



United States Institute of Peace

“Lebanon: Assessing Political Paralysis, Economic Crisis and Challenges for U.S. Policy”

**Testimony before the House Foreign Affairs Subcommittee on the
Middle East, North Africa, and Global Counterterrorism**

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Chairman Deutch, Ranking Member Wilson and members of the House Foreign Affairs Subcommittee on the Middle East, North Africa, and Global Counterterrorism, thank you for the opportunity to testify on the unprecedented crisis in Lebanon and the challenges it poses for U.S. policy. The timing for this hearing is especially important: the lights are blinking red in Lebanon as the country hurtles towards total collapse, with severe implications for regional stability and U.S. national security interests.

I am a senior advisor on Syria, the Middle East and North Africa at the United States Institute of Peace, although the views expressed here are my own. The U.S. Institute of Peace was established by Congress over 35 years ago as an independent, nonpartisan national institute to prevent and resolve violent conflicts abroad, in accordance with U.S. national interests and values.

It is difficult to overestimate both the gravity and urgency of the situation in Lebanon and the detrimental impact that state collapse in Lebanon would have on U.S. national security interests.

Today, Lebanon is in a free fall, propelled by a series of cascading crises. The catalyst for Lebanon's downward spiral began with the 2019 financial crisis driven by mounting debt in what has been termed a "Ponzi scheme" economy. The COVID pandemic further compounded the crisis, deepening the country's economic recession and overtaxing its public health system. Adding to the misery, nearly one year ago, the devastating Beirut port blast—one of the largest non-nuclear explosions in history—killed 200 people, injured thousands, and destroyed several neighborhoods in the heart of the city. While the explosion's exact cause remains unknown, the improper storage of more than two thousand tons of explosive ammonium nitrate over several years was the immediate trigger. To date, no one has been held accountable, and the investigation has been subject to political interference. Yet, by early indications, years of government mismanagement and corruption played a role, suggesting the blast is one of the most egregious examples of public malfeasance in modern history.

Cascading Crises

The statistics reflecting Lebanon's rapid downward spiral are staggering. They tell the story of the transformation of a once highly educated, middle income country known for its diversity and urbane sophistication into an impoverished failed state that may become the region's newest humanitarian catastrophe.

Humanitarian catastrophe in the making. The Lebanese lira has lost more than 90% of its value. The country is suffering from hyperinflation (a rarity in the Middle East), with prices for some food items up more than 600%. The economy contracted by 20% last year and is estimated to shrink an additional 10% this year. In a recent report, the World Bank noted that Lebanon's economic meltdown was likely among the world's worst crises in 150 years.

The humanitarian impacts of the crisis have been extremely dire. More than 50% of Lebanese now live below the poverty line, with 25% living in extreme poverty. Food insecurity is on the

rise. The United Nations estimates that 75% of Lebanese families are struggling to feed themselves, and that 1.2 million Lebanese require food assistance. Essential services including electricity and water are failing, with frequent blackouts and water cuts. UNICEF recently warned that over 71% of Lebanese are at immediate risk of losing access to safe water. The public water system is on the verge of collapse, with water pumping stations forecast to gradually shut down over the next 4-6 weeks. The health sector is also collapsing, caught up in electricity and water cuts and plagued by chronic shortages of medicine and equipment. Hospitals are struggling; pharmacies are on strike, and medical professionals are leaving the country.

The education picture is equally gloomy. An estimated 1.3 million Lebanese children have dropped out of school since October 2019, according to the United Nations. Many lack access to tablets, the internet, or even electricity, making remote learning impossible. Others are forced to work as families adopt negative coping strategies to deal with their increasing impoverishment. The country's growing "brain drain" and mounting school dropout rates foretell a deeper structural change that might be difficult to reverse, leaving behind an impoverished, poorly educated population, essentially a lost generation.

Security breakdown. If unaddressed, Lebanon's cascading crises could provoke a total breakdown in security, either from the top-down or the bottom-up. As Lebanon's economic spiral worsens, concerns are mounting that the army will not be able to meet its soldiers' basic needs, precipitating a collapse of the one institution preventing total chaos in Lebanon. The Lebanese army is contending with plummeting morale as its troops experience the full brunt of the economic crisis. Already, military salaries have declined significantly, and many soldiers are forced to take second jobs. Official estimates place the number of army deserters at 1200, although actual numbers may be far higher. Concerns are rising that the army will no longer be able to perform its basic duties. Anecdotal reporting suggests security elements already not intervening to stop street crimes. It appears the Lebanese Armed Forces are already beginning to crumble.

Lebanon is also threatened by a bottom-up social explosion that would be marked by widespread social unrest, rioting, and armed clashes. Fights in gasoline lines have at times escalated into armed confrontations. Riots broke out in Tripoli over rising prices and electricity cuts, leaving several injured including five soldiers earlier this month. Across the country, tensions are rising with frequent road blockages and demonstrations. Protestors also stormed central bank offices in Tripoli and Sidon. This bottom-up unrest is increasingly taking on sectarian overtones as people retreat to their confessional identity, relying on local thugs and warlords for protection. As more and more Lebanese grow angry and impoverished, the prospects for a country-wide social implosion are growing.

Political impasse. Lebanon has essentially been rudderless for nearly one year since the tragic August 4, 2020, Beirut port blasts led to the resignation of the Hassan Diab government. Despite the urgency of looming collapse, Lebanon's politicians have been slow to act. The July 26

designation of former premier Najib Mikati as prime minister-designate is an important development, but previous efforts at cabinet formation have ended in failure. Mikati's appointment stands as the third attempt at cabinet formation in less than a year.

Mikati—a billionaire who has been shadowed by corruption charges—faces a daunting set of challenges: first, he must form a cabinet; second, this cabinet must be willing to take immediate steps to pull Lebanon out of its nosedive. Such measures include immediate resumption of IMF talks and enacting critical public sector, fiscal and monetary reforms. A Mikati government must also ensure that the current Beirut Port blast investigation led by Judge Tarek Bitar is allowed to proceed without further interference. Finally, a Mikati cabinet must guarantee that the 2022 elections will occur on time.

At its core, Lebanon is witnessing a reckoning based on years of pervasive corruption, entrenched patronage and cronyism, poor governance, and lack of accountability. According to the Arab Barometer, only 4% of Lebanese report being satisfied or completely satisfied with their government, while 89% believe corruption is prevalent in state institutions or agencies. In a blunt reproach to Lebanon's political elite, the World Bank has termed the current crisis a "deliberate depression," borne of government inaction. Rather than implement long-demanded reforms, Lebanon's political class remains intent on protecting their narrow interests. Displaying a total lack of responsibility nor any notion of national interest, they seem perfectly content to stand by and watch the country burn.

Implications of Total State Collapse

State collapse in Lebanon would have dire consequences for regional stability as well as U.S. national security interests. Specifically, I would highlight four key impacts with direct implications for the United States:

First, when states collapse, significant security vacuums emerge. Lebanon could witness a resurgence of violent extremism, particularly in northern Lebanon, in areas such as Tripoli and Akkar, that are impoverished, underdeveloped, and already prone to extremism. Sunni extremist groups could attract more recruits and exploit ungoverned spaces to gain greater power and influence.

Second, the Iranian-backed militia Hezbollah is best poised to weather total state collapse. The group has the preponderance of power and a demonstrated capacity to rely on its own security infrastructure and social welfare networks. Hezbollah has already started to implement contingency plans to insulate its community from the worst effects of a total collapse. In April, for example, it created ration cards for use by its supporters in Hezbollah-established stores.

Third, state collapse could precipitate a major displacement crisis. Lebanon hosts the highest number of refugees per capita in the world, including an estimated 1.5 million Syrian refugees. Syrian refugees already live a precarious existence in Lebanon, with more than 90% living below

the poverty line. As Lebanon's crisis deepens, tensions between Lebanese host communities and Syrian refugees are rising. Syrian refugees are increasingly scapegoated and may feel unsafe staying in Lebanon. In addition, a growing number of Lebanese have become vulnerable and desperate, and more Lebanese are attempting the harrowing boat trip to Cyprus.

Fourth, state failure in Lebanon holds the potential to provoke broader insecurity in the region. Israeli officials recently raised concerns about potential spillover of Lebanon's chaos into Israel, warning that Israel will not tolerate "any leakage of the situation of Lebanon into Israel." Lebanon's crisis has also been a key driver of Syria's economic downturn, exacerbating already dire humanitarian conditions. State collapse in Lebanon could also facilitate extremist networks in Idlib and beyond.

Implications for U.S. Policy

As Lebanon's downward spiral accelerates, the United States, along with its European and Gulf allies and key multilateral institutions, should redouble efforts to prevent a total state collapse in Lebanon. Otherwise, the ensuing chaos, humanitarian catastrophe, and security breakdown would threaten regional stability and potentially transform Lebanon irreversibly into a basket-case country marked by poverty, extremism, and insecurity. Managing the impacts of a post-collapse Lebanon—if even possible—will be far costlier for the international community.

Certainly, the United States and the international community should not ignore the Lebanese political class's decades of graft and mismanagement, not to mention its appalling inaction in the face of the country's cascading crises. Ultimately, the solution to Lebanon's crisis must be Lebanese-owned and driven. However, the international community—with the United States and France in the lead—can take important steps to avert a disaster in Lebanon.

An urgent plan for Lebanon should focus on easing the humanitarian suffering of the Lebanese people while holding the Lebanese political elite to account and supporting key institutions and processes that help anchor stability. U.S. leadership will be critical for catalyzing allies and international financial institutions to develop an effective response. Over the longer term, U.S. development initiatives need to ensure against aid dependence by harnessing the Lebanese diaspora and bolstering the capacities of the Lebanese people in two key sectors: education and small/medium enterprises.

Specifically, the United States should focus on four urgent priorities in the short term:

- 1. Provide additional humanitarian aid.** As more Lebanese fall below the poverty line and experience growing food insecurity, the United States should bolster its humanitarian assistance to Lebanon. On August 4, France will hold an international donor conference, with the assistance of the United Nations, to address the growing needs of the Lebanese people. Through this conference, the United States should pledge to provide cash-based direct assistance to the most vulnerable population. Direct, dollar-based, cash assistance

is the most efficient, effective mechanism, bypassing the Lebanese government and the corrupt banking sector and allowing beneficiaries their dignity and agency.

- 2. Maintain pressure to ensure immediate cabinet formation followed by steps to implement reforms and accountability measures.** The United States should coordinate efforts with France and the European Union to ensure that Prime Minister-designate Mikati form a cabinet empowered to implement reforms long demanded by the international community to unlock a financial rescue package. This cabinet should be empowered only until the 2022 elections. The U.S. and its allies must apply concerted pressure by credibly threatening coercive measures targeting corrupt members of Lebanon's political elite that obstruct cabinet formation or reforms. These measures should include the threat of coordinated travel bans, asset freezes, and other targeted sanctions.
- 3. Provide additional support to the Lebanese Armed Forces.** The Lebanese army is a critical linchpin of stability. Its collapse would lead to total chaos in Lebanon. Soldiers' salaries have decline precipitously, and like many Lebanese, they are facing difficulties even feeding their families. The Qatari government has already pledged to donate 70 tons of food each month to the Lebanese army. The United States should explore all authorities whether at the State Department or Defense Department to increase assistance to the Lebanese army. Potential options include a one-time tranche of cash assistance for cost-of-living allowances or Defense Department direct support to Lebanese army commissaries.
- 4. Demand that the 2022 municipal, parliamentary, and presidential elections occur on time and re-establish funding for elections monitoring.** While an emergency cabinet with extraordinary power is essential for getting Lebanon through the current acute phase of its crisis, the 2022 elections are equally important for ensuring Lebanon embark on a path of democratic change. Free and fair elections—critical to a stable, independent, and democratic Lebanon—offer the best path forward for real change and the opportunity for independent voices, particularly at the municipal level, to emerge. U.S. assistance for training and election observation will be important. Lebanese and international observation will have the greatest impact if a framework for observation is in place at the start of a pre-election period -- including electoral reform deliberations, and then focusing on voter education, candidate / voter registration and the campaign process.

Beyond these urgent steps, the United States should also undertake measures that bolster Lebanon's capacities and guard against developing aid dependency:

- **Harness the expertise and financing of the Lebanese diaspora.** Lebanon boasts one of the largest, most well-resourced diasporas in the world. Groups such as LIFE, an international Lebanese diaspora organization, and the American Task Force for Lebanon have demonstrated the tangible benefits of involving the Lebanese diaspora. LIFE has raised \$640,000 among its members since 2020 to respond to Lebanon's economic crisis. The organization also provides scholarships and training for Lebanese youth. Similarly,

the American Task Force for Lebanon mobilized immediately after the Beirut port explosions, more than \$40 million in medical supplies airlifted to Lebanon. USAID should explore ways to coordinate and facilitate aid from Lebanese diaspora groups to help address humanitarian and development needs.

- **Increase assistance funding for USAID’s education programming.** With Lebanon’s education gains threatened by the economic crisis, USAID’s education programming takes on greater importance. As more Lebanese become impoverished, the number of vulnerable children requiring education assistance has grown. Increasing assistance to primary schools, including learning materials and school supplies will be critical. Equally important, increasing the number of higher education scholarships and support to higher education institutions, notably the American University of Beirut and the Lebanese American University, will preserve a key legacy of U.S. soft power and help stave the country’s growing “brain drain.”
- **Expand USAID’s economic growth programming.** Lebanon’s economic crisis underscores the need to foster a *productive* private sector that creates jobs and opportunities for growth. Support for enterprise development across several promising sectors including renewable energy, agritech, and the digital economy could spur job creation and put Lebanon on a path of inclusive, sustainable growth. USAID should expand its economic growth programming that relies on creative mechanisms such as enterprise funds, leveraged lending, microlending, and public-private partnerships.

Conclusion

Lebanon’s overlapping crises were largely avoidable. They are the result of years of government mismanagement and corruption. While Lebanon’s meltdown is an extreme example, the country’s crisis is emblematic of broader trends and challenges in the region. Across the Middle East and North Africa, poor governance, inadequate services, pervasive corruption, and a glaring lack of accountability are the norm. The COVID-19 pandemic has only exacerbated these ills. Moreover, the pandemic’s second and third order effects could further impact the region in profound, destabilizing ways.

The United States should pay close attention to Lebanon’s ringing alarm bells. Lebanon’s crisis could be a harbinger of greater challenges to come in the region. The pandemic’s reverberations across the Middle East are exposing longstanding, unaddressed challenges. The region has been reeling for two decades, starting with the fallout from 9/11 and heightened by the first wave of Arab uprisings in 2011. At the core of these challenges lies the need for accountable, responsive, and inclusive governance.

For the United States, a paradigm shift in its approach to the Middle East will be critical. As the United States pivots from a “forever wars” posture in the region, a development and diplomacy led strategy will be both more appropriate and more effective in addressing the Middle East’s complex post-pandemic challenges. Lebanon is only the most dramatic example of the region’s

poor governance. Responding effectively to Lebanon's cascading crises through effective U.S. diplomacy and assistance programming will be an important test, not just for Lebanon, but for the region.

The views expressed in this testimony are those of the author and not the U.S. Institute of Peace.