints in Lebanon and throughout the region. The influence of Hezbollah in domestic Lebanese politics increasingly undermines state institutions and extends to conflicts outside Lebanon's borders. These regional dynamics are of concern to the US as it reconfigures its posture in the broader Middle East.

Although the US has given Lebanon remarkable attention in the past year and implemented a number of important policies and programs, support among key constituencies is lagging. Its

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public diplomacy can be much stronger as regards America's Lebanon policy. Strengthening US media, educational, and professional programs under the public diplomacy umbrella can pay dividends in the short term to foster leadership development and press for timely elections, and in the mid and long term, to institutionalize democratic reforms. A comprehensive plan and diplomatic strategy are essential, without which the US will fail to gain the support of the Lebanese people, key constituencies in the US, and the US Congress.

RECOMMENDATIONS TO THE ADMINISTRATION

What follows are key steps the US can take to help Lebanon stop its slide toward full and irreversible failure and pave the way for reform and recovery.

1. LEAD A DIPLOMATIC COALITION.

The US should marshal its international and regional partnerships to encourage and jointly lead an international coalition in support of reforms and progress in Lebanon and against the influence of both armed non-state actors like Hezbollah and corrupt politicians who threaten to drag the country further down. The US should work closely with France and Lebanon's other European friends, and should also encourage Arab countries, including Egypt, Jordan, and the Gulf States, to play a more proactive and forward-looking role in the country.

2. ENGAGE THE NEW GOVERNMENT TO PRESS FOR URGENT, VISIBLE, AND MEANINGFUL DECISIONS AND REFORMS. AMONG THE PRIORITIES ARE TO:

- **Rebuild trust with the people** through building a sustainable social safety net, adequate provision of power and water supplies, a stable currency, access to bank deposits, and protection of human and civil rights
- **Sustain and conclude definitive negotiations** with the IMF on a restructuring package, in conjunction with the World Bank and international donors, to provide for a comprehensive and sustainable rescue plan; and press parliament for its passage
- **Ensure that banking reforms are equitable**, and losses are apportioned transparently to protect small and medium depositors
- **Take immediate and concrete steps to fight corruption**
- **Reduce the influence of Hezbollah** in decision-making at all levels through public sector reforms
- **Move on existing legislation** that guarantees the independence and empowerment of the judiciary

3. MAINTAIN AND INCREASE PRESSURE TO HOLD PARLIAMENTARY AND LOCAL ELECTIONS, AND THEN PRESIDENTIAL ELECTIONS, ON TIME. THE US MUST SIGNAL THAT THERE WILL BE CONSEQUENCES IF MEMBERS OF PARLIAMENT OR THE GOVERNMENT OBSTRUCT THESE ELECTIONS OR EXTEND THE TERMS OF EITHER THE PARLIAMENT OR PRESIDENT.

The elections in May 2022 are the first post-collapse opportunity for the Lebanese people to democratically express their preferences and aspirations. Although elections may not be an end in themselves, they remain a critical avenue for democratic change that will likely introduce new faces to Lebanese political life and potentially strip Hezbollah and its allies of their parliamentary majority.

The US and international community should send empowered election monitoring teams well before the elections to monitor preparations and operations and to maintain pressure on the government and current parliament. This should be concretized by the US through increased support for the International Foundation for Electoral Systems (IFES), the International Republican Institute (IRI), and the National Democratic Institute (NDI) as both monitors and advisors to civil society on participating effectively in the elections. Particular attention should also be given to (i) closely cooperating with the UN and European partners in the build up to and during elections, (ii) ensuring full and transparent diaspora participation for all 128 seats, calling for diaspora vote counts at the embassy level to minimize the chances of vote tampering, and, (iii) preventing cash cards, World Bank programs, and other government benefits from being manipulated to secure votes. Although the government indicates that it doesn't have the time to institute in-country voting mega-centers, experts in the field dispute this. Such centers should be considered in order to maximize voter participation in Lebanon. US funding should be increased to civil society organizations that promote democracy, rule of law, and clean and fair elections.

4. MAINTAIN AND INCREASE EXISTING SUPPORT FOR THE LAF. IN ADDITION, EXTEND SUPPORT TO THE INTERNAL SECURITY FORCES (ISF) WHICH IS TASKED WITH MANAGING A LARGE PART OF THE PARLIAMENTARY AND LOCAL ELECTIONS PROCESSES.

Increase the baseline levels of funding in International Narcotics Control [and] Law Enforcement (INCLE), Non-Proliferation, De-mining, and Related Programs (NADR), and Foreign Military Financing (FMF) which received \$10 million, \$11.8 million, and \$105

million respectively in 2021. The ongoing crisis is putting unprecedented strain on both civilians and security personnel, threatening Lebanese human capital and national security. The situation is rapidly turning into an irreversible generational disaster. On the security side, US assistance can contribute to stability by alleviating the humanitarian needs of LAF and ISF members and their families. This can help compensate for the deterioration in salaries, the erosion of troop morale, and the adverse impact on the operational readiness of the LAF and the ISF. A proposal is being considered to partially reprogram FY2022 funds to support the humanitarian needs of the LAF and ISF. It deserves support. This will help offset declining morale, reduce desertions and early retirements, support LAF cohesion and effectiveness, and improve LAF and ISF readiness to support peaceful elections.

5. MAINTAIN AND INCREASE SUPPORT FOR US-AFFILIATED INSTITUTIONS AND HUMANITARIAN SUPPORT PROGRAMS

In this regard, the US should make it a priority to fund the American University of Beirut (AUB) and Lebanese American University (LAU), and provide scholarships for the most vulnerable members of society. With other friends of Lebanon, it is essential to sustain US Economic Support Fund (ESF) programs, including the US-Middle East Partnership Initiative (MEPI), which remain a critical inhibitor of the ongoing brain drain because of their critical support of educational and health institutions.

The value of continuing to protect the most vulnerable Lebanese from the ravages of hunger and extreme poverty and also to stem the flow of people leaving the country cannot be overstated. Lebanon's people are its capital and a value-added resource for any hoped-for recovery. Stemming the outflow of people by supporting them and their institutions inside the country is a key to building a sustainable recovery. The US should support World Bank-backed cash cards and similar Lebanese assistance programs that use the IMPACT platform for registering qualified families in order to ensure transparency and proper delivery of services.

Over the longer term, the US and the international community should consider an UN-chartered International Development Fund governed by local and international experts. It would coordinate and monitor assistance under one umbrella to ensure outreach to the beneficiaries, efficient allocation of funds, and transparency in foreign assistance operations.

6. MAINTAIN US POLICY EMPHASIS ON COUNTERING CORRUPTION CONSISTENT WITH RECENT US STATEMENTS.

In line with one of the most important cornerstones of the Biden administration's foreign policy agenda, the US can ramp up pressure along several dimensions in the immediate term, including (i) insisting on a full investigation of the Beirut Port blast, (ii) implementing the audit of the Central Bank and related agencies, (iii) tracking down and clawing back illegally transferred funds over the past few years, (iv) implementing existing legislation that guarantees the independence of the judiciary, (v) restructuring the notoriously corrupt and inefficient electricity sector, and (vi) making clear to the

LAF and ISF the need to protect human rights for all citizens alongside the need to protect public security against any groups or parties that might threaten it. Moving on this agenda can help the Lebanese government signal to the international community its goodwill, seriousness, and credibility when it comes to countering corruption, defending human rights, and upholding sovereignty and the rule of law.

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7. MAINTAIN AND IMPLEMENT SANCTIONS ACCORDING TO US LAWS ON COMBATING CORRUPTION AND COUNTERING TERRORISM, AND AS A MECHANISM TO HOLD LEBANESE POLITICIANS ACCOUNTABLE AND MAINTAIN PRESSURE FOR POSITIVE REFORM AND STRENGTHENING OF STATE SOVEREIGNTY.

For nearly two years now, the international community has made its expectations of the Lebanese government and parliament very clear, and yet very little has changed. Coordinated and synchronized sanctions in partnership with the UK and EU can put significant pressure on Lebanese politicians engaged in corruption, undermining state sovereignty, and harboring terrorist activities, human rights abuses, and gross mismanagement of the country's finances and service sectors.

Lebanon has acceded to the UN Convention Against Corruption, which provides a mechanism if the government requests it to investigate, identify, and seize assets that were corruptly transferred out of the country. Pressure should be placed on the government to implement the mechanisms that are available to it through this convention as well as those available through the World Bank.

8. CAREFULLY NAVIGATE REGIONAL ISSUES INCLUDING THE LEVANTINE ENERGY DEALS AND THE MARITIME BORDER NEGOTIATIONS WITH ISRAEL.

While the US should move forward with encouraging the energy transit schemes from Egypt and Jordan through Syria to Lebanon, it should stand absolutely firm against any opportunity for the return of Syrian interference in Lebanon and make it absolutely clear that the US has no intention of reconciling with the Assad regime. Other areas in which the US can ramp up diplomatic efforts include (i) supporting the rebuilding of economic and diplomatic ties with Gulf States, (ii) restarting LAF border patrols to reduce smuggling on the eastern and northern Lebanese borders, and (iii) taking concrete and credible steps to build confidence and move the maritime negotiations with Israel to a conclusion, hence unlocking Lebanon's long-term energy potential. In addition, the US should make clear that Lebanon's independence and sovereignty is a firm US interest and policy, and that it will not be a subject of discussion or potential compromise in any talks with Iran over the nuclear deal.

IN CONCLUSION,

Lebanon is a strategic partner and asset to US interests in the region, worthy of continued attention and support.

The US and the international community, home to more than 12 million Lebanese living overseas, must continue to actively exert efforts to ensure the country's sovereignty and integrity. Absent active diplomatic engagement and a strong all-of-government strategy, another Iran-dominated, corruption-riddled failed state awaits. At this critical crossroads, with the right attention, support, and strategy, Lebanon still stands a chance to recover and reclaim its status as one of the Middle East's most active, innovative, and inclusive societies.