



LEBANON

PREAMBLE

INTRODUCTION

Lebanon, a nation with a rich historical tapestry and a vibrant cultural heritage, has found itself confronting an intricate web of crises in recent years. This once-thriving country, often described as the "Switzerland of the Middle East," has weathered a relentless series of challenges that have profoundly impacted its political, economic, and social landscape. From chronic political instability and an unprecedented economic collapse to the devastating aftermath of the Beirut explosion and the strain of hosting an inflow of refugees from neighbouring conflicts, Lebanon has become a symbol of resilience in the face of adversity. This report will aim to highlight the current economic and Presidential crises, alongside the current political and social context of the country in the month of August.

THE ECONOMIC CRISIS IN LEBANON

Lebanon has been entrenched in an enduring economic crisis since 2019. During this period, the Lebanese pound has experienced a depreciation of over 90% in its value. This tumultuous economic landscape has also witnessed a considerable surge in public debt, inflation rates, and levels of poverty. This has left a majority of the Lebanese population with limited to no access to their personal savings due to extensive financial mismanagement and stringent capital controls from the Central Bank.

The pace of Lebanon's economic decline did slow down in 2022, although the overall trend and trajectory remained fundamentally unchanged. An estimated decline of the real Gross Domestic Product (GDP) by 2.6% at the end of 2022, bringing the total economic contraction since 2018 to 39.9% of GDP (SOURCE 1A). Despite marginal improvements observed in activities within the private sector, the persistent expansion of the current account deficit, originating from a deeply entrenched structural imbalance, continues to exert a prolonged stifling influence on the potential for economic growth. This persistent increase in the current account deficit can be attributed to heightened imports in conjunction with decreasing exports. It is noteworthy that the central bank's accessible gross foreign reserves predominantly uphold this deficit. This deficit has now expanded to encompass 20.6% of the GDP, a magnitude that closely resembles levels seen prior to the crisis.

In a recent development, the conclusion of Riad Salameh's term transpired, and Wassim Mansouri stepped into the role of interim governor at the Banque du Liban. Something to be noted it that Riad Salameh having presided over the institution for a span of three decades is currently facing investigations in Lebanon, the United States, France, and Switzerland on charges of embezzlement. Additionally, his policy decisions have been extensively associated with the ongoing crisis.

However assuming office, Mansouri has diligently advocated for the implementation of requisite reforms within the governmental framework. He has also expressed reservations, cautioning against the continued expenditure of central bank funds to underwrite the government's budget deficit. Scholars and analysts have already begun to question whether this is a step in the right direction for the Banque du Liban.

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THE PRESIDENTIAL CRISIS IN LEBANON

Lebanon has been actively seeking a successor for President Michel Aoun since his term ended in 2022. Despite convening over 12 parliamentary sessions to identify a new president, no progress has been made. This has led to a stalemate in the executive branch, with even local elections being consistently postponed, and disregarding electoral schedules.

The decrees issued by the presidency, the highest authority in the nation, have been rejected by caretaker Prime Minister Najib Mikati solely based on his personal preferences. Ministerial participation in prime ministerial meetings has been marked by boycotts. As well as, within the ostensibly united pro-Hezbollah bloc, the number of blank votes in parliament has risen. Lebanon's diplomatic efforts on the international stage have been characterised by a precarious balancing act. For instance, during his attendance at the Arab League summit in May, Mr. Mikati identified himself as the "outgoing" president of the Lebanese Council of Ministers and requested financial assistance to support the 1.5 million Syrian refugees residing in Lebanon, but his plea received no positive response.

The absence of political trust in Lebanon cannot be solely attributed to its economic deterioration. The impasse extends beyond longstanding sectarian conflicts and administrative ineptitude. Central to this issue lies the nation's institutional prospects.

CURRENT SOCIAL SITUATION

As the nation strives to make progress, there have been noticeable improvements in the social sphere. Establishments are experiencing high occupancy rates. The availability of foreign currency, regardless of its source, exceeds the assessments put forth by international organisations. Some Lebanese individuals, disappointed with their experiences abroad, are returning home. Both the younger and older generations are actively generating new ideas. New businesses are emerging, and various industries are displaying signs of recovery. Remarkably, despite the challenging circumstances the country faces, Lebanon continues to attract a substantial number of tourists throughout the year, particularly during the summer season. July 2023 saw a total of 924,000 passengers travelling through the airport in Beirut: 504,026 people arriving and 419,398 people departing. Those numbers marked a 12.15% increase from the same period last year. There was a total of 6,544 flights, which is an 8.2 % increase from last year (SOURCE).

While tourism has reached unprecedented levels, greatly benefiting the economy, it is important to acknowledge that this prosperity does not extend to all segments of the country. A significant number of Lebanese residents have departed the country, facing difficulties in securing basic necessities and supporting their families. Research indicates that poverty rates in Lebanon have risen since 2019, primarily attributable to the challenging economic conditions and inadequate household income. The societal division within the country is evident and varies depending on the specific geographic area one visits.

MAJOR KEY EVENTS

August 1st 2023: MP Fouad Makhzoumi expressed his concerns regarding the government's proposed draft law to borrow from the Banque du Liban (BDL) using its mandatory reserves under exceptional circumstances.

August 2nd 2023: Gilad Erdan, Israel's ambassador to the United Nations, submitted an official complaint to the UN Security Council against Lebanon. He demanded the Lebanese government and UNIFIL force be ordered to act immediately to prevent Hezbollah from continuing the construction of its military infrastructure along the Israeli-Lebanese border, in violation of UN Security Council Resolution 1701

August 3rd 2023: Ali Shoeib, a reporter for the Hezbollah-affiliated al-Manar network, issued a video documenting their visit to a position near Eita al-Shaab, about 20 kilometres (16 miles) east of Rosh HaNikra, on the Israel-Lebanon border.

August 4th 2023: 3-year anniversary of the Beirut port explosion

August 5th 2023: Saudi and Kuwaiti Embassies Issue Warnings to Their Citizens to leave Lebanon due to the rise in security threats

August 6th 2023: The Joint Palestinian Action Committee in Lebanon has reiterated its commitment to maintaining a comprehensive and permanent ceasefire in Ain al-Hilweh camp.

August 7th 2023: Leader of the Kataeb Party MP Sami Gemayel sent a letter to Minister of Finance Youssef Khalil, requesting the implementation of the urgent decision issued by the expedited judge, Carl Irani, with reference number 627/2022-2023.

August 8th 2023: Lebanese army officers conducted a tour for 15 embassy representatives of UN Security Council members and showed them the disputed sites along the Lebanon-Israel border

August 9th 2023: Hezbollah weapons truck overturned in al-Kahala, a Christian town southeast of Beirut + and two dead due to an exchange of fire between Hezbollah members and residents of the Christian area.

August 10 2023: The United States Treasury Department imposed sanctions on Riad Salameh, former governor of the Central Bank of Lebanon, his aides and his family members. The British and Canadian governments also sanctioned him, in coordination with the United States

August 11 2023: Hezbollah revealed a dual-cannon anti-tank missile launch system called Tha'r Allah ("Allah's revenge"), apparently based on an improved Iranian imitation called Dehlavine of a Russian-made Kornet missile.

August 12th 2023: Dozens of female students from Hezbollah schools in south Lebanon held a march across from Metulla to mark the 17th anniversary of the Second Lebanon War

August 13th 2023: A Molotov cocktail was thrown from Lebanon into Israeli territory in the Metulla area, apparently by a Hezbollah operative. There were no casualties. IDF forces fired warning shots into the air.

August 14th 2023: "Diplomatic sources" reported that there were difficulties in extending the UNIFIL mandate because Lebanon wanted to amend the freedom of movement clause, which was included last year

August 15th 2023: Hezbollah's Secretary-General, Hassan Nasrallah, emphasized that there is no issue "between us and the people of the Kahaleh or any of its families," confirming that the incident is under the jurisdiction of the judiciary and that the identities of all individuals present have become known.

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August 16th 2023: Representatives of UNIFIL, Israel and Lebanon met in Ras al-Naqoura to discuss the Blue Line and recent events along the border. UNIFIL Commander Aroldo Lázaro called on Israel and Lebanon to continue liaising and coordinating through UNIFIL's mechanisms and not take unilateral action.

August 17th 2023: Lebanon's failure to approve a string of crucial economic laws to pull the country back onto its feet threatens the country's future economic stability, says Prime Minister Najib Mikati

August 18 2023: A United Nations agency has suspended services at the largest Palestinian refugee camp in Lebanon to protest against the presence of armed fighters around its schools and other facilities within the area.

August 19th 2023: A Syrian youth suspected of carrying out an attack that killed at least six people in Damascus in July died after he threw himself from a building during a raid in Beirut.

August 20 2023: The Ministry of Foreign Affairs announced that it is closely monitoring "with concern the developments in the buffer zone between the two parts of the island of Cyprus following the attack on the United Nations peacekeeping mission forces on August 18."

August 21st 2023: A delegation of opposition MPs visited Army Commander General Joseph Aoun in his office in Yarze to reaffirm their support for the military institution and all security agencies as a safety valve for the state and its citizens.

August 22nd 2023: Exploratory drilling for oil and gas in Lebanon's offshore Block 9 is set to begin on Aug. 24 after a landmark U.S.-brokered agreement last year set a maritime border between Lebanese and Israeli waters for the first time.

August 23rd 2023: Parliament Speaker Nabih Berri, Prime Minister Najib Mikati, Minister of Energy & Water Walid Fayad and Minister of Public Works & Transport Ali Hamieh visited the gas and oil drilling rig currently in the Lebanese territorial waters' Block 9.

August 24th 2023: Members of Jnoud al-Rab attacked a café in Mar Mikhael because it is frequented by members of the LGBTQ+ community.

August 25th 2023: Minister of Health Firas Abiad welcomed Australian Ambassador to Lebanon Andrew Barnes, with whom he discussed joint projects aimed at supporting the health sector

August 26th 2023: Protesters blocked the road of Kasaks and Corniche farm with burning tires

August 27th 2023: Minister of Tourism Walid Nassar, during his tour of religious and historical sites in several villages of the northern sector in the Jbeil district, included "Darb al-Salib" in the Mar Gerges Reserve, in the town of Tartej on the religious tourism map.

August 28th 2023: Finance and Budget Parliamentary Committee's Head, MP Ibrahim Kanaan, highlighted the pressing need to complete the Lebanese Central Bank's forensic audit.

August 29th 2023: Kataeb Leader Samy Gemayel received Brazilian Ambassador to Lebanon Tarcisio de Lima Ferreira Fernandes Costa who paid him an acquaintance visit.

August 30th 2023: The United Nations Agency for Palestinian refugees is said to have appealed for \$15.5 million to respond to the fallout of clashes in Lebanon's largest Palestinian refugee camp earlier this month.

August 31st 2023: A planned United Nations vote to renew approval for a peacekeeping mission in Lebanon has been delayed as France, the United States and the United Arab Emirates argue over the freedom of movement of U.N. troops.