

Lebanon: a General Assessment of the Situation in the Country

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Lebanon, as ever, lives a double existence. On the one hand it comprises a vibrant and liberal atmosphere, particularly in Beirut and some of the areas along the coast and in the mountains. The UN puts Lebanon comfortably in the 'high development' category; while Freedom House applauds Lebanon's media environment for being among the 'freest' in the region. Lebanon's plethora of festivals, book fairs and other cultural activities grow amidst hedonistic scenes in the fashionable neighbourhoods of Beirut.

On the other hand, parts of Lebanon teeter on the brink of a serious breakdown of order brought on by governmental negligence and the involvement of both major Lebanese political blocs in the Syrian war. Parliamentary elections were suspended two years ago and the country has no President. The number of Syrian refugees in Lebanon has reached drastic levels, with little prospect of their return or their basic needs being met. The security situation in Lebanon has worsened especially along the Syrian border where jihadi groups have strengthened, but also in and around the Syrian-occupied Golan Heights, provoked by Israel. All this has had an extremely negative economic impact on most Lebanese families, with poverty and inequality growing: the 'hedonistic scenes' in Beirut's fashionable districts are certainly not replicated elsewhere in Lebanon. Meanwhile, whether in times of conflict or stability, the financial elite in Lebanon continues to prosper while ensuring the failure of any meaningful reform that advances the public interest.

The Syrian War Consumes Lebanon

The war in Syria casts a shadow on nearly all sectors, social strata and regions of Lebanon. It is also the main source of national political conflict between the two main political blocs, 'March 14' (led by the Saudi-backed Future Party) and 'March 8' (primarily comprising the Iranian-backed Hezbollah and Michel Aoun, the leading Christian politician and head of the largest parliamentary bloc, the FPM). These blocs were formed following the assassination of former Prime Minister Rafiq Hariri during the heyday of the 'war on terror' and the disastrous 2003 invasion of Iraq, the consequences of which continue to devastate the region. Syria withdrew its army (though not all of its influence) from Lebanon under pressure from the UN Security Council, which then passed a series of unprecedented activist resolutions before and after Israel's brutal 2006 invasion of Lebanon. These resolutions stoked – and internationalised – internal divisions largely over the role of Hezbollah as a legitimate resistance movement that could retain its military structure in its struggle against Israeli aggression (Makdisi, 2011).

The relatively stable period – following Israel's defeat in 2006 and subsequent international-sponsored Doha agreement in 2008 – ended when initial demonstrations for reform in Syria turned violent sparking civil and then regional war. March 14 leaders politically and materially supported Syrian rebels, and called for an intervention to overthrow the regime; while March 8 leaders called for a political resolution that would preserve stability and the status quo that favoured them in Syria.

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supporters. This cleavage consumed all areas of Lebanese politics and society, including attitudes towards the refugees who settled in locations depending on their political and sectarian identities. As Syrian rebels radicalised religiously, even before the domination of ISIS and al-Nusra, moderate elements within March 14 (including most of the Christians) feared for minority groups. Many acknowledged that Hezbollah's support of the Lebanese army during battles with jihadis explains how ISIS has not yet secured a foothold in northeastern Lebanon and perhaps beyond. In the south, Hezbollah has advanced plans to confront the increasing presence of jihadis who have tried to infiltrate from the Golan Heights with alleged Israeli support. Israel's assassination of Hezbollah officers in the occupied Golan Heights was intended to stoke tensions and test Hezbollah's capacity to fight two wars. Hezbollah's response was swift and deadly as it executed an attack on an Israeli convoy in occupied Sheba'a farms. Hezbollah views the conflict with ISIS and al-Nusra as an existential one; a zero-sum game in both military and sectarian terms. It has linked them with Israel as part of a broader Western and Saudi-backed coalition bent on destroying the resistance axis that includes Iran. March 14, for its part, sees the defeat of the Syrian regime as crucial to the weakening of Hezbollah (and Iran) and spread of Saudi influence in the region. All eyes are now focused on what appears to be a seminal battle in the border areas of Qalamoun.

The Syrian Refugee Crisis in Lebanon: Despair and Increasing Intolerance amidst the Failure of the International Community

There are now about 1.5 million Syrian refugees – mostly women and children – registered with the UN in Lebanon (and many more reside informally), a quarter to a third of the population. This is in addition to the 300,000 Palestinian refugees who have been awaiting the fulfilment of their right of return to Palestine since their forced expulsion in 1948. Indeed, Lebanon now has the *highest per capita concentration of refugees in the world*, with the UN describing the country's hosting of these refugees as a display of "extraordinary generosity" (UNHCR, 2015, p.2). However, given that these refugees are scattered

across nearly 2,000 Lebanese localities, putting the already poor infrastructure and public services under severe strain, it is unsurprising that tensions in the largely poor host communities have steadily grown, consequently raising security concerns. From the start, Lebanon rejected international requests to set up refugee camps, but more generally there was no coherent government strategy until 2014 when it moved to restrict the entry of refugees to "exceptional humanitarian cases" as their condition worsened – some 70% cannot meet their daily minimum daily food requirement – and Lebanese intolerance grew (UNHCR, 2015, p. 3).

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The international community has predictably failed to support these refugees over the past three years with the requisite funding demanded by the UN (so far contributing only 18% of the \$1.5 billion requested for 2015). UNRWA, the agency that provides services and social support for the Palestinian refugees, has suffered perennially in terms of donor support.

Lebanon's Failing State Institutions and Economy

This combination of internal deadlock and external threats has led to official political paralysis. There has been no President since Michel Suleiman's term ended on May 25, 2014. The Parliament first failed to secure the required two-thirds majority for any candidate, and subsequently MPs from key political parties deliberately denied quorum. The President is the most senior symbol of (Maronite) Christian power, which has dwindled considerably since the end of the Lebanese civil war in 1991. Backed by his 'March 8' allies, General Michel Aoun is the most prominent, and controversial, candidate, whose election would represent a shift towards a more as-

sertive 'Christian' voice that, he asserts, would restore a sectarian power balance and national reform. 'March 14' and 'March 8' parties remain in dialogue to resolve this standoff, but they await regional patrons' blessings.

Meanwhile, citing "extraordinary security circumstances" the Lebanese Parliament has, since June 2013, extended its term twice through dubious constitutional mechanisms. During the first extension, the Constitutional Council, Lebanon's highest legal authority, failed to achieve quorum as three judges deliberately stayed at home. During the second extension, the Council rejected a challenge filed by Aoun's FPM, arguing that its priority was to prevent further power vacuums in state institutions. A wide range of civil society groups vociferously protested this ruling claiming the Parliament as 'ours,' and some calling the MPs 'occupiers.' It goes without saying that during such official state paralysis most policy issues have been neglected or shelved despite deteriorating socio-economic and environmental conditions.

The common census among the Lebanese is that this political vacuum is the result of the regional wars and rivalry between Lebanon's main patrons – Saudi Arabia/France/USA and Iran/Syria – and the endemically dysfunctional and corrupt Lebanese political system. Cynicism is rife, and disdain for public officials is higher than ever.

Lebanon's Economy Is also Failing as Inequality Grows

Lebanon's economy has been in a 'downturn' since 2011, while public debt has been on an 'upward trajectory' since 2012 and remains one of the highest in the world as a share of GDP (an incredible 134%). All this while the Central Bank's gross reserves are quite 'comfortable' and credit provided to the private sector relatively high (IMF, 2014, p. 4-5 and 8-10). Poverty and unemployment in Lebanon is increasing, with a third of the population near or below the national poverty line. The World Bank estimates that only one job was generated for every six new entrants into the labour market (even before the Syrian war), with conservative official unemployment figures now at 11% in total, over 33% for youth aged 15-24, and around 50% employed in the low-wage informal sector (IMF, 2014, p. 6).

Meanwhile, the provision of basic state services such as the regular electricity, clean water, telecommunications and the internet, have worsened considerably; environmental degradation and theft of public resources continue unchecked. Income and wealth disparities continue to grow under regressive tax systems that favour the rich. Despite a huge public debt, Lebanon's revenue from tax from GDP remains around 15%. With an estimated tax evasion rate of 70% (particularly among the wealthy) the majority of taxation (that contributes 72% of total state revenues) comes in the form of indirect taxes that burden the poor, while citizens feel no return on these taxes in terms of services (Jaber and Rihani, p. 17-20).

Energy Crisis as the Eastern Mediterranean Gas Promise Recedes

Like other public services, the crisis in Lebanon's energy sector – a main source of income for the State – has become worse as political deadlock has resulted in the shelving of reform policies and the influx of Syrian refugees has increased overall energy needs. Lebanon remains almost entirely dependent (97%) on oil imports to fulfil its energy needs, costing the Lebanese taxpayers around \$4 billion annually. Plans to invest in a very old power infrastructure and power plants so as to carry out the transition to natural gas imports via the Arab Gas Pipeline (AGP) have failed to materialise. Meanwhile the huge surge in energy demand far outstrips supply, resulting in daily power blackouts ranging from three hours (in affluent parts of Beirut) to over 13 hours (in the poorer areas of the south, Beqa'a, and north), with a powerful, politically-backed local 'mafia' of private generators filling this gap and profiting to the tune of billions of dollars.

In 2010, Lebanon discovered it had around 850 billion cubic metres of offshore recoverable natural gas in its exclusive economic zone (EEZ) – comprising about 25% of the entire Levant Basin – as well as 660 million barrels of oil. Given Lebanon's geographic comparative advantage, there was an initial enthusiasm and surge in policy debates over this potentially seminal discovery that could fundamentally change Lebanon's economy. Lebanon quickly adopted the Offshore Petroleum Resources Law in

2010 to regulate the offshore gas and oil sector; and established the Lebanese Petroleum Administration (LPA) in 2012 to manage and supervise petroleum activities. Despite its politicisation, the LPA in 2013 passed a decree with guidelines including licensing applications that paved the path for a pre-qualification round that was considered highly successful as 50 international companies qualified.

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However, since then the domestic and regional political turmoil has stifled progress as two key decrees remain in limbo, one that delimits Lebanon's territorial sea and EEZ and another that stipulates provisions of future Exploration and Production Agreements (Fattouh and El-Katri). Civil society actors have consistently expressed serious concerns regarding the environmental impact and socioeconomic distribution of this public wealth. They were unhappy that the mandatory strategic environmental assessment conducted in 2012 was finalised in a hurried and hushed manner, using unreliable data and outside of a larger national sustainable development framework (Maalouf, 2014). There was further concern that the 2010 law, which places all earnings in a sovereign wealth fund to advance the public interest, was intentionally vague on specifics that would lead to this public wealth being mismanaged and distributed unequally.

Conclusion

Overall, the period from 2014 to the first part of 2015 has been tough for the majority of Lebanese in socioeconomic and security terms, though the latter thankfully remains relatively stable. With the war in Syria raging, corruption high and the public interest ignored, the prospect of reaching political consensus

on social, economic or energy policy to alleviate the plight of the poor and even middle classes is slim. The Syrian war and the presence of Syrian refugees on such a large scale have dramatically altered Lebanon in ways that have not yet been fully understood. This, however, does not fully explain the increasingly dire socioeconomic situation that most Lebanese face. While some key sectors such as tourism are clearly directly affected by the Syrian war, other policies such as the unfair tax system and corruption at the very highest levels, which have resulted in the unprecedented squandering of public resources and property, considerably pre-date the Syrian war. In truth, no political party or bloc appears to have any answers to Lebanon's social problems let alone its political ones. Meanwhile, as ever in Lebanon, life goes on and even improves in the more prosperous areas.

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