

# Building Lebanon's Sovereignty and the State

**Policy Paper**



Wilson  
Center



Middle East  
Program



## About the *Lebanon Ideas Forum*

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The Middle East Program's [\*Lebanon Ideas Forum\*](#) (LIF) fosters the exchange of ideas and discussions on political, economic, and social developments pertaining to Lebanon, and its impact on the wider Middle East region and international community. LIF aims to provide transatlantic and regional policymakers with unique perspectives and analysis on the ongoing challenges and opportunities facing Lebanon as the country struggles to recover from one of the most severe economic recessions in history and an avalanche of political crises. The initiative is keen to identify policies that will help unlock Lebanon's potential to develop the drivers of successful societies: inclusive politics, economic development, and a vibrant civil society.

LIF first launched in 2017 with a series of publications and events, including [\*Under Construction: Lebanon at Seventy Five\*](#). In 2021, the Middle East Program, together with the Atlantic Council and other knowledge partners, published the signature report, [\*Building a Better Lebanon\*](#) that focused on how various stakeholders in and outside of Lebanon can help address the myriad economic and fiscal challenges the country faces. This year, LIF presents this white paper, [\*Building Lebanon's Sovereignty and the State\*](#), to continue advancing the focus on Lebanon and engage policymakers in Washington, D.C., Europe and the Middle East on the urgency of supporting the country's path to recovery.

## About the Middle East Program

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The Wilson Center's [\*Middle East Program\*](#) (MEP) serves as a crucial resource for the policymaking community and beyond, providing analyses and research that helps inform US foreign policymaking, stimulate public debate, and expand knowledge about issues in the wider Middle East and North Africa (MENA) region.

MEP was launched in February 1998 to explore the United States' increased engagement in the region and the profound changes MENA states are experiencing. Rather than spotlighting day-to-day issues, MEP concentrates on long-term developments and trends with a focus on how such issues impact stability and growth in the region and its relations with the international community.

The Middle East Program's meetings, conferences, and reports assess the policy implications of regional political, economic, and social developments, the Middle East's role in the global arena, American interests in the region, strategic threats to and from the regional states, and the impact and future prospects of the region's energy resources.



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# I. INTRODUCTION

**F**or over three years Lebanon has endured a complex series of crises, starting in 2019 with the collapse of its once-vaunted financial sector. The situation was compounded by deep rooted corruption, decades of failure to reform Lebanese economic, regulatory, and governance practices, and the COVID-19 pandemic. The devastating Beirut port explosion in August 2020 brought further financial loss and demoralization to the Lebanese people. Political paralysis—a common feature of Lebanon’s complex, multi-sectarian power-sharing arrangements—has hindered policy implementation since 2022. Lebanon’s parliament has yet to elect a president [after 12 attempts](#) since former President Michel Aoun left office in October 2022. Without an elected president, the cabinet remains in caretaker status, unable to move forward with much needed economic and political reforms. Further, no one in Lebanon’s caretaker government has the authority to take actions of consequence and many political leaders oppose the reforms needed to restore local and international confidence in Lebanon’s finances and governance.

The human toll of these multi-layered crises is staggering. According to the [World Bank](#), the total economic contraction in Lebanon since 2018 is around 39.9% of GDP, the value of the Lebanese pound fell 98 percent in the parallel market, triple-digit inflation drastically reduced real income and wealth. An estimated 80% of the Lebanese live in [poverty](#) and [unemployment](#) stands around 30%, with youth most impacted by lack of formal employment opportunities. Public services are almost non-existent, degrading social resilience, especially in the health and education sectors. More worrisome is what the World Bank’s 2023 Lebanon [report](#) calls the “normalization of the state of crisis” in the country. The failure of the banking sector and general economic decline have pushed many people and sectors into an informal, cash-based and dollarized black-market economy which is a “major impediment to Lebanon’s economic recovery.”

Against this backdrop, this white paper, “Building Lebanon’s Sovereignty and the State,” focuses on viable policy recommendations for Lebanon, the United States and regional and international actors to address the political deadlock and economic downturn.

The white paper builds on the data and indicators of various international periodic reports issued during the last four years. Presented by the Wilson Center’s Middle East Program (MEP) under the *Lebanon Ideas Forum*, the paper includes ideas collected through a series of roundtable

discussions with Lebanese politicians, officials, and civil society members, as well as foreign diplomats, academics, policy experts, and leaders from the Lebanese American community. The discussions centered on Lebanon's political situation, with a focus on underlying problems of the state, sovereignty, governance, election of a president, formation of a functioning cabinet, and pursuit of urgent reforms as well as socio-economic challenges and opportunities. The discussions also explored the international dimension to consider the impact of external actors, including the United States, France, and regional states.

Additionally, MEP's trip to Lebanon in December 2022 included meetings with political and economic leaders, civil society activists, and representatives of embassies and international organizations. These exchanges provided the research team with diverse perspectives and ideas that have also contributed to this white paper.

This paper spares readers yet another round of analysis of Lebanon's multiple crises and their root causes. Rather, it highlights ideas and suggests steps to address Lebanon's political development, socio-economic and fiscal challenges and the role of the international community in supporting the path for building Lebanon's sovereignty and the state.



## II. ASSESSMENT

**M**any analyses of Lebanon over past decades have asserted that the crisis of any given moment was the “worst” ever facing the country and that the status quo was “unsustainable”—only to find over time that things could, and did, get worse. Lebanon also provides many case studies to illustrate how humans endure and adapt to dysfunctional systems in the absence of viable alternatives. The seemingly unbearable status quo can be borne, and more or less sustained, for quite a while—until suddenly it cannot. The World Bank has declared Lebanon’s current socio-economic and financial crisis the single worst in any nation-state since 1850 (which must have been a very bad year). However, no one with imagination or a memory that stretches back to the 1970s and 80s would want to replace today’s crisis with the civil wars, assassinations, massacres, forced displacements, and foreign occupations that marked and marred those decades for Lebanon.

Without creative, flexible statesmanship, accountability, and fundamental reforms in Lebanon, an unbearable status quo may very well continue, and gradually worsen as the World Bank warned in its latest report, aptly titled “The Normalization of Crisis.” For at root, this crisis is not just about the value of the Lebanese currency, the state of foreign reserves, or the absence of a president. Those are merely symptoms. The disease is the absence of sovereignty, stolen namely by Hezbollah, a Lebanese armed militia faction backed by Iran and Syria, and the erosion of a state that was designed in the first place to be weak. From those basic problems flow the routine violations of the rule of law, corruption, and poor governance. Continuing down the current path will only lead to the further eclipse of state institutions and domination of the economy by a black-market tailor made for malicious actors to flourish, with Hezbollah a chief beneficiary, but by no means the only one on that list.

For Lebanon today, there are no easy escape valves, no external *deus ex machinas*, and no sprouting money trees to make the problems go away. Talented and educated Lebanese individuals can always emigrate, and diaspora remittances have always sustained a resource-poor Lebanon. But that is no solution, especially as the country’s education system crumbles, rendering pathways for emigration less feasible and sizable remittances unlikely in a decade’s time. In a place as deeply divided as Lebanon, abrupt and dramatic change is unlikely to gain adequate

support to be sustained and could risk conflict. However, a renewed focus on restoring Lebanese sovereignty and making the central state relevant and effective is both necessary and possible to stop Lebanon's descent into a figurative jungle and return it to a path toward stability and prosperity.

The United States has a strong, bipartisan record of supporting the Lebanese state and advocating for restored sovereignty. Assistance for the Lebanese Army and Internal Security Forces, negotiation of a maritime border between Israel and Lebanon, decades of investment in education and healthcare for Lebanese citizens, targeted sanctions against bad actors, and "tough love" conditionality of International Monetary Fund (IMF) relief and structural reforms have been cornerstones of US policy toward Lebanon.

American policymakers have avoided the temptation of promoting certain personalities for the presidency or prime ministry, instead holding the Lebanese to meet high standards in choosing leaders who can be partners in tackling problems and restoring confidence in institutions. Unfortunately, the Lebanese leadership has been unequal to this task and US policy has therefore fallen short of the mark. At the time of writing, there is no identifiable formula that will produce the "package deal"—election of a president, selection of a prime minister and cabinet, and adoption of reforms and other appointments necessary to move Lebanon out of its present deadlock.

While overt, clumsy US intervention might only make matters worse by reinforcing Lebanese divisions, American detachment (many in Washington see it as a nation of secondary importance at best) does not advance US national security. Lebanon's geography—nestled between Israel and Syria—and sectarian composition with sizable Shia, Sunni and Christian populations ensure that it is the unfortunate theater for regional conflicts. American neglect can only contribute to Lebanon's descent toward a chaotic, stateless condition which is highly advantageous to America's foes, and dangerous to its allies in the region.

The following findings and recommendations are premised on the need for Lebanese-owned and driven responses to the country's ills, but also a realistic, steady, and increased level of engagement by the United States and like-minded states in the region and the international community.





## III. FINDINGS & RECOMMENDATIONS

### **Lebanon's Political Development**

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**Election of a president, appointment of a prime minister, and formation of a functional government are essential, sequential next steps to stabilizing Lebanon, but a “package deal” to advance sovereignty and reform is key to long-term stability.**

In Lebanon, election of a president is one part of a protracted negotiation over the selection of a prime minister and cabinet, all part of a “package deal,” including policies to be adopted and appointments to be made. The nature of such a deal will be of great significance for Lebanon at this juncture. While the socio-economic and financial crisis gripping Lebanon deprives its leaders of the luxury of time, they will have difficulty reaching an agreement in the hung parliament. Members of parliament oriented toward reform and against Iranian domination should stay united and exercise their leverage to gain the best possible package deal, with a focus on policy commitments, not just the personalities of candidates for senior positions.

**Lebanon's political leaders should consider a constitutional amendment requiring election of a successor president before the end of a presidential term.**

Lebanon's political system generates a crisis every six years over the election of a president. However, tolerance of a vacancy in the office while political factions engage in brinkmanship is a relatively new phenomenon dating to 1988, reflecting an erosion in respect for state institutions. A constitutional amendment to ensure the timely election of a new president before the end of the incumbent's term, similar to procedures for election of the parliamentary speaker, should be considered as soon as empowered officials are in office.

**An incremental approach to establishing state sovereignty should focus initially on state control of Lebanon's borders, ports, and airports.**

While the Taef Accord stipulated the disarmament of all militias, Hezbollah, with Syrian protection, retained its arms under the pretext of “resistance” to Israel, even after the IDF withdrawal in 2000. It has used those arms against Lebanese to advance its own domestic political agenda in coordination with Syria and Iran. While demands for Hezbollah's disarmament should be sus-

tained, at present there is no realistic path toward that end. However, pressure should be applied to enable the Lebanese state—the army, the Internal Security Forces, and other state bodies—to gain control of all of Lebanon’s borders, ports, and airports, perhaps with the support of a strengthened and expanded UN Interim Force in Lebanon (UNIFIL) mandate. These goals should be embraced as part of any package deal to end the current political impasse; implementation will require sustained international and regional support.

**Decentralization should get a hearing.**

There are a variety of proposals for decentralization and federalism, all of which have pros and cons and reflect the fragmented nature of Lebanese society and dismay over dominance by one armed group, Hezbollah. Decentralization paradoxically could strengthen sovereignty and state institutions, and popular support for them, by clarifying which authorities and responsibilities were vested in the unified state and which were left to local communities. A number of obstacles, including a lack of governance and administrative capacity at municipal levels, would need to be overcome, but this unfinished agenda item from the Taef Accord deserves renewed consideration.

## **Lebanon’s Socio-Economic and Financial Challenges and Opportunities**

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**Lebanese leaders have little choice but to undertake IMF-proposed reforms in order to put Lebanon on a path to confidence and prosperity.**

There are no shortcuts around the IMF program or soft landings for a crisis of this dimension. Some Lebanese leaders are taking false comfort from trends such as renewed remittance flows and the dollarization of the economy, claiming these obviate the need for painful reforms. However, what is in fact occurring is the generation of an even larger black-market for capital, labor, and services, reinforcing core problems of mismanagement and misappropriation of Lebanese liquidity. Without restoration of confidence in the Lebanese currency, central bank, and financial sector, bad actors will increasingly dominate the economy and politics of Lebanon at the expense of the state, which will continue to disintegrate in the absence of revenue and relevance. The details of an IMF-Lebanese government agreement should be left to those two parties. Any agreed upon reforms will have to be politically sustainable and any costs shared equitably in Lebanese society. However, there is no substitute for such structural reforms. Embracing an IMF program is not only essential to accessing IMF loans, it provides a “good housekeeping” seal of approval that can unlock assistance from a multitude of other international public and private sector sources.

**Appointment of a Central Bank of Lebanon governor committed to restoring confidence in Lebanon's finances and monetary policy, and to meeting Financial Action Task Force (FATF) standards, is essential.**

Once a new president and government are in place, a first order of business will be selecting a new governor of the central bank. This choice will be an early test of the political leadership's commitment to true reform. The appointee should have the experience and profile that will help restore both domestic and international confidence in the office and enable the new incumbent to work with the government to stabilize the nation's currency and foreign reserves and reform the financial sector. Regaining international confidence in Lebanon's financial sector will require cooperation with international FATF authorities to ensure Lebanon is compliant with the highest anti-money laundering and anti-terrorist financing standards, which is in Lebanon's own interest.

**Creation of a sovereign wealth fund could protect revenue generated from offshore energy deposits.**

With development of Lebanon's potential offshore gas fields accelerating, it will be essential for the next president and government to protect any revenues generated by energy production against corruption or misallocation. Apart from criminal behavior, the temptation to use such income to address short-term government revenue crises should be resisted. Many models exist for types of sovereign wealth funds which can ensure this newfound potential source of wealth is not squandered.

**Diaspora engagement should be strengthened through a Lebanese incubator investment fund.**

One pathway to strengthening the Lebanese private sector is promoting entrepreneurship and utilizing Lebanon's skilled youth by establishing an incubator investment fund. Such a fund can be sponsored by donor countries such as the United States, France, and Germany, as well as regional allies including the United Arab Emirates, Saudi Arabia, and Qatar. The Lebanese diaspora can play a critical role by investing capital and in-kind contributions from its considerable talent pool. The fund could be run by a board that includes members of the diaspora, business leaders, representatives from civil society organizations, academia, and educational institutions, and channel seed money as equity or loans to start-ups and entrepreneurs across Lebanon, prioritizing women and young people.

## US Policy and the International Context

**Lebanese leaders should develop concrete plans to address the political and economic crises, and then seek international support.**

While the fragmented nature of Lebanon means consensus is almost unattainable, American and western officials are unlikely to engage meaningfully unless concrete courses of action are being developed and pursued by legitimate Lebanese leaders, backed by strong currents of domestic support. Individual appeals to western capitals to solve Lebanese problems will not gain traction without feasible and sustainable proposals that are “made in Lebanon” and gather internal strength with outside assistance.

**American leaders should recognize that the Middle East is a single campaign theater with fault lines that run through Lebanon; ignoring that reality has consequences.**

The limited “bandwidth” of American officials for Lebanon contrasts with the more intense focus of such regional players as Iran, Syria, and Israel. Lebanon is a landscape for regional conflicts, and American neglect of Lebanon can only strengthen US adversaries. Neither excessive American intervention nor withdrawal from the field is desirable. Instead, steady diplomatic engagement should be maintained to blunt and reverse the substantial gains made by pro-Iranian, anti-democratic forces in Lebanon during the long history of American policy deference to Syria (before 2003) or comparative neglect of Lebanon (since 2008). Senior American officials should visit Lebanon, and Lebanese leaders who share America’s vision for the Middle East should be encouraged to visit Washington. American diplomacy regarding Lebanon should be active not only in that country, but in our dialogues with key regional and international players. If counterparts—including adversaries—do not hear American officials identify Lebanon as an area of interest, they will act accordingly.

**Sanctions should be deployed to support coherent and attainable policy goals, not as a substitute for policy, and regular assessment of their effect on changing behavior should be used to adjust them accordingly.**

Sanctions have been an integral element of US policy toward bad actors in Lebanon and have strong, bipartisan support in Washington. Less evident is how they have materially advanced well-defined policy goals. The threat of sanctions can be more effective in advancing specific diplomatic goals than their application. Sanctions designed to advance counterterrorism, human rights, and anti-corruption goals should be regularly assessed against data to see if those goals are in fact being reached. Sanctions should also be considered for deployment against those Lebanese blocking judicial accountability for the 2020 Beirut port explosion.

**American-Saudi-Lebanese partnership should be reestablished as a keystone to any policy to counter Iranian influence.**

At key moments in history, a cornerstone of success in advancing American interests in Lebanon and the Levant was American-Saudi coordination with like-minded Lebanese. A deeper American-Saudi understanding of common objectives and commitment to specific steps to bolster Lebanese sovereignty and the state would fill an existing vacuum that is exploited by Iran and its Lebanese proxies. Such an understanding can provide a platform for coordination with other regional players, such as Qatar, the UAE, and Egypt.

**The presence of an estimated 1.5 million or more Syrian refugees in Lebanon has imposed high costs and aggravated the country's socio-economic crisis; there are no quick fixes, but policymakers should give greater attention to a status quo that degrades both refugee and host communities.**

International norms for the protection of refugees should remain inviolate, but they come at a high price for Lebanon and its host communities. If there is no realistic horizon for either the large-scale return of Syrian refugees to Syria or third-country repatriation, the future for both Lebanon and the refugee communities is bleak. No attainable amount of humanitarian assistance can disguise that reality. American, European, and Arab leaders should mainstream this dilemma into their political and diplomatic dialogues and explore more creative and flexible approaches to the refugee problem before new depths of political crisis and humanitarian degradation are reached.



## IV. CONCLUSION

**T**here are no panaceas for the interconnected set of challenges confronting Lebanon today, and pursuit of the recommendations presented here will not resolve them alone. The Lebanese predicament is that its sectarian complexity makes governance and power-sharing difficult in the best of times, and these are not the best of times. Moreover, Lebanon cannot escape the reality that it is woven into the fabric of the Middle East, benefitting from its rich and complex culture but suffering its crises, conflicts, and fault lines. American engagement has been beneficial at times; however, periods of neglect and withdrawal have only witnessed the expanded reach of American foes in Lebanon—like Iran today— and local actors inimical to American interests who have fed off and accelerated the erosion of the state and sovereignty. The challenge for Lebanese leaders and American policymakers is to move beyond rhetoric that opposes these trends and embrace tangible and realistic measures to advance an alternative vision for the country.

# MIDDLE EAST PROGRAM TEAM



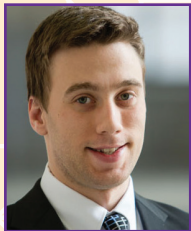
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