



## **We Must Support the Lebanese People and Guarantee Political and Economic Reform in Lebanon**

**Washington, D.C.** – Lebanon is currently moving toward a collapse of its economy and national currency. Immediate action, however, could right the course. This was the subject of a conference hosted by the Transatlantic Leadership Network at the United States House of Representatives: “Turmoil in the Middle East: The U.S. Role and Future Scenarios.”

**Dr. Sasha Toperich**, Senior Executive Vice President of the Transatlantic Leadership Network, greeted conference guests, explaining the seriousness of the situation in Lebanon and importance of such a conference taking place in Washington, D.C.

John B. Craig, former U.S. Ambassador to Oman and Transatlantic Leadership Network Senior Fellow, delivered the opening address. [Read Amb. Craig’s full remarks here.](#)



**Amb. Craig:** *“We have been hearing for the past ten years the dire predictions of what was happening and going to happen in Lebanon if the twin problems of Iranian meddling in Lebanon’s political life and the burden of the refugee population were not mitigated. 2019 was the year of the perfect storm in Lebanon. Iranian influence reached higher levels in terms of the control of Hezbollah over the government, and the standard of living of the Lebanese population declined dramatically across multi-cultural, multi-ethnic, multi-religious society as the result of unemployment and economic and political uncertainty.”*

## **Lebanon’s Economic Collapse, its Effect on Hezbollah, and U.S. Priorities in the Region**



Panelists **Dr. David Asher**, Senior Fellow at the Hudson Institute; **Dr. Paul Salem**, President of the Middle East Institute; and **David Daoud**, Research Analyst at United Against a Nuclear Iran. **Marc Malek**, Managing Partner of Conquest Capital Group, panel chair, discussed dynamics leading up to and future deterioration of Lebanon’s economy and national currency

**Marc Malek** postulated that, if Lebanon is allowed to fail, then as a consequence of the government's bankruptcy and inability to pay wages to employees, including the armed forces and police, a scenario similar to Iraq may occur in which the army dissolves.



***Malek:** “What protesters have been demanding is to no longer live in a perpetual state of war, to not have to leave their country to get a job, to not have to emigrate. They have said, ‘this is our country and we want to take it back.’ We have a golden opportunity to help them achieve that, and we can do so without boots on the ground and without financial commitment. We can achieve this with an up-diplomatic solution on our side.”*

**Dr. David Asher** underlined the degree to which the criminal excesses of Hezbollah and its Amal cronies – and the total complicity of the Central banking authorities – has undermined the stability of the Lebanese financial system. The banking system as well as the Lebanese sovereign debt markets are part of an intertwined Ponzi scheme that is rapidly heading toward collapse. The US strategy now appears to be awaiting a huge financial, economic, and political crisis, rather than taking pre-emptive action.



***Dr. Asher:** “It would be better for the USG to designate Hezbollah itself as a primary money laundering concern under the USA Patriot Act, charge it under the Racketeer Influenced Corrupt Organizations Act (RICO), and sanction its corrupt cronies under the Magnitsky Act. These actions would direct maximum pressure on Hezbollah and all who facilitate its criminal and terrorist activities while underlining the validity of the protesters.”*

**Dr. Paul Salem** warned of the humanitarian catastrophe awaiting Lebanese families if the threat of bankruptcy is not properly addressed. He warned against the return of militias, as happened in the 1970s, and the return of the influence of terrorist groups such as ISIS and Al Qaeda, in addition to the exodus of Syrian refugees from Lebanon to neighboring countries.



***Dr. Salem:** “A failure scenario is bad for everyone—whether the United States and its foreign policies in the region, or for Lebanon and neighboring countries. What gives me hope is the next generation – both men and women – who have demanded change.”*

**David Daoud** warned against idealizing the uprising in Lebanon, painting it as a referendum on Hezbollah, or a political protest rather than a socio-economic one. However, he did note that the uprising did inadvertently create opportunities for the U.S. to seize in countering Hezbollah. He also stressed that the U.S. should pursue a path of accountability with Lebanon and its governmental apparatuses, including the LAF, moving forward in exchange for continued aid.



***David:** “The October 17 Uprising isn’t a second Cedar Revolution or akin to the 2010 Syrian Uprising. Lebanon’s protesters are geographically, confessionally, and politically heterogenous, united by general concepts demanding accountability and an end to governmental corruption. While the protesters overall aren’t anti-Hezbollah per se, the dynamic they have created, combined with other regional factors, places the group on the defensive, presenting the U.S. with opportunities to counter Hezbollah in its currently constrained state. Moreover, moving forward, the United States must demand more accountability from Lebanon, including the Lebanese Armed Forces, in exchange for continued aid. U.S. demands must aim for incremental and realistic change, and take into account Lebanon’s constraints. But the time of Lebanon’s ‘special circumstances’ acting as carte blanche for Beirut’s total inaction is over.”*

On the economy, the panel concluded that of immediate concern is the question of how the Lebanese government will act on the issue of repayment of the 4 billion USD in Eurobonds due in March and June, which will have long-lasting and serious consequences.

## A View from the Ground in Lebanon



Panelists *Neemat Frem*, a Member of Parliament in Lebanon; *Dr. Habib Malik*, Professor at the Lebanese American University; and *Amb. John B. Craig*, panel chair.



**Neemat Frem**, as a new lawmaker in Lebanon, was shocked to learn that Lebanon's public sector workforce stands at 256,000 employees and 100,000 retirees out of a total Lebanese workforce of 1.2 million — i.e. almost one-third of the workforce was on the public sector payroll. An even greater shock was that Lebanon had a budget deficit of over 6.5 billion USD out of a total budget of 21 billion USD in a country with a GDP of 58 billion USD — i.e. more than 11 percent deficit of GDP.

*Frem: Positive eleventh-hour change is still possible for Lebanon. To achieve this, a series of measured **infusions** conditional upon behavioral change that produces tangible assets, is required.*

In the **first limited cash infusion** referred to by Frem, the whole telecom sector would be transferred to donor control for a defined period.

**The second calibrated infusion** would be in return for donor control over Beirut Port and the railway right-of-way to inland dry ports for a specified period.

**The third infusion** would be against donor management of Beirut Airport, Quleiaat Airport in the north, and Riyaq Airport in the Bekaa Valley.

**The fourth infusion** would involve donor control over the country's electric generation and distribution sector. Donors would have to create more than one company in each sector to guarantee competitiveness and quality of service. The country still has plenty of assets — companies that could be at least semi-privatized to generate cash flow and improve productivity.

All this, however, is not enough. The street revolution will not be satisfied without a structural reform of Lebanon's governance system: an independent judiciary, modification of duties and prerogatives of top leadership positions for efficiency enhancement, a move toward a federal decentralized state, the cultivation of armed neutrality, a new defense strategy, and finally a new electoral law for a bi-cameral legislative assembly—a senate representing the religious communities, and a parliament representing the districts.



**Dr. Malik:** *“The central question and challenge for Lebanon the Middle East region is that of the freedom deficit. Lebanon, despite its long litany of problems, remains by far the freest society in the Arab world. The institutions currently in place lack the capacity to provide sustain and protect ensure the freedoms demanded by citizens. While this is a real and glaring problem not only in Lebanon but in the region as a whole, if helped to get back on its feet economically and financially, Lebanon stands the best chance of maintaining its unique freedoms and contributing positively to the anchoring of a healthy pluralism across the Arab lands.”*

### The Future of Pluralism in Lebanon if the Country Fails

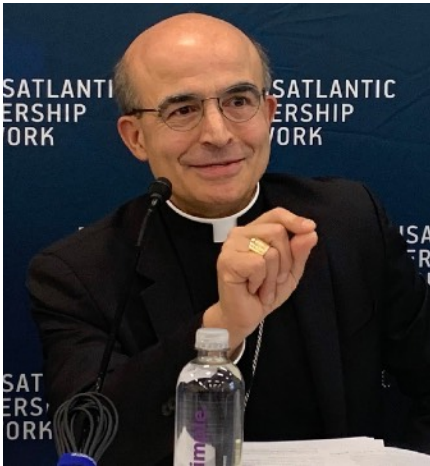


*Securing religious freedom as fundamental to the country's future: **Bishop A. Elias Zaidan**, Eparch of Our Lady of Lebanon of Los Angeles, and **Nina Shea**, Director of the Center for Religious Freedom at the Hudson Institute. **Rev. Johnnie Moore, Jr.**, President of the Congress of Christian Leaders, panel chair.*

**Nina Shea** made three main points: **First**, Middle East Christians will flee if the chaos continues. **Second**, Middle East Christianity as a whole will disappear if Lebanon's Christians leave. This would be a loss for both Christianity and the region, and would be counter to the U.S. administration's goal of protecting religious minorities. **Third**, the U.S. must reinvigorate diplomacy and work to hasten the isolation of Hezbollah from the government.



**Shea:** *“Religious freedom is foundational to United States foreign policy. We cannot ignore what is going on in Lebanon. It could spill over to several other areas throughout the region. We must sound a warning of the impending humanitarian crisis in Lebanon, and intensify diplomacy in the country.”*



**Bishop Zaidan:** *“As the late Saint Pope John Paul II said, ‘Lebanon is more than a country. It is a message.’ Lebanon is at risk of economic failure, infrastructure failure, system and political failure. Lebanon and its people desperately need our help. For the officials in Lebanon, I urge them to hear the cry of the people, to seek the well-being of the country instead of their own interests. They need to eradicate corruption, to set an example of transparency and accountability.”*